China Ruifeng Galaxy Renewable Energy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00527)

Interim Report **2011**

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Company Information

Company Name: China Ruifeng Galaxy Renewable Energy Holdings Limited
Place of Listing: The Stock Exchange of Hong Kong Limited
Stock Code: 00527

EXECUTIVE DIRECTORS
Mr. Li Baosheng *(Chairman)*
Mr. Zhang Zhixiang *(Chief executive officer)*
Mr. Xu Xiaoping

NON-EXECUTIVE DIRECTOR
Mr. Zhang Yong

INDEPENDENT NON-EXECUTIVE DIRECTORS
Ms. Wong Wai Ling
Mr. Qu Weidong
Ms. Hu Xiaolin *(appointed on 9 May 2011)*

AUDIT COMMITTEE
Ms. Wong Wai Ling *(Chairman)*
Mr. Qu Weidong
Ms. Hu Xiaolin *(appointed on 9 May 2011)*

REMUNERATION COMMITTEE
Mr. Zhang Zhixiang *(Chairman) (appointed on 14 February 2011)*
Ms. Wong Wai Ling
Mr. Qu Weidong
Ms. Hu Xiaolin *(appointed on 9 May 2011)*

COMPANY SECRETARY
Mr. Cheng Koon Kau Alfred

AUTHORISED REPRESENTATIVES
Mr. Zhang Zhixiang *(appointed on 14 February 2011)*
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
Industrial and Commercial Bank of China
Bank of Chengde

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

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 Trust (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 2011 together with the comparative figures in prior corresponding period in 2010:

	For the six months ended 30 June			
	2011	2010	Increase	Approximate change in percentage
	RMB'000	*RMB'000*	*RMB'000*	*%*
	(unaudited)	(unaudited)		
Turnover	**370,043**	261,607	108,436	41
Gross profit	**63,013**	57,434	5,579	10
Profit from operations	**85,301**	27,870	57,431	206
Profit before taxation	**46,539**	25,159	21,380	85
Profit for the period	**46,155**	22,074	24,081	109
Attributable to:				
Equity shareholders of the Company	**46,155**	22,074	24,081	109

	As at 30 June 2011	As at 31 December 2010	Increase/ (decrease)	Approximate change in percentage
			RMB'000	*%*
	(unaudited)	(audited)		
Net cash *(RMB'000) (note)*	**(404,223)**	(243,016)	(161,207)	(66)
Net assets *(RMB'000)*	**304,231**	255,733	48,498	19
Liquidity ratio	**161%**	185%		(24)
Inventories turnover (number of days)	**52**	31	21	68
Trade receivable turnover (number of days)	**184**	119	65	55
Trade payable turnover (number of days)	**80**	70	10	14
Net debt to capital ratio	**180%**	146%		34

Note:

Net cash: Bank deposits and cash less interest bearing borrowings.

Chairman's Statement

To the Shareholders:

On behalf of the board of directors (the "Board") of China Ruifeng Galaxy Renewable Energy Holdings Limited (the "Company") and its subsidiaries (the "Group"), I hereby present the unaudited operating results of the Group for the six months ended 30 June 2011.

For the first half of the financial year 2011, the turnover of the Group was approximately RMB370 million, representing an increase of approximately 41% compared to that for the same period in 2010. Profit attributable to equity shareholders of the Company was approximately RMB46 million, representing an increase of approximately 1.09 times compared to that for the same period in 2010. Basic earnings per share was RMB0.056, representing an increase of RMB0.01 compared to that for the same period in 2010. Diluted earnings per share was RMB0.046, representing an increase of RMB0.008 compared to that of the same period in 2010.

BUSINESS REVIEW

Looking back at the first half of 2011, wind power and power grid construction business of the Group achieved stable growth. During the period under review, the Group focused on development of wind power business and smoothly carried out the development and acquisition projects in Inner Mongolia and Hebei, including the acquisition of 70% equity interest in Hexigten Qi Langcheng Ruifeng Electric Development Co., Ltd ("Langcheng"), which holds Shangtoudi wind farm in Inner Mongolia, and the acquisition of the entire equity interest in Chengde Beichen High New Technology Company Limited ("Beichen Hightech") which holds 5.77% equity interest in Hebei Hongsong Wind Power Company Limited ("Hongsong").

Chairman's Statement

At the extraordinary general meeting of the Company held on 8 June 2011, the acquisition of 70% equity interest in Langcheng by the Group's subsidiary, Chengde Ruifeng Renewable Energy Windpower Equipment Co., Ltd. ("Ruifeng Windpower") was duly approved. Upon the completion of the acquisition on 23 June 2011, the Group now holds 100% equity interest in Langcheng, which in turn owns all of the assets in the Hexigten Qi Shangtoudi wind farm held by Langcheng. Such acquisition reserves fine wind power resources for the Group. Langcheng is based in Hexigten Qi of Inner Mongolia where there is an abundant supply of wind power resource. The government-planned zone covers an area of 260 square kilometers, and the planned total installation capacity amounts to 1,006.35MW. Langcheng intends to build and operate a 148.5MW wind farm on a 51-square kilometer land.

During the period under review, the turnover derived from the Group's power grid construction and consultation and wind turbine blades businesses were approximately RMB150 million and approximately RMB26 million, which contributed to approximately 40% and 7% to the Group's overall turnover, respectively. In addition, the Group's diodes manufacturing business also recorded a turnover of approximately RMB194 million.

Power Grid Construction and Consultation Business

Leveraging on the resound corporate reputation among the industry and with plenty of projects, the result of Hebei Beichen Power Grid Construction Co., Ltd. ("Beichen Power Grid") in the first half of 2011 remained stable. As of 30 June 2011, turnover of the Company's power grid construction and consultation business was approximately RMB150 million, which contributed approximately 40% to the Group's turnover.

Manufacturing of Wind Turbine Blades

The wind turbine blades manufacturing business operated by Ruifeng Windpower recorded a turnover of approximately RMB26 million during the period under review, which contributed approximately 7% to the Group's turnover.

The sales of wind turbine blades was impacted to a certain extent amidst the relatively significant fluctuation on the overall wind turbine blade market during last year. As such, Ruifeng Windpower's wind turbine blades business is expected to exhibit steady growth from last year with better performance during the second half of the year.

Chairman's Statement

Wind Power Business

During the first half of 2011, the Group's development and acquisition projects in Inner Mongolia and Hebei was stably progressing.

Successful Acquisition of 70% Equity Interest in Langcheng

On 18 January 2011, a subsidiary of the Group, Ruifeng Windpower, entered into an agreement for the acquisition of 70% equity interest in Langcheng in Hexigten Qi of Inner Mongolia of the PRC at a consideration of RMB31.5 million. The transaction was completed on 23 June 2011. The Group currently holds 100% equity interest in Langcheng, and as such owns all of the assets in Langcheng's Hexigten Qi Shangtoudi wind farm.

Approximately RMB100 million was invested in Langcheng's Hexigten Qi Shangtoudi wind farm of Inner Mongolia. Phases I to III of its major infrastructure constructions such as road construction and base ring have been completed.

Successful Acquisition of 5.77% Equity Interest in Hongsong

On 12 January 2011, the Group, through Ruifeng Windpower, acquired the entire equity interest in Beichen Hightech at a total consideration of RMB50,802,400, Beichen Hightech in turn holds 5.77% equity interest in Hongsong.

Hongsong was established in 2001 and was one of pioneers in wind farm operation in China. During the past 8 financial years, Hongsong has been profitable, and distributed substantial portion of its profits to its shareholders. Hongsong's main source of income came from provision of power to the State's power grid and a small portion of its income was contributed by distribution of turbine installation and sales of carbon credits. In the first half of 2011, the on-grid electricity sold by Hongsong amounted to nearly 400 million kilowatt-hours.

Chairman's Statement

Diodes Manufacturing Business

Diodes manufacturing business of the Group was mainly operated through its wholly-owned subsidiary Sun Light Planet Limited, among which Changzhou Galaxy Electrical Company Limited ("Galaxy Electrical") was its core wholly-owned subsidiary. Leveraging on Galaxy Electrical's professional research and development, manufacturing, sales and technical support abilities, the diodes manufacturing business of the Group remained stable. As of 30 June 2011, the Group's turnover of the diodes manufacturing business for the first 6 months was approximately RMB194 million, which contributed approximately 53% to the Group's turnover.

OUTLOOK

The Group is confident in the future development of new energy industry such as wind power. In the future, the Group will speed up its development in wind power business and leverage on the resources and advantages of its own power grid business in the proactive exploration of development opportunities among the other fields of new energy with an aim to establish a firm market position in the new energy industry.

It is expected that various businesses of the Group will further develop in a stable manner during the second half of the year. As the market condition gradually picks up, wind turbine blades manufacturing business of the Group is expected to continue to improve during the second half of the year. As Beichen Power Grid holds sufficient projects, power grid manufacturing business during second half of the year is expected to maintain a stable growth. As the Group currently owns 5.77% equity interest in Hongsong, the Group will therefore enjoy a corresponding investment return in wind power business. It is expected that the Group's diodes manufacturing business will operate stably during the second half of the year.

The wind power installed capacity directly and indirectly owned by the Group were significantly increased as the Group now, through acquisitions, holds 100% equity interest in Langcheng. Coupled with the Group's intention to increase investment in Hongsong, the Group's future wind power installed capacity is promising.

Chairman's Statement

While continuing to obtain additional wind farm resources reserve, the Group will rely on its growing wind farm resources reserve to enrich its strengths in the manufacturing in wind turbine blades and power grid construction business so as to diversify its wind power business. Apart from the manufacturing of wind turbine blades and the contracts in wind farms construction projects, the Group will also increase its involvement in the business of transportation, installation and testing of wind turbine primary generator and parts, supplying and repairing wind turbine's parts and spares, and provision of maintenance services for wind farms and repair services for wind farm infrastructure. Whilst enhancing the scale and efficiency of the wind power business, the Group will at the same time proactively explore other development opportunities in the new energy industry and is dedicated to become an investment holding new energy operator.

ACKNOWLEDGEMENT

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 care and support and the management and all staff of the Group for their contribution and enthusiasm. The Group strives to bring appealing returns for shareholders and investors through firm and concrete development strategies.

Li Baosheng
Chairman

Hong Kong, 25 August 2011

Management Discussion and Analysis

FINANCIAL REVIEW

Following several acquisitions by the Group since 7 July 2010, the Group currently engages in manufacturing, processing, and sales of wind turbine blades, construction of power grid and transformer project and wind farm operation through its subsidiaries including Ruifeng Windpower, Beichen Power Grid, Beichen Hightech and Langcheng.

For the six months ended 30 June 2011, the Group's turnover amounted to approximately RMB370,043,000 (30 June 2010: approximately RMB261,607,000), representing an increase of approximately 41% over that of corresponding period ended 30 June 2010. The increase was derived from new power-related business of which the turnover was approximately RMB175,738,000. Gross profit increased approximately 10% to approximately RMB63,013,000 for the six months ended 30 June 2011 (30 June 2010: approximately RMB57,434,000). Net profit increased to approximately RMB46,155,000 (30 June 2010: approximately RMB22,074,000).

Turnover

Turnover for the six months ended 30 June 2011 was approximately RMB370,043,000. It represented an increase of approximately 41% when compared with the turnover of approximately RMB261,607,000 in the corresponding period in 2010.

During the period under review, due to the power-related business acquired on 7 July 2010, the Group's turnover for the six months ended 30 June 2011 was derived from two business divisions — the power-related business and the diodes manufacturing business. The power-related business recorded a turnover of approximately RMB175,738,000, of which approximately RMB149,369,000 was attributed mainly to the power grid construction business. The power-related business accounted for approximately 47% of the Group's turnover for the period under review.

The diodes manufacturing business recorded a turnover of approximately RMB194,305,000, accounting for approximately 53% of the Group's turnover for the period under review.

Management Discussion and Analysis

Analysis of the Group's turnover by its businesses for the six months ended 30 June 2011 is set out below:

Turnover by business

	For the six months ended 30 June		Increase/	Approximate change in
	2011	2010	(decrease)	percentage
	RMB million **(unaudited)**	*RMB million* (unaudited)	*RMB million*	*%*
(i) Power-related business				
Power grid construction and consultation	**149.37**	—	149.37	—
Sales of wind turbine blades	**26.37**	—	26.37	—
	175.74	—	175.74	—
(ii) Diodes manufacturing business				
Plastic packaged diodes	**131.95**	143.74	(11.79)	(8.20)
Glass packaged diodes	**15.62**	12.97	2.65	20.43
Bridge rectifiers	**1.98**	3.59	(1.61)	(44.85)
Surface mount device packaged diodes	**44.71**	100.53	(55.82)	(55.53)
Others	**0.04**	0.78	(0.74)	(94.87)
	194.30	261.61	(67.31)	(25.73)
Total	**370.04**	261.61	108.43	41.45

Cost of sales

Cost of sales mainly includes the cost of raw materials, subcontracting costs, wages, water, electricity, gas and other ancillary materials. Cost of sales for the six months ended 30 June 2011 represented approximately 83% of the Group's turnover, showing an increase when compared with approximately 78% for the corresponding period ended 30 June 2010.

Management Discussion and Analysis

Gross profit

Gross profit increased by approximately 10% to approximately RMB63,013,000 (30 June 2010: approximately RMB57,434,000), while the gross profit margin has decreased from approximately 22% to approximately 17% for the six months ended 30 June 2011.

Other revenue and net income

Other revenue and net income mainly comprised of revaluation gain on convertible bonds (30 June 2011: approximately RMB27,081,000; 30 June 2010: Nil), gain on bargain purchase arising from acquisition of Langcheng (30 June 2011: approximately RMB6,105,000; 30 June 2010: Nil) and gain on disposal of associate Langcheng (30 June 2011: approximately RMB8,101,000; 30 June 2010: Nil), income from rental of machineries (30 June 2011: approximately RMB9,091,000; 30 June 2010: Nil), sales of scrap material and subproducts (30 June 2011: approximately RMB559,000; 30 June 2010: approximately RMB240,000) and interest income from bank deposits (30 June 2011: approximately RMB378,000; 30 June 2010: approximately RMB270,000). The significant increase in other revenue and net income by approximately RMB57,508,000 is mainly attributable by the revaluation gain on convertible bonds, gain on bargain purchase arising from acquisition of Langcheng as well as disposal of associate Langcheng and income from rental of machineries.

Distribution Costs

Distribution costs mainly include commission expenses from sales and distribution activities, wages and salaries of sales personnel and transportation costs. Distribution costs for the six months ended 30 June 2011 represented approximately 1% of the Group's total turnover, showing a drop when compared with that of approximately 3% for the corresponding period ended 30 June 2010.

Administration expenses

Administration expenses mainly include wages, salaries and welfare expenses, professional fees, depreciation expenses of office equipment and entertainment expenses.

Management Discussion and Analysis

Finance costs

Finance costs refer to interest expenses and bank charges on bank loans obtained, promissory note and convertible bonds/note issued by the Group. It was recorded as approximately RMB38,592,000, for the six months ended 30 June 2011 when compared with that of approximately RMB2,711,000 in the corresponding period in 2010. The higher finance costs were derived from the power-related business acquired and the issuance of the convertible bonds, convertible note and promissory note.

Taxation

Taxation decreased from approximately RMB3,085,000 for the six months ended 30 June 2010 to approximately RMB384,000 for the six months ended 30 June 2011.

Net profit for the period

The net profit margin increased from 8% for the six months ended 30 June 2010 to 12% for the corresponding period ended 30 June 2011. The increase was mainly due to profit generated from new power-related business for the six months ended 30 June 2011, revaluation gain on convertible bonds, gain on bargain purchase arising from acquisition of Langcheng and gain on disposal of associate Langcheng.

Net current assets

The net current assets of the Group as at 30 June 2011 decreased to approximately RMB262,703,000 compared to that of the previous year (31 December 2010: approximately RMB341,646,000).

Liquidity and financing

The cash and bank balances as at 30 June 2011 and 31 December 2010 amounted to approximately RMB82,772,000 (mainly comprised approximately RMB71,418,000, US$1,192,000 and HK$4,381,000) and approximately RMB208,887,000, respectively.

As at 30 June 2011, total borrowings of the Group amounted to approximately RMB486,995,000, representing an increase of approximately 8% when compared with approximately RMB451,903,000 as at 31 December 2010.

The Group repaid its debts mainly through the steady recurrent cash-flows generated by its operations. The Group's gearing ratio slightly decreased to approximately 72% as at 30 June 2011 from approximately 74% as at 31 December 2010. That ratio was calculated by dividing the Group's total liabilities by its total assets. During the first half of 2011, all of the Group's borrowings was settled in Renminbi and Hong Kong dollars. Approximately 90% of the Group's income was denominated in Renminbi and the remaining was denominated in Hong Kong Dollars and United States Dollars. All borrowings of the Group were fixed-rate loans. The Group had not engaged in any currency hedging facility for the six months ended 30 June 2011 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 fluctuations and interest rate fluctuations in individual transactions.

Placing of non-listed warrants

On 29 April 2011, the Company entered into a placing agreement with Goldin Equities Limited (the "Placing Agent"), pursuant to which the Company agreed to appoint the Placing Agent and the Placing Agent agreed to act, on a best effort basis, to procure not less than six placees at the issue price of HK$0.03 per warrant to subscribe for up to 150,000,000 warrants. The placing was completed on 20 May 2011 and warrants of up to HK$240,000,000 in aggregate were issued and alloted by the Company pursuant to the placing.

Upon the exercise of the subscription rights attaching to the warrants in full at the initial subscription price of HK$1.60 per share, a maximum of 150,000,000 new shares of the Company will be issued. As at the date of this report, no subscription rights attached to said warrants have been exercised. Further details of the placing are set out in the announcements of the Company dated 29 April 2011, 3 May 2011, 4 May 2011 and 20 May 2011, respectively.

Acquisitions

Acquisition of interest in Beichen Hightech

On 12 January 2011, Ruifeng Windpower (as purchaser) entered into an acquisition agreement with Mr. Li Baosheng, Mr. Li Baojun, Ms. Li Juan, Ms. Meng Yanrong and Mr. Li Baomin (as vendors) and Mr. Li Baosheng (as guarantee), pursuant to which the vendors have, respectively, agreed to dispose of and the purchaser has agreed to acquire, in aggregate, the entire equity interest in Beichen Hightech for a total consideration of RMB50,802,400.

As the relevant applicable percentage ratios (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) in respect of the acquisition are higher than 5% but below 25%, the acquisition constitutes a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules.

Mr. Li Baosheng, one of the vendors and the guarantor, is an executive Director, the chairman and a substantial shareholder of the Company. Each of Mr. Li Baojun (a cousin of Mr. Li Baosheng), Ms. Meng Yanrong (the spouse of Mr. Li Baosheng) and Mr. Li Baomin (a cousin of Mr. Li Baosheng), each being a vendor, is an associate of Mr. Li Baosheng. Mr. Li Baomin is also a general manager of Beichen Power Grid. Ms. Li Juan, also a vendor, is a director of Beichen Power Grid (an indirect wholly-owned subsidiary of the Company). Accordingly, the vendors and the guarantor are connected persons of the Company under the Listing Rules. The acquisition constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules and is subject to, among other things, independent shareholders' approval, reporting and announcement requirements under Chapter 14A of the Listing Rules.

The aforesaid acquisition was completed in February 2011.

Further details of the aforesaid acquisition are set out in the announcements of the Company dated 12 January 2011 and 1 March 2011, respectively, and the circular of the Company dated 14 February 2011.

Acquisition of interest in Langcheng

On 18 January 2011, Ruifeng Windpower (as purchaser) entered into an acquisition agreement with Mr. Li Baosheng and Mr. Li Baojun (as vendors) and Mr. Li Baosheng (as guarantor), pursuant to which the vendors have, respectively, agreed to dispose of and the purchaser has agreed to acquire, in aggregate, 70% equity interest in Langcheng for a total consideration of RMB31,500,000. Immediately before the entering into of the said acquisition agreement, Langcheng was a 30% owned associate of the Group.

As the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the said acquisition are higher than 5% but below 25%, the said acquisition constitutes a disclosable transaction of the Company pursuant to Chapter 14 of the Listing Rules.

Mr. Li Baosheng, one of the vendors and the guarantor, is an executive Director, the chairman and a substantial shareholder of the Company. Mr. Li Baojun, one of the vendors, is a cousin, and thus an associate, of Mr. Li Baosheng. Accordingly, each of the vendors and the guarantor is a connected person of the Company under the Listing Rules. The said acquisition constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules and is subject to, among other things, independent shareholders' approval, reporting and announcement requirements under Chapter 14A of the Listing Rules.

The aforesaid acquisition was completed in June 2011.

Further details of the aforesaid acquisition are set out in the announcements of the Company dated 25 January 2011, 11 February 2011, 15 March 2011 and 8 June 2011, respectively, and circular of the Company dated 23 May 2011.

Refreshment of general mandates

At the extraordinary general meeting of the Company held on 1 March 2011, resolutions were passed by the shareholders of the Company to refresh the mandates granted to the Directors to allot, issue and deal with shares of up to 20% of the then issued share capital of the Company, and to repurchase shares of up to 10% of the then issued share capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the said refreshment of general mandates are set out in the circular of the Company dated 14 February 2011, and the announcement of the Company dated 1 March 2011.

Pledge of assets

As at 30 June 2011, the Group had pledged land and building with net book values of approximately RMB21,209,000 (31 December 2010: approximately RMB10,619,000) as security for the bank loans obtained by the Group.

Upon the completion of the acquisition of the entire issued share capital of Power Full Group Holdings Limited ("Power Full") by the Company on 7 July 2010, 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 which was issued by the Company to satisfy part of the consideration in the amount of HK$330 million.

Upon the issuance of convertible bonds in the principal amount of US$18,580,000 in December 2010 to Advance Gain Enterprises Limited ("Advance Gain"), the entire issued share capital of Power Full was pledged to Advance Gain to secure the Company's obligation under the said convertible bonds.

Contingent Liabilities

As at 30 June 2011 and as at 31 December 2010, the Group had no material contingent liabilities.

Employees

As at 30 June 2011, the Group had approximately 2,800 full-time employees in Hong Kong and the PRC, comprising 1,000 employees from the power-related business and 1,800 from the business of diodes manufacturing. For the six months ended 30 June 2011, the relevant employee costs (including the Directors' remuneration) were approximately RMB34,674,000 (30 June 2010: approximately RMB30,954,000). The Group's remuneration and bonus packages 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 2011, 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive of the Company is taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company under section 352 of the SFO, or which was otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules:

Long position in the Shares of the Company

Name of Director	Capacity	Number of Shares held/ interested	Approximate percentage of the issued share capital of the Company
Li Baosheng *(Note)*	Interest of a controlled corporation	350,000,000	42.74%
Zhang Zhixiang *(Note)*	Interest of a controlled corporation	77,777,000	9.50%

Note:

Diamond Era Holdings Limited was interested in (i) 243,000,000 Shares, and (ii) 107,000,000 Shares to be issued upon exercise of the conversion rights in respect of an outstanding principal amount of HK$107,000,000 attached to the convertible note in the principal amount of HK$155,000,000 issued by the Company on 7 July 2010 (the "Convertible Note"). Mr. Li Baosheng and Mr. Zhang Zhixiang are the beneficial owners of 77.78% and 22.22%, respectively, of the issued shares of Diamond Era Holdings Limited.

Mr. Li Baosheng is deemed, or taken to be, interested in the Shares in which Diamond Era Holdings Limited is interested in for the purpose of the SFO.

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 2011, had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 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
Advance Gain Enterprises Limited ("Advance Gain") *(Note 1)*	Nominee for another person (other than a bare trustee)	378,996,666	46.28%
CCB International (Holdings) Limited *(Note 1)*	Beneficial owner	378,996,666	46.28%
CCB Financial Holdings Limited *(Note 1)*	Interest of a controlled corporation	378,996,666	46.28%
CCB International Asset Management Limited *(Note 1)*	Interest of a controlled corporation	378,996,666	46.28%
CCB International Assets Management (Cayman) Limited *(Note 1)*	Interest of a controlled corporation	378,996,666	46.28%

Disclosure of Interests

Name of shareholder	Capacity	Number of Shares held/ interested	Approximate percentage of the issued share capital of the Company
CCB International Group Holdings Limited *(Note 1)*	Interest of a controlled corporation	378,996,666	46.28%
Central Huijin Investment Ltd. *(Note 1)*	Interest of a controlled corporation	378,996,666	46.28%
China Construction Bank Corporation *(Note 1)*	Interest of a controlled corporation	378,996,666	46.28%
Diamond Era Holdings Limited *(Note 2)*	Beneficial owner	350,000,000	42.74%
Yang Senmao *(Note 3)*	Interest of a controlled corporation	129,600,000	15.82%
Zhang Jingru *(Note 4)*	Interest of spouse	129,600,000	15.82%
Rapid Jump Limited *(Note 3)*	Beneficial owner	120,000,000	14.65%

Notes:

1. As at 30 June 2011, Advance Gain was interested in 378,996,666 Shares, comprising (i) 95,996,666 Shares to be issued upon exercise of the conversion rights in respect of an outstanding principal amount of US$18,580,000 attached to the 8.0% per annum coupon rate secured convertible bonds due on 30 June 2013 in the principal amount of US$18,580,000 issued by the Company (the "Convertible Bonds"); and (ii) 283,000,000 Shares held by or to be issued to Diamond Era Holdings Limited by virtue of a share charge executed by Diamond Era Holdings Limited in favour of Advance Gain dated 21 December 2010, pursuant to which Diamond Era Holdings Limited has pledged its 243,000,000 Shares, and 40,000,000 Shares to be issued to it upon exercise of the conversion rights in respect of HK$40,000,000 out of the entire outstanding principal amount HK$107,000,000 attached to the convertible note in the principal amount of HK$155,000,000 issued by the Company on 7 July 2010 in favour of Advance Gain to secure the Company's obligations under the Convertible Bonds.

Disclosure of Interests

Advance Gain is wholly-owned by CCB International Asset Management Limited, which in turn is wholly-owned by CCB International Assets Management (Cayman) Limited, which in turn is wholly-owned by CCB International (Holdings) Limited, which in turn is wholly-owned by CCB Financial Holdings Limited, which in turn is wholly-owned by CCB International Group Holdings Limited, which in turn is wholly-owned by China Construction Bank Corporation. Central Huijin Investment Ltd. is a controlling shareholder of China Construction Bank Corporation having a 57.09% interest in China Construction Bank Corporation. The interest in 378,996,666 Shares by these companies relates to the same block of Shares.

2. Diamond Era Holdings Limited was interested in (i) 243,000,000 Shares, and (ii) 107,000,000 Shares to be issued upon exercise of the conversion rights in respect of an outstanding principal amount of HK$107,000,000 attached to the convertible note in the principal amount of HK$155,000,000 issued by the Company on 7 July 2010 (the "Convertible Note"). Mr. Li Baosheng and Mr. Zhang Zhixiang are the beneficial owners of 77.78% and 22.22%, respectively, of the issued shares of Diamond Era Holdings Limited.

3. Mr. Yang Senmao is the beneficial owner of 60% of the issued shares in Rapid Jump Limited, which was interested in 120,000,000 Shares. His wholly-owned company, namely Color Vision Limited, owned 81.90% of the issued shares in Kalo Hugh Limited, which was interested in 9,600,000 Shares. Therefore, Mr. Yang Senmao is deemed, or taken to be, interested in the 120,000,000 Shares held by Rapid Jump Limited and the 9,600,000 Shares held by Kalo Hugh Limited for the purpose of the SFO.

4. Ms. Zhang Jingru is the spouse of Mr. Yang Senmao. Ms. Zhang Jingru is deemed, or taken to be, interested in all the Shares in which Mr. Yang Senmao is interested for the purpose of the SFO.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance practices and procedures in order to raise the quality of management and protect the interest of its shareholders as a whole. The corporate governance principles of the Company emphasize effective internal control, high level of transparency and accountability to all shareholders. As at the date of this report, the Board comprises seven members, including three executive Directors, one non-executive Director and three independent non-executive Directors. 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 practice.

DIRECTOR'S COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of practice for securities transactions by the Directors. After making specific enquiries with all Directors, the Directors confirmed that each of them has complied with the required standard set out in the Model Code during the six months ended 30 June 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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 during the six months ended 30 June 2011.

Other Information

AUDIT COMMITTEE

The Company has established an audit committee, and as at the date of this report, the audit committee comprises Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin, 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 2011 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 2011.

REMUNERATION COMMITTEE

The Company has set up a remuneration committee in accordance with the Code. Its members are Mr. Zhang Zhixiang, Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin as at the date of this report.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011.

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 2011.

SHARE OPTION SCHEME

For the six months ended 30 June 2011, no options were granted under the share option scheme operated by the Company and no options were exercised, cancelled or lapsed. No options were outstanding as at 30 June 2011.

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 2011 together with the comparative figures for the last corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

		For the six months ended 30 June	
		2011	2010
	Note	***RMB'000*** **(unaudited)**	*RMB'000* (unaudited)
Turnover	*3*	**370,043**	261,607
Cost of sales		**(307,030)**	(204,173)
Gross profit		**63,013**	57,434
Other revenue and net income		**57,508**	579
Distribution costs		**(5,464)**	(7,751)
Administrative expenses		**(29,756)**	(22,392)
Profit from operations		**85,301**	27,870
Finance costs		**(38,592)**	(2,711)
Share of loss of associates		**(170)**	—
Profit before taxation	*4*	**46,539**	25,159
Income tax	*5*	**(384)**	(3,085)
Profit for the period		**46,155**	22,074
Attributable to:			
Equity shareholders of the Company		**46,155**	22,074
Non-controlling interests		**—**	—
Profit for the period		**46,155**	22,074
Earnings per share			
— Basic *(RMB)*	*7*	**0.056**	0.046
— Diluted *(RMB)*		**0.046**	0.038

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	RMB'000 **(unaudited)**	*RMB'000* (unaudited)
Profit for the period	**46,155**	22,074
Other comprehensive income:		
Exchange differences on translation of financial statements of operations outside the PRC	**(1,215)**	(376)
Other comprehensive income for the period (net of tax)	**(1,215)**	(376)
Total comprehensive income for the period (net of tax)	**44,940**	21,698
Total comprehensive income attributable to:		
Equity shareholders of the Company	**44,940**	21,698
Non-controlling interests	**—**	—
	44,940	21,698

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	As at 30 June 2011 RMB'000 (unaudited)	As at 31 December 2010 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	**238,826**	123,746
Lease prepayments		**12,192**	12,989
Available-for-sale investments		**46,184**	—
Goodwill		**83,006**	78,946
Investment in an associate		**5,041**	9,740
Deferred tax assets		**2,480**	2,480
		387,729	227,901
Current assets			
Inventories		**61,953**	47,003
Trade and other receivables	10	**549,742**	489,345
Lease payments		**445**	297
Tax recoverable		**499**	—
Pledge bank deposits		**23,732**	26,897
Cash and cash equivalents		**59,040**	181,990
		695,411	745,532
Current liabilities			
Trade and other payables	12	**266,946**	217,806
Derivative financial instruments	13	**10,868**	38,830
Interest-bearing borrowings	14	**154,500**	145,000
Current taxation		**394**	2,250
		432,708	403,886

Condensed Consolidated Financial Statements

	Note	As at 30 June 2011 RMB'000 (unaudited)	As at 31 December 2010 RMB'000 (audited)
Net current assets		**262,703**	341,646
Total assets less current liabilities		**650,432**	569,547
Non-current liabilities			
Interest-bearing borrowings	14	**332,495**	306,903
Deferred tax liabilities		**13,706**	6,911
NET ASSETS		**304,231**	255,733
CAPITAL AND RESERVES			
Share capital	15	**7,740**	7,740
Reserves		**296,491**	247,993
TOTAL EQUITY		**304,231**	255,733

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to equity shareholders of the Company									
	Share capital *RMB'000*	Share premium *RMB'000*	Special reserves *RMB'000*	Statutory reserves *RMB'000*	Other reserve *RMB'000*	Translation reserve *RMB'000*	Convertible bonds/note reserve *RMB'000*	Warrant reserve *RMB'000*	Retained profits/ (Accumulated losses) *RMB'000*	Total equity *RMB'000*
Balance at 31 December 2009 (audited)	4,785	222,433	(82,562)	10,279	31,477	1,815	–	–	123,924	312,151
Issue of convertible bonds	–	–	–	–	–	–	16,576	–	–	16,576
Total comprehensive income for the period	–	–	–	–	–	(376)	–	–	22,074	21,698
Balance at 30 June 2010 (unaudited)	4,785	222,433	(82,562)	10,279	31,477	1,439	16,576	–	145,998	350,425
Acquisition of subsidiaries	1,701	313,003	–	–	–	–	–	–	–	314,704
Issue of convertible bonds	–	–	–	–	–	–	41,604	–	–	41,604
Issue of convertible note	–	–	–	–	–	–	65,431	–	–	65,431
Conversion of convertible bonds	840	123,072	–	–	–	–	(57,985)	–	–	65,927
Conversion of convertible note	414	41,820	–	–	–	–	(20,191)	–	–	22,043
Deferred tax relating to convertible bonds/note	–	–	–	–	–	–	(7,752)	–	–	(7,752)
Disposal of subsidiaries	–	–	(8,722)	–	–	8	–	–	8,714	–
Total comprehensive income for the period	–	–	–	–	–	(825)	–	–	(595,824)	(596,649)
Balance at 31 December 2010 (audited)	7,740	700,328	(91,284)	10,279	31,477	622	37,683	–	(441,112)	255,733
Transfer to statutory reserves	–	–	–	2,839	–	–	–	–	(2,839)	–
Issue of warrants	–	–	–	–	–	–	–	3,558	–	3,558
Total comprehensive income for the period	–	–	–	–	–	(1,215)	–	–	46,155	44,940
Balance at 30 June 2011 (unaudited)	7,740	700,328	(91,284)	13,118	31,477	(593)	37,683	3,558	(397,796)	304,231

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	RMB'000 **(unaudited)**	*RMB'000* (unaudited)
Net cash (used in)/generated from operating activities	**(49,486)**	50,457
Net cash used in investing activities	**(85,307)**	(24,943)
Net cash generated from/(used in) financing activities	**13,058**	(47,421)
Effect of foreign exchange rate changes	**(1,215)**	(376)
Net decrease in cash and cash equivalents	**(122,950)**	(22,283)
Cash and cash equivalents at beginning of period	**181,990**	97,566
Cash and cash equivalents at end of period, represented by bank balances and cash	**59,040**	75,283

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED 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 condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2010.

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 2010.

In the current interim period, the following revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKAS, Standards, Amendments and Interpretations ("new or revised HKFRSs") issued by the HKICPA which are or have become effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

2. Significant accounting policies — Continued

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 February 2010.
[3] Effective for annual periods beginning on or after 1 July 2010.
[4] Effective for annual periods beginning on or after 1 January 2011.
[5] Effective for annual periods beginning on or after 1 July 2011.
[6] Effective for annual periods beginning on or after 1 January 2012.
[7] Effective for annual periods beginning on or after 1 January 2013.

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.

3. Turnover

Turnover represents the sales value of goods supplied to customers (net of value added tax and is after deduction of any sales discounts and returns) and revenue from construction contracts. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	For the six months ended 30 June	
	2011	2010
	RMB'000 **(unaudited)**	*RMB'000* (unaudited)
Sales of goods	**220,674**	261,607
Revenue from construction contracts	**149,369**	—
	370,043	261,607

Condensed Consolidated Financial Statements

4. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

		For the six months ended 30 June	
		2011	2010
		RMB'000 **(unaudited)**	*RMB'000* (unaudited)
(a)	**Finance costs:**		
	Interest on bank and other loans wholly repayable within five years	**6,905**	2,711
	Interest expenses on convertible bonds	**19,371**	—
	Interest expenses on convertible note	**5,237**	—
	Interest expenses on promissory note	**7,079**	—
	Interest expenses on financial liabilities not at fair value through profit or loss	**38,592**	2,711
(b)	**Staff costs:**		
	Directors' emoluments (including retirement benefit plan contributions)	**2,431**	758
	Other staff costs	**30,041**	28,517
	Retirement benefit scheme contributions (excluding Directors)	**2,202**	1,679
	Total staff costs	**34,674**	30,954
(c)	**Other items:**		
	Impairment loss on trade receivables written back	**(2,206)**	(443)
	Amortisation of prepaid lease payments	**155**	213
	Cost of inventories	**187,825**	204,173
	Depreciation of property, plant and equipment and after crediting:	**10,277**	12,038
	Interest income	**(378)**	(272)

5. Income tax

	For the six months ended 30 June	
	2011	2010
	RMB'000 **(unaudited)**	*RMB'000* (unaudited)
Taxation expenses include:		
PRC enterprise income tax	**1,248**	3,085
Deferred tax	**(864)**	—
Total	**384**	3,085

No provision of Hong Kong Profits Tax had been made as the Group's profit neither arises in, nor is derived from Hong Kong during the period (30 June 2010: Nil).

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

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Tax Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued implementation regulations of the New Tax Law (the "Implementation Regulations"). Except for Galaxy Electrical and Changzhou Galaxy Semiconductor Co., Ltd. ("Galaxy Semiconductor"), the applicable income tax rate to the Group's PRC subsidiaries will gradually be adjusted to 25% in the following five years.

Galaxy Electrical and Galaxy Semiconductor are recognised as high-technology enterprises. According to the PRC tax regulations, Galaxy Electrical and Galaxy Semiconductor are 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. ("Galaxy Hi-New") is located in the coastal economic open zone and is recognised as a Production Foreign Invested Enterprise. According to the PRC tax regulations, Galaxy Hi-New is entitled to a tax concession period in which it is fully exempted from PRC income tax for the first two years commencing from their first profit making year (after the offset of tax losses brought forward), followed by a 50% reduction in the PRC income tax for the next three years.

5. Income tax — Continued

The year 2010 is the second year of which there was a 50% reduction in the income tax for Galaxy Hi-New. The applicable income tax rate of other PRC subsidiaries is 25% in 2010 and 2011.

The New Tax Law and the Implementation Regulations also impose a withholding tax at 10%, unless reduced by a tax treaty or agreement, for dividends distributed by a PRC resident enterprise to its immediate holding company outside the PRC for earnings accumulated beginning on 1 January 2008. Under the Arrangement between the PRC and Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion, or Mainland China/HKSAR DTA, Hong Kong tax residents which hold 25% or more of a PRC enterprise are entitled to a reduced dividend withholding tax rate of 5%. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax under the Notice on Certain Preferential Corporate Income Tax Policies, CaiShui [2008] No. 1 jointly issued by the Ministry of Finance and the State Administration of Taxation on 22 February 2008.

6. Interim dividend

The Directors do not recommend the distribution of an interim dividend for the six months ended 30 June 2011 (30 June 2010: Nil).

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of approximately RMB46,155,000 (30 June 2010: profit of RMB22,074,000) and the weighted average number of approximately 819,000,000 ordinary shares (30 June 2010: 480,000,000 ordinary shares) in issue during the period.

	For the six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Profit attributable to equity shareholders of the Company (RMB'000)	**46,155**	22,074
Weighted average number of ordinary shares (in '000 shares)	**819,000**	480,000
Basic earnings per share (RMB per share)	**0.056**	0.046

7. Earnings per share — Continued

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2011, the Company has convertible bonds and warrants that are dilutive potential ordinary shares. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expenses and the revaluation gain as at the six months ended 30 June 2011. For the warrants, the net profit is adjusted to recognise the deemed interest assuming the exercise of the warrants.

	For the six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Profit attributable to equity shareholders of the Company (RMB'000)	**46,155**	22,074
Adjustment for the finance cost on convertible bonds (RMB'000)	**19,371**	—
Adjustment for the revaluation gain on convertible bonds (RMB'000)	**(27,081)**	—
Adjustment for deemed interest of warrants (RMB'000)	**26**	—
Profit used to determine diluted earnings per share (RMB'000)	**38,471**	22,074
Weighted average number of ordinary shares in issue (in '000 shares)	**819,000**	480,000
Adjustment for convertible bonds (in '000 shares)	**10,575**	96,000
Adjustment for warrants (in '000 shares)	**1,770**	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (in '000 shares)	**831,345**	576,000
Diluted earnings per share (RMB per share)	**0.046**	0.038

8. Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's chief executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

— Production of diodes: this segment designs, develops, manufactures and sells diodes and related products in the PRC.

— Construction contracts: this segment constructs power grid and wind farm for external customers and for the Group companies in the PRC.

— Production of wind turbine blades: this segment primarily derives its revenue from the production of wind turbine blades. These products are made in the Group's manufacturing facilities located primarily in the PRC.

— Wind farm: this segment uses wind turbine blades to generate electricity in the PRC.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and other corporate assets. Segment liabilities include provision for trade and other payables attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

8. Segment reporting — Continued

(a) Segment results, assets and liabilities — Continued

The measure used for reporting segment profit is net profit. In addition to receiving segment information concerning net profit, management is provided with segment information concerning revenue (including inter segment), interest income and expenses from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses in addition to non-current segment assets used by the segments in its operations.

For the six months ended 30 June 2010, the Board considered that the business of the Group is organized in one operating segment which includes the designs, developments, manufactures and sales of diodes and related products in the PRC. Additional disclosure in relation to segment information is not presented as the Board assesses the performance of the only operating segment which is identified based on the consistent information as disclosed in the consolidated financial statements.

Information regarding the Group's reportable segments as provided to the Group's chief executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2011 is set out below.

	Production of diodes *RMB'000*	Construction contracts *RMB'000*	Production of wind turbine blades *RMB'000*	Wind farm *RMB'000*	Sub-total *RMB'000*	Un-allocated *RMB'000*	Total *RMB'000*
Reportable segments revenue	194,305	149,369	26,369	–	370,043	–	370,043
Reportable segments profit	9,741	22,282	3,809	14,024	49,856	34,082	83,938
Central administrative costs						(5,712)	(5,712)
Finance costs						(31,687)	(31,687)
Profit before tax							46,539
Income tax							(384)
Profit for the period							46,155

8. Segment reporting — Continued

(a) Segment results, assets and liabilities — Continued

Other segment items included in the statement of comprehensive income are as follows:

	Production of diodes	Construction contracts	Production of wind turbine blades	Wind farm	Sub-total	Un-allocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation and amortisation for the period	7,497	2,437	435	–	10,369	63	10,432
Interest income	355	–	–	–	355	23	378
Share of profit/(loss) of associates	21	–	–	–	21	(191)	(170)

	Production of diodes	Construction contracts	Production of wind turbine blades	Wind farm	Sub-total	Un-allocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets	373,270	375,812	34,558	181,848	965,488	112,611	1,078,099
Associate	5,041	–	–	–	5,041	–	5,041
Reportable segments assets	378,311	375,812	34,558	181,848	970,529	112,611	1,083,140
Reportable segments liabilities	(156,086)	(194,483)	(22,815)	(52,917)	(426,301)	(352,608)	(778,909)

(b) Geographic information

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. The Group's major operations and markets are located in the PRC, no further geographic segment information is provided.

9. Property, plant and equipment

For the six months ended 30 June 2011, the Group acquired property, plant and equipment (include construction in progress) amounting to approximately RMB5,348,000 (30 June 2010: approximately RMB19,725,000). The Group acquired property, plant and equipment through acquisitions of subsidiaries amounting to approximately RMB120,013,000 (30 June 2010: Nil).

10. Trade and other receivables

	As at 30 June 2011	As at 31 December 2010
	RMB'000 (unaudited)	*RMB'000* (audited)
Trade receivables	200,094	215,264
Less: allowance for doubtful debts	(10,754)	(15,198)
	189,340	200,066
Other receivables	71,377	82,058
Note receivables	55,571	33,498
Amounts due from related companies	4,043	458
Amount due from an associate	—	9,620
Loans and receivables	320,331	325,700
Prepayments and deposits	59,506	58,758
Gross amount due from customers for contract work	169,905	104,887
	549,742	489,345

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

10. Trade and other receivables — Continued

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	As at 30 June 2011	As at 31 December 2010
	RMB'000 (unaudited)	*RMB'000* (audited)
Within three months	141,952	182,614
More than three months but within one year	39,362	14,730
More than one year	8,026	2,722
	189,340	200,066

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

11. Bank loans

As at 30 June 2011, the amount of the Group's bank borrowings increased to approximately RMB159,500,000 (31 December 2010: approximately RMB133,000,000), of which the secured bank borrowings amounting to RMB109,500,000 (31 December 2010: RMB83,000,000) were secured by the buildings and the prepaid lease payment, and guaranteed bank borrowings amounting to RMB10,000,000 and RMB40,000,000 (31 December 2010: RMB50,000,000) were guaranteed by wholly owned subsidiaries of Beichen Hightech and Ruifeng Windpower respectively.

12. Trade and other payables

	As at 30 June 2011	As at 31 December 2010
	RMB'000 (unaudited)	*RMB'000* (audited)
Trade payables	121,712	88,467
Note payables	20,670	40,889
Other payables	31,017	32,745
Advance from customers	30,776	23,284
Amounts due to related companies	2,720	18,334
Amounts due to directors	55,022	1,600
Financial liabilities measured at amortised cost	261,917	205,319
Gross amount due to customers for contract work	5,029	12,487
	266,946	217,806

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

	As at 30 June 2011	As at 31 December 2010
	RMB'000 (unaudited)	*RMB'000* (audited)
Within three months	88,786	65,031
More than three months but within one year	24,381	18,928
More than one year	8,545	4,508
	121,712	88,467

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

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.

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13. Derivative financial instruments

	As at 30 June 2011	As at 31 December 2010
	RMB'000 (unaudited)	*RMB'000* (audited)
Derivative financial liabilities:		
Derivative component of convertible bonds	**10,868**	38,830

All the amounts of derivative financial instruments are stated at fair value.

14. Interest-bearing borrowings

The analysis of the carrying amount of interest-bearing borrowings is as follows:

	As at 30 June 2011	As at 31 December 2010
	RMB'000 (unaudited)	*RMB'000* (audited)
Bank loans	**159,500**	133,000
Convertible bonds	**95,213**	77,774
Convertible note	**53,241**	48,112
Promissory note	**179,041**	176,017
Loan from an executive director	**—**	10,000
Other loan	**—**	7,000
	486,995	451,903
Analysed as:		
Current	**154,500**	145,000
Non-current	**332,495**	306,903
	486,995	451,903

All of the non-current interest-bearing borrowings, except for the non-current bank loan of RMB5,000,000, are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

15. Share capital

Ordinary shares of a par value of HK$0.01 each	Number of share	Amount	
	'000	*HK$'000*	*RMB'000*
Authorised:			
As at 31 December 2010 (audited) and 30 June 2011 (unaudited)	2,000,000	20,000	20,400
Issued and fully paid:			
As at 31 December 2010 (audited) and 30 June 2011 (unaudited)	819,000	8,190	7,740

16. Acquisition of subsidiaries

Pre-acquisition carrying amounts were determined based on applicable HKFRS immediately before the acquisition. The value of assets and liabilities recognized on acquisition are their fair values measured as follows: for the identifiable assets with an active market, the fair value was measured according to its market price; for the identifiable assets without an active market, the fair value was measured based on the market price of the same or similar kind of assets; and if no active market exists for the same or similar assets, the fair value was measured by appraisal technique.

Goodwill is generated as a result of difference between the fair value of the net assets acquired and consideration.

(a) Acquisition of Beichen Hightech

On 12 January 2011, Ruifeng Windpower entered into an acquisition agreement with Mr. Li Baosheng, Mr. Li Baojun, Ms. Li Juan, Ms. Meng Yanrong and Mr. Li Baomin to acquire, in aggregate, the entire equity interest in Beichen Hightech for a total consideration of RMB50,802,400. The acquisition was completed in February 2011.

16. Acquisition of subsidiaries — Continued

(a) Acquisition of Beichen Hightech — Continued

Identifiable assets acquired and liabilities assumed:

	Recognised values on acquisition *RMB'000*
Fixed assets	130
Avaliable for sales investments	46,184
Inventories	272
Trade and other receivables	100
Cash and cash equivalents	103
Trade and other payables	(47)
Total identifiable net assets	46,742
Add: Goodwill	4,060
Consideration	50,802
Cash consideration	50,802
Cash and cash equivalents acquired	(103)
Net cash outflow for the period	50,699

(b) Acquisition of Langcheng

On 18 January 2011, Ruifeng Windpower entered into an acquisition agreement with Mr. Li Baosheng and Mr. Li Baojun to acquire further 70% equity interest in Langcheng thereby increasing Ruifeng Windpower's interest in Langcheng from 30% to 100% for a total consideration of RMB31,500,000. The acquisition was completed in June 2011.

	RMB'000
Consideration transferred	
Cash	31,500

16. Acquisition of subsidiaries — Continued

(b) Acquisition of Langcheng — Continued

	Pre-acquisition carrying amounts *RMB'000*	Fair value adjustments *RMB'000*	Recognised values on acquisition *RMB'000*
Fixed assets	88,780	31,234	120,014
Trade and other receivables	7,516	—	7,516
Cash and cash equivalents	3,562	—	3,562
Trade and other payables	(68,029)	—	(68,029)
Deferred tax liabilities	—	(7,808)	(7,808)
Total net identifiable assets	31,829	23,426	55,255

Goodwill

Total consideration transferred	31,500
Fair value of previously held 30% interest in Langcheng	17,650
Net identifiable assets and liabilities attributable to the Group	(55,255)
Gain on a bargain purchase	(6,105)

As a result of remeasuring fair value of the 30% equity interest in Langcheng held by the Group before the acquisition, a gain of approximately RMB8,101,000 was recognised in the consolidated income statement.

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17. Commitments

(a) Capital commitments outstanding as at 30 June 2011 not provided for in the financial statements were as follows:

	As at 30 June 2011	As at 31 December 2010
	RMB'000 (unaudited)	*RMB'000* (audited)
Acquisition of property, plant and equipment — Contracted for	1,111	839

(b) As at 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2011	As at 31 December 2010
	RMB'000 (unaudited)	*RMB'000* (audited)
Within 1 year	1,422	2,538
After 1 year but within 5 years	153	1,573
More than 5 years	—	907
	1,575	5,018

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18. Pledge of assets

As at 30 June 2011, the Group had pledged land and building with net book values of approximately RMB21,209,000 (31 December 2010: approximately RMB10,619,000) as security for the bank loans obtained by the Group.

Upon the completion of the acquisition of the entired issued share capital of Power Full by the Company on 7 July 2010, 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 which was issued by the Company to satisfy part of the consideration in the amount of HK$330 million.

Upon the issuance of convertible bonds in the principal amount of US$18,580,000 to Advance Gain in December 2010, the entire issued share capital of Power Full was pledged to Advance Gain to secure the Company's obligation under the said convertible bonds.

19. Related party transactions

During the six months ended 30 June 2011, the Group entered into the following transactions with related parties of the Group:

		For the six months ended 30 June	
		2011	2010
Names of related parties	**Nature of transactions**	***RMB'000*** **(unaudited)**	*RMB'000* (unaudited)
Zhong Shan Company Ltd.	Operating lease	**—**	63
Mr. Li Baosheng	Interest expenses	**527**	—
Changzhou Galaxy Micro-Electronics Co., Ltd.	Purchase of goods	**4,958**	—