



China Ruifeng Galaxy Renewable Energy Holdings Limited

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



Interim Report **2012**

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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

AUDIT COMMITTEE

Ms. Wong Wai Ling (*Chairman*)
Mr. Qu Weidong
Ms. Hu Xiaolin

REMUNERATION COMMITTEE

Ms. Hu Xiaolin (*Chairman*)
Mr. Zhang Zhixiang
Ms. Wong Wai Ling
Mr. Qu Weidong

NOMINATION COMMITTEE

Mr. Li Baosheng (*Chairman*) (*appointed on 29 March 2012*)
Mr. Zhang Zhixiang (*appointed on 29 March 2012*)
Ms. Wong Wai Ling (*appointed on 29 March 2012*)
Mr. Qu Weidong (*appointed on 29 March 2012*)
Ms. Hu Xiaolin (*appointed on 29 March 2012*)

COMPANY SECRETARY

Mr. Cheng Koon Kau Alfred

AUTHORISED REPRESENTATIVES

Mr. Zhang Zhixiang
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 People's Republic of China (the "PRC"):

Bank of China Limited
Industrial and Commercial Bank of China
Bank of Chengde
Agricultural Bank of China

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Shun Tak Centre, 168-200 Connaught Road Central
Hong Kong

COMPANY WEBSITE

www.c-ruifeng.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 Limited
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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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 2012 together with the comparative figures in prior corresponding period in 2011:

	For the six months ended 30 June			Approximate change in percentage %
	2012 <i>RMB'000</i> (unaudited)	2011 <i>RMB'000</i> (unaudited)	Increase/ (decrease) <i>RMB'000</i>	
Turnover	303,507	370,043	(66,536)	(18)
Gross profit	71,056	63,013	8,043	13
Profit from operations	57,670	85,301	(27,631)	(32)
Profit before taxation	19,469	46,539	(27,070)	(58)
Profit for the period	15,214	46,155	(30,941)	(67)
Attributable to:				
equity shareholders of the Company	15,214	46,155	(30,941)	(67)

	As at			Approximate change in percentage %
	30 June 2012 (unaudited)	31 December 2011 (audited)	Increase	
Net cash (<i>RMB'000</i>) (note)	(390,223)	(397,315)	7,092	2
Net assets (<i>RMB'000</i>)	490,034	349,416	140,618	40
Liquidity ratio	309%	229%		80
Inventories turnover (number of days)	53	47	6	13
Trade receivable turnover (number of days)	175	128	47	37
Trade payable turnover (number of days)	76	72	4	6
Net debt to equity ratio	80%	115%		(35)

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", together with its subsidiaries referred to as the "Group"), I hereby present the unaudited operating results of the Group for the six months ended 30 June 2012.

For the first half of the financial year 2012, the turnover of the Group was approximately RMB304 million, with a gross profit of approximately RMB71 million. The profit attributable to the equity shareholders of the Company was approximately RMB15 million, and the basic earnings per share was approximately RMB0.018.

BUSINESS REVIEW

Looking back at the first half of 2012, both the wind power and power grid construction businesses of the Group maintained a steady track. During the period under review, the Group focused on the development of the wind power business, successfully engaged into an agreement of capital injection to subscribe for the controlling stake in Hebei Hongsong Wind Power Co., Ltd. ("Hongsong") in Chengde City, Hebei Province, and kept the progress to develop the wind farm of Hexigten Qi Langcheng Ruifeng Electric Development Co., Ltd. ("Langcheng") in Hexigten Qi, Inner Mongolia.

On 17 April 2012, the Company entered into a framework agreement (the "Framework Agreement") with Hongsong for the subscription of additional shares in Hongsong. Pursuant to the Framework Agreement, the Company intends to subscribe for additional shares in Hongsong, in which the Company indirectly holds 5.77% interest, in order to obtain a controlling interest of not less than 51% in Hongsong (the "Hongsong Acquisition"). Prior to this, the Company had signed a USD100 million financing agreement with TPG Rave Holdings, L.P., one of the largest global private equity funds. All the proceeds from the issue referred to in the financing agreement will be applied to fund the Hongsong Acquisition.

Hongsong was established in 2001 and is principally engaged in the development of wind farms in Hebei and surrounding provinces. It was one of the pioneers in wind farm operation in Chengde, Hebei Province. Over the past decade, Hongsong has increased its paid up capital from an initial investment of RMB32 million to RMB480 million. It has distributed a substantial portion of its profits to its shareholders.

Chairman's Statement

The Company considers that the capital injection proposal to subscribe for the controlling stake in Hongsong will help drive Hongsong's business into a higher scale, and further strengthen its existing leading position in clean energy generation. Coupled with the wind farm of Langcheng, which is indirectly wholly-owned by the Company, the estimated total installation capacity of these two wind farms can reach approximately 1,200 megawatt (MW). Due to the proximity of these two wind farms, there is potential for their development into a large-scale wind farm with an installation capacity of more than one gigawatt (GW).

Wind power business

In the first half of 2012, the Group's wind farm development and acquisition projects continued to go forward steadily. Pursuant to the Framework Agreement, the Company intends to subscribe for additional shares in Hongsong in order to obtain a controlling interest of not less than 51% in Hongsong.

The wind farm operated by Hongsong is located in Hongsongwa area of Hebei Province, with a maximum installation capacity of 596.4MW. The current installed capacity is 348.9MW. Hongsong wind farm supplies electricity to the power grid of Jibei Electric Power Company Limited (a wholly-owned subsidiary of State Grid Corporation of China), and sells to the general public. Apart from the sale of electricity, this wind farm has also developed a Gold Standard Clean Development Mechanism (CDM) Project that qualifies for providing carbon credits, thereby improving the profitability of Hongsong.

Hongsong derives its revenue mainly from selling electricity to the State power grid, with a small portion of revenue derived from sub-contracting installation of wind turbines and selling carbon credits. Due to favourable government policies on renewable energy, Hongsong benefits from preferential policies such as high tariffs for electricity sold to the power grid and preferential tax treatments.

Since its commencement of operation, Hongsong has earned an accumulated revenues of approximately RMB1 billion. Under Hongsong's estimation, one 220 kilovolt (kV) substation and seven 110kV substations will be completed by the end of 2013. The substations can support the transmission of not less than 550MW wind power to Hongsongwa area.

Furthermore, the Group currently holds 100% equity interest in Langcheng, and as such owns all of the assets of Langcheng wind farm in Shangtoudi of Hexigten Qi.

Chairman's Statement

The maximum installation capacity of Langcheng wind farm is 594MW, and its construction is in progress. Approximately RMB100 million has been invested in the project, and Phases I to III of its major infrastructure constructions such as road construction and base ring have been completed. Langcheng wind farm is expected to commence grid-connected power generation in 2013, and will generate revenues and earnings to the Group.

Power grid construction and consultation business

Leveraging on the resound corporate reputation in the industry and with plenty of projects, the results of Hebei Beichen Power Grid Construction Co., Ltd. ("Beichen Power Grid"), an indirect wholly owned subsidiary of the Company, in the first half of 2012 maintained strong growth. For the six months ended 30 June 2012, the profit before taxation of its power grid construction and consultation business was approximately RMB43.5 million, representing an increase of close to 100% over approximately RMB22.3 million of the corresponding period last year.

Manufacturing of wind turbine blades

Due to greater fluctuations in the overall market since last year, sales from the wind turbine blades manufacturing business operated by Chengde Ruifeng Renewable Energy Windpower Equipment Co., Ltd. ("Ruifeng Windpower"), an indirectly wholly owned subsidiary of the Company, was impacted to a relatively large extent for the first half of this year. This segment recorded a loss of approximately RMB1.70 million for the first half of the year. Ruifeng Windpower's wind turbine blades business is expected to improve in the second half of the year with an expectation of gradual stabilisation of the overall market.

Diodes manufacturing business

The diodes manufacturing business of the Group was mainly operated through Sun Light Planet Limited, a wholly-owned subsidiary, and Changzhou Galaxy Electrical Co., Ltd. ("Galaxy Electrical") is the core wholly-owned subsidiary of Sun Light Planet Limited. Leveraging on Galaxy Electrical's professional research and development, manufacturing, sales and technical support capabilities in semiconductor discrete devices, the operation of the Group's diodes manufacturing business has slightly dropped. The Group recorded a profit before taxation of RMB9.13 million from its diodes manufacturing business for the first six months, declined slightly from approximately RMB9.74 million of the same period last year.

Chairman's Statement

PROSPECTS

The Group is confident in the future development of new energy (such as wind power) industry. In the future, the Group will continue to speed up the development of its wind power business, and explore development opportunities in other areas of new energy by leveraging on the resources and advantages of its own power grid business, with an aim to establish a solid market position in the new energy industry.

The businesses of the Group are expected to further develop steadily in the second half of the year. In light of the Group's intended capital injection to subscribe for the controlling stake in Hongsong, coupled with the existing 100% equity interest in Langcheng, the installation capacity of wind farms owned directly and indirectly by the Group is expected to increase significantly. The Group's future wind power installation capacity is promising.

As the market condition gradually picks up, the Group's wind turbine blades manufacturing business is expected to gradually improved in the second half of the year. As Beichen Power Grid holds sufficient projects, and has secured new construction contracts for several large scale projects, the power grid construction business of the Group will maintain its growth momentum in second half of the year. The operation of the Group's diodes manufacturing business is expected to remain stable in the second half of the year.

The Group will rely on its increasing wind farm resources reserve to rely fully on its strengths in its wind turbine blades manufacturing and power grid construction businesses, so as to diversify its wind power businesses. Apart from its wind turbine blades manufacturing business and wind farm construction contracting business, the Group will also gradually increase its involvement in the businesses of transportation, installation and debugging of wind turbine primary generators and parts, supply and replacement service of wind turbine parts and components, and provision of maintenance services for wind farm operation, such as the repair and maintenance of wind farm infrastructure.

Whilst expanding scale and enhancing the efficiency of its wind power business, the Group will at the same time explore other development opportunities in the new energy industry, with an aim to establish a solid market position in the new energy industry. With the intended capital injection to subscribe for the controlling stake in Hongsong, the Group will also endeavour to develop itself into a leading new energy enterprise based on wind power industry chain.

Chairman's Statement

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my gratitude to our shareholders, investors and business partners for their continued care and support to the Group. I would also like to thank the management team and all the staff for their contribution and dedication to the development of the Group. The Group commits to generating better returns to its shareholders and investors through solid and concrete development strategies.

LI Baosheng

Chairman

Hong Kong, 31 August 2012

Management Discussion and Analysis

FINANCIAL REVIEW

The Group currently engages in construction and consultation of power grid and transformer project, manufacturing, processing and sales of wind turbine blades, and wind farm operation through its wholly-owned subsidiaries including Beichen Power Grid, Ruifeng Windpower, Chengde Beichen High New Technology Co., Ltd. (“Beichen Hightech”) and Langcheng.

For the six months ended 30 June 2012, the Group’s turnover amounted to approximately RMB303,507,000 (30 June 2011: approximately RMB370,043,000), representing a decrease of approximately 18% over that of corresponding period ended 30 June 2011. Gross profit increased by approximately 13% to approximately RMB71,056,000 for the six months ended 30 June 2012 (30 June 2011: approximately RMB63,013,000). Net profit decreased to approximately RMB15,214,000 (30 June 2011: approximately RMB46,155,000). The decrease was mainly due to the slight decline in operating results of diodes manufacturing business. Apart from this, the fair value gain on derivative financial instruments decreased significantly, and the gain from a bargain purchase arising from acquisition of Langcheng and the gain on deemed disposal of an associate Langcheng which applied for the six months ended 30 June 2011 were no longer applicable for the six months ended 30 June 2012.

Turnover

Turnover for the six months ended 30 June 2012 was approximately RMB303,507,000. It represented a decrease of approximately 18% over that of approximately RMB370,043,000 in the corresponding period in 2011. The decrease derived mainly from diodes manufacturing business.

During the period under review, the Group’s turnover was derived from two business divisions — the power-related business and the diodes manufacturing business. The power-related business recorded a turnover of approximately RMB146,212,000, which was attributed to the power grid construction and consultation business. The Group’s operating bases for the power-related business are mainly located in Chengde City of Hebei Province, and Inner Mongolia.

Management Discussion and Analysis

The diodes manufacturing business recorded a turnover of approximately RMB157,295,000 for the period under review. The Group's production base for the diodes manufacturing business is mainly located in Changzhou City of Jiangsu Province.

Analysis of the Group's turnover by its businesses for the six months ended 30 June 2012 is set out below:

Turnover by business

	For the six months ended 30 June		Increase/ (decrease) RMB million	Approximate change in percentage %
	2012 RMB million (unaudited)	2011 RMB million (unaudited)		
(i) Power-related business				
Power grid construction and consultation	146.21	149.37	(3.16)	(2.12)
Sales and processing of wind turbine blades	—	26.37	(26.37)	(100.00)
	146.21	175.74	(29.53)	(16.80)
(ii) Diodes manufacturing business				
Plastic packaged diodes	106.74	131.95	(25.21)	(19.11)
Glass packaged diodes	11.21	15.62	(4.41)	(28.23)
Bridge rectifiers	0.21	1.98	(1.77)	(89.39)
Surface mount device packaged diodes	38.41	44.71	(6.30)	(14.09)
Others	0.73	0.04	0.69	1,725.00
	157.30	194.30	(37.00)	(19.04)
Total	303.51	370.04	(66.53)	(17.98)

Management Discussion and Analysis

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 2012 represented approximately 77% of the Group's turnover, showing a decrease when compared with that of approximately 83% for the corresponding period in 2011.

Gross Profit

Gross profit increased by approximately 13% to approximately RMB71,056,000 (30 June 2011: approximately RMB63,013,000) which was mainly derived from the operating result of power-related business. The gross profit margin also increased from approximately 17% to approximately 23% for the six months ended 30 June 2012.

Other Revenue and Net Income

Other revenue and net income mainly comprised of rental income from operating leases relating to plant and machinery (30 June 2012: approximately RMB10,803,000; 30 June 2011: approximately RMB9,091,000), government subsidy income (30 June 2012: approximately RMB2,911,000; 30 June 2011: Nil), dividend income (30 June 2012: approximately RMB4,087,000; 30 June 2011: Nil), fair value gain on derivative financial instruments (30 June 2012: approximately RMB1,178,000; 30 June 2011: approximately RMB27,081,000), sales of scrap (30 June 2012: approximately RMB925,000; 30 June 2011: approximately RMB559,000) and interest income on financial assets not at fair value through profit or loss (30 June 2012: approximately RMB245,000; 30 June 2011: approximately RMB378,000). The significant decrease in other revenue and net income by approximately RMB37,463,000 is mainly due to significant decrease in the fair value gain on derivative financial instruments by approximately RMB25,903,000, and that gain from a bargain purchase arising from acquisition of Langcheng and the gain on deemed disposal of an associate Langcheng with an amount of approximately RMB6,105,000 and approximately RMB8,101,000 respectively for the six months ended 30 June 2011 were no longer applicable for the six months ended 30 June 2012.

Management Discussion and Analysis

Distribution Costs

Distribution costs mainly include commission expenses from sales and distribution activities, wages and salaries of sales personnel, repair costs and transportation costs. Distribution costs for the six months ended 30 June 2012 represented approximately 2% of the Group's total turnover, which is similar to that of approximately 1% for the corresponding period in 2011.

Administration Expenses

Administration expenses mainly include wages, salaries and welfare expenses, depreciation expenses of office equipment, travelling expenses and entertainment expenses. It decreased slightly by approximately 5% to approximately RMB28,146,000 for the six months ended 30 June 2012 when compared with that of approximately RMB29,756,000 in the corresponding period in 2011.

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 amounted to approximately RMB38,195,000 for the six months ended 30 June 2012 while it amounted to approximately RMB38,592,000 in the corresponding period in 2011.

Taxation

Taxation increased from approximately RMB384,000 for the six months ended 30 June 2011 to approximately RMB4,255,000 for the six months ended 30 June 2012. Taxation for the six months ended 30 June 2012 included withholding tax expenses of approximately RMB2,767,000.

Net Profit for the Period

The net profit margin decreased from approximately 12% for the six months ended 30 June 2011 to approximately 5% for the corresponding period ended 30 June 2012. The decrease was mainly due to significant decrease in other revenue and net income. Among other revenue and net income, fair value gain on derivative financial instruments dropped by approximately RMB25,903,000 whereas the gain from a bargain purchase arising from the acquisition of Langcheng with an amount of approximately RMB6,105,000 and the gain on deemed disposal of an associate Langcheng with an amount of approximately RMB8,101,000 were no longer applicable for the six months ended 30 June 2012.

Management Discussion and Analysis

Net Current Assets

The net current assets of the Group as at 30 June 2012 increased moderately to approximately RMB484,762,000 from that of approximately RMB360,736,000 as at 31 December 2011.

Liquidity and Financing

The cash and bank balances as at 30 June 2012 and 31 December 2011 were approximately RMB62,752,000 (mainly denominated in RMB, USD and HKD, which amounted to approximately RMB40,798,000, USD274,000 and HKD24,958,000 respectively) and approximately RMB86,283,000, respectively.

As at 30 June 2012, total interest-bearing borrowings of the Group amounted to approximately RMB452,975,000, representing a decrease of approximately 6% when compared with the balance of approximately RMB483,598,000 as at 31 December 2011.

The Group mainly settles its debts through its steady, recurrent cash-flows from operations. The Group's gearing ratio decreased to approximately 56% as at 30 June 2012 from approximately 66% as at 31 December 2011. That ratio was calculated by dividing the Group's total liabilities by its total assets. During the first half of 2012, all of the Group's borrowings were settled in Renminbi ("RMB") and Hong Kong dollar ("HKD"). Approximately 90% of the Group's income was denominated in Renminbi, and the remaining was denominated in Hong Kong dollar and United States dollar ("USD"). Among the interest-bearing borrowings of the Group, approximately RMB302,975,000 were fixed rate loans, while RMB150,000,000 were variable rate loans. The Group had not engaged in any currency hedging facility for the six months ended 30 June 2012 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.

Management Discussion and Analysis

Conversion of Convertible Bonds

Pursuant to a subscription agreement between the Company and Advance Gain Enterprises Limited (“Advance Gain”) dated 19 December 2010, Advance Gain agreed to subscribe for convertible bonds of the Company in the principal amount of USD18,580,000 in cash at 100% of their principal amount. Based on the initial conversion price of HKD1.50 per share to be allotted and issued upon exercise of the conversion rights attached to the said convertible bonds, a maximum number of 95,996,666 ordinary shares may be allotted and issued.

In March 2012, conversion rights attached to convertible bonds in an aggregate amount of USD6,000,000 were exercised at a conversion price of HKD1.50 per share; resulting in the issue of 31,000,000 ordinary shares of the Company. Further details of the convertible bonds are set out in the announcement of the Company dated 20 December 2010.

Non-Listed Warrants

Pursuant to a placing agreement between the Company and Goldin Equities Limited (the “Placing Agent”) dated 29 April 2011, warrants to subscribe for 150,000,000 ordinary shares of the Company at the initial subscription price of HKD1.60 (subject to adjustment) in aggregate were issued and allotted by the Company in May 2011.

The subscription rights attached to the warrants expired on 20 May 2012. Prior to the date of expiration, warrants in the amount of HKD121,600,000 had been exercised and a total 76,000,000 ordinary shares had been issued. Further details of the placing are set out in the announcements of the Company dated 29 April 2011, 3 May 2011 and 20 May 2011, respectively.

Issue of Convertible Bonds and Warrants

On 17 April 2012, the Company, TPG Rave Holdings, L.P (the “Lead Subscriber”) and Diamond Era Holdings Limited (“Diamond Era”) entered into a subscription agreement (the “Subscription Agreement”), pursuant to which the Lead Subscriber (and/or affiliates as it may nominate) has agreed to subscribe for 60% of a 8.0% United States dollar denominated convertible bond(s) in respect of the principal amount of USD100,000,000 (the “Bonds”) and the non-listed warrants with an exercise value of USD25,000,000 (the “Warrants”), while Diamond Era (or its nominees) has agreed to subscribe for the remaining 40% of the Bonds and the Warrants subject to the terms and conditions of the Subscription Agreement.

Management Discussion and Analysis

According to the Subscription Agreement, the Board will apply the proceeds from the issuance of Bonds in the intended capital injection for equity interests in Hebei Hongsong Wind Power Co., Ltd. (“Hongsong”) to not less than 51% of the shareholding. Upon full exercise of the subscription rights attaching to the Warrants, the proceeds will be applied as general working capital of the Company.

As Diamond Era is a substantial shareholder of the Company holding 243,000,000 Shares, representing approximately 28.2% of the issued share capital of the Company as at the date of the Subscription Agreement, it is a connected person of the Company and the issuance of the Bonds and Warrants to Diamond Era or its associates constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription Agreement is subject to, among other things, the independent shareholders’ approval. Further details of the proposed issuance of Bonds and Warrants are set out in the announcement of the Company dated 26 April 2012.

Pledge of Assets

As at 30 June 2012, the Group had pledged leasehold land and buildings with net book values of approximately RMB1,745,000 (31 December 2011: approximately RMB12,554,000) as security for the bank loans of 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 HKD330,000,000.

Upon the issuance of the convertible bonds in the principal amount of USD18,580,000 in December 2010 to 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.

Management Discussion and Analysis

Contingent Liabilities

As at 30 June 2012 and as at 31 December 2011, the Group had no material contingent liabilities.

Employees

As at 30 June 2012, the Group had approximately 2,000 full-time employees (30 June 2011: 2,800 employees) in Hong Kong and the PRC, comprising of approximately 700 employees from the power-related business and approximately 1,300 from the business of diodes manufacturing. For the six months ended 30 June 2012, the relevant staff costs (including Directors' remuneration) were approximately RMB40,569,000 (30 June 2011: approximately RMB34,674,000). The Group's remuneration and bonus packages were given based on performance of 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 2012, 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 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 Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”):

Long position in the shares of the Company (the “Shares”)

Name of Director	Number of Shares held/ interested	Capacity	Approximate percentage of the issued share capital of the Company (as at 30 June 2012)
Li Baosheng (<i>Note</i>)	662,555,554	Interest of a controlled corporation	71.55%
Zhang Zhixiang (<i>Note</i>)	147,219,844	Interest of a controlled corporation	15.90%

Note:

Diamond Era is owned as to 77.78% by Mr. Li Baosheng and as to 22.22% by Mr. Zhang Zhixiang, both of which are executive Directors.

Disclosure of Interests

As at 30 June 2012, Diamond Era was interested in:

- (i) 243,000,000 Shares;
- (ii) 107,000,000 Shares to be issued upon exercise of the conversion rights in respect of an outstanding principal amount of HKD107,000,000 attached to the convertible note in the principal amount of HKD155,000,000 issued by the Company on 7 July 2010 (the "Convertible Note");
- (iii) 258,666,666 Shares (assuming conversion price of HKD1.20) which may be issued upon exercise of the conversion rights in respect of a 8.0% United States dollar denominated convertible bond(s) in respect of the principal amount of USD40,000,000 to be subscribed by Diamond Era and to be issued by the Company pursuant to a subscription agreement entered into among the Company, Diamond Era and TPG Rave Holdings, L.P. (the "Subscription Agreement"), details of which are set out in the announcement of the Company dated 26 April 2012; and
- (iv) 53,888,888 Shares (assuming exercise price of HKD1.44) which may be issued upon exercise of subscription rights attached to warrants with an exercise value of USD10,000,000 to be subscribed by Diamond Era and to be issued by the Company pursuant to the Subscription Agreement.

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

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 2012, 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.

Disclosure of Interests

Long position in the Shares

Name of shareholder	Number of Shares held/ interest	Capacity	Approximate percentage of the issued share capital of the Company (as at 30 June 2012)
Diamond Era (<i>Note 1</i>)	662,555,554	Beneficial owner	71.55%
TPG Rave Holdings, L.P. ("TPG Rave") (<i>Note 2</i>)	468,833,333	Beneficial owner	50.63%
TPG Growth II Advisors, Inc. (<i>Note 2</i>)	468,833,333	Interest of a controlled corporation	50.63%
Bonderman David (<i>Note 2</i>)	468,833,333	Interest of a controlled corporation	50.63%
Coulter James G. (<i>Note 2</i>)	468,833,333	Interest of a controlled corporation	50.63%
Advance Gain Enterprises Limited ("Advance Gain") (<i>Note 3</i>)	273,996,666	Nominee for another person (other than a bare trustee)	29.59%
CCB International (Holdings) Limited (<i>Note 3</i>)	273,996,666	Beneficial owner	29.59%
CCB Financial Holdings Limited (<i>Note 3</i>)	273,996,666	Interest of a controlled corporation	29.59%
CCB International Asset Management Limited (<i>Note 3</i>)	273,996,666	Interest of a controlled corporation	29.59%

Disclosure of Interests

Name of shareholder	Number of Shares held/ interest	Capacity	Approximate percentage of the issued share capital of the Company (as at 30 June 2012)
CCB International Group Holdings Limited (Note 3)	273,996,666	Interest of a controlled corporation	29.59%
Central Huijin Investment Ltd. (Note 3)	273,996,666	Interest of a controlled corporation	29.59%
China Construction Bank Corporation (Note 3)	273,996,666	Interest of a controlled corporation	29.59%

Notes:

- Diamond Era is owned as to 77.78% by Mr. Li Baosheng and as to 22.22% by Mr. Zhang Zhixiang, both of which are executive Directors.

As at 30 June 2012, Diamond Era was interested in:

- 243,000,000 Shares;
- 107,000,000 Shares to be issued upon exercise of the conversion rights in respect of an outstanding principal amount of HKD107,000,000 attached to the Convertible Note;
- 258,666,666 Shares (assuming conversion price of HKD1.20) which may be issued upon exercise of the conversion rights in respect of a 8.0% United States dollar denominated convertible bond(s) in respect of the principal amount of USD40,000,000 to be subscribed by Diamond Era and to be issued by the Company pursuant to the Subscription Agreement; and
- 53,888,888 Shares (assuming exercise price of HKD1.44) which may be issued upon exercise of subscription rights attached to warrants with an exercise value of USD10,000,000 to be subscribed by Diamond Era and to be issued by the Company pursuant to the Subscription Agreement.

Disclosure of Interests

2. As at 30 June 2012, TPG Rave was interested in (i) 388,000,000 Shares (assuming conversion price of HKD1.20) which may be issued upon exercise of the conversion rights in respect of a 8.0% United States dollar denominated convertible bond(s) in respect of the principal amount of USD60,000,000 to be subscribed by TPG Rave and to be issued by the Company pursuant to the Subscription Agreement; and (ii) 80,833,333 Shares (assuming exercise price of HKD1.44) which may be issued upon exercise of subscription rights attached to warrants which an exercise value of USD15,000,000 to be subscribed by TPG Rave and to be issued by the Company pursuant to the Subscription Agreement. The interest in 468,833,333 shares relates to the same block of shares.

3. As at 30 June 2012, Advance Gain was interested in 273,996,666 Shares, comprising (i) its interest in 95,996,666 Shares to be issued upon exercise of the conversion rights in respect of an outstanding principal amount of USD18,580,000 attached to the 8.0% per annum coupon rate secured convertible bonds in the principal amount of USD18,580,000 issued by the Company on 31 December 2010 (the "Convertible Bonds") and held by it; and (ii) its interest in 283,000,000 Shares held by or to be issued to Diamond Era by virtue of a share charge executed by Diamond Era in favour of Advance Gain dated 21 December 2010, pursuant to which Diamond Era has pledged 243,000,000 Shares held by Diamond Era, and 40,000,000 Shares to be issued to upon exercise of the conversion rights in respect of HKD40,000,000 out of the entire outstanding principal amount HKD107,000,000 attached to the Convertible Note and held by Diamond Era in favour of Advance Gain to secure the Company's obligations under the Convertible Bonds.

Advance Gain is indirectly wholly-owned by China Construction Bank Corporation through its wholly-owned subsidiaries, namely, CCB International Asset Management Limited, CCB International (Holdings) Limited, CCB Financial Holdings Limited and CCB International Group Holdings Limited. Central Huijin Investment Ltd. is a controlling shareholder of China Construction Bank Corporation who had approximately a 57.10% interest in China Construction Bank Corporation. The interest in 273,996,666 Shares by these companies relates to the same block of Shares.

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 Directors, 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 2012.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with all the code provisions as set out in the Code on Corporate Governance (the "Code") contained in Appendix 14 to the Listing Rules during the period from 1 January 2012 to 31 March 2012. The Code had been amended which took effect from 1 April 2012 (the "Revised Code"). The Company had complied with all the code provisions as set out in the Revised Code during the period from 1 April 2012 to 30 June 2012.

Other Information

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012.

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 2012.

SHARE OPTION SCHEME

For the six months ended 30 June 2012, 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 2012.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

The Company has set up a nomination committee on 29 March 2012 in accordance with the Code. Mr. Li Baosheng, the Chairman and an executive Director, has been appointed as the chairman and member of the nomination committee with effect from 29 March 2012. Mr. Zhang Zhixiang, the executive Director and Chief Executive Officer, Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin, each an independent non-executive Director, have been appointed as the members of the nomination committee with effect from 29 March 2012.

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 2012 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 2012.

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 2012 together with the comparative figures for the last corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Note	For the six months ended 30 June	
		2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Turnover	3	303,507	370,043
Cost of sales		(232,451)	(307,030)
Gross profit		71,056	63,013
Other revenue and net income		20,045	57,508
Distribution costs		(5,285)	(5,464)
Administrative expenses		(28,146)	(29,756)
Profit from operations		57,670	85,301
Finance costs	4	(38,195)	(38,592)
Share of profits less losses of associates		(6)	(170)
Profit before taxation	4	19,469	46,539
Income tax	5	(4,255)	(384)
Profit for the period		15,214	46,155
Attributable to:			
Equity shareholders of the Company		15,214	46,155
Non-controlling interests		—	—
Profit for the period		15,214	46,155
Earnings per share	7		
— Basic (RMB)		0.018	0.056
— Diluted (RMB)		0.018	0.046

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Profit for the period	15,214	46,155
Other comprehensive income		
Exchange differences on translation of financial statements of operations outside the PRC	(399)	(1,215)
Other comprehensive income for the period (net of tax)	(399)	(1,215)
Total comprehensive income for the period	14,815	44,940
Total comprehensive income attributable to: Equity shareholders of the Company	14,815	44,940

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		As at 30 June 2012	As at 31 December 2011
	<i>Note</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Non-current assets			
Property, plant and equipment	9	223,782	223,878
Lease prepayments		17,532	17,750
Goodwill		83,006	83,006
Investment in an associate		5,099	5,106
Available-for-sale investments		46,184	46,184
Deferred tax assets		3,201	3,201
		378,804	379,125
Current assets			
Inventories		30,770	48,034
Trade and other receivables	10	623,242	506,427
Lease prepayments		401	401
Pledged bank deposits		6,685	3,627
Cash and cash equivalents		56,067	82,656
		717,165	641,145
Current liabilities			
Trade and other payables	12	134,311	162,792
Derivative financial instruments	13	1,050	1,027
Interest-bearing borrowings	14	90,400	105,400
Current taxation		6,642	11,190
		232,403	280,409

Condensed Consolidated Financial Statements

		As at 30 June 2012	As at 31 December 2011
	Note	RMB'000 (unaudited)	RMB'000 (audited)
Net current assets		484,762	360,736
Total assets less current liabilities		863,566	739,861
Non-current liabilities			
Interest-bearing borrowings	14	362,575	378,198
Deferred tax liabilities		10,957	12,247
		373,532	390,445
Net assets		490,034	349,416
Capital and reserves			
Share capital	15	8,607	7,740
Reserves		481,427	341,676
Total equity		490,034	349,416

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Statutory reserves RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Warrants reserve RMB'000	Convertible note reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
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)	3,558	37,683	(397,796)	304,231
Total comprehensive income for the period	—	—	—	—	—	(178)	—	—	45,363	45,185
Balance at 31 December 2011 (audited)	7,740	700,328	(91,284)	13,118	31,477	(771)	3,558	37,683	(362,433)	349,416
Conversion of convertible bonds	251	27,066	—	—	—	—	—	—	—	27,317
Issue of shares on exercise of warrants	616	99,670	—	—	—	—	(1,800)	—	—	98,486
Transfer to accumulated losses	—	—	—	—	—	—	(1,758)	—	1,758	—
Transfer to statutory reserves	—	—	—	4,142	—	—	—	—	(4,142)	—
Total comprehensive income for the period	—	—	—	—	—	(399)	—	—	15,214	14,815
Balance at 30 June 2012 (unaudited)	8,607	827,064	(91,284)	17,260	31,477	(1,170)	—	37,683	(339,603)	490,034

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Net cash used in operating activities	(83,901)	(49,486)
Net cash used in investing activities	(9,503)	(85,307)
Net cash generated from financing activities	67,906	13,058
Net decrease in cash and cash equivalents	(25,498)	(121,735)
Cash and cash equivalents at beginning of period	82,656	181,990
Effect of foreign exchange rate changes	(1,091)	(1,215)
Cash and cash equivalents at end of period, represented by bank balances and cash	56,067	59,040

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated 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 2011.

2. Significant accounting policies

The unaudited 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 unaudited 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 2011, except for adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective to the Group for accounting periods beginning on or after 1 January 2012. The adoption of the new HKFRSs has no material impact on the Group’s results and financial position for the current or prior accounting periods.

Condensed Consolidated Financial Statements

3. Turnover

The principal activities of the Group are power grid construction and consultation, production of wind turbine blades, design, development, manufacturing and sales of diodes.

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), revenue from construction contracts and processing income charged to customers. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	For the six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Sales of goods and processing income	157,295	220,674
Revenue from construction contracts	146,212	149,369
	303,507	370,043

Condensed Consolidated Financial Statements

4. Profit before taxation

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

	For the six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
(a) Finance costs:		
Interest on bank and other loans wholly repayable within five years	8,778	6,905
Interest expenses on convertible bonds	14,520	19,371
Interest expenses on convertible note	7,810	5,237
Interest expenses on promissory note	7,087	7,079
Interest expenses on financial liabilities not at fair value through profit or loss	38,195	38,592
(b) Staff costs:		
Director's remuneration (including contribution to defined contribution retirement plans for Directors)	2,284	2,431
Other staff costs	35,957	30,041
Contribution to defined contribution retirement plans (excluding those for Directors)	2,328	2,202
Total staff costs	40,569	34,674
(c) Other items:		
Impairment loss on trade receivables written back	(2,878)	(2,206)
Amortisation of lease prepayments	241	155
Cost of inventories	135,093	187,825
Depreciation for property, plant and equipment and after crediting:	9,151	10,277
Interest income on financial assets not at fair value through profit or loss	(245)	(378)

Condensed Consolidated Financial Statements

5. Income tax

	For the six months ended 30 June	
	2012	2011
	RMB'000 (unaudited)	RMB'000 (unaudited)
Taxation expenses include:		
PRC enterprise income tax	5,544	1,248
Deferred tax	(1,289)	(864)
Total	4,255	384

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 2011: 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 People's Republic of China ("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 Changzhou Galaxy Electrical Co., Ltd. ("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 PRC 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. Year 2011 is the third year of 50% reduction on the income tax for Galaxy Hi-New. The applicable income tax rate of Galaxy Hi-New is adjusted to 25% in 2012, same as the applicable income tax rate of other PRC subsidiaries of the Group except Galaxy Electrical and Galaxy Semiconductor for the year 2011 and 2012.

Condensed Consolidated Financial Statements

5. Income tax — Continued

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 CaiSui 2008 No.1 Notice on Certain Preferential Corporate Income Tax Policies issued jointly 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 2012 (30 June 2011: Nil).

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2012 of approximately RMB15,214,000 (30 June 2011: approximately RMB46,155,000) and the weighted average of approximately 852,165,000 ordinary shares (30 June 2011: 819,000,000 ordinary shares) in issue during the period, calculated as follows:

(i) Weighted average number of ordinary shares

	For the six months ended 30 June	
	2012	2011
	'000	'000
	(unaudited)	(unaudited)
Issued ordinary shares at 1 January	819,000	819,000
Effect of conversion of convertible bonds	19,418	—
Effect of exercise of warrants	13,747	—
Weighted average number of ordinary shares at 30 June	852,165	819,000

Condensed Consolidated Financial Statements

7. Earnings per share — Continued

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2012 is not presented because the existence of outstanding conversion options for the convertible note and convertible bonds during the period have anti-dilutive effect on the basic earnings per share. The calculation of diluted earnings per share for the six months ended 30 June 2011 is based on the adjusted profit attributable to ordinary equity shareholders of the Company of approximately RMB38,471,000 and the weighted average number of ordinary shares of approximately 831,345,000 ordinary shares (diluted).

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 assessing segment performance and allocating resources between segments, 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 mainly in the PRC.
- Construction contracts: this segment constructs power grid and wind farm and provides consultation to external customers and to 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 processed in the Group's manufacturing facilities located in the PRC.
- Wind farm operation: this segment uses wind turbine to generate electricity power in the PRC.

Condensed Consolidated Financial Statements

8. Segment reporting — Continued

(a) *Segment results, assets and liabilities*

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

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates. 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 expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBIT", i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as including investment income. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates, Directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBIT, 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 and additions to non-current segment assets used by the segments in their operations.

Condensed Consolidated Financial Statements

8. Segment reporting — Continued

(a) Segment results, assets and liabilities — Continued

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 2012 and 30 June 2011 is set out below.

	Production of diodes		Construction contracts		Production of wind turbine blades		Wind farm operation		Sub-total		Un-allocated		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Reportable segment revenue	157,295	194,305	146,212	149,369	—	26,369	—	—	303,507	370,043	—	—	303,507	370,043
Reportable segment profit(loss)	9,128	9,741	43,466	22,282	(1,703)	3,809	2,163	14,024	53,056	49,856	1,179	34,082	54,235	83,938
Central administrative costs											(5,349)	(5,712)	(5,349)	(5,712)
Finance costs											(29,417)	(31,687)	(29,417)	(31,687)
Profit before taxation													19,469	46,539
Income tax													(4,255)	(384)
Profit for the period													15,214	46,155

Condensed Consolidated Financial Statements

8. Segment reporting — Continued

(a) Segment results, assets and liabilities — Continued

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

	Production of diodes		Construction contracts		Production of wind turbine blades		Wind farm operation		Sub-total		Un-allocated		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Depreciation and amortisation for the period	6,441	7,497	2,341	2,437	435	405	56	—	9,273	10,369	119	63	9,392	10,432
Interest income	200	355	35	—	1	—	8	—	244	355	1	23	245	378
Share of (losses)/profits of associates	(6)	21	—	—	—	—	—	—	(6)	21	—	(191)	(6)	(170)

	Production of diodes		Construction contracts		Production of wind turbine blades		Wind farm operation		Sub-total		Un-allocated		Total	
	As at 30 June 2012	As at 31 December 2011	As at 30 June 2012	As at 31 December 2011	As at 30 June 2012	As at 31 December 2011	As at 30 June 2012	As at 31 December 2011	As at 30 June 2012	As at 31 December 2011	As at 30 June 2012	As at 31 December 2011	As at 30 June 2012	As at 31 December 2011
	RMB'000 (unaudited)	RMB'000 (audited)	RMB'000 (unaudited)	RMB'000 (audited)	RMB'000 (unaudited)	RMB'000 (audited)	RMB'000 (unaudited)	RMB'000 (audited)	RMB'000 (unaudited)	RMB'000 (audited)	RMB'000 (unaudited)	RMB'000 (audited)	RMB'000 (unaudited)	RMB'000 (audited)
Assets	272,568	312,801	488,432	396,436	33,815	37,222	193,158	183,223	988,073	929,682	102,797	85,482	1,090,870	1,015,164
Associate	5,099	5,106	—	—	—	—	—	—	5,099	5,106	—	—	5,099	5,106
Reportable segment assets	277,767	317,907	488,432	396,436	33,815	37,222	193,158	183,223	993,172	934,788	102,797	85,482	1,095,969	1,020,270
Additions to non-current segment assets during the period/the year	4,013	11,406	983	548	—	16	957	3,513	5,953	15,483	772	122	6,725	15,605
Reportable segment liabilities	(65,033)	(87,869)	(173,584)	(195,647)	(17,675)	(21,060)	(4,896)	(27,815)	(292,128)	(331,991)	(313,807)	(338,863)	(605,935)	(670,654)

(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.

Condensed Consolidated Financial Statements

9. Property, plant and equipment

For the six months ended 30 June 2012, the Group acquired property, plant and equipment (including construction in progress) amounting to approximately RMB6,725,000 (30 June 2011: approximately RMB5,348,000). The Group did not acquire any property, plant and equipment through acquisition of subsidiary for the six months ended 30 June 2012 (30 June 2011: approximately RMB120,013,000).

10. Trade and other receivables

	As at 30 June 2012	As at 31 December 2011
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Trade receivables	278,673	280,721
<i>Less:</i> allowance for doubtful debts	(16,519)	(19,397)
	262,154	261,324
Other receivables	86,933	53,776
Note receivables	27,444	32,132
Loans and receivables	376,531	347,232
Prepayments and deposits	91,031	66,172
Gross amount due from customers for contract work	155,680	93,023
	623,242	506,427

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

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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 2012	As at 31 December 2011
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Within three months	108,746	226,049
More than three months but within one year	140,794	24,086
More than one year	12,614	11,189
	262,154	261,324

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

11. Bank loans

As at 30 June 2012, the amount of the Group's bank borrowings decreased to RMB150,000,000 (31 December 2011: RMB165,000,000), of which secured bank borrowings amounting to RMB115,000,000 (31 December 2011: RMB130,000,000) were secured by the buildings and the lease prepayments, and guaranteed bank borrowings amounting to RMB35,000,000 (31 December 2011: RMB35,000,000) were guaranteed by an indirect wholly-owned subsidiary of the Company, namely, Chengde Beichen High New Technology Co., Ltd..

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12. Trade and other payables

	As at 30 June 2012	As at 31 December 2011
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Trade payables	84,426	110,896
Other payables	33,621	34,909
Advance from customers	9,463	14,613
Amounts due to Directors	1,878	720
Financial liabilities measured at amortised cost	129,388	161,138
Gross amount due to customers for contract work	4,923	1,654
	134,311	162,792

Included in trade and other payables are trade creditors with the following ageing analysis as of the end of the reporting period:

	As at 30 June 2012	As at 31 December 2011
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Within three months	40,033	70,545
More than three months but within one year	29,455	32,064
More than one year	14,938	8,287
	84,426	110,896

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

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 2012	As at 31 December 2011
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Derivative financial liabilities:		
Derivative component of convertible bonds	1,050	1,027

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 2012	As at 31 December 2011
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Bank loans	150,000	165,000
Convertible bonds	68,759	82,843
Convertible note	67,586	59,845
Promissory note	164,230	173,510
Other loan	2,400	2,400
	452,975	483,598
Analysis as:		
Current	90,400	105,400
Non-current	362,575	378,198
	452,975	483,598

All of the non-current interest-bearing borrowings, except for the non-current bank loan of RMB62,000,000 (31 December 2011: RMB62,000,000), are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

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15. Share capital

	As at 30 June 2012		As at 31 December 2011	
	No. of shares '000 (unaudited)	Amount RMB'000 (unaudited)	No. of shares '000 (audited)	Amount RMB'000 (audited)
Authorised:				
Ordinary shares of HKD0.01 each	2,000,000	20,400	2,000,000	20,400
Ordinary shares, issued and fully paid:				
At 1 January	819,000	7,740	819,000	7,740
Conversion of the convertible bonds	31,000	251	—	—
Exercise of the warrants	76,000	616	—	—
At 30 June/31 December	926,000	8,607	819,000	7,740

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16. Commitments

- (a) Capital commitments outstanding at 30 June 2012 not provided for in the financial statements were as follows:

	As at 30 June 2012	As at 31 December 2011
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Acquisition of property, plant and equipment		
— Contracted for	9,424	11,385

- (b) At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2012	As at 31 December 2011
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Within 1 year	1,352	1,025
After 1 year but within 5 years	1,492	445
More than 5 years	—	827
	2,844	2,297

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17. Pledge of assets

As at 30 June 2012, the Group had pledged leasehold land and buildings with net book values of approximately RMB1,745,000 (31 December 2011: approximately RMB12,554,000) 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 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 HKD330,000,000.

Upon the issuance of convertible bonds in the principal amount of USD18,580,000 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.

18. Related party transactions

During the six months ended 30 June 2012, the Group entered into the following transactions with related parties of the Group:

Names of related parties	Nature of transactions	For the six months ended 30 June	
		2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Mr. Li Baosheng	Interest expenses	—	527
Changzhou Galaxy Century Micro-Electronics Co., Ltd.	Purchase of goods	—	4,958