

# CHINA RUIFENG GALAXY RENEWABLE ENERGY HOLDINGS LIMITED

(Formerly known as Galaxy Semi-Conductor Holdings Limited)

## 中國瑞風銀河新能源控股有限公司

(前稱銀河半導體控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 527)



# 2010

Interim Report

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# Company Information

Company Name: China Ruifeng Galaxy Renewable Energy Holdings Limited  
(Formerly known as Galaxy Semi-Conductor Holdings Limited)  
Place of listing: The Stock Exchange of Hong Kong Limited  
Stock Code: 00527

## EXECUTIVE DIRECTORS

Mr. Yang Senmao (*Chairman*)  
Mr. Yue Lian  
Mr. Xu Xiaoping  
Mr. Li Baosheng (*appointed on 7 July 2010*)  
Mr. Zhang Zhixiang (*Chief executive officer*) (*appointed on 7 July 2010*)

## NON-EXECUTIVE DIRECTORS

Mr. Meng Quanda  
Mr. Shiu Kit  
Mr. Dong Renhan

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wong Wai Ling  
Mr. Su Xiucheng (*appointed on 31 March 2010*)  
Mr. Shu Mingding  
Mr. Ni Tongmu (*resigned on 31 March 2010*)

## AUDIT COMMITTEE

Ms. Wong Wai Ling (*Chairman*)  
Mr. Su Xiucheng (*appointed on 31 March 2010*)  
Mr. Shu Mingding  
Mr. Ni Tongmu (*resigned on 31 March 2010*)

## REMUNERATION COMMITTEE

Mr. Yang Senmao (*Chairman*)  
Ms. Wong Wai Ling  
Mr. Su Xiucheng (*appointed on 31 March 2010*)  
Mr. Shu Mingding  
Mr. Ni Tongmu (*resigned on 31 March 2010*)

## COMPANY SECRETARY

Mr. Cheng Koon Kau Alfred

## AUTHORISED REPRESENTATIVES

Mr. Yang Senmao  
Mr. Cheng Koon Kau Alfred

# Company Information

## PRINCIPAL BANKERS

*In Hong Kong:*

Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation Limited  
DBS Bank (Hong Kong) Limited

*In the Peoples' Republic of China (the "PRC"):*

Bank of China Limited  
Agricultural Bank of China  
The Credit Cooperatives Union of the Xinbei District,  
Changzhou Sanjing Credit Cooperative

## REGISTERED OFFICE

Clifton House  
75 Fort Street  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1012, 10th Floor, West Tower,  
Shun Tak Centre, 168-200 Connaught Road,  
Central, Hong Kong

## COMPANY WEBSITE

[www.galaxycn.com](http://www.galaxycn.com)

## LEGAL ADVISERS

Loong & Yeung  
Suites 2001-2005  
20th Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

# Company Information

## AUDITORS

HLB Hodgson Impey Cheng  
Chartered Accountants  
Certified Public Accountants  
31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Appleby Corporate Services (Cayman) Limited  
Clifton House  
75 Fort Street  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

# Summary of Financial Results

Below is a summary of the unaudited condensed consolidated financial results of China Ruifeng Galaxy Renewable Energy Holdings Limited (the “Company”) for the six months ended 30 June 2010 and the relevant audited/unaudited comparative figures in prior corresponding period:

|                               | For the six months<br>ended 30 June     |   | Increase/<br>(decrease)<br>RMB'000 | Change in<br>percentage<br>% |
|-------------------------------|---|---|------------------------------------|------------------------------|
|                               | 2010<br>RMB'000<br>(unaudited)          | 2009<br>RMB'000<br>(unaudited)            |                                    |                              |
| Turnover                      | 261,607                                 | 178,245                                   | 83,362                             | 46.77                        |
| Gross profit                  | 57,434                                  | 37,528                                    | 19,906                             | 53.04                        |
| Operating profits             | 27,870                                  | 14,034                                    | 13,836                             | 98.59                        |
| Profit before income tax      | 25,159                                  | 10,710                                    | 14,449                             | 134.91                       |
| Profit for the period         | 22,074                                  | 10,310                                    | 11,764                             | 114.10                       |
| Attributable to:              |   |   |                                    |                              |
| Equity holders of the company | 22,074                                  | 10,310                                    | 11,764                             | 114.10                       |
|                               | As at<br>30 June<br>2010<br>(unaudited) | As at<br>31 December<br>2009<br>(audited) | Increase/<br>(decrease)<br>RMB'000 | Change in<br>percentage<br>% |
| Net cash (RMB'000) (note)     | (63,886)                                | 11,200                                    | (75,086)                           | (670.41)                     |
| Net assets (RMB'000)          | 350,425                                 | 312,151                                   | 38,274                             | 12.26                        |
| Net debt to capital ratio     | 18.23%                                  | (3.59%)                                   |                                    | 21.82                        |

Note:

Net cash: Bank deposits and cash less bank borrowings and convertible bonds.

# Chairman's Statement

To the Shareholders:

On behalf of the Company and its subsidiaries (collectively the "Group"), I hereby present the operating results of the Company for the six months ended 30 June 2010.

For the first half of the financial year 2010, unaudited turnover of the Group was RMB261,607,000, representing an increase of 46.77% compared to that for the same period in 2009. Profit attributable to equity holders of the Company was RMB22,074,000, representing an increase of 1.14 times compared to that for the same period in 2009. Basic earnings per share was RMB0.046, representing an increase of RMB0.02 compared to that for the same period in 2009. Diluted earnings per share was RMB0.038, representing an increase of RMB0.012 compared to that for the same period in 2009.

## BUSINESS REVIEW

Looking back at the first half of year 2010, the Group benefited from the streamlining of the Group's products. Having a well-planned production capacity, the Group took advantage of the economic momentum and achieved record-high sales. During the period under review, the Group has integrated its production facilities, especially the axial plastic-packaged diodes production base, and have fine-tuned the product categories. It is believed that in the long run, such measures would reduce operational costs and reallocate resources to businesses with higher growth prospects.

## OUTLOOK

The PRC region remains the largest market of the Group in the six months ended 30 June 2010 as before and it is expected that this tendency would remain unchanged in the foreseeable future. It is expected that the macroeconomy will decline mildly in the second half of 2010 following the tightened monetary policy of the PRC government. We also expect the market demand for semi-conductor diode will remain strong. We are optimistic that by leveraging on our strength and advantages in the diode industry in the PRC, and with our efforts in the ongoing cost cutting and management improvements, the Group's diode business will remain competitive and profitable. While the semiconductor diode business remains positive, we intend to focus relatively less Group resources towards this industry compared to our newly acquired business.

# Chairman's Statement

On 7 July 2010, the Company completed the acquisition of Power Full Group Holdings Limited (the "Acquisition"). The acquired group principally engages in manufacturing, processing and sales of wind power equipment, construction of power grid and transformer project through its subsidiaries including Chengde Ruifeng Renewable Energy Windpower Company Limited and Hebei Beichen Power Grid Construction Co., Ltd.

The Company has been principally engaged in the business of manufacturing diodes for various electronics applications including the solar schottky range of diodes designed specifically for solar panels. It is belief that the development of clean and renewable energy will become the next industrial revolution in light of the emerging energy crisis faced by the world nowadays. Although the Company has been benefiting indirectly from supplying components to manufacture clean energy or energy saving equipment, the Acquisition allows the Company to participate directly in such industry. Furthermore, the Acquisition is in line with the Company's expertise in the technology and manufacturing industry. Going forward, we intend to streamline the Company and continuously take advantage of such opportunities to allow the Group to gain a stronger foothold in the energy efficiency and renewable energy industry with a view of becoming a leading market player in this segment of the energy industry.

## ACKNOWLEDGEMENT

Finally, on behalf of the Board, I would like to take this opportunity to express our gratitude to our Shareholders, investors and business partners for their constant care and support for the Company and to the management and all staff for their efforts and contributions to the development of the Group.

**Yang Senmao**

*Chairman*

Hong Kong, 24 August 2010



# Management Discussion and Analysis

## 1. FINANCIAL REVIEW

The Group is a leading diodes manufacturer and the largest rectifier manufacturer in the PRC. Its operations are mainly conducted through its six PRC subsidiaries, namely Changzhou Galaxy Electrical Co., Ltd. (“Galaxy Electrical”), Changzhou Galaxy Semiconductor Co., Ltd. (“Galaxy Semiconductor”), Changzhou Galaxy Technology Developing Co., Ltd. (“Galaxy Technology”), Changzhou Galaxy Hi-New Electric Parts Co., Ltd. (“Galaxy Hi-New”), Changzhou Galaxy Century Micro-Electronics Co., Ltd. (“Galaxy Micro-Electronics”) and Taizhou Galaxy Huanyu Semi-conductor Co., Ltd. (“Galaxy Huanyu”).

The principal operations of Galaxy Electrical, Galaxy Hi-New and Galaxy Huanyu are design, development, manufacturing and sale of different types of diodes. The principal operations of Galaxy Micro-Electronics are design, development, manufacturing and sale of micro surface mount plastic-packaged components (including diodes and transistor) (“micro components”). Galaxy Semiconductor and Galaxy Technology are principally engaged in design, development, manufacturing and sale of diode wafers, which are mainly used by the Group for production of diodes.

Following the completion of the Acquisition on 7 July 2010, the Group also engages in manufacturing, processing and sales of wind power equipment and construction of power grid and transformer project through its subsidiaries including Chengde Ruifeng Renewable Energy Windpower Company Limited and Hebei Beichen Power Grid Construction Co., Ltd.

### **Turnover**

Turnover for the six months ended 30 June 2010 was approximately RMB261,607,000. It represented an increase of approximately 46.77% when compared with the turnover of approximately RMB178,245,000 in the corresponding period in 2009.

# Management Discussion and Analysis

Analysis of the Group's turnover by geographical region and by product type for the period ended 30 June 2010 is set out below:

## By geographical region

|   | For the six months ended 30 June      |        |                                       |        | Increase/<br>(decrease)<br>RMB<br>million | Change in<br>percentage<br>% |
|---|---------------------------------------|--------|---------------------------------------|--------|---|------------------------------|
|   | 2010<br>RMB<br>million<br>(unaudited) |        | 2009<br>RMB<br>million<br>(unaudited) |        |   |                              |
| The PRC (note 1)                        | 215.37                                | 82.32  | 144.54                                | 81.09  | 70.83                                     | 49.00                        |
| Hong Kong and<br>Korea (note 2)         | 16.21                                 | 6.20   | 13.20                                 | 7.41   | 3.01                                      | 22.80                        |
| Other countries and<br>regions (note 3) | 30.03                                 | 11.48  | 20.50                                 | 11.50  | 9.53                                      | 46.49                        |
|   | 261.61                                | 100.00 | 178.24                                | 100.00 | 83.37                                     | 46.77                        |

### Notes:

1. The PRC is the major market of the Group's products. The Group leverages on the advantages of its own brand-name and product quality, and as at 30 June 2010, the Group had over 1,350 customers in the PRC.
2. Hong Kong and Korea are the major overseas markets of the Group's products. The Group will strive to explore commercial opportunities through continuous participation in exhibitions in overseas regions such as Hong Kong and Korea.
3. Other countries and regions include Thailand, Taiwan, the United States, Italy, Canada, Germany, Spain and France. The Group is also exploring other overseas markets through commercial advertisements and participations in exhibitions.

# Management Discussion and Analysis

## Turnover by product type

|   | For the six months ended 30 June |        |                               |        | Increase/<br>(decrease)<br>RMB<br>million | Change in<br>percentage<br>% |
|---|----------------------------------|--------|-------------------------------|--------|---|------------------------------|
|   | 2010                             |        | 2009                          |        |   |                              |
|   | RMB<br>million<br>(unaudited)    | %      | RMB<br>million<br>(unaudited) | %      |   |                              |
| Plastic packaged diodes (note 1)              | 143.74                           | 54.94  | 102.02                        | 57.24  | 41.72                                     | 40.89                        |
| Glass packaged diodes                         | 12.97                            | 4.96   | 11.76                         | 6.60   | 1.21                                      | 10.29                        |
| Bridge rectifiers                             | 3.59                             | 1.37   | 9.38                          | 5.26   | (5.79)                                    | (61.73)                      |
| Surface mount device packaged diodes (note 2) | 100.53                           | 38.43  | 54.93                         | 30.82  | 45.60                                     | 83.01                        |
| Others (note 3)                               | 0.78                             | 0.30   | 0.15                          | 0.08   | 0.63                                      | 420                          |
|   | 261.61                           | 100.00 | 178.24                        | 100.00 | 83.37                                     | 46.77                        |

### Notes:

1. Plastic packaged diodes are the Group's major products. For the 6 months ended 30 June 2010, both the sales and its proportion to total sales increased due to strong demand of the product.
2. Surface mount device plastic packaged diodes are miniaturized diodes under key development by the Group. Through the ongoing expansion of its customer base and the increase in operation of Galaxy Micro-Electronics in the first half of 2010, the Group's sales deriving from such products showed a growth momentum.
3. This refers to processing fees received from other factories in respect of the processing of mono-crystal silicon into wafers.

### Cost of sales

Cost of sales mainly includes raw materials, wages, water, electricity, gas and other ancillary materials. Cost of sales for the six months ended 30 June 2010 represented approximately 78.05% of the turnover, with a slight drop of approximately 0.9%, when compared with approximately 78.95% for the period ended 30 June 2009.

# Management Discussion and Analysis

## **Gross profit**

The Group's gross profit margin for the six months ended 30 June 2010 was approximately 21.95%, with a slight increase of approximately 0.9%, when compared with approximately 21.05% for the period ended 30 June 2009. The increase in the gross profit margin was mainly due to the drop in the cost of sales, as discussed above, outweighing the drop in selling price of the Group's products.

## **Other revenue**

Other revenue mainly comprised income generated by the sale of scrap material and subproducts (30 June 2010: approximately RMB240,000; 30 June 2009: approximately RMB150,000) and interest income from bank deposits (30 June 2010: approximately RMB270,000; 30 June 2009: approximately RMB400,000).

## **Distribution costs**

Distribution costs mainly included commission expenses for sales and distribution activities, wages and salaries of sales personnel and transportation costs. Distribution costs for the period ended 30 June 2010 represented approximately 2.96% of the total turnover, showing a drop when compared with 3.11% for the period ended 30 June 2009. The drop in the distribution costs proportion is mainly because sales were boosted during the first half of 2010.

## **Administration expenses**

Administration expenses mainly included wages, salaries and welfare expenses, provisions for bad debt, depreciation expenses of office equipment and office and entertainment expenses. Administration expenses for the period ended 30 June 2010 amounted to approximately RMB22,390,000, showing a significant increase when compared with approximately RMB18,470,000 for the period ended 30 June 2009. Items contributing to the increase in administrative expenses are as follows: Salaries and benefits of management staff increased by approximately RMB980,000 (30 June 2010: approximately RMB10,680,000; 30 June 2009: approximately RMB9,700,000); Office and entertainment expenses increased by

# Management Discussion and Analysis

RMB890,000 (30 June 2010: approximately RMB3,610,000; 30 June 2009: approximately RMB2,720,000); and Legal and other professional expenses increased by RMB4,310,000 mainly because of the Acquisition (as defined in the paragraph headed "Acquisition and disposal" below).

## **Finance costs**

Finance costs refer to interest expenses for bank loans obtained by the Group. Interest expenses for the period ended 30 June 2010 were approximately RMB2,710,000 while those for the period ended 30 June 2009 were approximately RMB3,320,000. The drop in finance costs was due to the drop in average bank loans for financing operations for the period ended 30 June 2010 compared with that for the period ended 30 June 2009.

## **Taxation**

The effective tax rate increased from approximately 3.73% for the six month period ended 30 June 2009 to approximately 12.26% for the six month period ended 30 June 2010. The increase in effective tax rate was mainly because exemption for tax payment of certain entities was no longer applicable in 2010.

## **Net profit for the period**

The net profit margin for the period ended 30 June 2010 increased to 8.44% compared with that for the period ended 30 June 2009.

## **Net current assets**

The net current assets of the Group as at 30 June 2010 increased to approximately RMB329,280,000 compared to that of the previous year (31 December 2009: approximately RMB132,670,000).

## **Liquidity and financing**

The balances of deposits at banks as at 30 June 2010 and 31 December 2009 amounted to approximately RMB101,910,000 which mainly comprised RMB67,180,000, USD420,000 and HK\$36,460,000 and approximately RMB118,700,000, respectively.

# Management Discussion and Analysis

As at 30 June 2010, the total amount of borrowings by the Group was approximately RMB60,000,000 representing a decrease of approximately RMB47,500,000 compared with the balance outstanding as at 31 December 2009. All of the above borrowings was long term bank loan due over one year but within five years.

The Group repaid its debt mainly through the steady recurrent cash-flows generated by its operations. The Group's gearing ratio dropped to approximately 47.40% as at 30 June 2010 from approximately 43.31% as at 31 December 2009. That ratio was computed by dividing the Group's total liabilities by its total assets. During 2010, all of the Group's borrowings were settled in Renminbi. Approximately 80% of the Group's income was denominated in Renminbi and the remaining approximately 20% was denominated in Hong Kong dollars and US dollars. The borrowings of the Group were floating-rate loans, which amounted to RMB60,000,000. The Group had not engaged in any currency hedging facility for the period ended 30 June 2010 and up to the date of this report, as the Board considered that the cost of any hedging facility would be higher than the potential risk of the costs incurred from currency fluctuation. The Group's overall financial and funding policies were aimed at controlling foreign exchange fluctuations and interest rate fluctuations in individual transactions.

## **The Placing of Convertible Bonds**

On 16 April 2010, the Company entered into a placing agreement with China Merchants Securities (HK) Co., Ltd. (the "Placing Agent"), pursuant to which the Company has agreed to issue and the Placing Agent has agreed to procure not less than 6 independent placees to subscribe for, in cash at 100% of their principal amount, convertible bonds up to an aggregate principal amount of HK\$143,040,000, on a best effort basis.

Based on the initial conversion price of HK\$1.49 per share to be allotted and issued upon exercise of the conversion power attached to the said convertible bonds, a maximum number of 96,000,000 shares may be allotted and issued.

# Management Discussion and Analysis

As at the date of this report, conversion rights attaching to convertible bonds in an aggregate principal amount of HK\$143,040,000 have been exercised. Accordingly, 96,000,000 shares have been issued under the said convertible bonds as at the date of this report.

Details of the placing are set out in the announcements of the Company dated 26 April 2010, 17 May 2010 and 27 May 2010, respectively.

## **Acquisition and disposal**

### ***Acquisition of shares in Power Full Group Holdings Limited***

On 1 April 2010, the Company (as purchaser) entered into a conditional agreement with Brown Beauty Business Limited (as vendor) and Mr. Riley M Chung (as guarantor), pursuant to which the Company agreed to acquire and Brown Beauty Business Limited agreed to dispose of the entire issued share capital of Power Full Group Holdings Limited for a total consideration of HK\$830 million (the "Acquisition"). The consideration of HK\$830 million for the Acquisition was satisfied by a combination of (a) issue of convertible note in the principal amount of HK\$155 million; (b) allotment and issue of 195 million consideration shares at the issue price of HK\$1.00 per share amounting to HK\$195 million; (c) issue of promissory note in the principal amount of HK\$330 million; and (d) payment of HK\$150 million in cash upon completion of the Acquisition on 7 July 2010.

The Acquisition constitutes a very substantial acquisition of the Company pursuant to Chapter 14 of the Listing Rules. Details of the Acquisition are set out in the circular of the Company dated 21 June 2010 and the announcement of the Company dated 7 July 2010.

## **Pledge of assets**

As at 30 June 2010, the Group had pledged assets comprising land and buildings with net book values of approximately RMB23,310,000 (31 December 2009: approximately RMB30,520,000), as security for the bank loans obtained by the Group.

# Management Discussion and Analysis

On 7 July 2010, the acquisition of the entire issued share capital of Power Full Group Holdings Limited for a total consideration of HK\$830 million, which included the issue of a promissory note in a principal amount of HK\$330 million, was completed. The entire issued share capital of Sun Light Planet Limited, a direct wholly-owned holding subsidiary of the Company, was pledged to the holder of the promissory note to secure the Company's obligation under the promissory note.

## **Contingent liabilities**

For the six months ended 30 June 2010 and for the year ended 31 December 2009, the Group had no material contingent liabilities.

## **Employees**

As at 30 June 2010, the Group had approximately 2,200 full-time employees in Hong Kong and the PRC, including 700 employees provided by employment agents, responsible for management, administration and production. For the period ended 30 June 2010, the relevant employee costs (including Directors' remuneration) were approximately RMB30,950,000 (30 June 2009: approximately RMB24,640,000). The Group ensured that the remuneration of employees was attractive and bonuses were given based on the performance of the employees in accordance with the general standards of the Group's salary policies.



# Disclosure of Interests

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY

As at 30 June 2010, save as disclosed below, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares and/or debenture (as the case may be) of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which was required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and shorts positions which any such Director or chief executive of the Company is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange:

### Long Position in the shares of the Company

| Name of Director | Capacity                                      | Number of shares of the Company held/ interested | Approximate percentage of the issued share capital of the Company |
|------------------|---|--|---|
| Yang Senmao      | Interest of controlled corporations<br>(note) | 244,600,000                                      | 50.96%  |

*Note:* Mr. Yang is the beneficial owner of 60% of the issued shares in Rapid Jump Limited, and his wholly-owned company, namely, Color Vision Limited, owned 89.1% of the issued shares in Kalo Hugh Limited as at 30 June 2010. Therefore, Mr. Yang was deemed, or taken to be, interested in the 153,000,000 shares of the Company owned by Rapid Jump Limited and the 91,600,000 shares of the Company owned by Kalo Hugh Limited, for the purposes of the SFO, as at 30 June 2010.

# Disclosure of Interests

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY AND OTHER PERSONS

Save as disclosed below, the Directors are not aware of any other person (other than a Director or chief executive of the Company) who, as at 30 June 2010, had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and required to be entered in the register kept by the Company under section 336 of the SFO.

### Long Position in the shares of the Company

| Name of shareholder                            | Capacity                           | Number of shares held/ interested | Approximate percentage of the issued share capital of the Company |
|--|------------------------------------|-----------------------------------|---|
| Chung Riley M ( <i>note 1</i> )                | Interest of controlled corporation | 350,000,000                       | 72.92%  |
| Diamond Era Holdings Limited ( <i>note 1</i> ) | Beneficial owner                   | 350,000,000                       | 72.92%  |
| Zhang Jingru ( <i>note 2</i> )                 | Interest of spouse                 | 244,600,000                       | 50.96%  |
| Rapid Jump Limited ( <i>note 3</i> )           | Beneficial owner                   | 153,000,000                       | 31.88%  |
| Color Vision Limited ( <i>note 4</i> )         | Interest of controlled corporation | 91,600,000                        | 19.08%  |
| Kalo Hugh Limited ( <i>note 4</i> )            | Beneficial owner                   | 91,600,000                        | 19.08%  |

# Disclosure of Interests

## Notes:

1. As at 30 June 2010, Diamond Era Holdings Limited was interested in (i) 195,000,000 consideration shares of the Company to be issued, and (ii) 155,000,000 shares to be issued upon exercise in full of the conversion rights attached to the convertible note to be issued, upon completion of the transaction contemplated under the conditional agreement entered into among the Company, Brown Beauty Business Limited and Riley M Chung on 1 April 2010. The transaction was completed on 7 July 2010 and the said consideration shares and convertible note were issued on the same date. Details of the aforesaid transaction are set out in the circular of the Company dated 21 June 2010, and the announcement of the Company dated 7 July 2010.

Diamond Era Holdings Limited is wholly-owned by Mr. Riley M Chung. Therefore, Mr. Riley M Chung was deemed, or taken to be, interested in the 350,000,000 shares of the Company in which Diamond Era Holdings Limited was interested as at 30 June 2010 for the purposes of the SFO.

2. Ms. Zhang Jingru is the spouse of Mr. Yang. For the purpose of the SFO, Ms. Zhang was deemed, or taken to be, interested in the 244,600,000 shares of the Company in which Mr. Yang was interested as at 30 June 2010.
3. Rapid Jump Limited is owned by Mr. Yang Senmao, a director of the Company, as to 60%. Therefore, Mr. Yang was deemed, or taken to be, interested in the 153,000,000 shares of the Company owned by Rapid Jump Limited as at 30 June 2010 for the purposes of the SFO.

Mr. Yang, Mr. Xu Xiaoping and Mr. Meng Quanda, each a director of the Company, hold 60%, 18% and 22% of the issued shares in Rapid Jump Limited, respectively. Mr. Yang, Mr. Xu and Mr. Meng are directors of Rapid Jump Limited.

4. Kalo Hugh Limited is owned by Color Vision Limited as to 89.1%. Therefore, Color Vision Limited was deemed, or taken to be, interested in the 91,600,000 shares of the Company owned by Kalo Hugh Limited. As Color Vision Limited is wholly-owned by Mr. Yang, Mr. Yang was deemed, or taken to be, interested in the 91,600,000 shares of the Company owned by Kalo Hugh Limited as at 30 June 2010 for the purpose of the SFO.

Mr. Yue Lian, a director of the Company, owns 10.9% of the issued shares in Kalo Hugh Limited. Mr. Yang and Mr. Yue Lian are directors of Kalo Huge Limited.

# Corporate Governance

The Company is committed to establish and maintain high standards of corporate governance practices and procedures. The corporate governance principles of the Company emphasize effective internal control, high level of transparency and accountability to all shareholders. The Board comprises eleven members including five executive Directors, three non-executive Directors and three independent non-executive Director as at the date of this report. The Board will continue to review its practices from time to time in order to improve the Group's corporate governance to meet internationally recognised best practices.

## **DIRECTOR'S COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of practice for securities transaction by the Directors. Specific enquiries have been made to all Directors, who have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2010.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

For the six months ended 30 June 2010, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules.

## Other Information

### AUDIT COMMITTEE

The Company has established an audit committee. The audit committee comprises Ms. Wong Wai Ling, Mr. Su Xiucheng and Mr. Shu Mingding, being all the independent non-executive Directors. The audit committee has reviewed the unaudited financial results of the Company for the six months ended 30 June 2010 and this report. The audit committee has also discussed matters such as internal control practices adopted by the Group and the financial reporting matters of the Group for the six months ended 30 June 2010.

### REMUNERATION COMMITTEE

The Company has set up a remuneration committee in accordance with the Code. Its members are Mr. Yang Senmao, Ms. Wong Wai Ling, Mr. Shu Mingding and Mr. Su Xiucheng.

### INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010.

### PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the shares in the Company during the six months ended 30 June 2010.

### SHARE OPTION SCHEME

For the period ended 30 June 2010, no options were granted under the share option scheme operated by the Company and no options were outstanding, exercised, cancelled or lapsed during the period.

### CHANGE OF COMPANY'S NAME

On 21 July 2010, the Board announced that it proposed to change the English name of the Company from "Galaxy Semi-Conductor Holdings Limited" to "China Ruifeng Galaxy Renewable Energy Holdings Limited" and its Chinese name from "銀河半導體控股有限公司" to "中國瑞風銀河新能源控股有限公司" and the stock short names of the Company. The proposed change of the Company's name was approved by the shareholders of the Company on 24 August 2010 and has been registered with the Cayman Registrar of Companies with effect from 24 August 2010. The Company is carrying out the necessary registration and/or filing procedures in respect of the change of the Company's name. As at the date of this report, the procedures in relation to the change of the Company's name and stock short names have not yet completed. Details of the change of Company's name are set out in the circular of the Company dated 30 July 2010 and the announcement of the Company dated 24 August 2010.

# Condensed Consolidated Financial Statements

## UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of China Ruifeng Galaxy Renewable Energy Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2010 together with the comparative figures for the last corresponding period as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

|                               | Note | For the six months ended 30 June |                                |
|-------------------------------|------|----------------------------------|--------------------------------|
|                               |      | 2010<br>RMB'000<br>(unaudited)   | 2009<br>RMB'000<br>(unaudited) |
| Turnover                      | 3    | 261,607                          | 178,245                        |
| Cost of sales                 |      | (204,173)                        | (140,717)                      |
| Gross profit                  |      | 57,434                           | 37,528                         |
| Other revenue                 |      | 579                              | 517                            |
| Distribution costs            |      | (7,751)                          | (5,541)                        |
| Administrative expenses       |      | (22,392)                         | (18,470)                       |
| Profit from operations        |      | 27,870                           | 14,034                         |
| Finance Costs                 |      | (2,711)                          | (3,324)                        |
| Profit before taxation        | 4    | 25,159                           | 10,710                         |
| Income tax                    | 5    | (3,085)                          | (400)                          |
| Profit for the period         |      | 22,074                           | 10,310                         |
| Attributable to:              |      |                                  |                                |
| Equity holders of the Company |      | 22,074                           | 10,310                         |
| Minority interests            |      | —                                | —                              |
| Profit for the period         |      | 22,074                           | 10,310                         |
| Earnings per share            | 7    |                                  |                                |
| — Basic (RMB)                 |      | 0.046                            | 0.026                          |
| — Diluted (RMB)               |      | 0.038                            | 0.026                          |

# Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

|  | For the six months<br>ended 30 June |                                |
|--|-------------------------------------|--------------------------------|
|  | 2010<br>RMB'000<br>(unaudited)      | 2009<br>RMB'000<br>(unaudited) |
| Profit for the period  | 22,074                              | 10,310                         |
| Other comprehensive income   |                                     |                                |
| Exchange differences on translation of<br>financial statements of subsidiaries | (376)                               | 260                            |
| Other comprehensive income for the period<br>(net of tax)                      | (376)                               | 260                            |
| Total comprehensive income for the period                                      | 21,698                              | 10,570                         |
| Total comprehensive income attributable to:<br>Equity holders of the Company   | 21,698                              | 10,570                         |

# Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

|                               |             | As at<br>30 June<br>2010             | As at<br>31 December<br>2009       |
|-------------------------------|-------------|--------------------------------------|------------------------------------|
|                               | <i>Note</i> | <i>RMB'000</i><br><i>(unaudited)</i> | <i>RMB'000</i><br><i>(audited)</i> |
| <b>Non-current assets</b>     |             |                                      |                                    |
| Property, plant and equipment | 8           | 164,860                              | 157,175                            |
| Lease prepayments             |             | 19,901                               | 20,128                             |
| Deferred tax assets           |             | 2,182                                | 2,182                              |
|                               |             | <b>186,943</b>                       | <b>179,485</b>                     |
| <b>Current assets</b>         |             |                                      |                                    |
| Inventories                   |             | 45,474                               | 56,725                             |
| Trade and other receivables   | 9           | 331,423                              | 195,237                            |
| Lease prepayments             |             | 445                                  | 445                                |
| Pledge bank deposits          |             | 26,625                               | 21,134                             |
| Cash and cash equivalents     |             | 75,283                               | 97,566                             |
|                               |             | <b>479,250</b>                       | <b>371,107</b>                     |
| <b>Current liabilities</b>    |             |                                      |                                    |
| Bank loans                    | 10          | —                                    | 107,500                            |
| Trade and other payables      | 11          | 147,548                              | 129,402                            |
| Current taxation              |             | 2,426                                | 1,539                              |
|                               |             | <b>149,974</b>                       | <b>238,441</b>                     |



# Condensed Consolidated Financial Statements

|  |             | As at<br>30 June<br>2010<br><i>RMB'000</i><br><i>(unaudited)</i> | As at<br>31 December<br>2009<br><i>RMB'000</i><br><i>(audited)</i> |
|--|-------------|--|--|
|  | <i>Note</i> |  |  |
| <b>Net current assets</b>                    |             | 329,276  | 132,666  |
| <b>Total assets less current liabilities</b> |             | 516,219  | 312,151  |
| <b>Non-current liabilities</b>               |             |  |  |
| Convertible bond                             | 12          | 105,794  | —  |
| Bank loans                                   | 10          | 60,000   | —  |
| <b>NET ASSETS</b>                            |             | <b>350,425</b>   | <b>312,151</b>   |
| <b>CAPITAL AND RESERVES</b>                  |             |  |  |
| Share capital                                | 13          | 4,785  | 4,785  |
| Reserves                                     |             | 345,640  | 307,366  |
| <b>TOTAL EQUITY</b>                          |             | <b>350,425</b>   | <b>312,151</b>   |

# Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Attributable to equity shareholders of the Company |               |                 |                    |               |               |                     |                  |              |
|---|--|---------------|-----------------|--------------------|---------------|---------------|---------------------|------------------|--------------|
|   | Share capital                                      | Share premium | Special reserve | Statutory reserves | Other reserve | Convertible   | Translation reserve | Retained profits | Total equity |
|   |  |               |                 |                    |               | bonds reserve |                     |                  |              |
| RMB'000   | RMB'000  | RMB'000       | RMB'000         | RMB'000            | RMB'000       | RMB'000       | RMB'000             | RMB'000          | RMB'000      |
| <b>Balance as at 31 December 2008</b>                                       |  |               |                 |                    |               |               |                     |                  |              |
| <b>(audited)</b>  | 4,080  | 192,197       | (82,562)        | 9,534              | 31,477        | —             | 1,527               | 112,092          | 268,345      |
| Profit for the period   | —  | —             | —               | —                  | —             | —             | —                   | 10,310           | 10,310       |
| Exchange differences on translation of financial statements of subsidiaries | —  | —             | —               | —                  | —             | —             | 260                 | —                | 260          |
| <b>Balance as at 30 June 2009</b>   |  |               |                 |                    |               |               |                     |                  |              |
| <b>(unaudited)</b>  | 4,080  | 192,197       | (82,562)        | 9,534              | 31,477        | —             | 1,787               | 122,402          | 278,915      |
| Issue of shares   | 705  | 30,236        | —               | —                  | —             | —             | —                   | —                | 30,941       |
| Profit for the period   | —  | —             | —               | —                  | —             | —             | —                   | 2,267            | 2,267        |
| Transfer to reserves  | —  | —             | —               | 745                | —             | —             | —                   | (745)            | —            |
| Exchange differences on translation of financial statements of subsidiaries | —  | —             | —               | —                  | —             | —             | 28                  | —                | 28           |
| <b>Balance as at 31 December 2009</b>                                       |  |               |                 |                    |               |               |                     |                  |              |
| <b>(audited)</b>  | 4,785  | 222,433       | (82,562)        | 10,279             | 31,477        | —             | 1,815               | 123,924          | 312,151      |
| Profit for the period   | —  | —             | —               | —                  | —             | —             | —                   | 22,074           | 22,074       |
| Exchange differences on translation of financial statements of subsidiaries | —  | —             | —               | —                  | —             | —             | (376)               | —                | (376)        |
| Issue of convertible bonds  | —  | —             | —               | —                  | —             | 16,576        | —                   | —                | 16,576       |
| <b>Balance as at 30 June 2010</b>   |  |               |                 |                    |               |               |                     |                  |              |
| <b>(unaudited)</b>  | 4,785  | 222,433       | (82,562)        | 10,279             | 31,477        | 16,576        | 1,439               | 145,998          | 350,425      |

# Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

|   | For the six months<br>ended 30 June |                                |
|---|-------------------------------------|--------------------------------|
|   | 2010<br>RMB'000<br>(unaudited)      | 2009<br>RMB'000<br>(unaudited) |
| Net cash generated from operating activities                                      | 50,457                              | 29,530                         |
| Net cash used in investing activities   | (24,943)                            | (7,641)                        |
| Net cash used in financing activities   | (47,421)                            | (16,876)                       |
| Effect of exchange rate changes on cash and cash equivalents                      | (376)                               | 260                            |
| Net (decrease)/increase in cash and cash equivalents                              | (22,283)                            | 5,273                          |
| Cash and cash equivalents at beginning of period                                  | 97,566                              | 43,746                         |
| Cash and cash equivalents at end of period, represented by bank balances and cash | 75,283                              | 49,019                         |

# Condensed Consolidated Financial Statements

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. Basis of preparation

The unaudited condensed interim financial information has been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These unaudited consolidated interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2009.

### 2. Significant accounting policies

The condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

In the current interim period, the following revised Standards, Amendments and Interpretations ("new or revised HKFRSs") issued by the HKICPA have become effective.

|                     |  |
|---------------------|--|
| HKFRSs (Amendments) | Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008 |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009                                  |
| HKAS 27 (Revised)   | Consolidated and Separate Financial Statements               |
| HKAS 39 (Amendment) | Eligible Hedged Items  |
| HKFRS 1 (Amendment) | Additional Exemptions for First-time Adopters                |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions          |
| HKFRS 3 (Revised)   | Business Combinations  |
| HK(IFRIC) – Int 17  | Distributions of Non-cash Assets to Owners                   |

The adoption of the new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

# Condensed Consolidated Financial Statements

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

|                                |   |
|--------------------------------|---|
| HKFRSs (Amendments)            | Improvements to HKFRSs 2010 <sup>1</sup>  |
| HKAS 24 (Revised)              | Related Party Disclosures <sup>2</sup>  |
| HKAS 32 (Amendment)            | Classification of Rights Issues <sup>3</sup>  |
| HKFRS 1 (Amendment)            | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>4</sup> |
| HKFRS 9                        | Financial Instruments <sup>5</sup>  |
| HK(IFRIC) – Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement <sup>2</sup>                                   |
| HK(IFRIC) – Int 19             | Extinguishing Financial Liabilities with Equity Instruments <sup>4</sup>                    |

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>3</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

### 3. Turnover

The principal activities of the Group are design, development, manufacturing and sales of diodes.

Turnover represents the sales value of goods sold to customers, net of value added tax and is after deduction of any sales, discounts and returns.

# Condensed Consolidated Financial Statements

## 4. Profit before taxation

|   | For the six months ended 30 June |                                |
|---|----------------------------------|--------------------------------|
|   | 2010<br>RMB'000<br>(unaudited)   | 2009<br>RMB'000<br>(unaudited) |
| Profit before taxation are stated net of:                               |                                  |                                |
| Director's emoluments (including retirement benefit plan contributions) | 758                              | 502                            |
| Other staff costs   | 28,517                           | 22,689                         |
| Retirement benefit scheme contributions, (excluding Directors)          | 1,679                            | 1,449                          |
| <b>Total staff costs</b>  | <b>30,954</b>                    | <b>24,640</b>                  |
| Impairment loss on trade receivables                                    | (443)                            | 987                            |
| Amortisation of prepaid lease payments                                  | 213                              | 182                            |
| Cost of inventories   | 204,173                          | 140,717                        |
| Depreciation of property, plant and equipment                           | 12,038                           | 9,690                          |
| Loss of disposal of property, plant and equipment and after crediting:  | —                                | 1                              |
| Interest income   | 272                              | 404                            |

## 5. Income tax

|                            | For the six months ended 30 June |                                |
|----------------------------|----------------------------------|--------------------------------|
|                            | 2010<br>RMB'000<br>(unaudited)   | 2009<br>RMB'000<br>(unaudited) |
| Taxation expenses include: |                                  |                                |
| PRC enterprise income tax  | 3,085                            | 400                            |
| Deferred tax               | —                                | —                              |
| <b>Total</b>               | <b>3,085</b>                     | <b>400</b>                     |

No provision of Hong Kong Profits Tax had been made as the Group's profit neither arises in, nor is derived from, Hong Kong for both periods.

# Condensed Consolidated Financial Statements

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or British Virgin Islands.

Changzhou Galaxy Electrical Co., Ltd. is recognised as high-technology company and is located in high-technology zone. According to the PRC tax regulations, Galaxy Electrical is entitled to a preferential tax rate of 15% in both periods.

Changzhou Galaxy Semiconductor Co., Ltd. is recognised as enterprise with advanced technology and is entitled to a preferential tax rate of 15% in both periods.

Pursuant to the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises ("FEIT"), Changzhou Galaxy Hi-New Electric Parts Co., Ltd., Changzhou Galaxy Technology Developing Co., Ltd. and Changzhou Galaxy Century Micro-Electronics Co., Ltd. are entitled to a tax holiday of a tax-free period for the first and second years and a 50% reduction in the income tax rate for the third to fifth years starting from the earlier of the year in which a taxable income is made.

Galaxy Hi-New, Galaxy Technology and Galaxy Micro-Electronics are located in the coastal economic open zone and are recognised as Production Foreign Invested Enterprises. Years 2009 and 2010 are the first years of 50% reduction on the income tax for Galaxy Hi-New and Galaxy Micro-Electronics respectively. The tax-free years for Galaxy Technology were applicable for 2009 and 2010 and therefore no income taxes were provided for in both periods. The applicable income tax rate of Taizhou Galaxy Huanyu Semi-conductor Co., Ltd. was 25% in 2009 and 2010 respectively.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "new tax law") which took effect on 1 January 2008. As a result of the new tax law, higher income tax rate was reduced to 25% from 1 January 2008 and the preferential income tax rate would gradually increase to the standard rate of 25% over a five-year transition period after the enactment of the tax law. Except for Galaxy Huanyu, the applicable income tax rate to the Group's subsidiaries would gradually increase to 25% in the following 5 years.

## **6. Interim dividend**

The Directors do not recommend the distribution of an interim dividend for the period ended 30 June 2010 (30 June 2009: Nil).

# Condensed Consolidated Financial Statements

## 7. Earnings per share

Earnings per share was calculated as follows:

|   | For the six months ended 30 June |                     |
|---|----------------------------------|---------------------|
|   | 2010<br>(unaudited)              | 2009<br>(unaudited) |
| <b>BASIC:</b>   |                                  |                     |
| Profit attributable to equity shareholders of the Company (RMB'000)                 | 22,074                           | 10,310              |
| Weighted average number of ordinary shares (in '000 shares)                         | 480,000                          | 400,000             |
| Basic earnings per share (RMB per share)  | 0.046                            | 0.026               |
| <b>DILUTED:</b>   |                                  |                     |
| Profit attributable to equity shareholders of the Company (RMB'000)                 | 22,074                           | 10,310              |
| Weighted average number of ordinary shares (in '000 shares)                         | 480,000                          | 400,000             |
| Effect of dilutive ordinary shares (in '000 shares):                                |                                  |                     |
| Convertible Bond  | 96,000                           | —                   |
| Weighted average number of ordinary shares after assuming dilution (in '000 shares) | 576,000                          | 400,000             |
| Diluted earning per share (RMB per share)   | 0.038                            | 0.026               |

## 8. Property, plant and equipment

For the period ended 30 June 2010, the Group acquired property, plant and equipment amounting to approximately RMB19,725,000 (30 June 2009: approximately RMB9,349,000).



# Condensed Consolidated Financial Statements

## 9. Trade and other receivables

|                                    | As at<br>30 June<br>2010<br><i>RMB'000</i><br><i>(unaudited)</i> | As at<br>31 December<br>2009<br><i>RMB'000</i><br><i>(audited)</i> |
|------------------------------------|--|--|
| Trade debtors                      | 161,496  | 149,337  |
| Less: allowance for doubtful debts | (11,801)   | (12,244)   |
|                                    | 149,695  | 137,093  |
| Other receivables                  | 124,253  | 2,518  |
| Note receivables                   | 46,051   | 49,987   |
| Loans and receivables              | 319,999  | 189,598  |
| Prepayment and deposits            | 11,424   | 5,639  |
|                                    | 331,423  | 195,237  |

All of the trade and other receivables (including note receivables) are expected to be recovered or recognised as expense within one year.

Included in trade and other receivables are trade debtors and note receivable (net of allowance for doubtful debts) with the following aging analysis as of the financial position date:

|  | As at<br>30 June<br>2010<br><i>RMB'000</i><br><i>(unaudited)</i> | As at<br>31 December<br>2009<br><i>RMB'000</i><br><i>(audited)</i> |
|--|--|--|
| Within three months                        | 116,885  | 135,544  |
| More than three months but within one year | 32,628   | 1,346  |
| More than one year                         | 182  | 203  |
| At 30 June/31 December                     | 149,695  | 137,093  |

The Directors consider that the carrying amount of trade and other receivables approximates its fair value.

# Condensed Consolidated Financial Statements

## 10. Bank loans

As at 30 June 2010, the amount of the Group's bank borrowings dropped to approximately RMB60,000,000 (31 December 2009: approximately RMB107,500,000), of which the secured bank borrowings amounting to RMB60,000,000 (31 December 2009: RMB107,500,000) were secured by the buildings and the prepaid lease payment.

## 11. Trade and other payables

|                                  | As at<br>30 June<br>2010<br>RMB'000<br>(unaudited) | As at<br>31 December<br>2009<br>RMB'000<br>(audited) |
|----------------------------------|--|--|
| Trade payables                   | 78,461   | 69,767   |
| Note payables                    | 39,030   | 34,783   |
| Other payables                   | 24,652   | 19,269   |
| Advance from customers           | 5,405  | 4,155  |
| Amounts due to related companies | —  | 283  |
| Amounts due to directors         | —  | 1,145  |
|                                  | 147,548  | 129,402  |

Included in trade and other payables are trade creditors with the following ageing analysis:

|  | As at<br>30 June<br>2010<br>RMB'000<br>(unaudited) | As at<br>31 December<br>2009<br>RMB'000<br>(audited) |
|--|--|--|
| Within three months                        | 64,906   | 56,782   |
| More than three months but within one year | 9,785  | 10,234   |
| More than one year                         | 3,770  | 2,751  |
|  | 78,461   | 69,767   |

All of the trade and other payables (including amounts due to related parties) are expected to be settled or recognised as income within one year or are repayable on demand.

# Condensed Consolidated Financial Statements

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

The Directors consider that the carrying amount of trade and other payables approximates its fair value.

## 12. Convertible bond

|   | As at<br>30 June<br>2010<br>RMB'000<br>(unaudited) | As at<br>31 December<br>2009<br>RMB'000<br>(audited) |
|---|--|--|
| Liability component at the beginning of the period/<br>year         | —  | —  |
| Issue of convertible bond   | 105,794  | —  |
| Liability component at the end of the period/year                   | 105,794  | —  |
| Less: Amount due within one year shown under<br>current liabilities | —  | —  |
| Amount due after one year   | 105,794  | —  |

## 13. Share capital

| Ordinary shares of a par value of<br>HK\$0.01 each               | Number of share | Amount<br>HK\$ | Amount<br>RMB |
|--|-----------------|----------------|---------------|
| Authorised:  |                 |                |               |
| As at 31 December 2009 (audited)<br>and 30 June 2010 (unaudited) | 2,000,000,000   | 20,000,000     | 20,400,000    |
| Issued and fully paid:   |                 |                |               |
| As at 31 December 2009 (audited)<br>and 30 June 2010 (unaudited) | 480,000,000     | 4,800,000      | 4,785,000     |

# Condensed Consolidated Financial Statements

## 14. Commitments

- (a) Capital commitments outstanding at 30 June 2010 not provided for in the financial statements were as follows:

|                | As at<br>30 June<br>2010<br>RMB'000<br>(unaudited) | As at<br>31 December<br>2009<br>RMB'000<br>(audited) |
|----------------|--|--|
| Contracted for | —  | 1,996  |

- (b) As at 30 June 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

|               | As at<br>30 June<br>2010<br>RMB'000<br>(unaudited) | As at<br>31 December<br>2009<br>RMB'000<br>(audited) |
|---------------|--|--|
| Within 1 year | 21   | 32   |

## 15. Pledge of assets

As at 30 June 2010, the land and buildings pledged to banks to secure general banking facilities granted to the Group amounted to approximately RMB23,310,000 (31 December 2009: approximately RMB30,520,000).

On 7 July 2010, the acquisition of the entire issued share capital of Power Full Group Holdings Limited for a total consideration of HK\$830 million, which included the issue of a promissory note in a principal amount of HK\$330 million, was completed. The entire issued share capital of Sun Light Planet Limited, a direct wholly-owned holding subsidiary of the Company, was pledged to the holder of the promissory note to secure the Company's obligation under the promissory note.

# Condensed Consolidated Financial Statements

## 16. Related party transactions

During the period, the Group entered into the following transaction with related party:

| Names of related party  | Nature of transaction | For the six months ended 30 June |                                |
|-------------------------|-----------------------|----------------------------------|--------------------------------|
|                         |                       | 2010<br>RMB'000<br>(unaudited)   | 2009<br>RMB'000<br>(unaudited) |
| Zhong Shan Company Ltd. | Operating lease       | 63                               | 63                             |

## 17. Non-Adjusting Post Balance Sheet Events

On 1 April 2010, the Company (as purchaser) entered into a conditional agreement with Brown Beauty Business Limited (as vendor) and Mr. Riley M Chung (as guarantor), pursuant to which the Company agreed to acquire and Brown Beauty Business Limited agreed to dispose of the entire issued share capital of Power Full Group Holdings Limited ("Target") for a total consideration of HK\$830 million (the "Acquisition"). The consideration of HK\$830 million for the Acquisition was satisfied by a combination of (a) issue of convertible note in the principal amount of HK\$155 million; (b) allotment and issue of 195 million consideration shares at the issue price of HK\$1.00 per Shares amounting to HK\$195 million; (c) issue of promissory note in the principal amount of HK\$330 million; and (d) payment of HK\$150 million in cash upon completion of the Acquisition. The Target and its subsidiaries are principally engaged in the manufacturing, processing and sales of wind power equipment and construction of power grid and transformer projects in the PRC. The Acquisition constitutes a very substantial acquisition of the Company and was completed on 7 July 2010.