THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in **China Ruifeng Galaxy Renewable Energy Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

China Ruifeng Galaxy Renewable Energy Holdings Limited
中國瑞風銀河新能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00527)

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE SUBSCRIPTION OF 47.3% OF THE ENLARGED SHARE CAPITAL OF HEBEI HONGSONG WIND POWER CO., LTD. AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

TC Capital
天財資本

TC Capital Asia Limited

All capitalised terms used in this document have the meanings set out in the section headed "Definitions" of this document.

A letter from the Board is set out on pages 5 to 49 of this circular. A notice convening the EGM to be held at Unit 2607, 26th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Tuesday, 27 November 2012 at 10 a.m. is set out on pages 171 to 172 in this circular at which ordinary resolutions will be proposed to approve the Subscription.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you propose to attend the EGM, you are requested to complete the accompanying proxy form and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjourned meeting if you so desire.

12 November 2012

TABLE OF CONTENTS

In this circular, the following expressions shall have the same meanings set out below unless the context requires otherwise:

"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Beichen Hightech"	承德北辰高新科技有限公司 (Chengde Beichen High New Technology Co., Ltd.), a company with limited liability established in the PRC and an indirect wholly-owned subsidiary of the Company
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which banks in the PRC are generally open to the public for business
"Capital Increment Agreement"	the capital increment agreement dated 24 October 2012 and entered into among On Win, a wholly-owned subsidiary of the Company, Hongsong and the existing shareholders of Hongsong, which supersedes the Hongsong Subscription Agreement
"CB Subscription Agreement"	the subscription agreement dated 17 April 2012 entered into among the Company, TPG Rave Holdings, L.P. and Diamond Era
"Company"	China Ruifeng Galaxy Renewable Energy Holdings Limited, a company with limited liability incorporated in the Cayman Islands and whose shares are listed on the Main Board of the Stock Exchange
"Completion"	the completion of the subscription of the Subscription Shares in accordance with the terms of Capital Increment Agreement
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration of RMB645,000,000 or equivalent in foreign currencies for the Subscription of the Subscription Shares
"Diamond Era"	Diamond Era Holdings Limited (鑽禧控股有限公司), a company incorporated in the British Virgin Islands and a substantial shareholder of the Company, whose entire issued capital is owned as to 22.22% by Mr. Zhang Zhixiang and as to 77.78% by Mr. Li Baosheng and an investment holding company

"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held at Unit 2607, 26th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Tuesday, 27 November 2012 at 10 a.m. for the Shareholders to consider and, if thought fit, approve, amongst other things, the Subscription and the transactions contemplated under the Capital Increment Agreement
"Enlarged Group"	the Group with Hongsong
"Gold Standard CDM Project"	Gold Standard Clean Development Mechanism Project, being project meeting the requirements as defined in the Kyoto Protocol for achieving sustainable development and emission reduction
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hongsong"	河北紅松風力發電股份有限公司 (Hebei Hongsong Wind Power Co., Ltd.), a company with limited liability established in the PRC with a total issued and paid-up capital of RMB480,000,000 as at the Latest Practicable Date
"Hongsong Subscription Agreement"	the subscription agreement dated 28 June 2012 and entered into between the Company and Hongsong
"Langcheng"	克什克騰旗朗誠瑞風電力發展有限公司 (Hexigten Qi Langcheng Ruifeng Electric Development Co., Ltd.), a company with limited liability established in the PRC and an indirect wholly-owned subsidiary of the Company
"Latest Practicable Date"	8 November 2012, being the latest practicable date prior to the bulk-printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"On Win" or "Subscriber"	On Win Corporation Limited, a company with limited liability incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company

"PRC" or "China"	the People's Republic of China which, for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Ruifeng Windpower"	承德瑞風新能源風電設備有限公司 (Chengde Ruifeng Renewable Energy Windpower Equipment Co., Ltd.), a company with limited liability established in the PRC and an indirect wholly-owned subsidiary of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of the Subscription Shares in accordance to the Capital Increment Agreement
"Subscription Shares"	the 430,000,000 new shares in the share capital of Hongsong to be issued by Hongsong pursuant to the Capital Increment Agreement
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Valuer" or "RHL"	RHL Appraisal Limited, an independent valuer
"GW"	gigawatt, a unit of power equal to one billion watts
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"kW"	kilowatt, a unit of power equal to one joule per second
"kWh"	kilowatt hour, a unit of energy equal to one thousand watt hours
"MW"	megawatt, a unit of power equal to one million watts
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

For the purpose of this circular, unless the context otherwise requires, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rates of RMB0.806 to HK$1 respectively.

Those exchange rates are for the purpose of illustration only and do not constitute a representation that any amounts Hong Kong dollars, RMB have been, could have been or may be converted at such or any other rates or at all.

Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

Any discrepancy in any table between totals and sums of amounts listed in this circular is due to rounding.

The English names of the Chinese nationals, companies, entities, departments, facilities, certificates, titles and the like are translation of their Chinese names and are included in this circular for identification purpose only and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.

China Ruifeng Galaxy Renewable Energy Holdings Limited
中國瑞風銀河新能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(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

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 2607, 26th Floor
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

12 November 2012

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE SUBSCRIPTION OF 47.3% OF THE ENLARGED SHARE CAPITAL OF HEBEI HONGSONG WIND POWER CO., LTD. AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to the announcements of the Company dated 21 September 2012 and 24 October 2012 in relation to, amongst other matters, the Subscription and the amendments to the terms to the Subscription.

On 28 June 2012, the Company and Hongsong entered into the Hongsong Subscription Agreement in relation to the subscription of the 520,000,000 new shares in the share capital of Hongsong at a consideration of RMB780,000,000 (the "**original subscription**"). On 24 October 2012, the Subscriber entered into the Capital Increment Agreement with Hongsong and existing shareholders of Hongsong pursuant to which certain terms of the original subscription were amended. Pursuant to the Capital Increment Agreement, the Subscriber has conditionally agreed to subscribe from Hongsong, and Hongsong has conditionally agreed to issue to the Company, the Subscription Shares comprising 430,000,000 shares in the share capital of Hongsong at RMB1.50 per Subscription Share. The Subscription Shares, representing approximately 47.3% of the enlarged share capital of Hongsong, will be paid in cash by the Company at a total consideration of RMB645,000,000 or equivalent in foreign currencies. Upon Completion of the Subscription, together with 27,727,754 shares of Hongsong owned by Beichen Hightech, the Company will through its wholly own subsidiaries, hold 457,727,754 shares in the total issued and paid up capital of Hongsong, which represents an interest of approximately 50.3%.

In view of the fact that the Company still has control over Hongsong upon the Completion, the Directors are of the view that though the size of the Subscription and the Consideration have been reduced under the Capital Increment Agreement, the amendments to the Subscription are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

Hongsong was established in the PRC in 2001 for the sole purpose of developing and operating wind farms in Hebei province in the PRC. Hongsong is the first company which invests, constructs and operates wind farms in Chengde of Hebei province, and was the second wind power company established in Hebei province. Therefore, Hongsong was one of the pioneers in wind farm operation in Chengde of Hebei province, the PRC.

The wind farms operated by Hongsong are located in Hongsongwa area of Hebei province, which has a maximum developed capacity of 596.4MW, and as of the Latest Practicable Date, the consolidated installed capacity of the power generating assets has developed up to 348.9MW. Hongsong delivers and sells the electricity generated by its wind farms to the power grid of Jibei Electric Power Company Limited, a wholly-owned subsidiary of the State Grid Corporation of China, and derives substantially its revenue from the sale of electricity to the general public. Besides the sale of electricity, the wind farms of Hongsong have also been developed as a Gold Standard CDM Project that qualifies for providing carbon credits, which enhances Hongsong's profitability.

The Board believes the Subscription will help driving Hongsong's existing position into clean energy generation in Hebei province of the PRC, into a higher scale, and coupling with the wind farm of Langcheng, which is indirectly wholly-owned by the Company, the estimated total installation capacity of the two wind farms, Langcheng and Hongsong will be able to reach up to approximately 1,200MW. 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 GW. As a result, Hongsong (after Subscription), together with Langcheng, will be able to become one of the major wind farm operation in the PRC. Accordingly the Board believes that the Subscription is in the interest of the Company and the Shareholders as a whole. The Board hopes that the Shareholders will support this new phase in the Company's development and recommends the Shareholders to vote in favour of the resolutions as set out in the notice of EGM.

Further information on the reasons for the Subscription and the expected benefits for the Company is set out as in the section headed "Part A — The Capital Increment Agreement" in this circular.

PURPOSE AND STRUCTURE OF THIS CIRCULAR

As one or more of the applicable percentage ratios (as defined under Rules 14.07 and 14.08 of the Listing Rules) in respect of the Subscription is or are greater than 100%, the Subscription constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and will accordingly be subject to the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with further information in respect of the Capital Increment Agreement and the transactions contemplated thereunder. This circular is divided into 8 parts and 8 appendices:

Part A	:	The Capital Increment Agreement
Part B	:	Information on Hongsong
Part C	:	Information on the Company
Part D	:	Industry Overview
Part E	:	Listing Rules Implications of the Subscription
Part F	:	Risks associated to the Capital Increment Agreement and the business of Hongsong
Part G	:	Financial Effect of the Subscription
Part H	:	Extraordinary General Meeting, Recommendations and Additional Information
Appendix I	:	Financial Information of the Group for the three years ended 31 December 2011, and six months ended 30 June 2012 & Management Discussion and Analysis
Appendix IIA	:	Accountants' Report on Hongsong
Appendix IIB	:	Financial Information of Hongsong for the three years ended 31 December 2011, and five months ended 31 May 2012 & Management Discussion and Analysis
Appendix III	:	Unaudited Pro Forma Financial Information of the Enlarged Group
Appendix IV	:	Valuation Report
Appendix V	:	Reports on Forecasts Underlying the Valuation on Hongsong
Appendix VI	:	Statutory and Other General Information of the Group
Appendix VII	:	Documents Available for Inspection

This circular also contains the notice convening the EGM on pages 171 to 172.

As Completion is conditional upon fulfillment of the conditions precedent set out in the Capital Increment Agreement, the Subscription may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.

(I) THE CAPITAL INCREMENT AGREEMENT

On 24 October 2012, the Subscriber entered into the Capital Increment Agreement with Hongsong, and Hebei Hongsong Renewable Energy Investment Co., Ltd., Chengde City SDIC Electricity Power Construction Investment Co., Ltd., Hebei Weichang Hongsongwa Animal Husbandry Liability Company, Chengde Beichen High New Technology Co., Ltd., Chengde Shuangluan Shiqiang Industry and Trade Co., Ltd., and Weicheng Manchu and Mongol Autonomous County Yongda Investment Co., Ltd. (collectively known as "**existing shareholders of Hongsong**"), pursuant to which the Subscriber has conditionally agreed to subscribe from Hongsong, and Hongsong has conditionally agreed to issue to the Company, the Subscription Shares comprising 430,000,000 shares in the share capital of Hongsong. The Subscription Shares, representing approximately 47.3% of the enlarged share capital of Hongsong, will be paid in cash by the Subscriber at a total consideration of RMB645,000,000 or equivalent in foreign currencies. The principal terms of the Capital Increment Agreement are summarized below.

Date: 24 October 2012

Parties: On Win as subscriber, Hongsong as issuer and, Hebei Hongsong Renewable Energy Investment Co., Ltd., Chengde City SDIC Electricity Power Construction Investment Co., Ltd., Hebei Weichang Hongsongwa Animal Husbandry Liability Company, Chengde Beichen High New Technology Co., Ltd., Chengde Shuangluan Shiqiang Industry and Trade Co., Ltd., and Weicheng Manchu and Mongol Autonomous County Yongda Investment Co., Ltd, as shareholders.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, except for Beichen Hightech, which is a wholly-owned subsidiary of the Company having a 5.77% interest in Hongsong, Hongsong, the remaining existing shareholders of Hongsong, and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons. As no Shareholder has a material interest in the Subscription, no Shareholder is required to abstain from voting in respect of the ordinary resolution to approve the Capital Increment Agreement at the EGM.

Subject matter

Pursuant to the Capital Increment Agreement, the Company has conditionally agreed to subscribe for the Subscription Shares. After Completion, the registered capital of Hongsong will increase from the existing RMB480,000,000 to an enlarged registered capital of RMB910,000,000.

Details of the Hongsong are set out in the Part B.

Consideration

Pursuant to the terms of the Capital Increment Agreement, the Consideration of RMB645,000,000 or equivalent in foreign currency shall be settled by the Subscriber in cash. Payment for the Consideration will be made in the following stages:

1. 20% of the Consideration, which is equivalent to RMB129,000,000 or an equivalent amount of foreign currency, shall be paid within 5 Business Days or such mutually agreed date (the "**First Payment Date**"), to Hongsong upon (i) obtaining the approval of the capital increment of Hongsong from the relevant governmental departments (including approvals for Hongsong to become a sino-foreign equity joint venture company); and (ii) fulfillment or waiver of the conditions precedent as listed below; and

2. upon obtaining the new business licence certificate of the sino-foreign equity joint venture company of Hongsong, remaining 80% of the Consideration, which is equivalent to RMB516,000,000 or an equivalent amount of foreign currency, shall be paid by On Win to Hongsong by installments which will be determined by the parties throughout a two-year period from the First Payment Date.

In the event that Hongsong is unable or did not complete the change in business registration within 60 days from the First Payment Date, the Subscriber has the right to terminate the Capital Increment Agreement and request for a refund of the 20% of the Consideration paid inclusive of interest accrued within the period.

A refundable deposit (the "**Deposit**") of RMB70,000,000 has been paid by the Group to Hongsong in July 2012 pursuant to the Capital Increment Agreement. The Deposit shall be returned to the Subscriber, or a party nominated by the Subscriber, in full within 5 Business Days from the First Payment Date. In case Hongsong fails to comply with the terms of the Capital Increment Agreement or is in breach of any of the representations, warranties and undertakings under the Capital Increment Agreement, the Subscriber shall have the right to request the return of the Deposit together with a sum equal to the Deposit paid and interest (calculated based on the corresponding period's bank loan interest) accrued therein. The Deposit will be fully returned to the Company without bearing any interest in the event the conditions precedent as discussed below cannot be met or has been waived on or before 31 December 2012 or such other date as extended by the Subscriber.

Conditions precedent

Completion of the Subscription shall be conditional upon satisfaction (or where applicable, waiver by the Company) of, among other things, the following conditions:

(a) the Subscriber being satisfied with the results of the business, legal and financial due diligence investigation of the Hongsong to be conducted;

(b) all necessary consents and approvals required to be obtained (as confirmed by parties to the Capital Increment Agreement, including but not limited to the approval by the Shareholders and the Stock Exchange, if required) in relation to the Subscription;

(c) the Subscriber being satisfied with a legal opinion issued by a PRC lawyer confirming the legal condition of Hongsong and the legality of the Subscription;

(d) Hongsong have completed the profit distribution for the year ended 31 December 2011 and any profit distribution accrued and not paid from prior years;

(e) the Subscriber has the exclusive right to subscribe for and acquire the Subscription Shares issued by Hongsong and existing shares of Hongsong, respectively. Any existing shareholders of Hongsong shall not transfer their existing shares in Hongsong to any third parties without the consent of the Subscriber and Hongsong cannot accept any subscription arrangement with any third parties;

(f) Hongsong having delivered to the Subscriber a shareholders' resolution approving the Subscription, which should include the approval for (i) the increase in paid up capital of Hongsong from RMB480,000,000 to RMB910,000,000; (ii) the Subscriber to subscribe for the Subscription Shares under the Capital Increment Agreement; (iii) Hongsong to be converted from a domestic enterprise into a sino-foreign equity joint venture; (iv) terms and signing of the memorandum and articles of association of Hongsong, the Capital Increment Agreement and the co-operation agreement dated 24 October 2012 entered into between the Subscriber and Hongsong and the transactions contemplated therein and relevant documents incidental thereto; (v) the existing shareholders of Hongsong giving up their rights to subscribe the Subscription Shares; and (vi) change of directors of Hongsong;

(g) all necessary regulatory consents and approvals required has been obtained by Hongsong, and the new sino-foreign equity joint venture provides a copy of all documents, consent and certificates to the Subscriber;

(h) Hongsong should have provided financial information, audited financial statement and audited financial reports, prepared by an auditor acceptable to the Subscriber;

(i) Hongsong has fulfilled all of its obligations under the Capital Increment Agreement before Completion and the undertakings, representations and warranties under the Capital Increment Agreement made by Hongsong and the existing shareholders of Hongsong remaining true, accurate and correct in all material aspects;

(j) from 1 April 2012 to the First Payment Date, there is no material adverse changes in any of Hongsong's business, financial condition and assets, and there is no reasonably foreseeable matters that could cause significant adverse impact to Hongsong;

(k) from 1 April 2012 to the First Payment Date, there is no resignation or termination of services of the core management team (including but not limited to the general manager, vice general manager, director of marketing department, director of financial department, director of technical department, other technical persons in charge and etc.) of Hongsong, except in the event of accidental injury and major illness that results in the inability to provide service to Hongsong;

(l) from 1 April 2012 to the First Payment Date, there is (i) no pending or any administrative sanctions or procedures that will be taken by any governmental department which may prohibit or restrict the Subscription from completion, and (ii) no government departments which has jurisdiction over these matters have enacted any laws, rules or regulations, which may result in the Subscription becoming illegal or invalid; and

(m) there is no pending litigations or disputes arising from the business operations of Hongsong and no issues in relation to the legality of the Subscription.

The Subscriber may at any time waive in writing the conditions precedent listed above (other than conditions (b), (f), (g) and (l) which may not be waived) either in whole or in part and conditionally or unconditionally. In the event that the above conditions precedent cannot be met or has not been waived on or before 31 December 2012 or such other date extended by the Subscriber, the Capital Increment Agreement will become void and cease to have effect automatically and the Deposit paid will be returned to the Subscriber or other party nominated by the Subscriber without interest.

Right to Termination

The Subscriber has the right to terminate the Capital Increment Agreement if any of the following situations occur:

(a) any breach of the Capital Increment Agreement by Hongsong, which will adversely affect the interests of the Subscriber that is reasonably expected at the time of entering into this Capital Increment Agreement;

(b) the assets or liabilities in the statement of financial positions contained in the unaudited management account of Hongsong are materially misstated or there is any undisclosed liabilities (including guarantees and other contingent liabilities) other than those disclosed in Hongsong's unaudited management account or disclosure letter;

(c) any of the following events occurred prior to any payment date of Consideration or the date of Completion:

(i) any pending or possible administrative sanctions or procedures that may be taken by any government bureau against Hongsong, which will restrict or prohibit the completion of any transaction contemplated under the Capital Increment Agreement;

(ii) the formulation of any law, regulation or rules by any government officials, which may render the completion of the Capital Increment Agreement illegal; and

(iii) any litigation or other dispute procedures that challenge the legality of the transactions contemplated the Capital Increment Agreement, or adversely affect the operations or situation of Hongsong.

(II) BASIS OF THE CONSIDERATION

The Consideration was determined after arm's length negotiations between the Subscriber, Hongsong and existing shareholders of Hongsong with reference to, amongst other things, (i) the net assets value of Hongsong as at 31 December 2011 in the amount of approximately RMB602.7 million and the remaining net assets value of Hongsong after deducting a proposed profit distribution of not exceeding RMB70 million in the amount of approximately RMB532.7 million; (ii) the net profit after tax of Hongsong for the year ended 31 December 2010 and 31 December 2011 in the amount of approximately RMB103 million and RMB77 million, respectively; and (iii) the factors set out in the paragraph herein headed "Reasons for and Benefits of the Subscription" below.

Based on the Consideration of RMB645 million, the Consideration per Subscription Share of RMB1.50, which is a premium approximately 19% over the net asset value per share of Hongsong as at 31 December 2011 of approximately RMB1.26. Assuming a maximum of RMB70 million is paid out as dividend, the net asset value per share of Hongsong would decrease to RMB1.11 and a premium of approximately 35%.

The Consideration per Subscription Share of RMB1.50 is at a discount of approximately 4.5% to the fair value of RMB1.57 per equity interest of Hongsong as appraised by RHL Appraisal Limited in the business valuation report prepared by RHL Appraisal Limited contained in Appendix IV to this circular.

The Directors have not taken into account the appraised value in the business valuation when the consideration was determined. Such business valuation report was subsequently prepared and contained in this circular for compliance with Rule 14.71 of the Listing Rules, pursuant to which, where the transaction involves acquiring of an interest in an infrastructure project, a business valuation report on the company being acquired is required to be included in the circular.

Having discussed with the independent valuer the methods of valuation used and principal assumptions adopted, the Directors are of the view that the valuation and its assumptions are fair and reasonable.

Having considered that (i) the existing shareholders of Hongsong have made considerable contributions to the existing development of Hongsong; (ii) after the Subscription, the Company will be in control of a well managed and profitable wind farm in the PRC; and (iii) as disclosed in the paragraph headed "Reasons for and benefit of the Subscription", after the Subscription, the newly acquired Hongsong wind farm together with the Group's existing wind farms will also promote the Company into the rank of one of the key players in the PRC wind farm industry, the Directors are of the view that the premium is justifiable, and the Consideration is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

With respect to the price-to-earnings ratio ("**P/E Ratio**"), the Consideration of RMB1.50 per share represents a P/E Ratio of 7.9 times based on the two years average earnings per share of RMB0.19 for the two years ended 31 December 2010 and 31 December 2011. Due to the limited number of companies listed on the Stock Exchange that derive revenue solely from the generation of electricity from wind power, the Company has identified 7 companies listed on the Stock Exchange (the "**Comparable Companies**") as listed in the table below, being a list of companies that operate wind farms and derive part or whole of their revenue from the sales of electricity in the PRC. Although the Comparable Companies may have their individual differences and size in terms of their wind farms and their wind power contributions, the Comparable Companies are all in the business of electricity generation from wind power. Therefore, the Company considers that the Comparable Companies, having a similar business nature, serve as a fair and representative sample in providing a general landscape for evaluating Hongsong.

The following table sets forth certain details of the Comparable Companies.

Company	**Stock code**	**Principal business**	**Market capitalization** *(HK$ million)* *(Note 1)*	**P/E Ratio** *(Note 2)*
China Windpower Group Limited	182	Engineering, procurement and construction of power plants, manufacture of equipment, operation and maintenance of power plants, and investment in power plants.	1,996	5.0
Beijing Jingneng Clean Energy Co., Limited	579	Provision of gas-fired power and operation of wind power, with a diversified clean energy portfolio including gas-fired power and heat energy, wind power, small to medium hydropower and other clean energy projects.	10,332	10.5
China Power New Energy Development Company Limited	735	Development, construction, ownership, operation and management of clean energy power plants in the PRC, investment holding in the clean energy power industry, sale of clean energy power generating equipment and property investments.	3,392	9.1
China Longyuan Power Group Corporation Limited	916	Sales of wind and coal power generation, trading of coal and other related business.	37,172	13.1

Company	Stock code	Principal business	Market capitalization *(HK$ million)* *(Note 1)*	P/E Ratio *(Note 2)*
Huaneng Renewables Corporation Limited	958	Supply of pure-play renewable energy with a primary focus on wind power generation.	10,474	8.8
China Renewable Energy Investment Limited	987	Alternative energy and software development.	468	1.5
China Datang Corporation Renewable Power Co. Limited	1798	Development and management of wind power and other renewable energy sources; research of low carbon technology; maintenance of renewable energy-related equipment; power generation; repair and maintenance of power projects, training and consulting.	32,166	9.3
Average P/E Ratio of the Comparable Companies				8.2
The Subscription				7.9

Source: Bloomberg, www.hkex.com.hk and latest reports of the respective Comparable Companies

Notes:

1. The market capitalization of the Comparable Companies is calculated based on the respective Comparable Companies' closing price times the number of issued shares of the respective Comparable Companies available from the website of the Stock Exchange on 28 June 2012 (the "Last Trading Day").

2. P/E Ratio is based on the closing price as at the Last Trading Day divided by the two years average earnings per share of the respective Comparable Companies in their respective latest annual reports.

P/E Ratio of the Comparable Companies range from approximately 1.5 times to approximately 13.1 times with an average of approximately 8.2 times. The implied P/E Ratio of Hongsong at 7.9 times is slightly lower than the average of the P/E Ratio of the Comparable Companies. Consequently, the Directors, having considered the average P/E Ratio of the Comparable Companies, are of the opinion that the P/E Ratio offered for the Consideration is fair and reasonable.

It is expected that the Consideration will be funded by the internal resources, fund raising pursuant to the general mandate granted or to be granted by Shareholders and/or other borrowings of the Company. On 17 April 2012, the Company, TPG Rave Holdings, L.P ("**TPG**") and Diamond Era (collectively, the "**Signing Parties**") entered into the CB Subscription Agreement, pursuant to which TPG (and/or affiliates as it may nominate) and Diamond Era (or its nominees) have agreed to subscribe for 60% and 40% of 8.0% United States dollar denominated convertible bonds in respect of the principal amount of US$100,000,000 and the non-listed warrants with an exercise value of US$25,000,000, respectively. On 28 September 2012, after protracted and thorough discussion among the Signing Parties and with a view to protecting the Shareholders' and investors' interests by the Company, the Signing Parties have agreed that it is in the best interests of each of the Signing

Parties to terminate the CB Subscription Agreement. Accordingly, the Signing Parties entered into a termination agreement on 18 September 2012, pursuant to which the Signing Parties have agreed to terminate the CB Subscription Agreement.

As at the Latest Practicable Date, the Company has yet outlined the details of the financing method. The Company expects that the financing cost to be incurred will be aligned with the prevailing market rate and the benefits of the Subscription will outweigh the financing cost. As such, after taking into the consideration of the financing costs, the Company is of the view that the Subscription is fair and reasonable. In the event that the Company cannot raise sufficient fundings, to ensure sufficient funding is available to the Company, the Company has been given an expressed undertaking by Diamond Era, pursuant to which Diamond Era will provide sufficient financing by way of loans, without any interest and free of charge, to the Company to ensure the Subscriber is capable of fulfilling its obligations under first stage of the Capital Increment Agreement whereby the Subscriber is expected to pay 20% of the Consideration. As advised by Diamond Era, Diamond Era considers that the renewable energy industry in the PRC is promising with great potential. As a result, Diamond Era agreed to provide the financing to support the Company for the further development of Company's clean energy business. As advised by Diamond Era, Diamond Era has sufficient funding to honour the undertaking. The Company also considers that Diamond Era is able to provide sufficient funding required having considered the background and financial positions of Mr. Li Baosheng and Mr. Zhang Zhixiang. By virtue of being a substantial Shareholder, Diamond Era is a connected person of the Company within the meaning of the Listing Rules. The unsecured interest fee loan, if any, provided by Diamond Era to the Company will constitute a connected transaction of the Company. However, pursuant to Rule 14A.65 of the Listing Rules, financial assistance will be exempted from all reporting, announcement and independent Shareholders' approval requirements since the financial assistance provided by Diamond Era, a connected person, is for the benefit of the listed company on normal commercial terms (or better to the listed company) where no security over the assets of the listed company is granted in respect of the financial assistance.

Furthermore, the Company has also engaged a global leader in the financial services industry, which has taken an active role in operations in Asia for over 35 years and was one of the earliest investment banks extending its reach to the PRC, to raise an additional US$80 million to US$120 million financing to ensure the Subscription will proceed smoothly. As at the Latest Practicable Date, the Company is negotiating with several reputable financial institutions for various financing alternatives and endeavours to finance the Subscription that will not, in any event, result in a change in control of the Company. The discussions are still in preliminary stage and fundraising may be in form of placing of convertible bonds under general mandate or borrowings. The Company will make further announcement in accordance with the Listing Rules.

Based on various negotiations with the financial institutions and the current estimation of the capital expenditure in development Hongsong project, the Company expects that 20%, 40% and 40% of the Consideration will be available by the end of 2012, 2013 and 2014, respectively, to fund the Subscription. Such expectation is in line with the payment schedule under the Capital Increment Agreement, of which 20% of the Consideration will be paid on the First Payment Date and remaining 80% of the Consideration will be paid by installments throughout a two-year period from the First Payment Date.

Having considered (i) the above measures to raise the required funding in various fund raising exercises to finance the Subscription and the ability of the Company to obtain such funding when required; (ii) the money of Subscription will be sufficient to fund the required capital expenditure in developing Hongsong project; and (iii) the internal generated funds from the Enlarged Group, the Directors are of the view that the Company will have sufficient working capital to meet its present requirements for at least twelve months from the date of this circular in the absence of any unforeseen circumstance. The Directors are of the view that, taking into consideration the internal generated funds from the Enlarged Group and the equity fundraising exercises to be undertaken by the Company, the Company has sufficient financial resources to fulfill the principal and interest repayment obligation when due.

The Company is confident that they will eventually obtain sufficient external financing to fund the subscription of the Subscription Shares. However, in the event that the Company is unable to raise sufficient funding or in a timely manner, the Subscriber may be forced to terminate the Capital Increment Agreement or negotiate with Hongsong to scale down the amount of Subscription Shares.

The Board (including the independent non-executive Directors) considers that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

(III) REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Company believes that the commercial reasons for entering into the Subscription are as follows:

(i) To streamline its current business and focus its resources in renewable energy industry, which the Company believes has great potential for growth. Through its current existing maximum installation capacity of 594MW from Langcheng's wind farm, together with the maximum installation capacity of 596.4MW from Hongsong's wind farm, these two major proximate wind farms will create synergistic effects, turning the Company equips with wind farm assets having a maximum installation capacity of over 1,000MW;

(ii) To increase the scale of operation and strengthen its business strength, thereby better position the Group for future business development and operations; and

(iii) To increase the Group's competitiveness in the renewable energy industry in the PRC.

For the above reasons, the Board, including all the independent non-executive Directors, considers that the terms under the Capital Increment Agreement are on normal commercial terms which have been arrived at arm's length negotiations between the parties, having taken account of the future development of the Group and the prospect of renewable energy industry in the PRC and are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

(IV) DUE DILIGENCE MEASURES ON HONGSONG

As of the Latest Practicable Date, Hongsong has provided the auditors and the PRC lawyers with access to conduct due diligence with respect to the Subscription. Accordingly, the due diligence conducted by the auditor and the PRC lawyers has been based on the information provided by the Hongsong, the publicly available information of Hongsong, the site-visit of Hongsong.

(I) Basic Information of Hongsong

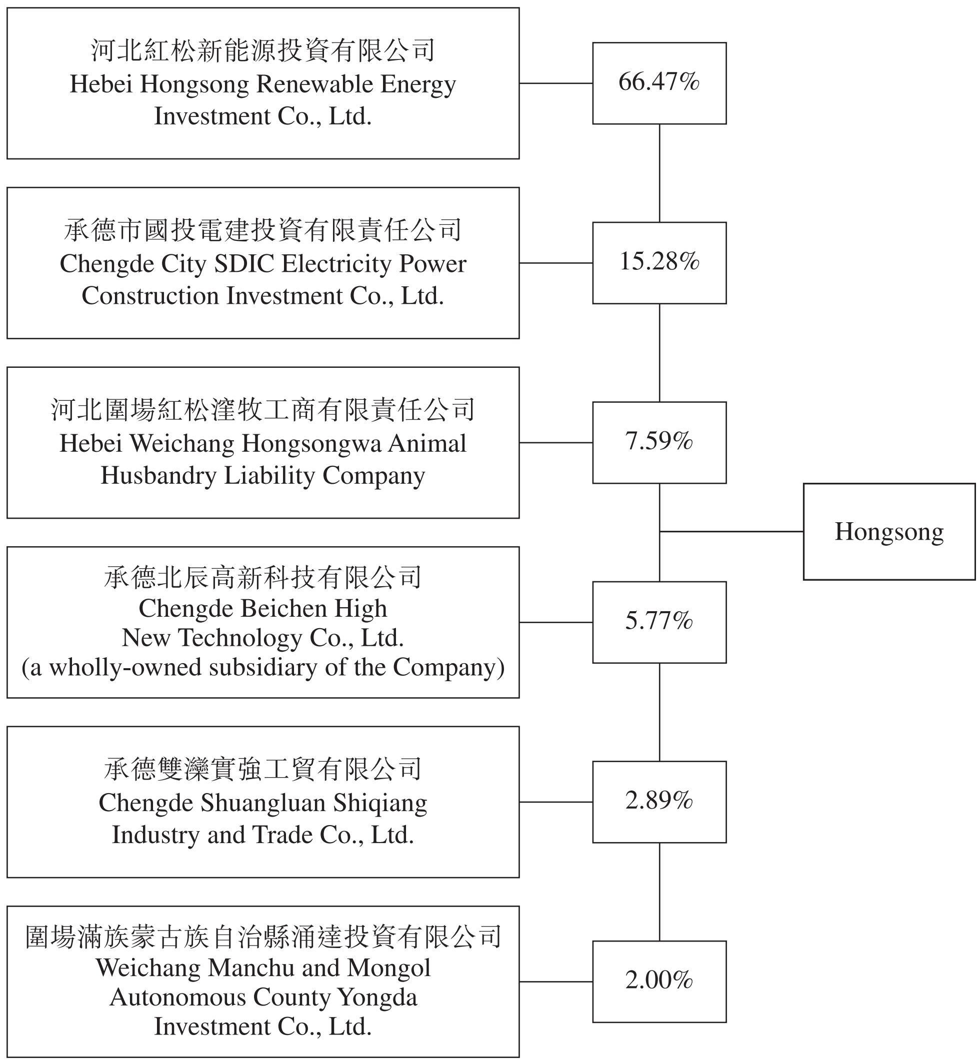
Hongsong is a company established in the PRC in 2001 for the sole purpose of developing and operating wind farms in Hebei province and surrounding provinces in the PRC. The wind farms of Hongsong are located in 河北省圍場滿族蒙古族自治縣紅松窪牧場內 (Hongsongwa Ranch of Weichang Manchu and Mongol Autonomous County*) of the northern Hebei. Hongsong is the first company which invests, constructs and operates wind farms in Chengde of Hebei province, and was the second wind power company established in Hebei province. Therefore, Hongsong was one of the pioneers in wind farm operation in Chengde of Hebei province. Over the past decades, Hongsong has increased its paid up capital from an initial investment of RMB32 million to RMB480 million. As at the Latest Practicable Date, the registered and paid-up capital is RMB480 million.

Source: Google map

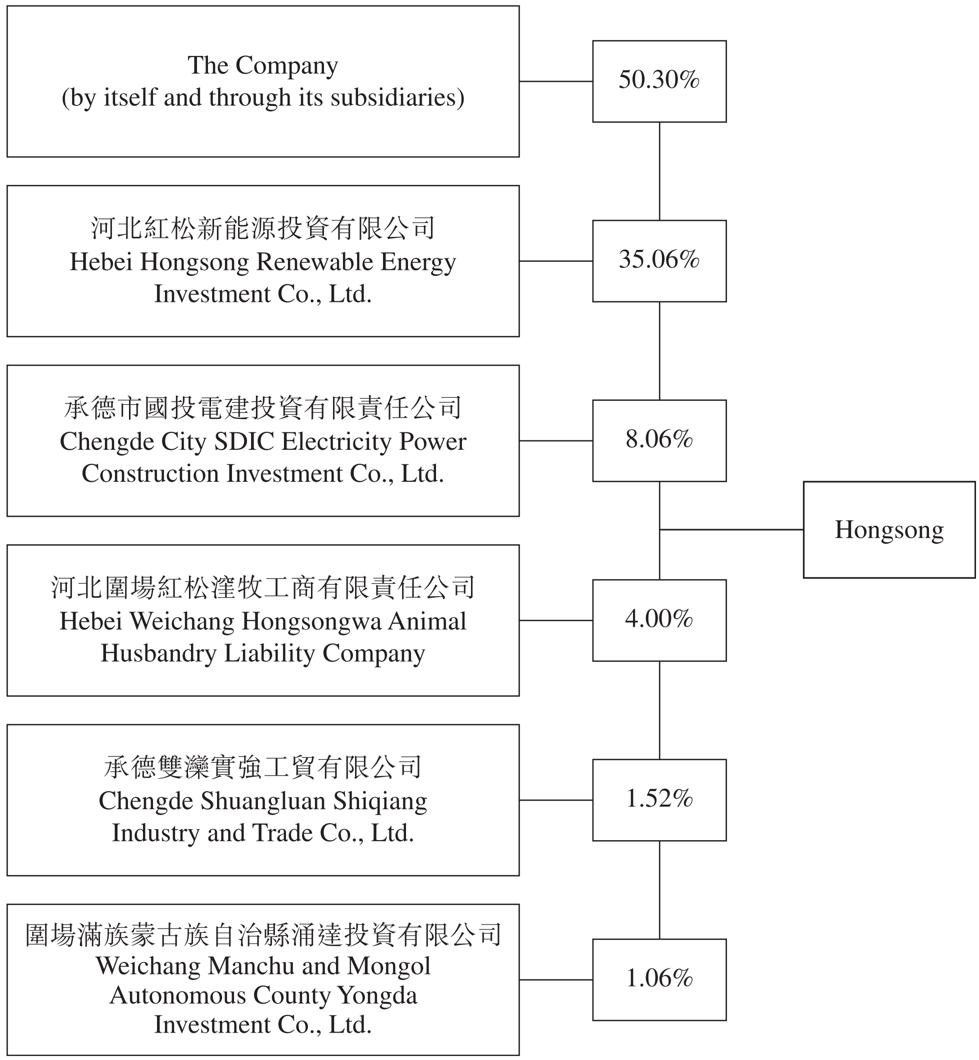
(II) Shareholding Structure of Hongsong

The shareholding structure of Hongsong (1) as at the Latest Practicable Date, and (2) immediately following the Completion is as follows:

(1) As the Latest Practicable Date



(2) Immediately following the Completion



So far as the Directors are aware, other than Beichen Hightech, all of the shareholders of Hongsong are third parties independent of the Company and its connected persons.

Upon Completion, the Company will hold 457,727,754 shares in the total issued and paid up capital of Hongsong, which represents an interest of approximately 50.3%.

(III) Operations and Businesses of Hongsong

The construction of the wind farms of Hongsong have been divided into 13 phases with the details as follow:

Phase	Name	Land Area	Wind Turbine Capacity/ Type	No. of Wind Turbines	Total Installed Capacity	Cost incurred	Cost expected in incur	Status
		(sq. m)				*(RMB million)*	*(RMB million)*	
1	Hongsong 1st phase (紅松一期)	12,053.4	600kW	4	2.4MW	28.4	—	Operating
2	Hongsong 2nd phase (紅松二期)	12,053.4	600kW & 750kW	82	49.5MW	325.7	—	Operating
3	Songshan (淞杉)	4,506.7	750kW	66	49.5MW	359.3	—	Operating
4	Huifeng (匯楓)	28,846.8	750kW	66	49.5MW	397.4	—	Operating
5	Fengze (楓澤)	1,246.7	750kW	66	49.5MW	331.8		Operating
6	Peifeng (沛楓)	4,386.7	750kW & 1,500kW	43	49.5MW	344.0	—	Operating
7	Yunfeng (潤楓)	1,388.7	1,500kW	33	49.5MW	291.1	—	Operating
8	Shanyuan (杉橼)	3,774.7	1,500kW	33	49.5MW	30.0	270.0*	Construction has been completed and is pending approval for operation
9	Yuanhui (橼匯)	12,380.1	1,500kW	33	49.5MW	—	300.0*	Planning
10–13	—	—	—	—	49.5MW	—	—	Planning

* *Based on Hongsong's existing estimation.*

The Directors expect that there will not be any significant capital expenditure to be incurred in phases 1 to 7. The construction of phase 8 has been completed and the estimated outstanding capital expenditure to be settled by end of 2013 is approximately RMB270.0 million. The Company expects that the construction of Phase 9 will be completed by end of 2013. As at the Latest Practicable Date, phases 10 to 13 are still in the planning stage. Save for the expected total installed capacity of 49.5MW for each phase, details, including the total capital expenditure, are pending. The Directors estimate that the capital expenditures which are used for the construction of wind farms and the acquisition of relevant equipment to be incurred in phases 10 to 13 will be approximately the same as phase 8 and the timing of capital deployment will be subject to the approval of the construction from the local bureau.

(1) Current Wind Farm Operations

The wind farms operated by Hongsong are located in Hongsongwa area of Hebei province, which has a maximum developed capacity of 596.4MW, and as of the Latest Practicable Date, the consolidated installed capacity of power generating assets has developed up to 348.9MW. Hongsong delivers and sells the electricity by its wind farms to the power grid of Jibei Electric Power Company Limited, a wholly-owned subsidiary of the State Grid Corporation of China, and derive substantially all of its revenue from the sale of electricity to the general public. For the years ended 31 December 2009, 2010 and 2011, the total turnover was approximately RMB224.0 million, RMB291.1 million and RMB283.5 million, respectively, of which sales of electricity accounted for 97.1%, 95.3% and 93.4%, respectively.

Hongsong derives its revenue mainly from selling electricity to the power grid of Jibei Electric Power Company Limited, which forms the national power grid, with a negligible revenue stream from sub-contracting installation of wind turbine and selling of carbon credits. Due to favourable government policies on renewable energy, Hongsong benefits from preferential policies such as a high selling price of electricity to the grid and preferential tax treatments.

(2) Carbon Credit Transactions

Besides the sales of electricity, Hongsong wind farms have also been developed as a Gold Standard CDM Project that qualifies for providing carbon credits, which improves Hongsong's profitability. For the years ended 31 December 2009, 2010 and 2011, the turnover from the Gold Standard CDM Project was approximately RMB6.5 million, RMB13.6 million and RMB18.7 million, respectively, representing approximately 2.9%, 4.7% and 6.6%, respectively, of the turnover of Hongsong during the same years.

Hongsong believes that the United Nations Climate Change Conference held in Durban in December 2011, which agreed to extend the Kyoto Protocol by five years from 2013 to 2017, could result in additional growth potential for Hongsong's projects beyond the first commitment period of the Kyoto Protocol, which will end in December 2012.

(3) Continuing Development

Since commencement of the operation, Hongsong has already supplied an accumulated 1,573 GW hours of electricity into the national power grid, and has already collected an accumulated revenues of approximately RMB1 billion. Hongsong estimates that by the end of 2013, it would have completed one 220 kV and seven 110 kV substations, which would support the distribution of not less than 550 MW wind power electricity into the Hongsongwa area. In addition, Hongsong plans to use the proceeds of Subscription as capital expenses for the development of phases 8 to 11 of Hongsong.

(IV) Key Financial Information of Hongsong

According to the audited accounts of Hongsong prepared in accordance with the Hong Kong Financial Reporting Standards for each of the three years ended 31 December 2009, 31 December 2010, and 31 December 2011 and five months ended 31 May 2012, as well as the five months ended 31 May 2011 reviewed by the accountant in accordance with the Hong Kong Standard on Review Engagements, the turnover, net profit before and after taxation and the net assets value of Hongsong are set out as below:

	For the year ended 31 December			Five months ended 31 May	
	2009	**2010**	**2011**	**2011**	**2012**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
Turnover	224,014	291,068	283,514	175,741	130,424
Net profit before taxation	118,457	127,220	96,919	108,975	60,176
Net profit after taxation	88,525	103,024	77,375	81,594	38,270

	As at 31 December			As at 31 May
	2009	**2010**	**2011**	**2012**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Net assets	506,275	571,146	602,661	640,931

It is estimated that a total profit distribution not exceeding RMB70 million will be accrued for the year ended 31 December 2011 and prior years. As such, the net asset value of Hongsong could be as low as RMB532.7 million after deducting the aforesaid estimate of RMB70 million from the net asset of Hongsong as at 31 December 2011.

Upon Completion, Hongsong will become an indirect wholly-owned subsidiary of the Company. The results, assets and liabilities of Hongsong will be consolidated into accounts of the Group.

For the details of the financial information of Hongsong, please refer to the Appendix IIA of this circular.

(V) Licenses, Approvals and Similar Rights

As confirmed by the legal advisers of the Company as to the PRC law, Hongsong has obtained all the necessary licenses and approvals required for Hongsong to operate its wind farm businesses in the PRC.

Below is the list of key licenses, approvals or rights obtained by Hongsong for carrying on its businesses:

	Description	Relevant date
(1)	Electricity Business License (電力業務許可證)	Expired on 17 December 2027
(2)	The Approval for the Commercial Operations of Songshan Wind Farms by North China Grid Company Limited (華北電網有限公司關於淞杉風電場商業運行的批覆)	Approved on 27 December 2006
(3)	The Approval for the Network of Three Wind Farms in Yunfeng, Peifeng and Luotougou in Chengde district by North China Grid Company Limited (華北電網有限公司關於承德地區潤楓等三個風電場發電組併網的批覆)	Approved on 12 March 2008
(4)	The Approval for the Network of 49.5MW Electricity Generation Units of Fengze Wind Farms in Chengde by North China Grid Company Limited (華北電網有限公司關於承德楓澤風電場49.5MW發電機組併網的批覆)	Approved on 20 June 2007
(5)	The Approval for the Network of 49.5MW Electricity Generation Units of Huifeng Wind Farms in Chengde into the Electric Grid of Jingjintang by North China Grid Company Limited (華北電網有限公司關於承德匯楓電場49.5MW機組併入京津唐電網的批覆)	Approved on 18 October 2006
(6)	The Approval for the Network of 2nd Phase Electricity Generation Units of Hongfeng Wind Farms in Chengde by North China Grid Company Limited (華北電網有限公司關於承德紅風電場二期發電機組併網的批覆)	Approved on 7 April 2003
(7)	The Approval for the Commercial Operation of Hongsong Wind Farms in Chengde, Hebei province by North China Power Group Chengda Power Supply Company (中國華北電力集團公司承德供電公司關於容許河北承德紅松風電場商業化運營的批覆)	Approved on 20 August 2001

(I) Information on the Company

The Company was incorporated on 23 June 2005 in the Cayman Islands as an exempted company. The Shares of the Company are listed on the Main Board of the Stock Exchange (stock code: 00527) since 9 June 2006.

The Group is principally engaged in four main businesses: (i) wind farm investment and operation; (ii) construction of power grid and consultation business; (iii) manufacturing, processing and sale of wind turbine blades; and (iv) manufacturing and trading of diodes.

The Company previously focused its resources in the business of manufacturing diodes for various electronic applications including the solar schottky range of diodes designed specifically for solar panels. The management of the Company believes that the development of clean and renewable energy will become the next industrial revolution in light of emerging energy crisis faced by the world nowadays. Accordingly, the Company intends to streamline its current business and focus its resources in renewable energy industry, in which the Company believes this industry is promising with great potential for growth.

As disclosed in the Company's 2011 annual report, the Group has been migrating its principal business into the wind power related business from the original manufacturing of diodes progressively. During the financial year ended 31 December 2011, the Company has acquired 70% equity interest in Langcheng, which has become an indirectly wholly subsidiary of the Company. As abovementioned, the acquisition of the Beichen Hightech helped to acquire 5.77% equity interest in Hongsong. Langcheng's wind farm has a maximum installation capacity of 594MW, while Hongsong's wind farm has a maximum installation capacity of 596.4MW. Hongsong's wind farm is located in the proximity of Langcheng's wind farm, thereby two major wind farms will be able to create synergistic effects, turning the Company to equip with wind farm assets having a maximum installation capacity of over 1,000MW.

(II) Additional Financial Information of the Company

(1) Indebtedness Statement

At the close of business on 30 September 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following borrowings:

	Secured	Guaranteed	Unsecured	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	936,200	97,000	242,000	1,275,200
Other loan	—	2,400	—	2,400
Amount due to a director	—	—	2,780	2,780
Amount due to a shareholder of Hongsong	—	—	5,000	5,000
Convertible note	—	—	39,800	39,800
Promissory note	169,342	—	—	169,342
Convertible bonds — Financial liability at amortised cost	76,897	—	—	76,897
	1,182,439	99,400	289,580	1,571,419

Bank loans were secured by certain buildings, generators and related equipment, lease prepayments and trade receivables from the provincial power grid companies owned by the Enlarged Group and an executive director of the Company.

Secured bank loans amounted to RMB467,000,000 were guaranteed by a former shareholder and certain existing shareholders of Hongsong.

Guaranteed bank loans amounted to RMB35,000,000 and RMB62,000,000 were guaranteed by a subsidiary of the Company and the two former shareholders of Hongsong.

Other loans were guaranteed by a non-executive Director of the Company.

On 7 July 2010, the Company issued a zero coupon convertible note (the "July 2010 Convertible Note") with a principal amount of HK$155,000,000 to Diamond Era. The note is convertible at the option of the note holder into ordinary shares of the Company on or before 6 July 2013 at a price of HK$1.00 per share. The convertible note was unsecured. On 21 September 2010 and 12 July 2012, Diamond Era exercised and completed its right to call for the conversion of HK$48,000,000 and HK$48,300,000 respectively. As at 30 September 2012, the outstanding face value of the convertible note issued by the Company was HK$58,700,000.

On 7 July 2010, the Company issued promissory note with a principal amount of HK$330,000,000 to Cheerful Heart Holdings Limited. The note is secured by a charge on all the issued shares of Sun Light Planet Limited, a subsidiary of the Company, bears interest at 10% per annum and have a maturity period of 3 years from the date of issue. In October 2010, the Company early redeemed part of the promissory note with a principal amount of HK$130,000,000. As at 30 September 2012, the outstanding face value of the promissory note issued by the Company was HK$200,000,000.

On 31 December 2010, the Company issued convertible bonds with a principal amount of US$18,580,000 and a maturity date of 30 June 2013. The convertible bonds bear interest at a rate of 8% per annum, payable annually commencing from the issue date. The convertible bonds were secured by certain number of shares of the Company held by Diamond Era; charge of the July 2010 Convertible Note with the principal amount of HK$40,000,000 held by Diamond Era; the entire issued shares of Power Full Group Holdings Limited; and guaranteed by Mr. Zhang Zhixiang and Mr. Li Baosheng. On 9 March 2012, the bondholders exercised and completed its right to call for the conversion of US$6,000,000. As at 30 September 2012, the outstanding face value of the convertible bonds issued by the Company was US$12,580,000. The convertible bonds are presented as a compound financial instrument with (i) a liability component as disclosed above and (ii) a compound embedded derivatives component.

Save as disclosed above and apart from the intra-group liabilities and normal trade payables in the ordinary course of business, the Enlarged Group did not have any outstanding mortgages, charges, debentures, loan capital or overdraft, or other similar indebtedness, finance lease or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 30 September 2012.

The Directors have confirmed that there has not been any material change in the indebtedness or contingent liabilities of the Enlarged Group since 30 September 2012.

(2) Sufficiency of Working Capital

The Directors are of the opinion that, after taking into account completion of the proposed Subscription and the financial resources available to the Enlarged Group, including (i) the internal generated revenue and funds; (ii) other available banking facilities; and (iii) the measures as disclosed in Part A to this circular to raise the required funding in various fund raising exercises to finance the Subscription and ability of the Company to obtain such funding when required, the Enlarged Group will have sufficient working capital to meet its present requirements for at least 12 months from the date of this circular in the absence of any unforeseen circumstance.

(3) Financial and Trading Prospect

The Group's unaudited turnover for the six month period ended 30 June 2012 amounted to approximately RMB303,507,000, representing a decrease of approximately 18.0% as compared to the same period in 2011. Gross profit for the six month period ended 30 June 2012 increased by 12.8%, as compared to the same period in 2011, to approximately RMB71,056,000. The profit attributable to owners of the Company was approximately RMB15,214,000, representing a decrease of approximately 67.0% as compared to the same period in 2011.

The Board considers it is an opportune time to invest in Hongsong and that Hongsong will be able to further strengthen its leading position in clean energy generation. Taking into account the planned development of Hongsong, it is expected that Hongsong will deliver attractive return for the Group.

As part of its business plan and investment strategy, the Enlarged Group will continue to identify and consider other property investments and/or developments opportunities which could be of good potential and/or long term benefit to the Enlarged Group and its Shareholders.

(4) No Material Adverse Change

Save as disclosed in this circular, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2011, being the date to which the latest published audited financial statements of the Company were made up.

(5) Financial effects of the Subscription on the Company

The financial impact of the Subscription (including its effect on the earnings, assets and liabilities) is illustrated by way of unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular.

According to the unaudited consolidated statements of the Group as at 30 June 2012, the Group had total assets and total liabilities of approximately RMB1,095,969,000 and RMB605,935,000 respectively. Assuming that the Completion had taken place on 30 June 2012, the unaudited consolidated pro forma assets and liabilities of the Enlarged Group would be approximately RMB3,835,416,000 and RMB2,634,936,000, respectively.

According to the audited consolidated financial statements of the Group for the year ended at 31 December 2011, the profit attributable to equity shareholders of the Company amounted to approximately RMB91,518,000. Assuming that the Completion had taken place on 1 January 2011, the Enlarged Group would have unaudited pro forma profit attributable to equity shareholders for the year ended 31 December 2011 amounting to approximately RMB144,274,000, representing an increase of approximately 57.6%, from the amount set out in the audited consolidated financial statements of the Group for the year ended 31 December 2011.

Taking into account the prospect and the development of Hongsong, the Directors are of the view that the Subscription would likely to have a positive impact on the future financial performance of the Enlarged Group.

(6) Intentions of the Company regarding the Enlarged Croup

It is the intention of the Company to continue with the existing principal businesses of Hongsong upon the Completion. The Company does not intend to introduce any significant changes to the operations of Hongsong. Following the Completion, the Company has no intentions to make any other material changes to the continued employment of the employees of Hongsong. The Company intends to further collaborate with Hongsong with a view to develop their respective clean energy generation market in the PRC.

Subject to market conditions, the Company will explore various opportunities to further develop and expand the business of Hongsong, including but not limited to the possibility of undertaking new investments and/or conducting fund raising exercises to increase capital.

(III) DIRECTORS AND SENIOR MANAGEMENT OF THE GROUP BEFORE AND AFTER THE SUBSCRIPTION

The Directors and senior management of the Company as of the Latest Practicable Date as follows:

Name	Age	Position
Executive Directors		
Mr. Li Baosheng	47	Chairman
Mr. Zhang Zhixiang	44	Chief Executive Officer
Mr. Xu Xiaoping	45	Legal representative and general manager
Non-Executive Director		
Mr. Zhang Yong	47	Deputy general manager
Independent Non-Executive Directors		
Ms. Wong Wai Ling	51	Independent Non-Executive Director
Mr. Qu Weidong	46	Independent Non-Executive Director
Ms. Hu Xiaolin	44	Independent Non-Executive Director

Following the Completion, the Company does not expect any changes to the Board or the senior management of the Company.

This section contains information and statistics on the industry in which the Company operates. The Company has extracted and derived such information and statistics, in part, from various official or publicly available sources. The Company believes that the sources of this information are appropriate sources and has taken reasonable care in extracting and reproducing such information. The Company has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Company or any other party involved in the circular and no representation is given as to its accuracy. Such information may not be consistent with, and may not have been compiled with the same degree of accuracy or completeness as, other information compiled within or outside the PRC. Accordingly, the official government and other third party sources contained herein may not be accurate and should not be unduly relied upon.

OVERVIEW OF THE PRC ECONOMY AND THE POWER INDUSTRY

China's Economic Growth

China's gross domestic product ("**GDP**") has grown rapidly since the economic reforms begin in the 1970s. Over the past decades, China's economy has grown significantly and according to the National Bureau of Statistics of China (the "**NBSC**"), China's nominal GDP grew at a compound annual growth rate ("**CAGR**") of approximately 14.6% between 2006 and 2011. According to the NBSC and the International Monetary Fund, China's economy grew at a rate of approximately 17.8% between 2009 and 2010, with a record-breaking nominal GDP of RMB40 trillion, which has overtook Japan as the world's second largest economy behind only the United States.

Since 2006, the electricity generation in China has grown at a rate higher than 10% in most years, except for the years of financial tsunami in 2008 and 2009. The fast growth rate of electricity generation since 2006 has been driven by rapid industrialization and also by rising electricity demand as per capital income increased.

Year	**Nominal GDP Growth Rate Over Preceding Year** *(%)*	**Electricity Generation Growth Rate Over Preceding Year** *(%)*
2007	22.9	14.5
2008	18.1	5.6
2009	8.4	7.1
2010	17.8	13.3
2011	6.6	11.7

Sources: NBSC and BP Statistical Review of World Energy 2012

Power Supply and Demand in China

In terms of power supply, China's power sector has experienced a significant increase in installed capacity and electricity generation in recent years. From 2006 to 2011, electricity generation in China was in an increase trend at a CAGR of approximately 10.7%, while the total installed capacity increased at a CAGR of approximately 11.1%.

The PRC had the total installed capacity of approximately 1,056 GW at the end of 2011. As shown in the following table, the installed capacity outpaced the demand for the power throughout China, and caused the utilization hours to decrease between 2007 and 2009. The trend of the utilization hours increased in 2010 and 2011 which was caused by the growth of the total electricity generation in China was faster than its installed capacity.

Year	**Total Installed Capacity** *(GW)*	**Total Electricity Generation** *(kWh)*	**Utilization Hours**[1] *(hours)*
2006	623.7	2,834.4	N/A
2007	713.3	3,255.9	4,870.5
2008	792.5	3,433.4	4,560.2
2009	874.0	3,681.2	4,417.9
2010	962.2	4,228.0	4,605.2
2011	1,055.8	4,721.7	4,679.6

Sources: NBSC and China Electricity Council

(1) Total electricity generation in a year divided by the average amount of the total installed capacity for the same year and the previous year multiplied by 1,000.

In terms of power demand, the electricity consumption in the PRC experienced significant growth in recent years driven by strong GDP growth, increasing industrial output and rising fixed asset investment. The total electricity consumption in the PRC was 4692.8kWh in the end of 2011, a 11.7% increase as compared to 4201.3kWh for 2010. And the per capita electricity consumption was 3483kWh, which added 351kWh over the same period of 2010, and this record have exceeded the world average which means the demand of electricity consumption remaining strong. The electricity consumption of urban & rural residents also increased 10.84% as compared with corresponding period in 2010.

Sources of Energy in China

Accompanying the increase in total power generation capacity as discussed above, the energy sources of China's power generation are undergoing transformation, shifting from reliance on traditional thermal power to increasing diversification into various forms of clean energies. The following table sets forth total installed electricity generation capacity in the PRC by fuel types between 2007 and 2011.

	Installed capacity by fuel type				
Fuel Type	**2007**	**2008**	**2009**	**2010**	**2011**
	(%)	*(%)*	*(%)*	*(%)*	*(%)*
Thermal	82.9	80.9	81.8	80.8	82.5
Hydro	14.9	16.4	15.5	16.2	14.0
Nuclear	1.9	2.0	1.9	1.8	1.9
Wind	0.2	0.4	0.8	1.2	1.6
Others	0.1	0.3	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0

Source: China Electricity Council

As of 2011, 82.5% of the installed capacity in China was thermal, 14.0% was hydro, 1.9% was nuclear and 1.6% was wind. Thermal power generating units still accounted for the majority of power generation installed capacity in China. Meanwhile, wind power generating units showed a significant increase at the CAGR of approximately 68.2% between 2007 and 2011.

Energy and Environmental Related Targets in China

Due to rising living standards and continuous increase in per capita energy consumption in the PRC, energy shortage has become a limiting factor for the PRC's economic development. In September 2007, the PRC published the Medium- and Long-Term Development Plan for Renewable Energy that sets to raise the share of renewable energy to 15% of total primary energy consumption by 2020. On 25 November 2009, the Chinese government announced its intention to reduce CO_2 per unit GDP by 40.0% to 45.0% from the 2005 level by 2020, which implies sustained governmental support to develop clean energies in the PRC.

Background and Restructuring of the Power Industry in China

Since 1997, the power industry in China has experienced a restructuring phase pursuant to the government's policy to separate governmental functions from enterprises. On 16 January 1997, the State Power Corporation (國家電力公司) was established to take the ownership of state-owned power generation assets and virtually all the high voltage power transmission grids and local electricity distribution networks in the PRC.

The State Economic and Trade Commission ("**SETC**") was established in March 1998 to assume the governmental and administrative functions in relation to the power industry, while the Electric Power Bureau was established within the SETC and given the responsibility of promoting reform policies and regulations, formulating development strategies, specifying technical requirements and industry practice and supervising the operation of the power industry.

In December 2002, the State Power Corporation was reorganized into two power grid companies and five large independent power generation groups. The two power grid companies are the State Grid Corporation of China ("**State Grid**") and the China Southern Power Grid Company ("**Southern Grid**"). The five independent large power generation groups are China Huaneng Group, China Datang Corporation, China Huadian Corporation, China Guodian Corporation and China Power Investment Corporation.

Pursuant to the on-going reform of the electric power industry, a new industry regulator, the State Electricity Regulatory Commission of the PRC ("**SERC**"), was established under the State Council in 2003. The main responsibilities of the SERC include ensuring fair competition in the electric power industry, monitoring the quality and standard of power plant production, administering electric power business permits and handling electric power market disputes.

In March 2003, the State Development and Planning Commission was reorganized as the newly formed National Development and Reform Commission of the PRC ("**NDRC**"). In July 2008, the National Energy Administration was established under the management of NDRC pursuant to the resolutions passed by the Eleventh National People's Congress. The National Energy Administration's responsibilities include regulating the coal, oil, natural gas, electricity, clean energies industries, formulating industry standards and development plans, supervising energy development, balancing production-construction and supply-demand relations, as well as encouraging energy infrastructure development in rural areas.

Transmission and Dispatch

All electricity generated in the PRC is dispatched by the State Grid and the Southern Grid, except for that generated by power plants which are not connected to a grid. The State Grid owns and manages five regional power grid companies, namely, northeast China, north China, east China, central China and northwest China power grids, which in turn own and operate interprovincial high voltage power transmission grids and local power distribution networks in 26 provinces, municipalities and autonomous regions. The Southern Grid owns and manages interprovincial high voltage power transmission grids and local power distribution networks in five provinces and autonomous regions including Guangdong, Guizhou, Yunnan and Hainan provinces, and Guangxi Zhuang Autonomous Region.

Regional power grid companies that are owned by the State Grid and Southern Grid are responsible for the sale, distribution and transmission of electricity in their respective regions. In 1993, the State Council issued the Regulations on the Administration of Electric Power Dispatch to Networks and Grids ("**Dispatch Regulations**") according to which, electricity dispatch centers, which are subsidiaries of power grid companies, have been established at various levels (national, inter-provincial, provincial, municipal and county) to manage the power generation resources within their respective regions in China.

Dispatch centers determine the amount of electricity to be produced by each power plant within their jurisdiction to help ensure a cost-efficient and reliable power supply system by managing the mix of the types of fuel and technology being used. According to the Dispatch Regulations, dispatch centers must carry out the output plan made by the government authorities. Each year the NDRC issues a power supply plan for the entire nation for the following year. Based on the national plan, provincial offices of the NDRC then issue annual planned output guidelines to each of the power plants operating within their respective regions and approve new projects accordingly. The plan issued by provincial offices of the NDRC sets forth the utilization hour targets of different types of power plants. In practice, dispatch centers of power grid companies may adjust the daily planned output allocated to power plants based on the actual electricity demand at the time, the stability of the power grid and weather conditions. Dispatch centers monitor power generation companies closely to ensure that they are able to fulfill the planned output originally allocated to them each year.

OVERVIEW OF THE GLOBAL AND PRC WIND POWER ENERGY INDUSTRY

The Global Renewable Energy Industry

Renewable energy include, among others, wind, solar (thermal and photovoltaic), hydro, biomass, wave and tidal. According to the "World Energy Outlook 2011" by the International Energy Agency, the share of the renewable energy in the world electricity generation market was approximately 19.1% in 2009, and is expected grow to approximately 20.1% by 2035.

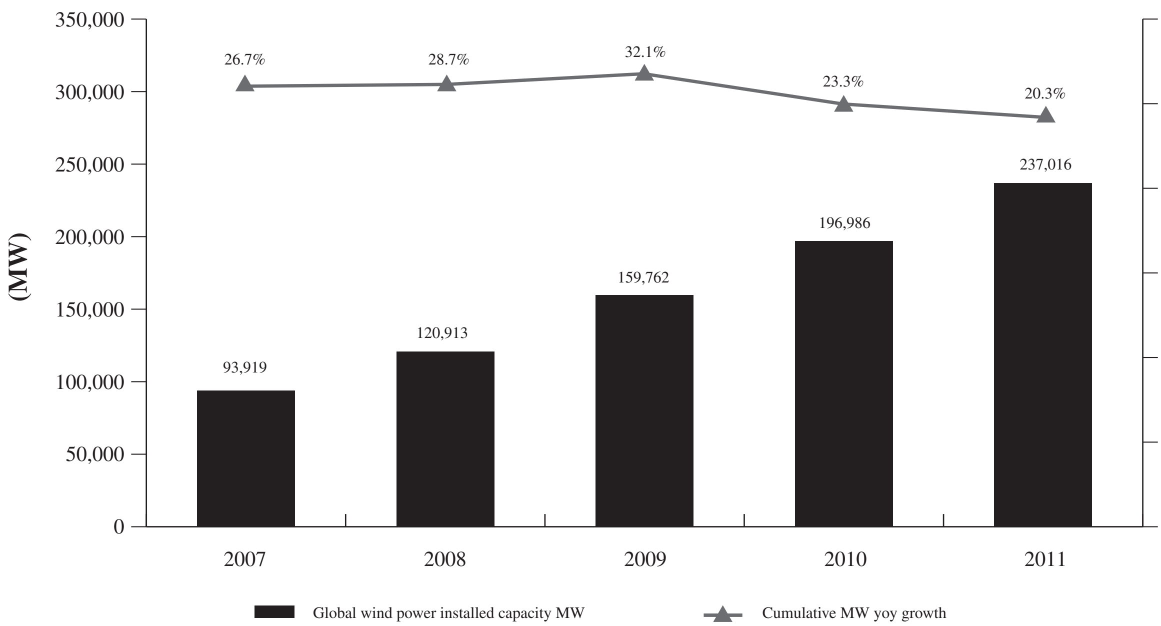
The Clean Development Mechanism ("**CDM**"), an arrangement under the Kyoto Protocol under the United Nations Framework Convention on Climate Change ("**UNFCCC**"), is designed to reduce the emission of greenhouse gas through international cooperation. It allows industrialized countries with a greenhouse gas emission reduction commitment to invest in emission reducing projects in developing countries in order to earn Certified Emission Reductions ("**CERs**"). These CERs can be used by investors from industrialized countries to compensate their domestic emission reduction commitment or sold to others, and, therefore, provides an alternative to more expensive emission reductions in their own countries. The close of the United Nations Climate Change Conference in Durban, South Africa on 11 December 2011 witnessed the passage of four key conclusions including the Kyoto Protocol II commitment period, the long-term cooperation plan, the Green Climate Fund and the arrangement of emissions reduction after 2020. The Durban Platform extended the Kyoto Protocol commitment by at least five years from 2013 to 2017 and possibly to 2020.

Other forms of carbon trading units include Voluntary Emission Reductions (VERs) and Emission Reduction Units (ERUs). VERs are carbon credits, which are not mandated by any law or regulation, but originate from an organization's desire to take an active part in climate change mitigation efforts. ERUs are project-based carbon credits generated by a Joint Implementation project and allow countries to claim credit for investment in other developed countries.

Global Wind Power Demand and Installed Capacity

Wind is one of the fastest growing renewable energy sources in the world due to its cost advantages, resource availability and the maturity of the technology relative to other types of renewable energy sources. According to the World Wind Energy Association (WWEA), global wind installed capacity grew at a CAGR of approximately 26.2% between 2007 and 2011, bringing cumulative installed capacity from 93,919MW in 2007 to 237,016MW as at 31 December 2011. The following chart illustrates the global wind power installed capacity as well as its cumulative installed capacity growth rate from 2007 to 2011. Altogether, 96 countries and regions have been identified worldwide to use wind power for electricity generation. All wind turbines installed by the end of 2011 worldwide can provide 500kWh per annum, around 3% of the global electricity consumption.

Global wind power market installed capacity and cumulative installed capacity growth rate for 2007 — 2011

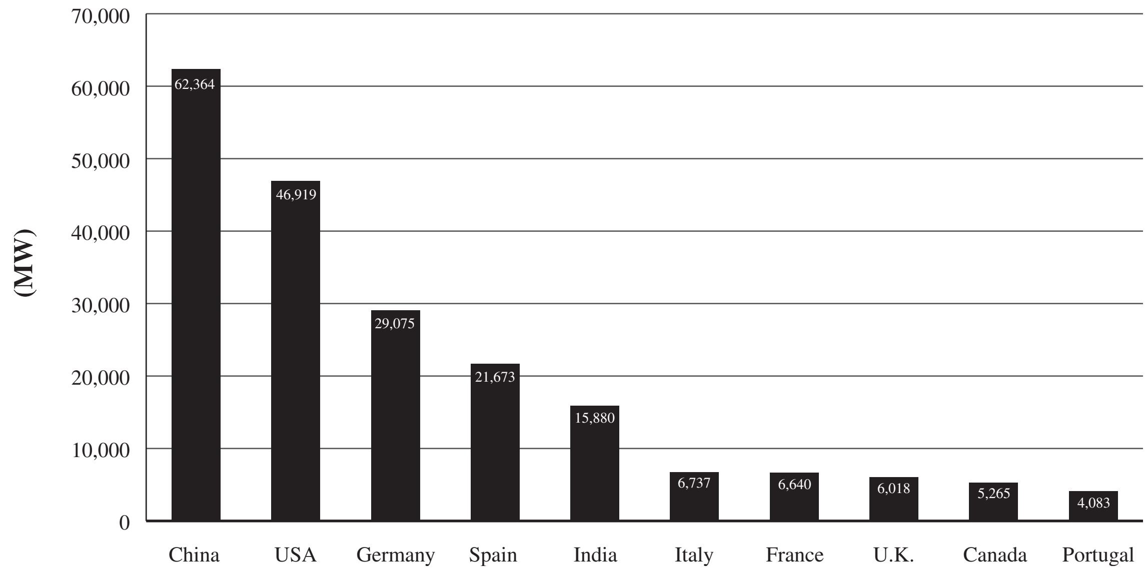


Source: World Wind Energy Report 2011, WWEA[1]

Major Global Wind Power Countries

According to WWEA, Europe, Asia and North America are the top three wind power continents in terms of total capacity, accounting for 39.8%, 35.3% and 22% of total global capacity respectively in 2011. Asia accounted for the largest share of new installations (53.7%), followed by Europe (21.9%) and North America (20.5%). Latin America accounted for 2.9% and Australia/Oceania for 0.9%. Africa (0.2%) represented only for a negligible share. WWEA expects global capacity to reach 500,000 Megawatt by the end of year 2015 and more than 1,000,000 Megawatt by the year 2020.

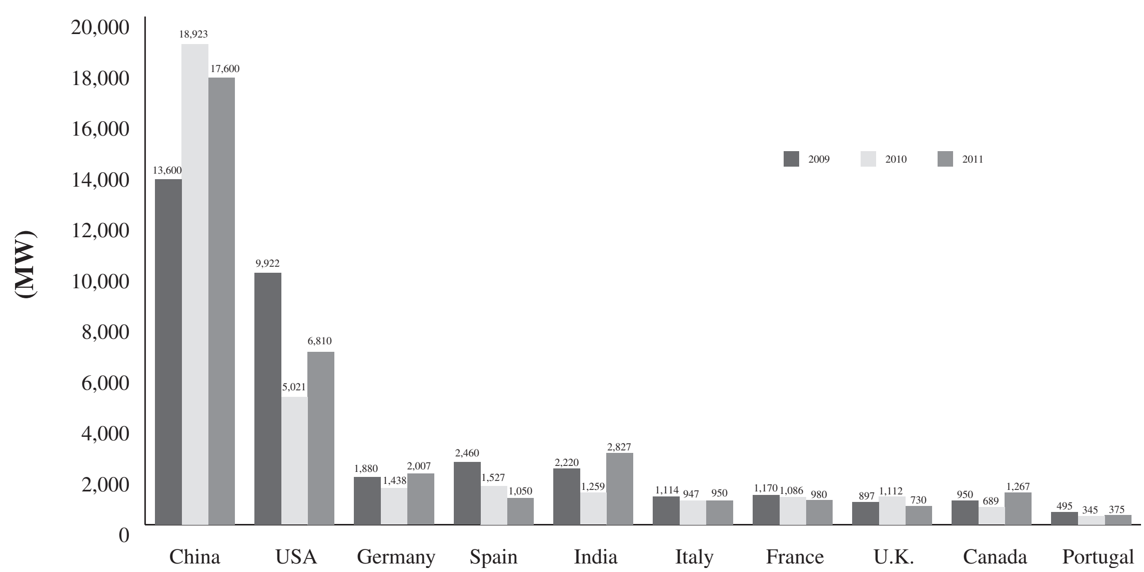
Top 10 countries for wind power in terms of installed capacity in 2011



Source: World Wind Energy Report 2011, WWEA

The wind power market has grown rapidly in recent years. The following chart sets forth the increases in installed capacity of the Top 10 countries in 2009, 2010 and 2011. The market for new wind turbines reached a new record in 2011: 40,053 Megawatt were installed in 2011, 6% more than in the year 2010 with 37,642MW.

Newly installed wind power capacity of the Top 10 countries



Source: World Wind Energy Report 2011, WWEA

According to Global Wind Energy Council ("**GWEC**"), the global wind power industry is expected to grow continuously with the installed capacity increasing at a CAGR of 15.7% between 2011 and 2016, reaching 493.33GW in 2016. The following table sets forth GWEC's global and regional wind power capacity estimates from 2011 through 2016.

Region (GW)	**2011**	**2012E**	**2013E**	**2014E**	**2015E**	**2016E**	**11–16E CAGR**
Europe	96.6	107.6	119.6	132.6	146.6	161.6	10.8%
North America	52.7	63.7	71.7	80.2	91	103.02	14.3%
Asia	82	103.4	125.4	148.9	174.1	200.04	19.5%
Latin America	2.3	3.9	5.6	7.3	9.1	10.89	36.5%
Pacific	2.9	3.4	4.4	5.4	6.9	8.36	23.6%
Middle East and Africa	1.1	1.6	2.8	4.4	6.4	9.42	53.6%
Total	237.6	283.6	329.5	378.8	434.1	493.33	15.7%

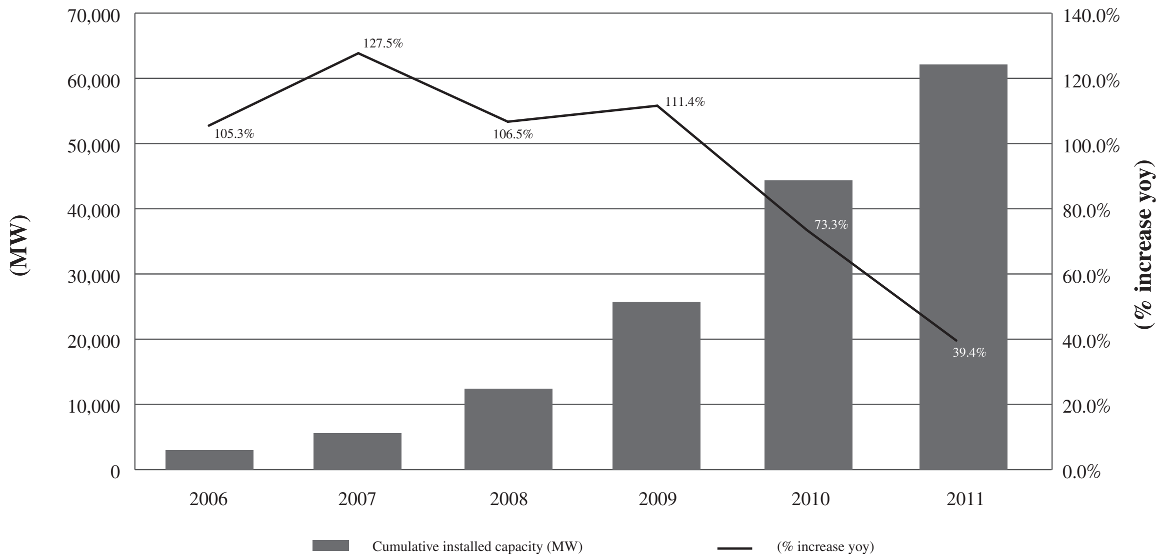
Source: Global Wind Report 2011, GWEC

Wind Power Industry in the PRC

The wind power industry in the PRC has grown rapidly in recent years. The country has one of the largest power systems in the world, with a total installed capacity of about 1,060GW by the end of 2011; and total power generation was about 4,600kWh, with wind representing approximately 1.5% of the total electricity supply.

According to WWEA, the PRC accounted for approximately 26.3% of the global cumulative installed capacity of 237,016MW and was the largest wind power market by installed capacity at the end of 2011. According to WWEA, as at 31 December 2011, the newly installed capacity of wind power in China reached 17,600MW, increasing its cumulative installed capacity to 62,364MW, ranking the first globally in terms of both newly installed capacity and cumulative installed capacity. China's wind market doubled every year between 2006 and 2009 in terms of total installed capacity, and it has been the largest annual market since 2009. In 2010, China overtook the United States as the country with the most installed wind energy capacity.

China wind power industry installed capacity (2006 – 2011)



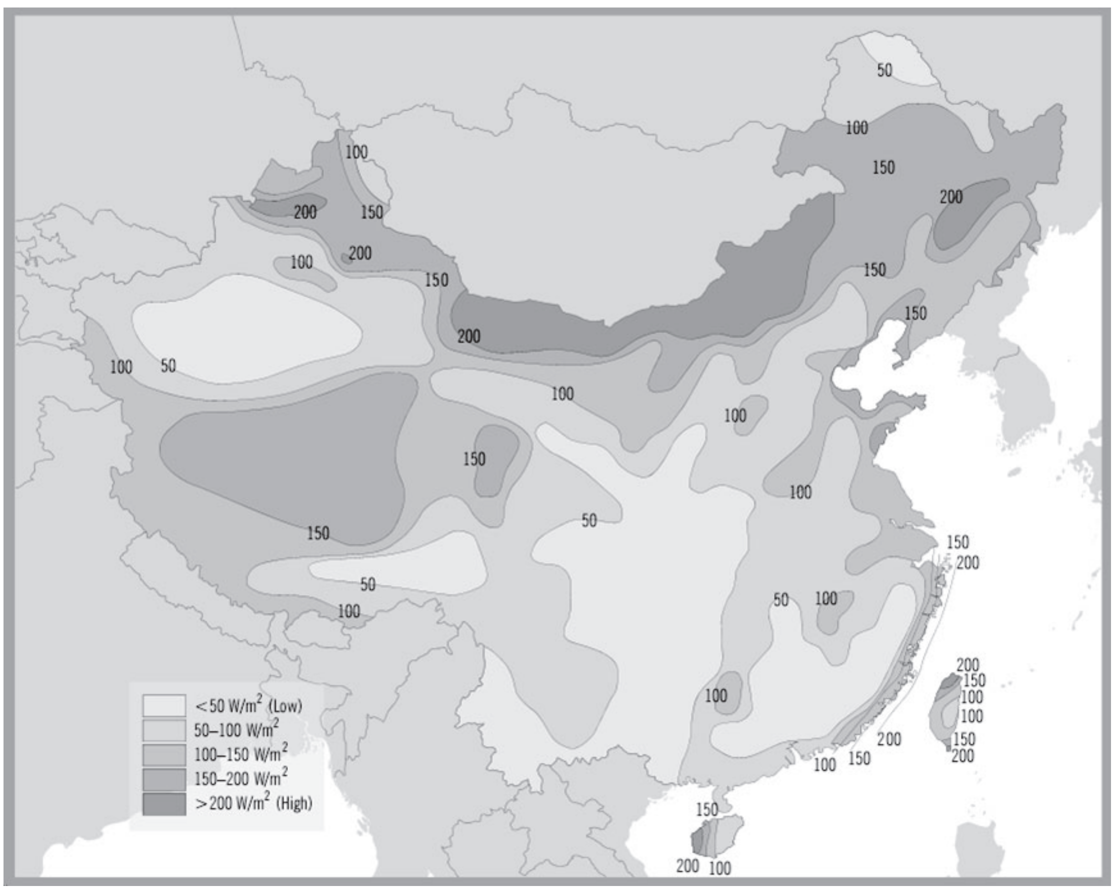
Source: World Wind Energy Report 2010 (World Wind Energy Association)

The strong growth of the PRC wind energy industry has been driven by supportive energy policies and incentives. The PRC Government has adopted several preferential policies to encourage the development of the wind power industry. In the past few years, the PRC government has launched a series of policies and incentives to encourage the development of its wind power industry. In August 2007, the NDRC issued its Medium and Long-Term Development Plan for Renewable Energy (可再生能源中長期發展規劃). This plan sets out the targets for renewable energies up to 2020, with a 10% contribution to total energy consumption by 2010 and 15% by 2020. Additionally, this plan includes a "mandated market share" policy, which sets targets for electricity from non-hydro renewable sources at 1% by 2010 and 3% by 2020. As electricity generated from photovoltaic and biomass is likely to be modest given its current rate of development, achievement of this aggressive target will likely rely heavily on wind power. In 2008, the PRC government further introduced favorable taxation policies for the wind sector whereby wind power companies are exempt from income tax for three years from their first income-generating year and receive a 50.0% reduction in income tax for three years thereafter. In 2011, the National Energy Administration (NEA) released the 12th Five-Year plan for renewable energy with a target of 100GW of installed wind capacity by 2015.

The PRC has abundant wind energy resources with significant development potential due to its large land area and long coastline. According to the China Wind Energy Development Roadmap 2050 by International Energy Agency (IEA) and The Energy Research Institute (ERI), the technically exploitable wind resources onshore potential is between 1,000 and 4,000GW. And the offshore potential in waters from 5–50m deep is estimated to be 500GW.

As shown on the map below, the areas with large amounts of wind resources and consequently large installed capacities in the PRC are Northern China and the Southeastern coastal areas. Additionally, some areas of inland China having lakes or other special topographic conditions also have abundant wind energy resources. The most abundant wind resources in Northern China include the regions of Inner Mongolia, Jilin, Liaoning, Heilongjiang, Gansu, Ningxia, Xinjiang and Hebei. The most abundant wind resources along coastal areas and offshore are found in Shandong, Jiangsu, Zhejiang, Fujian, Guangdong, Guangxi and Hainan.

Distribution of Effective Wind Power Density in China



Source: Pursuing Renewable Energy Business with China, Chinese Renewable Energy Industries Association

The following table sets forth the estimated wind resources in selected provinces in the PRC by the IEA and the ERI in 2011.

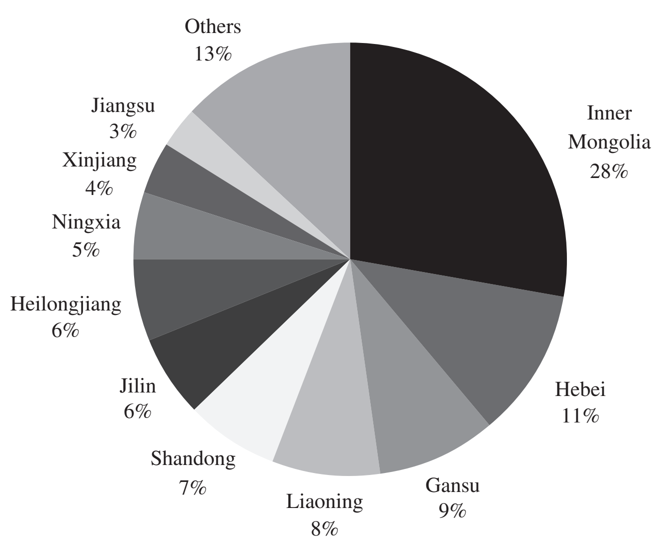
China's Wind Resources in Selected Provinces

Province	Possible Installed Capacity (GW)
Inner Mongolia	382
Xinjiang	65
Gansu	82
Hebei	24
Jiangsu	5
Jilin	14

Source: China Wind Energy Development Roadmap 2050

The uneven distribution of wind resources in China has influenced where wind power capacity will be installed in each province. Areas with abundant wind resources are largely located in coastal and offshore areas and Northern China. As shown in the table below, Inner Mongolia, Hebei and Liaoning are the most developed areas in terms of wind power production. The following tables set forth China's wind power installed capacity by province as a percentage of the nationwide total as at 31 December 2011. Thirteen Chinese provinces have passed the 1GW milestone, including the top ten (see chart below) followed by Shan Xi (1,881.1MW), Guangdong (1,302.4MW) and Fujian (1,025.7MW). Inner Mongolia has the highest wind capacity with a total of 17.6GW at the end of 2011.

Total Installed Capacity: 62,364MW



Source: WWEA Quarterly Bulletin, March 2012

Major Wind Power Operators in the PRC

Large PRC power generation groups contribute to the majority of investments in the wind power sector. According to the WWEA Quarterly Bulletin, China Guodian Corporation, China Huaneng Group, China Datang Corporation and Guohua Power are the top five wind farm operators in the PRC, accounting for 58.8% of 2011 total installed wind power capacity in the PRC.

Market Share of Top Ten Wind Power Companies in the PRC by Installed Capacity in 2011

Rank	Company Name	Installed Capacity *(MW)*	Market Share *(%)*
1	China Guodian	12,861.3	20.6
2	China Huaneng	8,578.0	13.8
3	China Datang	8,007.1	12.8
4	China Huadian	3,829.9	6.1
5	Guohua Power	3,440.1	5.5
6	China Power Investment	2,944.9	4.7
7	China Guangdong Nuclear Wind Power	2,891.5	4.6
8	China Resources Power	1,773.4	2.8
9	Beijing Jingneng Clean Energy	1,686.3	2.7
10	China Suntien Green Energy	1,278.6	2.1
	Other	15,073.4	24.3
	Total	62,364.5	100

Source: WWEA Quarterly Bulletin, March 2012

(I) VERY SUBSTANTIAL ACQUISITION

As the applicable percentage ratios calculated pursuant to Rules 14.07 and 14.08 of the Listing Rules in respect of the Subscription exceed 100%, the Subscription constitutes a very substantial acquisition of the Company under Rule 14.06(5) of the Listing Rules.

Pursuant to Rule 14.49 of the Listing Rules, the Subscription is therefore subject to the approval of Shareholders at the EGM.

No Shareholder is required to abstain from voting at the EGM. As at the Latest Practicable Date, the Board is not aware that any Shareholder has such a material interest in the Subscription.

(II) NO CHANGE IN CONTROLLING SHAREHOLDER

The controlling shareholder of the Company during the 24 months prior to and immediately before the Subscription has remained unchanged. There is not and nor will there be any change in controlling shareholder (as defined in the Listing Rules) of the Company as a result of the Subscription. Following the Completion, the existing Directors, including the independent non-executive Directors, will continue to constitute a majority of the Board.

Shareholders should carefully consider all of the information set out in this circular, including the risks and uncertainties associated with the Capital Increment Agreement before making a decision on how to vote on the resolution relating to the Subscription at the EGM. The business, financial condition and results of operations of the Group may be materially and adversely affected by one or more of these risks.

To the best of the Directors' knowledge, the Directors consider the following risks to be the most significant in respect of the Subscription for the Shareholders and potential investors of the Company. However, the risks listed below do not purport to comprise all those risks associated with the Subscription and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Subscription and the Group. If any of the following risks actually occurs, the Subscription, the Group's business, financial condition, capital resources, results and/or future operations may be materially and adversely affected.

RISKS RELATING TO THE BUSINESS OF HONGSONG

Any change in the PRC government policies and regulatory framework supporting renewable energy development may affect Hongsong's commercial viability and profitability

The development and profitability of wind power projects in the PRC is significantly dependent on policies and regulatory framework of the PRC government. Reduction, discontinuation or unfavorable application of the policies and economic incentives for wind power development could reduce the demand for wind power or increase the costs of Hongsong, thereby resulting in a material adverse effect on the business, prospect, financial condition and results of operation of Hongsong.

The operation and profitability of Hongsong depends heavily upon the market for wind power energy

The demand for the products and services of Hongsong is principally derived from the demand for wind power energy, and any fluctuation in the wind power generation market and energy market may significantly affect the business and results of operation of Hongsong.

Changes in laws, regulations and policies adopted by the PRC government, including in relation to the environment, labor and taxation, may adversely affect the business, prospect, financial condition and results of operations of Hongsong

The political, economic and social conditions in the PRC differ from those in more developed countries in many aspects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, and allocation of resources and rate of inflation. For the past decades, the PRC government has implemented economic reform and measures emphasizing the utilization of market forces in the development of the PRC economy. Although these economic reforms and measures could have a positive effect on the PRC's overall and long-term development, the resulting changes also may have a material adverse effect on the current and future business, prospect, financial condition and results of operation of Hongsong. Despite these economic reforms and measures, the PRC government continues to play a significant role in regulating industrial development, the allocation of natural resources and production, pricing and management of currency, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly.

Hongsong's ability to successfully expand its business operation in the PRC depends on a number of factors, including macroeconomic and other market condition and credit availability from lending institution. Stricter lending policies in the PRC may affect Hongsong's ability to obtain external financing, which may reduce its ability to implement expansion strategies. There is no assurance that the PRC government will not implement any additional measures to tighten lending standards or that, if any such measure is implemented, it will materially and adversely affect our future results of operations or profitability.

Demand for Hongsong's products and its business, prospect, financial condition and results of operations may be materially and adversely affected by the following factors: (a) political instability or changes in social conditions of the PRC, (b) changes in laws, regulations, and administrative directives or the interpretation thereof, (c) measures which may be introduced to control inflation or deflation, (d) changes in the rate or method of taxation, and (e) change in policies in relation to currency exchange and remittance. These factors are affected by a number of variables which are beyond the control of Hongsong.

Non-renewal of, revocation or delay in obtaining requisite operational licenses will have a material adverse effect on the operation of Hongsong

In order for Hongsong to carry out its business in PRC, it is a pre-requisite to obtain certain permits, licenses, certificates and qualifications from various governmental authorities in the PRC, which details are set out in the paragraph headed "Licenses, Approvals and Similar Rights".

Certain of these permits, licenses, certificates and qualifications are subject to periodic review and renewal, and may be revoked, by relevant PRC governmental authorities. There may also be any subsequent modifications of, or additions or new restrictions to the current compliance standards, which would impose additional burden on Hongsong and thereby adversely affecting the business, prospect, financial condition and results of operation of Hongsong.

Non-renewal of, revocation or delay in obtaining such permits, licenses, certificates and failure to maintain such qualifications will have a material adverse effect on Hongsong. If Hongsong is unable to obtain such permits, licenses, certificates and qualifications, Hongsong may be unable to carry out its business, and any delay in obtaining the same may increase the cost or delay and hinder operation of its business. The Electricity Business License is the only major license which is subject to periodic review and renewal, and will be expired on 17

December 2027. According to the management of Hongsong, as long as Hongsong is able to maintain its normal operation, the possibility of not being granted this license is very low under the prevailing governmental policy.

Loss or inability to retain key management personnel of Hongsong will adversely affect operation

The operation of Hongsong depends on service provided by its senior management and experienced employees who have requisite industrial expertise. The future success of Hongsong thus depends significantly on the full involvement of them and its ability to retain them and recruit skilled personnel. As competition for qualified and experienced personnel is intense due to the scarcity of qualified individuals in the rapidly growing renewable energy industry, and in particular, the wind power sector, Hongsong may need to offer high remuneration and other benefits to attract and retain key personnel. The loss of services of significant number of key personnel and failure to find qualified replacements could materially and adversely affect the operation of Hongsong.

In addition, along with the rapid growth and expansion of Hongsong, Hongsong may need to hire and retain additional skilled personnel. If Hongsong cannot attract and retain qualified personnel, the business and future growth may be adversely affected.

The commercial viability and profitability of Hongsong depend on whether condition, and severe weather conditions could affect the business operations

As demand of the products and services of Hongsong is originated from the wind power generation business, which depends on wind and associated weather conditions, the results of operation of Hongsong depends on the actual climate condition, and could vary across seasons.

Similarly, extreme weather conditions could also reduce our operational efficiency and could materially and adversely affect Hongsong's business and results of operations.

The Company may not be able to obtain the expected benefits or effectively operate the acquired business of Hongsong

The Group expects to continue with the existing principal businesses of the Hongsong upon Completion. However, the ability of the Group to create synergies, improve business and operational efficiency of Hongsong, strengthen the corporate governance of Hongsong and generally effectively operate the business of Hongsong is subject to a number of uncertainties, including:

- failure to identify material risks or liabilities associated with Hongsong;
- higher costs than anticipated of integrating, improving or strengthening the businesses and corporate governance of Hongsong;
- difficulties in retaining key employees of Hongsong necessary to manage its businesses;

- difficulty in obtaining necessary regulatory approvals for the expansion of the businesses of Hongsong; and

- changes in market circumstances and demand.

RISKS RELATING TO THE FINANCING OF THE SUBSCRIPTION

The Company may require external debt or equity financing for the subscription as planned, which may not be available on satisfactory terms or at all

The Company may require additional funding in the future for the subscription, which the Company may raise through external financing. Our ability to obtain debt or equity financing on acceptable terms depends on a variety of factors that are beyond our control, including market conditions, investors' and lenders' perceptions of, and demand for, debt and equity securities of renewable energy companies, credit availability, and interest rates; the availability of, and likely terms for, debt financing may be adversely affected by recent developments in the global economy. As a result, the Company cannot assure you that the Company will be able to obtain sufficient funding from external sources as required on terms satisfactory to us to finance future expansion. If the Company raise additional capital through the sale of equity, or securities convertible into equity, further dilution to our then-existing shareholders will result. If the Company raise additional capital through the incurrence of debt, our business may be affected by the amount of leverage the Company incur. For instance, such borrowings could subject us to covenants restricting our business activities, servicing interest would divert funds that would otherwise be available to support our operations or development activities, and holders of debt instruments would have rights and privileges senior to those of our equity investors. If the Company are unable to obtain adequate funding on a timely basis, the Company may not be able to carry out our planned subscription or to maintain our growth and competitiveness, which could materially and adversely affect our business, results of operations, financial condition and prospects.

Upon Completion, Hongsong will become a non wholly-owned subsidiary of the Company and the accounts of Hongsong will be consolidated into the accounts of the Group.

Effects on assets and liabilities

According to the unaudited consolidated statements of the Group as at 30 June 2012, the Group had total assets and total liabilities of approximately RMB1,095,969,000 and RMB605,935,000 respectively. Assuming that the Completion had taken place on 30 June 2012, the unaudited consolidated pro forma assets and liabilities of the Enlarged Group would be approximately RMB3,835,416,000 and RMB2,634,936,000, respectively.

Effects on earnings

According to the audited consolidated financial statements of the Group for the year ended 31 December 2011, the profit attributable to equity shareholders of the Company amounted to approximately RMB91,518,000. Assuming that the Completion had taken place on 1 January 2011, the Enlarged Group would have unaudited pro forma profit attributable to equity shareholders for the year ended 31 December 2011 amounting to approximately RMB144,274,000, representing an increase of approximately 57.6%. from the amount set out in the audited consolidated financial statements of the Group for the year ended 31 December 2011.

EGM

A notice convening the EGM is set out on page 171 of this circular. The EGM will be held at Unit 2607, 26th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Tuesday, 27 November, 2012 at 10 a.m. (or any adjournment thereof) to consider, and, if thought fit, approve, among other things, the necessary resolutions relating to the Capital Increment Agreement and Subscription contemplated thereunder. The vote of the Shareholders at the EGM will be by way of a poll.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no shareholder has a material interest in the Capital Increment Agreement and the transactions contemplated thereunder. Voting on the aforesaid resolutions will be taken by poll in accordance with the requirements of the Listing Rules.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you propose to attend the EGM, you are requested to complete the accompanying proxy form and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen Road West, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjourned meeting if you so desire.

RECOMMENDATIONS

For the reasons set out in the sections headed "Reasons for and Benefits of the Subscription" of Part A — the Capital Increment Agreement of this letter from the Board, the Board, including the independent non-executive Directors, considers that the terms of the Capital Increment Agreement and the transaction contemplated thereunder are on normal commercial terms, fair and reasonable, and in the interests of the Company and Shareholders as a whole. Accordingly, the Board recommends the Shareholders vote in favor of all the resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular, which form part of this circular.

The Subscription is conditional and may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

Yours faithfully,
By order of the Board
China Ruifeng Galaxy Renewable Energy Holdings Limited
Li Baosheng
Chairman

1. SUMMARY OF FINANCIAL INFORMATION AND AUDITORS' REPORT

The following is a summary of the assets and liabilities and results of the Group as at and each of the three years ended 31 December 2011 and the six months ended 30 June 2011 and 2012, extracted from the annual report and the interim report of the Company, respectively. No qualified opinion has been expressed by the auditors of the Company on the audited financial statements of the Group for each of the years ended 31 December 2011.

	As at and for the year-ended			As at and for the half-year ended	
	2009	**2010**	**2011**	**2011**	**2012**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Revenue & Profit					
Turnover	425,742	804,183	750,328	370,043	303,507
Profit/(loss) before taxation	11,314	(558,124)	100,088	46,539	19,469
Income tax	1,263	(15,626)	(8,570)	(384)	(4,255)
Profit/(Loss) for the year/period	12,577	(573,750)	91,518	46,155	15,214
Non-controlling interests	—	—	—	—	—
Profit/(Loss) for the year/period attributable to equity shareholders of the Company	12,577	(573,750)	91,518	46,155	15,214
Dividends	—	—	—	—	—
Assets & Liabilities					
Other non-current assets	179,485	227,901	379,125	387,729	378,804
Current assets	371,107	745,532	641,145	695,411	717,165
Current liabilities	(238,441)	(403,886)	(280,409)	(432,708)	(232,403)
Non-current liabilities	—	(313,814)	(390,445)	(346,201)	(373,532)
Net assets	312,151	255,733	349,416	304,231	490,034

	As at and for the year-ended			As at and for the half-year ended	
	2009	**2010**	**2011**	**2011**	**2012**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Capital & Reserves					
Share capital	4,785	7,740	7,740	7,740	8,607
Reserves	307,366	247,993	341,676	296,491	481,427
Attributable to equity shareholders of the Company	312,151	255,733	349,416	304,231	490,034
Non-controlling interests	—	—	—	—	—
Total Equity	312,151	255,733	349,416	304,231	490,034
Earnings per share — basic (RMB)	0.031	(0.915)	0.112	0.056	0.018

2. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual report for the last financial year of the Group.

The audited consolidated financial statements of the Group prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants for the years ended 31 December 2009, 2010 and 2011 together with the relevant notes. The audited consolidated financial statements of the Group; (i) for the year ended 31 December 2009 are set out on pages 41 to 99 of the annual report of the Company for the year ended 31 December 2009 published on 29 April 2010; (ii) for the year ended 31 December 2010 are set out on pages 51 to 141 of the annual report of the Company for the year ended 31 December 2010 published on 1 April 2011; and (iii) for the year ended 31 December 2011 are set out on pages 52 to 147 of the annual report of the Company for the year ended 31 December 2011 published on 3 April 2012.

The unaudited consolidated financial statements of the Group; (i) for the six months ended 30 June 2011 are set out on pages 25 to 48 of the interim report of the Company for the six months ended 30 June 2011 published on 31 August 2011; (ii) for the six months ended 30 June 2012 are set out on pages 27 to 48 of the interim report of the Company for the six months ended 30 June 2012 published on 6 September 2012.

All of the above annual reports and interim report have been published on the website of the Stock Exchange (www.hkex.com.hk).

3. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

For the six months ended 30 June 2012

The following management discussion and analysis of the Group's financial condition and results of operations is extracted from the interim report of the Group for the period ended 30 June 2012.

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. Prior to this, the Company had signed a US$100 million CB Subscription Agreement with TPG Rave Holdings, L.P. and Diamond Era. All the proceeds from the issue referred to in the CB Subscription Agreement will be applied to fund the acquisition of Hongsong. The CB Subscription Agreement has been terminated on 18 September 2012.

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.

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 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.

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.

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 improve 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.

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.

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:

	For the six months ended 30 June		Increase/	Approximate change in
	2012	**2011**	**(Decrease)**	**percentage**
	RMB million (unaudited)	*RMB million* (unaudited)	*RMB million*	*(%)*
(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)

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.

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.

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, US$ and HK$, which amounted to approximately RMB40,798,000, US$274,000 and HK$24,958,000 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 ("**HK$**"). Approximately 90% of the Group's income was denominated in Renminbi, and the remaining was denominated in Hong Kong dollar and United States dollar ("**US$**"). 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 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.

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 US$18,580,000 in cash at 100% of their principal amount. Based on the initial conversion price of HK$1.50 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 US$6,000,000 were exercised at a conversion price of HK$1.50 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 HK$1.60 (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 HK$121,600,000 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 ("**TPG**") and Diamond Era entered into the CB Subscription Agreement, pursuant to which TPG (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 US$100,000,000 (the "**Bonds**") and the non-listed warrants with an exercise value of US$25,000,000 (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 CB Subscription Agreement.

According to the CB Subscription Agreement, the Board will apply the proceeds from the issuance of Bonds in the intended capital injection for equity interests in 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 CB 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 CB 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. The CB Subscription Agreement has been terminated on 18 September 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 HK$330,000,000.

Upon the issuance of the convertible bonds in the principal amount of US$18,580,000 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.

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 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.

For the six months ended 30 June 2011

The following management discussion and analysis of the Group's financial condition and results of operations is extracted from the interim report of the Group for the period ended 30 June 2011.

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 Co. Ltd. ("**Beichen Hightech**") which holds 5.77% equity interest in Hebei Hongsong Wind Power Co., Ltd. ("**Hongsong**").

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.

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.

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 Co., Ltd. ("**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.

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.

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 2011	2010	Increase/ (Decrease)	Approximate change in percentage
		RMB million (unaudited)	*RMB million* (unaudited)	*RMB million*	*(%)*
(i)	**Power-related business**				
	Power grid construction and consultation	149.37	—	149.37	—
	Sales and processing 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.

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.

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 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 allotted 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 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. 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.

For the year ended 31 December 2011

The following management discussion and analysis of the Group's financial condition and results of operations is extracted from the annual report of the Group for the year ended 31 December 2011.

Business Review

For the year ended 31 December 2011, the Group recorded a turnover of approximately RMB750,328,000 (2010: approximately RMB804,183,000). The Group's gross profit was approximately RMB139,475,000 (2010: approximately RMB192,479,000). Gross profit margin was approximately 19%. During the year, the Group recorded a net profit of approximately RMB91,518,000 (2010: net loss of approximately RMB573,750,000, or a net profit of approximately RMB73,250,000 excluding an one-off goodwill impairment in the amount of RMB647,000,000), representing a significant increase by approximately RMB665,268,000 or an increase of approximately RMB18,268,000 or 25% compared to last year's net profit excluding an one-off goodwill impairment. As at 31 December 2011, net assets value of the Group was approximately RMB349,416,000 (2010: approximately RMB255,733,000), increasing significantly by approximately 37% from that of last year.

During the year, the Group continued to increase the investment into wind power projects and acquired shareholdings of Langcheng and Hongsong. It has also prioritized the development of the businesses of power grid construction and manufacturing of wind turbine blades as its principal businesses, which are complemented by the manufacturing of diodes and other businesses. While the aforesaid development encompassing diversified businesses can explore different income channels, on the other hand, they can also complement and synergize with each other for the continued enhancement of the Company's business structure. Furthermore, leapfrog development of the various businesses, in particular remarkable improvement in the profitability of the wind power related business, will form a solid foundation for the realization and reinforcement of integrated development of its wind power operation.

(1) Wind farm investment and operation business

1. Investing in Hongsong

On 12 January 2011, Ruifeng Windpower (an indirect wholly-owned subsidiary of the Group) acquired the entire equity interest in Beichen Hightech. Beichen Hightech is interested in 5.77% equity interest in Hongsong, which is principally engaged in the wind power business through transmitting clean energy to North China Grid Company Limited ("**North China Grid**").

Hongsong was established in 2001, and it was one of the pioneers in wind farm operation in Chengde City, Hebei Province, PRC. After over ten years of development, Hongsong has built a sizeable wind resources reserve at its wind farm, and has grown into a "Gold Standard" CDM project qualified for carbon credits in the PRC. The maximum installation capacity of the wind farm operated by Hongsong is 596.4MW.

Hongsong derives its revenue mainly from selling electricity to the North China Grid, with a negligible revenue stream from sub-contracting installation of wind turbine blades and selling of carbon credits. Throughout the past ten years, Hongsong has been profitable and distributed substantial portions of its profits to its shareholders. For the first half of 2011, Hongsong has sold nearly 400 million kilowatt hour (kWh) of electricity to the North China Grid.

As the wind farm of Hongsong is located in the proximity of Langcheng's wind farm, its existing wind power business and grid connection will synergize with the Company's business development plans.

2. Continued development of Langcheng's wind farm

On 18 January 2011, Ruifeng Windpower acquired 70% equity interest in Langcheng. The transaction was completed on 23 June 2011, upon which Langcheng became an indirect wholly owned subsidiary of the Company and allowing the Company to own Langcheng's wind farm resources located in Hexigten Qi, Inner Mongolia, PRC.

Langcheng was established in 2005, and was principally engaged in the operation of wind farm which is located in Hexigten Qi, Inner Mongolia, PRC. The maximum installation capacity of Langcheng is 594MW, and construction of the wind farm is under progress. To date, approximately RMB100,000,000 has been invested in the project, with phases I to III of its major infrastructure works including road construction and base ring completed.

With Langcheng's wind farm located in the proximity of the wind farm of Hongsong, it is expected that electricity output upon commencement of operation of Langcheng will be connected and transmitted to the North China Grid.

(2) Power grid construction business

Beichen Power Grid (an indirect wholly-owned subsidiary of the Company) was established in 2001 and was mainly engaged in the construction, installation, maintenance and testing of power facilities.

Beichen Power Grid possesses the qualification of first grade licensed contractor regarding transmission and transformation of electricity issued by the Ministry of Housing and Urban-rural Development, as well as the first grade license to construct and install (repair and test) power facilities issued by the State Electricity Regulatory Commission. Having both first grade licenses, Beichen Power Grid is allowed to carry out contracting works of high voltage power transmission lines above 500 kV and works of projects for regional subsidiaries of the State Grid Corporation of China.

Apart from the aforesaid certifications, Beichen Power Grid also possesses international standard certifications such as GB/T19001:2000 idt ISO9001:2000, GB/T24001-2004 idt ISO14001:2004 and GB/T28001-2001.

(3) Wind turbine blade manufacturing business

Ruifeng Windpower focuses on the manufacturing and processing of wind turbine blades and parts and its products includes 750 kilowatt (kW) and 1.5MW wind turbine blades. Ruifeng Windpower has passed the ISO9001 quality system certification in 2006.

Ruifeng Windpower has its wind turbine blades production and processing base located in Chengde City, Hebei Province, PRC, enjoying geographical advantage of proximity to wind farms in Hebei and Inner Mongolia (approximately 25% of the installed wind power capacity of China is concentrated in these areas, which will lower the transportation and installation costs of wind turbine blades). The production base has an annual maximum capacity to manufacture 400 sets of 1.5MW wind turbine blades and 240 sets of 750kW wind turbine blades.

The major clients of Ruifeng Windpower include Hebei-based AVIC Huiteng Windpower Equipment Co., Ltd., which is one of the largest wind turbine blades manufacturers in China. Ruifeng Windpower has accumulated extensive experience in construction of large wind turbine blades and it strives to enhance its position in the wind turbine blade manufacturing industry by providing professional and comprehensive services and products to other wind turbine blades manufacturers, with an aim to broaden its client base.

(4) Diodes manufacturing business

Diodes manufacturing business of the Group was mainly operated through Galaxy Electrical, a Company's indirect wholly-owned subsidiary.

Galaxy Electrical was principally engaged in the design, development, manufacturing and sales of different types of diodes, and is a major diode manufacturer in China and the largest PRC manufacturer of rectifier diodes.

Leveraging on Galaxy Electrical's professionalism and strengths in the research and development, production, sales and technical support for semiconductor discrete devices, the diodes manufacturing business of the Group maintained stable.

Financial Review

Turnover

During the year under review, the Group's turnover of approximately RMB750,328,000 was derived from two business divisions — the power-related business and the diodes manufacturing business. The power-related business recorded a turnover of approximately RMB369,453,000, representing an increase by approximately 39%, of which approximately RMB317,683,000 was attributed mainly to the power grid construction business for the year under review. The operating base for the power-related business is mainly located in Chengde City, Hebei Province and Inner Mongolia.

The diodes manufacturing business recorded a turnover of approximately RMB380,875,000 for the year under review. The Group's production base for the diodes manufacturing business is mainly located in Changzhou City, Jiangsu Province.

Turnover by business

		Year ended 31 December 2011	2010	Increase/ (Decrease)	Approximate change in percentage
		RMB million	*RMB million*	*RMB million*	*(%)*
(i)	**Power-related business**				
	Power grid construction and consultation	317.68	262.13	55.55	21.19
	Sales and processing of wind turbine blades	51.77	4.58	47.19	1,030.35
		369.45	266.71	102.74	38.52
(ii)	**Diodes manufacturing business**				
	Plastic packaged diodes	264.42	285.40	(20.98)	(7.35)
	Glass packaged diodes	29.82	28.37	1.45	5.11
	Bridge rectifiers	2.82	7.55	(4.73)	(62.65)
	Surface mount device packaged diodes	83.64	214.73	(131.09)	(61.05)
	Others	0.18	1.42	(1.24)	(87.32)
		380.88	537.47	(156.59)	(29.13)
	Total	750.33	804.18	(53.85)	(6.70)

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 accounted approximately RMB610,853,000 for the year ended 31 December 2011, represented approximately 81% of the Group's turnover, showing an increase when compared with approximately 76% for the year ended 31 December 2010.

Gross Profit

Gross profit decreased by approximately 28% to approximately RMB139,475,000 (2010: approximately RMB192,479,000), and the gross profit margin has also decreased from approximately 24% to approximately 19% for the year ended 31 December 2011.

Other Revenue and Net Income

Other revenue and net income mainly comprised of fair value gain on derivative financial instruments (2011: approximately RMB36,648,000; 2010: Nil), gain on change of estimated cash flows of convertible bonds (2011: approximately RMB19,355,000; 2010: Nil), gain on a bargain purchase arising from acquisition of Langcheng (2011: approximately RMB6,105,000; 2010: Nil), gain on deemed disposal of an associate Langcheng (2011: approximately RMB8,101,000; 2010: Nil), rental income from operating leases relating to plant and machinery (2011: approximately RMB20,149,000; 2010: Nil), compensation income on prepayment on acquisition of land use rights (2011: approximately RMB19,656,000; 2010: Nil) and interest income on financial assets not at fair value through profit or loss (2011: approximately RMB898,000; 2010: approximately RMB571,000). The significant increase in other revenue and net income by approximately RMB109,878,000 is mainly attributable by the fair value gain on derivative financial instruments, compensation income on prepayment on acquisition of land use rights, gain on change of estimated cash flows of convertible bonds, gain on a bargain purchase arising from acquisition of Langcheng, gain on deemed disposal of an associate Langcheng and rental income from operating leases relating to plant and machinery.

Distribution Costs

Distribution costs mainly include commission expenses from sales and distribution activities, travelling expenses, wages and salaries of sales personnel and transportation costs. Distribution costs for the year ended 31 December 2011, which represented approximately 2% of the Group's total turnover, showing a drop when compared with that of approximately 3% for the year ended 31 December 2010.

Administration Expenses

Administration expenses mainly include wages, salaries and welfare expenses, professional fees, depreciation expenses of office equipment, provision for bad debts, repair expenses and entertainment expenses.

Other Operating Expenses

Other operating expenses for the year ended 31 December 2010 amounting RMB647,000,000 refer to an impairment of goodwill relating to the acquisition of Power Full which was nil for the year ended 31 December 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 was recorded as approximately RMB82,682,000 for the year ended 31 December 2011 when compared with that of approximately RMB25,154,000 in the previous year. The increase in finance costs were derived from the issuance of the convertible bonds, convertible note and promissory note for acquiring power-related business in both 2010 and 2011.

Taxation

Taxation decreased from approximately RMB15,626,000 for the year ended 31 December 2010 to approximately RMB8,570,000 for the year ended 31 December 2011 as a result of income tax refund for 2011.

Net Profit/(Loss)

The net profit for the year ended 31 December 2011 increased by approximately RMB665,268,000 to approximately RMB91,518,000 (2010: net loss of approximately RMB573,750,000). The significant increase was mainly due to profit generated from power-related business, other revenue and net income and that an impairment of goodwill for acquisition of Power Full of RMB647,000,000 in previous year no longer applied for 2011. Excluding the impairment of goodwill for acquisition of Power Full of RMB647,000,000, the adjusted net profit margin increased from approximately 9% for the year ended 31 December 2010 to approximately 12% for the year ended 31 December 2011.

Net Current Assets

The net current assets of the Group as at 31 December 2011 increased to approximately RMB360,736,000 compared with that of approximately RMB341,646,000 in 2010.

Liquidity and Financing

The cash and bank balances as at 31 December 2011 and 31 December 2010 amounted to approximately RMB86,283,000 (mainly comprised approximately RMB79,924,000, US$445,000 and HK$4,388,000) and approximately RMB208,887,000, respectively.

Total borrowings of the Group as at 31 December 2011 amounted to approximately RMB483,598,000, representing an increase of approximately 7% when compared with that of 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 decreased to approximately 66% as at 31 December 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 2011, all of the Group's borrowings was settled in Renminbi ("**RMB**") and Hong Kong dollars ("**HK$**"). Approximately 85% of the Group's income was denominated in Renminbi and the remaining was denominated in Hong Kong dollars and United States dollars ("**US$**"). Borrowings of the Group amounted to approximately RMB331,598,000 were fixed-rate loans, while RMB152,000,000 were variable rate loans. The Group had not engaged in any currency hedging facility for the year ended 31 December 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 at the initial subscription price of HK$1.60 (subject to adjustment) in aggregate were issued and allotted 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 ordinary shares of the Company will be issued. 12,000,000 warrants have been exercised during March 2012 and 138,000,000 warrants remain outstanding as at the date of this report. 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.

Acquisitions of Interest in Langcheng

On 18 January 2011, Ruifeng Windpower (as purchaser) entered into an acquisition agreement with Mr. Li Baosheng (as vendor and guarantor) and Mr. Li Baojun (as vendor), 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 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. 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, and reporting and announcement requirements under Chapter 14A of the Listing Rules.

The aforesaid acquisition was approved at the extraordinary general meeting of the Company on 8 June 2011 and 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, 13 May 2011 and 8 June 2011, 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 new 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. 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 31 December 2011, the Group had pledged leasehold land and buildings with net book values of approximately RMB12,554,000 (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 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$330,000,000.

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

Employees

As at 31 December 2011, the Group had approximately 2,200 full-time employees (2010: 2,800 employees) in Hong Kong and the PRC, comprising 900 employees from the power-related business and 1,300 from the business of diodes manufacturing. For the year ended 31 December 2011, the relevant staff costs (including the Directors' remuneration) were approximately RMB93,194,000 (2010: approximately RMB92,695,000). 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.

For the year ended 31 December 2010

The following management discussion and analysis of the Group's financial condition and results of operations is extracted from the annual report of the Group for the year ended 31 December 2010.

Business Review

Business Transition

During the financial year ended 31 December 2010, the Group underwent a period of transition, transforming from its core business of diodes manufacturing to wind power and power grid construction businesses. Though the wind power and power grid construction businesses started in July 2010, it has already generated a turnover of approximately RMB266.71 million, accounting for approximately 33.17% of the total turnover during the year under review. The wind power business of the Group is expected to constitute a larger portion of the Group's business following the completion of the acquisition of Chengde Beichen High New Technology Co., Ltd. (承德北辰高新科技有限公司) ("**Beichen Hightech**") in January 2011, and the contemplated completion of the proposed acquisition of the remaining 70% of the equity interest in Hexigten Qi Langcheng Ruifeng Electric Development Co., Ltd. (克什克騰旗朗誠瑞風電力發展有限公司) ("**Langcheng**") in 2011. While the business of diodes manufacturing is expected to provide a stable income source for the Group's future business development, the Board will continue to strengthen its business focus on the renewable energy industry. To better reflect the new business strategy and to signify the commencement of a new chapter to the Group's corporate development, the Company changed its name to China Ruifeng Galaxy Renewable Energy Holdings Limited in August 2010.

New business — Wind Power and Power Grid Construction Business

Market Review

As a relatively sophisticated and reliable form of technology, and considered one of the most price-competitive forms of renewable energy, wind power is generally regarded as the choice of renewable energy with the greatest commercial value with support from governments around the globe. According to statistics on the wind power industry released by the PRC government, China's capacity for wind power reached 41.83 gigawatts ("**GW**") in 2010, surpassing the United States to become the world's largest wind power market in terms of total installed wind power capacity. The newly installed wind power capacity in China increased by more than 100% per year from 2003 to 2009 except in 2008 when the global economy suffered a downturn; China aims to increase its installed wind power capacity to 100 million kilowatts ("**kW**") in 2020. According to The Chinese Wind Energy Association, the PRC government has created eight wind power bases, with capacity of 10 million GW each, in areas including Jiuquan of Gansu, Hami of Xinjiang, Hebei, Jilin, eastern and western Inner Mongolia, Jiangsu and Shandong.

Business Development and Projects

In response to the emphasis placed on renewable energy by the global business sector and the PRC Government, the Group has strived to capture opportunities in renewable energy and energy saving, as signified in particular, by the Group's acquisition of Power Full Group Holdings Limited ("**Power Full**") which completed in July 2010.

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

Power Full is, indirectly, interested in the entire equity interest in Chengde Ruifeng Renewable Energy Windpower Equipment Co., Ltd. ("**Ruifeng Windpower**").

Ruifeng Windpower was established in May 2008 which principally engages in the manufacturing and processing of wind turbine blades and components. Ruifeng Windpower is a wind turbine blades manufacturer and processor, enjoying location advantage to serve the wind farms in Hebei and Inner Mongolia region, where approximately 25% of wind turbines installed in China are concentrated. Ruifeng Windpower owns two sites for manufacturing and processing wind power blades. One of the production bases which is located in the Shuangluan District has a capacity to manufacture a maximum of 60 sets of 1,500kW wind turbine blades per month, covering an aggregate area of approximately 100,000 square meters. The other site is located in Shuangqiao District, which covers an aggregate area of approximately 78,000 square meters with a capacity to manufacture up to 100 sets of 750kW wind turbine blades per month. In addition, Ruifeng Windpower owns 30% equity interest in Langcheng and controlled Hebei Beichen Power Grid Construction Co., Ltd. (河北北辰電網建設股份有限公司) ("**Beichen Power Grid**").

Langcheng was established in 2005 and is principally engaged in the operation of wind farm engaging in the production of renewable energy in Hexigten Qi, Inner Mongolia. The construction of the wind farm by Langcheng is in progress and Langcheng intends to use wind turbine blades manufactured by Ruifeng Windpower for its wind turbines. Also, upon Langcheng commencing its operation, the electricity power generated by Langcheng is expected to be on-grid to North China Grid.

Beichen Power Grid was established in 2001, which is principally engaged in the construction, installation, repairing and testing of power facilities and is a first grade licensed contractor. By holding various licenses and international standard certifications, Beichen Power Grid fulfilled certain pre-requisites in the PRC required for the tender of the first grade grid contracting projects, which allow Beichen Power Grid to carry out the contracting works of maximum power transmission lines of 220kV as well as first grade projects of the State Grid Corporation of China. The turnover generated from the power grid construction business from Beichen Power Grid accounted for approximately 33.17% of the Group's total turnover during the year under review, showing a remarkable achievement for the Group's business development.

Diodes Manufacturing Business

Aside from integrating its production facilities in an effort to streamline production cost, the Group has fine-tuned the product categories to cater the market demand. During the year under review, the Group continued to adjust its sales strategies, impose stringent cost control and diversify its client base.

Financial Review

Turnover

During the year under review, due to the newly acquired power-related business, the Group's turnover of approximately RMB804.18 million was derived from two business divisions — the power-related business and diodes manufacturing business. The power-related business recorded a turnover of approximately RMB266.71 million, of which approximately RMB262.13 million was mainly attributed by the power grid construction business. The power-related business accounted for approximately 33.17% of the turnover. Following the completion of the acquisition of Power Full in July 2010, Ruifeng Windpower and Beichen Power Grid became the Group's subsidiaries in the provision of power grid construction and wind turbine blade businesses.

The diodes manufacturing business recorded a turnover of approximately RMB537.47 million, accounting for approximately 66.83% of the turnover. The Group's production base for the existing diodes manufacturing business is mainly located in Changzhou, Jiangsu province.

Turnover by business

	Year ended 31 December 2010 RMB million	2009 RMB million	Increase/ (Decrease) RMB million	Approximate change in percentage (%)
(i) Power-related business				
Power grid construction and consultation	262.13	—	262.13	100
Sales and processing of wind turbine blades	4.58	—	4.58	100
	266.71	—	266.71	100
(ii) Diodes manufacturing business				
Plastic packaged diodes	285.40	237.24	48.16	20.30
Glass packaged diodes	28.37	26.88	1.49	5.54
Bridge rectifiers	7.55	5.80	1.75	30.17
Surface mount device packaged diodes	214.73	155.27	59.46	38.29
Others	1.42	0.55	0.87	158.18
	537.47	425.74	111.73	26.24
Total	804.18	425.74	378.44	88.89

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 accounted approximately RMB611.70 million for the year ended 31 December 2010, represented approximately 76% of the turnover, showing a decrease when compared with approximately 82% for the year ended 31 December 2009.

Gross Profit

Gross profit increased by approximately 156% to approximately RMB192.48 million (2009: approximately RMB75.27 million), while the gross profit margin has increased from approximately 18% to approximately 24% for the year ended 31 December 2010.

Other Revenue and Net Income

Other revenue and net income mainly comprised of income generated by the sale of scrap materials and sub-products, net gains on trading securities, interest income from bank deposits and gain on early redemption of promissory note. The increase in other revenue and net income is mainly attributable by the net gains on trading securities and gain on early redemption of promissory note.

Distribution Costs

Distribution costs mainly include commission expenses for sales and distribution activities, wages and salaries of sales personnel and transportation costs.

Administrative Expenses

Administrative expenses mainly include wages and salaries, travel, professional fees or consulting fees and provisions for bad debt.

Other Operating Expenses

Other operating expenses for the year ended 31 December 2010 amounting to RMB647,000,000 refer to impairment of goodwill relating to the acquisition of Power Full.

Finance Costs

Finance costs refer to interest expenses and bank charges for bank loans obtained, promissory note and convertible bonds/note issued by the Group. It was recorded as approximately RMB25,150,000, when compared with that of approximately RMB5,210,000 in the previous year. The higher finance costs were derived from the newly acquired power-related business and the issuance of the convertible bonds, convertible note and promissory note during 2010.

Taxation

The taxation increased from a tax credit amounting to approximately RMB1,260,000 for the year ended 31 December 2009 to a tax expense amounting to approximately RMB15,630,000 for 2010. The increase in the tax expenses were due to the newly acquired power-related business and that some group companies which were tax exempted in 2009 were subject to tax payment exposure in 2010.

Net (Loss)/Profit

The Group suffered from a net loss of approximately RMB573,750,000 because of an impairment of goodwill for acquisition of Power Full amounting to RMB647,000,000. Excluding the impairment of goodwill for acquisition of Power Full of RMB647,000,000, there would be a net profit of approximately RMB73,250,000 and represented an increase in net profit by approximately RMB60,670,000 by approximately 5 times, compared to the net profit for the year ended 31 December 2009 amounting to approximately RMB12,580,000.

Net Current Assets

The net current assets were recorded at approximately RMB341,650,000, an increase of approximately 2 times when compared with that of approximately RMB132,670,000 in 2009.

Liquidity and Financing

As at 31 December 2010, the cash and bank balances amounted to approximately RMB208,890,000, which comprise RMB79,990,000, US$18,790,000 and HK$4,940,000, when compared with that of approximately RMB118,700,000 in the previous year. Total borrowings by the Group as at 31 December 2010 amounted to approximately RMB451,900,000, representing an increase of approximately 3 times when compared with approximately RMB107,500,000 in the previous year.

The Group repaid its debt mainly through the steady recurrent cash-flows generated by its operations. The Group's gearing ratio increased to approximately 73.73% as at 31 December 2010 from approximately 43.31% as at 31 December 2009. That ratio was calculated by dividing the Group's total liabilities by its total assets. During 2010, all of the Group's borrowings were 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 year ended 31 December 2010 and up to the date of this report, as the Board considered that the cost of any hedging facility would be higher than the potential risk of the costs incurred from currency fluctuations and interest rate fluctuations in individual transactions.

Convertible Bonds

Placing of Convertible Bonds

On 16 April 2010, the Company entered into a placing agreement with China Merchants Securities (HK) Co., Ltd. (the "**Placing Agent**"), pursuant to which the Company has agreed to issue and the Placing Agent has agreed to procure not less than 6 independent placees to subscribe for, in cash at 100% of their principal amount, convertible bonds up to an aggregate principal amount of HK$143,040,000, on a best effort basis. The placing was completed on 27 May 2010 and convertible bonds in an aggregate principal amount of HK$143,040,000 were issued. Based on the initial conversion price of HK$1.49 per share to be allotted and issued upon exercise of the conversion rights attached to the said convertible bonds, a maximum number of 96,000,000 shares may be allotted and issued.

As at the date of this report, conversion rights attached to all the aforesaid convertible bonds have been exercised. Accordingly, 96,000,000 shares were issued under the said convertible bonds during the year. Details of the placing are set out in the announcements of the Company dated 26 April 2010, 17 May 2010 and 27 May 2010, respectively.

Subscription of Convertible Bonds

On 19 December 2010, the Company entered into a subscription agreement with Advance Gain Enterprises Limited, a wholly-owned subsidiary of CCB International (Holdings) Ltd., pursuant to which Advance Gain Enterprises Limited agreed to subscribe for convertible bonds of the Company in the principal amount of US$18,580,000 in cash at 100% of their principal amount. Based on the initial conversion price of HK$1.50 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 shares may be allotted and issued.

As at the date of this report, no conversion rights attached to said convertible bonds have been exercised. Details of the subscription are set out in the announcement of the Company dated 20 December 2010.

Acquisition & Disposal

Acquisition of Power Full Group Holdings Limited

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

The Acquisition constitutes a very substantial acquisition for the Group pursuant to Chapter 14 of the Listing Rules. Among other terms to the aforesaid agreement, Brown Beauty and Mr. Riley M Chung jointly and severally guaranteed to the Company that the consolidated net profit after tax of Power Full and its subsidiaries for the two financial years ending 31 December 2010 and 31 December 2011 shall be not less than RMB50,000,000 and RMB60,000,000, respectively. The consolidated net profit after tax of Power Full and its subsidiaries for the financial year ended 31 December 2010 was approximately RMB57,600,000, and the said profit guarantee has been met in respect of the year 2010.

Details of the Acquisition are set out in the announcements of the Company dated 26 April 2010 and 7 July 2010, respectively, and the circular of the Company dated 21 June 2010.

Disposal of Action Star International Limited

On 14 September 2010, the Company (as guarantor) entered into a conditional agreement with Profit Champ Limited ("**Profit Champ**", as vendor), a wholly-owned subsidiary of the Company and Opulent Field Limited ("**Opulent Field**", as purchaser), a company wholly-owned by Mr. Yang Senmao, then an executive Director, pursuant to which Profit Champ agreed to dispose of the entire issued share capital of Action Star International Limited ("**Action Star**") for a total consideration of HK$130 million in cash. Action Star owns 100% equity interest in Changzhou Galaxy Century Micro-Electronics Co., Ltd. (常州銀河世紀微電子有限公司) and 100% equity interest in Changzhou Galaxy Technology Developing Co., Ltd. (常州銀河科技開發有限公司). The said disposal was completed on 3 November 2010.

The said disposal constitutes a major transaction of the Company pursuant to Chapter 14 of the Listing Rules. As the purchaser of the disposal is wholly-owned by Mr. Yang Senmao, then an executive Director, the disposal also constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. Details of the said disposal are set out in the announcements of the Company dated 14 September 2010, 16 September 2010 and 3 November 2010, respectively, and the circular of the Company dated 11 October 2010.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries and associated companies by the Group during the financial year ended 31 December 2010.

Pledge of Assets

As at 31 December 2010, the Group had pledged land and buildings with net book values of approximately RMB10,620,000 (31 December 2009: approximately RMB30,520,000) as security for the bank loans obtained by the Group.

Upon the completion of the Acquisition 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 Enterprises Limited, the entire issued share capital of Power Full was pledged to Advance Gain Enterprises Limited to secure the Company's obligation under the said convertible bonds.

Contingent Liabilities

For the year ended 31 December 2010, the Group had no material contingent liabilities.

Employees

As at 31 December 2010, the Group had approximately 2,800 full-time employees (31 December 2009: 2,100) in Hong Kong and the PRC, comprising 2,000 employees from the business of diodes manufacturing and 800 employees from the power-related business. For the year ended 31 December 2010, the relevant employee costs (including the Directors' remuneration) were approximately RMB92,700,000 (2009: approximately RMB58,540,000). 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.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

12 November 2012

The Board of Directors
China Ruifeng Galaxy Renewable Energy Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Hebei Hongsong Wind Power Co., Ltd. ("Hongsong") for the years ended 31 December 2009, 2010 and 2011 and the five months period ended 31 May 2012 (the "Relevant Periods"), for inclusion in the circular (the "Circular") dated 12 November 2012 issued by China Ruifeng Galaxy Renewable Energy Holdings Limited (the "Company") in connection with its proposed subscription of new shares in Hongsong pursuant to the capital increment agreement dated 24 October 2012.

Hongsong was established in the People's Republic of China (the "PRC") on 16 February 2001 as a company with limited liability under the law of the PRC and is principally engaged in wind farm operation in Chengde, Hebei province, the PRC.

The statutory financial statements of Hongsong for the years ended 31 December 2009, 2010 and 2011 were prepared in accordance with the relevant accounting principles and accounting rules applicable to enterprises established in the PRC and were audited by 中瑞岳華會計師事務所, certified public accountants registered in the PRC.

For the purpose of this report, the directors of Hongsong have also prepared the financial statements of Hongsong for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

We have undertaken an independent audit on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of Hongsong for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Hongsong who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereto gives, for the purpose of this report, a true and fair view of the state of affairs of Hongsong as at 31 December 2009, 2010, 2011 and 31 May 2012, and of the results and cash flows of Hongsong for the Relevant Periods.

The comparative income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of Hongsong for the five months period ended 31 May 2011 together with the notes thereon (the "May 2011 Financial Information") have been extracted from the Hongsong's unaudited financial information for the same period, which was prepared by the directors of Hongsong solely for the purpose of this report. We have reviewed the May 2011 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the May 2011 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the May 2011 Financial Information. Based on our review, nothing has came to our attention that causes us to believe that the May 2011 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRS.

A. FINANCIAL INFORMATION

Income statements

	Note	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000	Year ended 31 December 2011 RMB'000	Five months ended 31 May 2011 RMB'000 (Unaudited)	Five months ended 31 May 2012 RMB'000
Turnover	3	224,014	291,068	283,514	175,741	130,424
Cost of sales		(72,173)	(106,697)	(126,347)	(49,760)	(51,734)
Gross profit		151,841	184,371	157,167	125,981	78,690
Other revenue and net income	4	20,867	23,239	28,586	20,478	19,342
Administrative expenses		(5,764)	(7,010)	(9,308)	(2,226)	(3,330)
Profit from operations		166,944	200,600	176,445	144,233	94,702
Finance costs	5(a)	(48,487)	(73,380)	(79,526)	(35,258)	(34,526)
Profit before taxation	5	118,457	127,220	96,919	108,975	60,176
Income tax	6	(29,932)	(24,196)	(19,544)	(27,381)	(21,906)
Profit for the year/period		88,525	103,024	77,375	81,594	38,270

Statements of comprehensive income

	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000	Year ended 31 December 2011 RMB'000	Five months ended 31 May 2011 RMB'000 (Unaudited)	Five months ended 31 May 2012 RMB'000
Profit for the year/period	88,525	103,024	77,375	81,594	38,270
Other comprehensive income for the year/period	—	—	—	—	—
Total comprehensive income for the year/period	88,525	103,024	77,375	81,594	38,270

Statements of financial position

	Note	As at 31 December 2009 RMB'000	As at 31 December 2010 RMB'000	As at 31 December 2011 RMB'000	As at 31 May 2012 RMB'000
Non-current assets					
Property, plant and equipment	10	1,588,120	1,831,967	1,743,572	1,703,452
Lease prepayments	11	4,623	4,479	4,335	4,275
		1,592,743	1,836,446	1,747,907	1,707,727
Current assets					
Inventories	12	—	—	2,497	2,497
Trade and other receivables	13	156,421	153,315	145,019	138,421
Lease prepayments	11	144	144	144	144
Time deposit		10,000	—	—	—
Cash and cash equivalents	14	87,771	33,744	29,676	44,319
		254,336	187,203	177,336	185,381
Total assets		1,847,079	2,023,649	1,925,243	1,893,108
Current liabilities					
Trade and other payables	15	17,788	37,767	32,980	37,298
Interest-bearing borrowings	16	43,500	82,000	168,500	100,500
Current taxation	19(a)	20,016	19,736	14,102	21,379
		81,304	139,503	215,582	159,177
Net current assets/(liabilities)		173,032	47,700	(38,246)	26,204
Total assets less current liabilities		1,765,775	1,884,146	1,709,661	1,733,931
Non-current liabilities					
Interest-bearing borrowings	16	1,259,500	1,313,000	1,107,000	1,093,000
Net assets		506,275	571,146	602,661	640,931
Capital and reserves					
Registered capital	20	390,000	390,000	480,000	480,000
Reserves		116,275	181,146	122,661	160,931
Total equity		506,275	571,146	602,661	640,931

Statements of changes in equity

	Registered capital *RMB'000* *(Note 20)*	Capital reserve *RMB'000* *(Note 20)*	Statutory reserves *RMB'000* *(Note 20)*	Retained profits *RMB'000*	Equity attributable to owners of Hongsong *RMB'000*
Balance at 1 January 2009	298,000	—	14,375	86,499	398,874
Total comprehensive income for the year	—	—	—	88,525	88,525
Increase registered capital by bonus issue	77,480	—	—	(77,480)	—
Increase registered capital by cash injection	14,520	4,356	—	—	18,876
Transfer to reserves	—	—	8,633	(8,633)	—
Balance at 31 December 2009	390,000	4,356	23,008	88,911	506,275
Total comprehensive income for the year	—	—	—	103,024	103,024
Dividend paid	—	—	—	(38,153)	(38,153)
Transfer to reserves	—	—	8,945	(8,945)	—
Balance at 31 December 2010	390,000	4,356	31,953	144,837	571,146
Total comprehensive income for the year	—	—	—	77,375	77,375
Increase registered capital by bonus issue	90,000	—	—	(90,000)	—
Dividend paid	—	—	—	(45,860)	(45,860)
Transfer to reserves	—	—	18,208	(18,208)	—
Balance at 31 December 2011	480,000	4,356	50,161	68,144	602,661
Total comprehensive income for the period	—	—	—	38,270	38,270
Transfer to reserves	—	—	3,827	(3,827)	—
Balance at 31 May 2012	480,000	4,356	53,988	102,587	640,931

	Registered capital *RMB'000* *(Note 20)*	Capital reserve *RMB'000* *(Note 20)*	Statutory reserves *RMB'000* *(Note 20)*	Retained profits *RMB'000*	Equity attributable to owners of Hongsong *RMB'000*
For the five months period ended 31 May 2011 (unaudited)					
Balance at 1 January 2011	390,000	4,356	31,953	144,837	571,146
Total comprehensive income for the period	—	—	—	81,594	81,594
Increase registered capital by bonus issue	90,000	—	—	(90,000)	—
Dividend paid	—	—	—	(45,860)	(45,860)
Transfer to reserves	—	—	18,462	(18,462)	—
Balance at 31 May 2011	480,000	4,356	50,415	72,109	606,880

Statements of cash flows

	Note	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	Five months ended 31 May 2012
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Operating activities						
Profit before taxation		118,457	127,220	96,919	108,975	60,176
Adjustments for:						
Depreciation		64,816	94,652	109,800	45,359	45,966
Loss on disposal of property, plant and equipment		9	—	—	—	—
Amortisation of lease prepayments		218	144	144	60	60
Interest expenses		48,487	73,380	79,526	35,258	34,526
Interest income		(571)	(965)	(332)	(51)	(65)
Operating profit before changes in working capital		231,416	294,431	286,057	189,601	140,663
Decrease/(Increase) in inventories		441	—	(2,497)	(885)	—
(Increase)/Decrease in trade and other receivables		(18,405)	3,106	8,296	25,346	6,598
(Decrease)/Increase in trade and other payables		(4,145)	19,979	(4,787)	8,811	4,318
Cash generated from operations		209,307	317,516	287,069	222,873	151,579
PRC Enterprise Income Tax paid		(18,645)	(24,476)	(25,178)	(28,317)	(14,629)
Interest paid		(48,487)	(73,380)	(79,526)	(35,258)	(34,526)
Net cash generated from operating activities		142,175	219,660	182,365	159,298	102,424

	Note	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000	Year ended 31 December 2011 RMB'000	Five months ended 31 May 2011 RMB'000 (Unaudited)	Five months ended 31 May 2012 RMB'000
Investing activities						
Payments for the purchase of property, plant and equipment		(381,654)	(338,499)	(21,405)	(8,604)	(5,846)
Proceeds from disposal of property, plant and equipment		11	—	—	—	—
Interest received		571	965	332	51	65
Payments for the purchase of lease prepayments		(1,379)	—	—	—	—
Net cash used in investing activities		(382,451)	(337,534)	(21,073)	(8,553)	(5,781)
Financing activities						
Proceeds from new bank loans		255,000	200,000	—	—	10,000
Repayments of bank borrowings		(84,000)	(108,000)	(119,500)	(66,500)	(92,000)
Proceeds from increase in registered capital		18,876	—	—	—	—
(Increase)/Decrease in time deposit		(10,000)	10,000	—	—	—
Dividend paid		—	(38,153)	(45,860)	(45,860)	—
Net cash generated from/(used in) financing activities		179,876	63,847	(165,360)	(112,360)	(82,000)
Net (decrease)/increase in cash and cash equivalents		(60,400)	(54,027)	(4,068)	38,385	14,643
Cash and cash equivalents at beginning of year/period		148,171	87,771	33,744	33,744	29,676
Cash and cash equivalents at end of year/period	14	87,771	33,744	29,676	72,129	44,319

Notes to the financial information

1. GENERAL INFORMATION

Hebei Hongsong Wind Power Co., Ltd. ("Hongsong") was established in the People's Republic of China (the "PRC") on 16 February 2001 as a company with limited liability under the law of the PRC and is principally engaged in wind farm operation in the PRC. The registered office of Hongsong is 河北省承德市圍場鎮八街 and its principal place of business is located at 河北省承德市開發區西區承德紅松風電辦公樓.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of Hongsong, and all values are rounded to the nearest thousand except where otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Financial Information have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by Hongsong is set out below.

Basis of preparation

The measurement basis used in the preparation of the Financial Information is the historical cost basis.

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 25.

Property, plant and equipment

The following items of property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses.

— buildings held for own use which are situated on leasehold land classified as held under operating leases; and

— other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Useful lives	Residual value
Buildings	20–30 years	5% to 10%
Generators and related equipment	5–10 years	5% to 10%
Equipment, furniture and fixtures	3–5 years	0% to 10%
Motor vehicles	3–5 years	5% to 10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Lease prepayments

Lease prepayments represent cost of land use rights paid to the PRC Land Bureau. Land use rights are carried at cost less amortisation and impairment losses. Amortisation is charged to profit or loss on a straight line basis over the term of the respective leases.

Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are stated at cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of Hongsong about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group. If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When Hongsong is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment; and

— lease prepayments.

If any such indication exists, the asset's recoverable amount is estimated. In addition, intangible assets that are not yet available for use and have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Inventories

Inventories excluding spare parts are carried at the lower of cost and net realisable value. Spare parts are stated in the balance sheet at cost less provision for obsolescence.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Employees of Hongsong participate in defined contribution retirement plans managed by the local government authorities whereby Hongsong are required to contribute to the plans at fixed rates of the relevant employees' salary costs.

Hongsong's contributions to these plans are charged to profit or loss when incurred. Hongsong has no obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

(ii) Termination benefits

Termination benefits are recognised when, and only when, Hongsong demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case they are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

    — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Provision and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when Hongsong has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of electricity and goods

Electricity revenue is recognised when electricity is supplied to the provincial grid companies. Revenue of goods is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Subsidies from the relevant PRC government authorities, in the form of return of income tax, value added tax not associating with the purchase of property, plant and equipment and various taxes, as an incentive for the investments in various cities in the PRC are recognised in the Financial Information when relevant approval has been obtained.

Hongsong sells carbon credits known as Certified Emission Reductions ("CERs"), generated from the wind farms which have been registered as Clean Development Mechanism ("CDM") projects with CDM Executive Board ("CDM EB") of the United Nations under the Kyoto Protocol. Hongsong also sells Voluntary Emission Reductions ("VERs"), which are attributable to electricity generation from CDM projects before being registered with CDM EB. Revenue in relation to the CERs and VERs is recognised when following conditions are met:

— the counterparties have committed to purchase the CERs or VERs;

— the sales prices have been agreed; and

— relevant electricity has been generated.

The revenue related to CERs are recognised and recorded in trade receivables for the volume verified by the independent supervisors assigned by CDM EB and in other receivables for the remaining volume.

Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations outside the PRC are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items in the statement of financial position are translated into RMB at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On disposal of an operation outside the PRC, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Related parties

(a) A person, or a close member of that person's family, is related to Hongsong if that person:

(i) has control or joint control over Hongsong;

(ii) has significant influence over Hongsong; or

(iii) is a member of the key management personnel of Hongsong.

(b) An entity is related to Hongsong if any of the following conditions applies:

(i) The entity and Hongsong are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either Hongsong or an entity related to Hongsong.

Segment reporting

Operating segments and the amounts of each segment item reported in the Financial Information, are identified from the Underlying Financial Statements provided regularly to Hongsong's chief executive management for the purposes of allocating resources to, and assessing the performance of, Hongsong's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Hongsong's chief executive management reviews Hongsong's internal financial reporting and other information and also obtains other relevant external information in order to assess performance and allocate resources and operating segment is identified with reference to these.

Hongsong's chief executive management considers that the business of Hongsong is organised in one operating segment which is operation of wind farm in the PRC. Additional disclosure in relation to segment information is not presented as the Board assesses the performance of the only operating segment identified based on the consistent information as disclosed in the Financial Information.

The total net segment income is equivalent to total comprehensive income for the years as shown in the statement of comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the statement of financial position.

In determining Hongsong'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. As Hongsong's major operations and markets are located in the PRC, no further geographical segment information is provided.

3. TURNOVER

The principal activity of Hongsong is wind farm operation. Turnover represents the sales value of electricity generated from the wind farm supplied to customers (net of value added tax).

4. OTHER REVENUE AND NET INCOME

	Year ended 31 December 2009	**Year ended 31 December 2010**	**Year ended 31 December 2011**	**Five months ended 31 May 2011**	**Five months ended 31 May 2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income on financial assets not at fair value through profit or loss	571	965	332	51	65
Rental income from operating leases relating to plant and machinery	3,085	5,405	6,679	—	—
Rental income from operating leases relating to buildings	—	406	1,705	712	390
Government subsidy income					
— CERs and VERs income	6,515	13,610	18,664	18,664	6,201
— Value added tax refund	10,777	2,660	685	—	12,686
— Others	—	27	1,220	1,100	—
Others	(81)	166	(699)	(49)	—
	20,867	23,239	28,586	20,478	19,342

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	Five months ended 31 May 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(a) Finance costs:					
Interest expenses on interest-bearing borrowings	77,131	90,319	79,483	35,253	34,521
Less: interest expense capitalised *(Note i)*	(28,658)	(16,951)	—	—	—
	48,473	73,368	79,483	35,253	34,521
Bank charges	14	12	43	5	5
	48,487	73,380	79,526	35,258	34,526

Note:

(i) The borrowing costs have been capitalised at various applicable rates ranging from 5.35% to 5.94% per annum and 5.35% to 5.94% per annum for the years ended 31 December 2009 and 2010 respectively, for qualifying assets classified as construction in progress under property, plant and equipment (Note 10). For the year ended 31 December 2011 and five months periods ended 31 May 2011 and 2012, there are no borrowing costs have been capitalised for qualifying assets.

	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	Five months ended 31 May 2012
(b) Staff costs (including directors' remuneration):					
Contributions to defined contribution retirement plans	1,115	1,788	2,483	1,212	1,811
Salaries, wages and other benefits	3,474	7,906	9,348	2,348	2,875
	4,589	9,694	11,831	3,560	4,686
(c) Other items:					
Amortisation of lease prepayments	218	144	144	60	60
Depreciation of property, plant and equipment	64,816	94,652	109,800	45,359	45,966
Auditors' remuneration					
— audit services	100	100	100	—	—
— other services	10	—	—	—	—

6. INCOME TAX IN THE INCOME STATEMENTS

(a) Income tax in the income statements represents:

	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	Five months ended 31 May 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax — PRC Enterprise Income Tax					
Provision for the year/period	29,904	24,164	19,229	27,066	21,689
Under-provision in respect of prior years	28	32	315	315	217
	29,932	24,196	19,544	27,381	21,906

No provision for Hong Kong Profits Tax has been made as Hongsong's profit neither arises in, nor is derived from Hong Kong for the Relevant Periods.

Pursuant to Caishui [2008] No. 46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment ("Circular 46"), Hongsong, is engaged in public infrastructure projects which are set up after 1 January 2008, is entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from its respective first operating income ("3+3 tax holiday"). Accordingly, Hongsong's certain profit, derived from public infrastructure projects which are set up after 1 January 2008, was exempted from the PRC Enterprise Income Tax ("EIT") for the years ended 31 December 2010, 2011 and 2012, followed by a 50% EIT reduction for the years ending 31 December 2013, 2014 and 2015.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

The tax charge for the Relevant Periods can be reconciled to the profit per the income statements as follows:

	Year ended 31 December 2009 *RMB'000*	**Year ended 31 December 2010** *RMB'000*	**Year ended 31 December 2011** *RMB'000*	**Five months ended 31 May 2011** *RMB'000* (Unaudited)	**Five months ended 31 May 2012** *RMB'000*
Profit before taxation	118,457	127,220	96,919	108,975	60,176
Tax at domestic income tax rate of 25%	29,614	31,805	24,230	27,244	15,044
Tax effect of non-deductible expenses	290	288	259	—	6,780
Tax effect of non-taxable income	—	—	—	(178)	(135)
Tax effect of tax concessions	—	(7,929)	(5,260)	—	—
Under-provision in prior years	28	32	315	315	217
Actual tax expense	29,932	24,196	19,544	27,381	21,906

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonus *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
Year ended 31 December 2009					
Executive directors					
鄭永 *(Chairman)*	—	—	—	—	—
王劍	—	—	—	—	—
張春國	—	—	—	—	—
范國亮	—	35	9	19	63
Non-executive directors					
馬長虹	—	—	—	—	—
肖文國	—	—	—	—	—
王煥玉	—	—	—	—	—
孫長偉	—	—	—	—	—
肖忠文	—	—	—	—	—
	—	35	9	19	63
Year ended 31 December 2010					
Executive directors					
寧忠志 *(Chairman)* (appointed on 30 April 2010)	—	175	56	39	270
王劍	—	149	135	38	322
張春國	—	133	128	34	295
范國亮	—	56	32	24	112
鄭永 *(Chairman)* (resigned on 30 April 2010)	—	—	—	—	—
Non-executive directors					
馬長虹	—	13	—	—	13
肖文國	—	13	—	—	13
陳京芳 (appointed on 30 April 2010)	—	13	—	—	13
傅少江 (appointed on 30 April 2010)	—	13	—	—	13
李寧海 (appointed on 30 April 2010)	—	13	—	—	13
王煥玉 (resigned on 30 April 2010)	—	—	—	—	—
孫長偉 (resigned on 30 April 2010)	—	—	—	—	—
肖忠文 (resigned on 30 April 2010)	—	—	—	—	—
	—	578	351	135	1,064

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonus *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
Year ended 31 December 2011					
Executive directors					
寧忠志 *(Chairman)*	—	328	—	99	427
王劍	—	298	—	91	389
張春國	—	271	—	84	355
范國亮	—	110	—	34	144
Non-executive directors					
馬長虹	—	27	—	—	27
肖文國	—	27	—	—	27
陳京芳	—	27	—	—	27
傅少江	—	27	—	—	27
李寧海	—	27	—	—	27
	—	1,142	—	308	1,450
Five months period ended 31 May 2011 (unaudited)					
Executive directors					
寧忠志 *(Chairman)*	—	52	—	17	69
王劍	—	52	—	16	68
張春國	—	52	—	14	66
范國亮	—	30	—	9	39
Non-executive directors					
馬長虹	—	10	—	—	10
肖文國	—	10	—	—	10
陳京芳	—	10	—	—	10
傅少江	—	10	—	—	10
李寧海	—	10	—	—	10
	—	236	—	56	292
Five months period ended 31 May 2012					
Executive directors					
寧忠志 *(Chairman)*	—	53	—	33	86
王劍	—	53	—	31	84
張春國	—	53	—	28	81
范國亮	—	36	—	13	49
Non-executive directors					
馬長虹	—	11	—	—	11
肖文國	—	11	—	—	11
陳京芳	—	11	—	—	11
傅少江	—	11	—	—	11
李寧海	—	11	—	—	11
	—	250	—	105	355

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in Hongsong, nil, three, three, three and three were directors of Hongsong whose emoluments are disclosed in note 7 above for the years ended 31 December 2009, 2010 and 2011 and the five months periods ended 31 May 2011 and 2012, respectively. The aggregate of the emoluments in respect of the remaining five, two, two, two and two individuals for the years ended 31 December 2009, 2010 and 2011 and the five months periods ended 31 May 2011 and 2012, respectively, are as follow:

	Year ended 31 December 2009 *RMB'000*	Year ended 31 December 2010 *RMB'000*	Year ended 31 December 2011 *RMB'000*	Five months ended 31 May 2011 *RMB'000* (Unaudited)	Five months ended 31 May 2012 *RMB'000*
Salaries and other benefits	250	359	656	91	93
Retirement scheme contributions	108	40	100	17	53
	358	399	756	108	146

The above individuals' emoluments are within the band of Nil to HK$1,000,000.

During the Relevant Periods, no emolument or incentive payments were paid to the directors and the five highest paid individuals as an inducement to join or upon joining Hongsong or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

9. DIVIDENDS

During the Relevant Periods, Hongsong paid the following dividends to its equity holders:

	Year ended 31 December 2009 *RMB'000*	Year ended 31 December 2010 *RMB'000*	Year ended 31 December 2011 *RMB'000*	Five months ended 31 May 2011 *RMB'000* (Unaudited)	Five months ended 31 May 2012 *RMB'000*
Dividends paid	77,480	38,153	135,860	135,860	—

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Generators and related equipment	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2009	27,028	1,061,332	648	657	292,906	1,382,571
Additions	—	1,545	237	314	379,558	381,654
Transfer	22,907	302,652	—	—	(325,559)	—
Disposal	—	—	—	(129)	—	(129)
At 31 December 2009 and 1 January 2010	49,935	1,365,529	885	842	346,905	1,764,096
Additions	—	296	238	928	337,037	338,499
Transfer	12,432	653,247	—	—	(665,679)	—
At 31 December 2010 and 1 January 2011	62,367	2,019,072	1,123	1,770	18,263	2,102,595
Additions	—	3,223	587	—	17,595	21,405
Transfer	—	7,637	—	—	(7,637)	—
At 31 December 2011 and 1 January 2012	62,367	2,029,932	1,710	1,770	28,221	2,124,000
Additions	—	—	4	—	5,842	5,846
At 31 May 2012	62,367	2,029,932	1,714	1,770	34,063	2,129,846
Accumulated depreciation:						
At 1 January 2009	1,818	108,785	415	251	—	111,269
Charge for the year	1,854	62,776	84	102	—	64,816
Written back on disposal	—	—	—	(109)	—	(109)
At 31 December 2009 and 1 January 2010	3,672	171,561	499	244	—	175,976
Charge for the year	2,978	91,407	99	168	—	94,652
At 31December 2010 and 1 January 2011	6,650	262,968	598	412	—	270,628
Charge for the year	3,019	106,297	244	240	—	109,800
At 31 December 2011 and 1 January 2012	9,669	369,265	842	652	—	380,428
Charge for the period	1,258	44,490	118	100	—	45,966
At 31 May 2012	10,927	413,755	960	752	—	426,394

	Buildings	Generators and related equipment	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net book value:						
At 31 December 2009	46,263	1,193,968	386	598	346,905	1,588,120
At 31 December 2010	55,717	1,756,104	525	1,358	18,263	1,831,967
At 31 December 2011	52,698	1,660,667	868	1,118	28,221	1,743,572
At 31 May 2012	51,440	1,616,177	754	1,018	34,063	1,703,452

As at 31 December 2009, 2010 and 2011 and 31 May 2012, Hongsong has pledged certain of its property, plant and equipment with carrying values of approximately RMB589,155,000, RMB578,848,000, RMB532,157,000 and RMB506,422,000 respectively to secure its bank loans (note 17).

Hongsong's buildings are located in the PRC and on land with medium term leases.

11. LEASE PREPAYMENTS

Hongsong's lease prepayments comprise:

	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 31 May 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land in the PRC with medium term lease	4,767	4,623	4,479	4,419
Analysed for reporting purpose as:				
Current assets	144	144	144	144
Non-current assets	4,623	4,479	4,335	4,275
	4,767	4,623	4,479	4,419

The amortisation charge for the Relevant Periods is included in administrative expenses in the income statement.

12. INVENTORIES

	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 31 May 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Spare parts and other	—	—	2,497	2,497

13. TRADE AND OTHER RECEIVABLES

	As at 31 December 2009 *RMB'000*	As at 31 December 2010 *RMB'000*	As at 31 December 2011 *RMB'000*	As at 31 May 2012 *RMB'000*
Trade receivables	39,890	72,757	52,087	36,557
Other receivables	32,277	34,045	176	295
Loans and receivables	72,167	106,802	52,263	36,852
Prepayments and deposits	84,254	46,513	92,756	101,569
	156,421	153,315	145,019	138,421

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

(a) Ageing analysis

The ageing analysis of trade receivables of Hongsong is as follows:

	As at 31 December 2009 *RMB'000*	As at 31 December 2010 *RMB'000*	As at 31 December 2011 *RMB'000*	As at 31 May 2012 *RMB'000*
Within three months	37,176	72,279	43,994	24,643
More than three months but within one year	2,320	478	2,857	6,678
More than one year but within two years	394	—	5,236	5,236
	39,890	72,757	52,087	36,557

Trade receivables are due within 5–30 days from the date of billing.

(b) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December 2009 *RMB'000*	As at 31 December 2010 *RMB'000*	As at 31 December 2011 *RMB'000*	As at 31 May 2012 *RMB'000*
Neither past due nor impaired	36,621	68,521	40,173	24,643
Past due but not impaired				
— Less than three months past due	555	3,758	3,821	—
— More than three months but within one year past due	2,714	478	2,857	6,678
— More than one year but within two years past due	—	—	5,236	5,236
	39,890	72,757	52,087	36,557

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with Hongsong. Based on past experience, Hongsong's management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Hongsong does not hold any collateral over these balances.

14. CASH AND CASH EQUIVALENTS

An analysis of the balance of cash and cash equivalents is set out below:

	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 31 May 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash in hand	1	—	1	1
Cash at banks	87,770	33,744	29,675	44,318
Cash and cash equivalents in the statements of financial position and the statements of cash flows	87,771	33,744	29,676	44,319
Denominated in RMB	87,771	33,744	29,676	44,319

15. TRADE AND OTHER PAYABLES

	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 31 May 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	16,793	35,655	22,497	23,930
Other payables	995	1,182	9,558	12,985
Financial liabilities measured at amortised cost	17,788	36,837	32,055	36,915
Unearned revenue	—	930	925	383
	17,788	37,767	32,980	37,298

The ageing analysis of trade payables of Hongsong is as follows:

	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 31 May 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within three months	11,805	6,121	597	1,856
More than three months but within one year	3,972	27,429	3,615	3,785
More than one year	1,016	2,105	18,285	18,289
	16,793	35,655	22,497	23,930

All of the trade and other payables are expected to be settled or recognised as income within one year.

16. INTEREST-BEARING BORROWINGS

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

	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 31 May 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans *(note 17)*	1,303,000	1,395,000	1,275,500	1,183,500
Other loan *(note i)*	—	—	—	10,000
	1,303,000	1,395,000	1,275,500	1,193,500
Analysis as:				
Current	43,500	82,000	168,500	100,500
Non-current	1,259,500	1,313,000	1,107,000	1,093,000
	1,303,000	1,395,000	1,275,500	1,193,500

None of the non-current interest-bearing borrowings is expected to be settled within one year.

Note:

(i) As at 31 May 2012, the other loan of RMB10,000,000 was borrowed from a shareholder of Hongsong, namely 河北紅松新能源投資有限公司. The other loan was unsecured, bore interest at 6.1% per annum and was fully settled on 5 August 2012.

17. BANK LOANS

As at 31 December 2009, 2010 and 2011 and 31 May 2012, the bank loans were repayable as follows:

	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 31 May 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	43,500	82,000	168,500	90,500
After 1 year but within 2 years	106,500	203,000	153,000	153,000
After 2 years but within 5 years	447,500	441,000	500,500	494,000
After 5 years	705,500	669,000	453,500	446,000
	1,303,000	1,395,000	1,275,500	1,183,500

As at 31 December 2009, 2010 and 2011 and 31 May 2012, the bank loans were secured and guaranteed as follows:

	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 31 May 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
— secured	848,000	986,500	901,000	870,000
— guaranteed	85,000	65,000	64,000	62,000
— unsecured	370,000	343,500	310,500	251,500
	1,303,000	1,395,000	1,275,500	1,183,500

Notes:

(a) As at 31 December 2009, 2010 and 2011 and 31 May 2012, the secured bank loans of RMB593,000,000, RMB731,500,000, RMB673,000,000 and RMB657,000,000 were secured by Hongsong's certain property, plant and equipment with a carrying value of approximately RMB589,155,000, approximately RMB578,848,000, approximately RMB532,157,000 and approximately RMB506,422,000 respectively.

As at 31 December 2009, 2010 and 2011 and 31 May 2012, the secured bank loans of RMB255,000,000, RMB255,000,000, RMB228,000,000 and RMB213,000,000 were secured by Hongsong's trade receivables from the provincial power grid companies with a carrying value of approximately RMB36,621,000, approximately RMB68,521,000, approximately RMB40,172,000 and approximately RMB24,643,000 respectively.

As at 31 December 2009, 2010 and 2011 and 31 May 2012, included in the secured bank loans of RMB595,000,000, RMB554,000,000, RMB514,000,000 and RMB482,000,000 were guaranteed by a former shareholder and certain existing shareholders of Hongsong.

As at 31 December 2009, 2010 and 2011 and 31 May 2012, the average effective interest rate on secured bank loans approximated 6.25% per annum, approximated 5.51% per annum, approximated 6.05% per annum and approximated 6.58% per annum respectively.

(b) As at 31 December 2009, 2010 and 2011 and 31 May 2012, the guaranteed bank loans of RMB85,000,000, RMB65,000,000, RMB64,000,000 and RMB62,000,000 respectively, were guaranteed by two former shareholders, namely 承德昊源電力承裝有限公司 and 承德市電力通用技術公司.

As at 31 December 2009, 2010 and 2011 and 31 May 2012, the average effective interest rate on guaranteed bank loans approximated 5.94% per annum, approximated 5.94% per annum, approximated 6.43% per annum and approximated 6.60% per annum respectively.

(c) As at 31 December 2009, 2010 and 2011 and 31 May 2012, the average effective interest rate on unsecured bank loans approximated 5.95% per annum, approximated 5.93% per annum, approximated 6.33% per annum and approximated 6.91% per annum respectively.

(d) The carrying amounts of the bank loans are denominated in RMB.

18. EMPLOYEE RETIREMENT BENEFITS

The employees of Hongsong are required to participate in central pension schemes operated by the local municipal government. Hongsong is required to contribute certain percentage of the payroll costs to the central pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension schemes.

The total expenses recognised in the income statements for the years ended 31 December 2009, 2010 and 2011 and the five months periods ended 31 May 2011 and 2012 of approximately RMB1,115,000, RMB1,788,000, RMB2,483,000, RMB1,212,000 and RMB1,811,000 represent contributions payable to these plans by Hongsong at rates specified in the rules of the plans.

19. INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the statements of financial position represents:

	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 31 May 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	8,729	20,016	19,736	14,102
Provision for PRC Enterprise Income Tax for the year/period	29,904	24,164	19,229	21,689
Under provision in respect of prior years	28	32	315	217
PRC Enterprise Income Tax paid	(18,645)	(24,476)	(25,178)	(14,629)
At end of the year/period	20,016	19,736	14,102	21,379

(b) Deferred tax assets and liabilities:

No deferred tax assets or liabilities are recognised in the Financial Information as Hongsong did not have material temporary difference arising between the tax bases of liabilities or assets and their carrying amounts as at 31 December 2009, 2010 and 2011 and 31 May 2012.

20. CAPITAL AND RESERVES

(a) Registered and paid up capital

	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 31 May 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	298,000	390,000	390,000	480,000
Increase of capital upon bonus issue *(Notes (i) & (iii))*	77,480	—	90,000	—
Increase of capital upon cash injection *(Note (ii))*	14,520	—	—	—
At end of the year/period	390,000	390,000	480,000	480,000

Notes:

(i) Pursuant to the ordinary resolution passed at the annual general meeting of Hongsong held on 30 April 2009, the registered and paid up capital of Hongsong was increased from RMB298,000,000 to RMB375,480,000 by the way of bonus issue. The increased capital of RMB77,480,000 rank pari passu in all respects with the then existing capital.

(ii) Pursuant to the ordinary resolution passed at the extraordinary general meeting of Hongsong held on 30 June 2009, the registered and paid up capital of Hongsong was increased from RMB375,480,000 to RMB390,000,000 by the way of injection of cash. As a result, the total cash consideration of RMB18,876,000 received, registered and paid up capital of RMB14,520,000 were increased and, accordingly, Hongsong's capital reserve was increased by RMB4,356,000. The increased capital of RMB14,520,000 rank pari passu in all respects with the then existing capital.

(iii) Pursuant to the ordinary resolution passed at the annual general meeting of Hongsong held on 26 January 2011, the registered and paid up capital of Hongsong was increased from RMB390,000,000 to RMB480,000,000 by the way of bonus issue. The increased capital of RMB90,000,000 rank pari passu in all respects with the then existing capital.

(b) Nature and purpose of reserves

(i) Capital reserve

Capital reserve represents the cash injection in excess of the nominal value of shares issued to 承德市國投電建投資有限責任公司 upon the increase of shares of Hongsong.

(ii) Statutory reserves

As stipulated by the relevant PRC laws and regulations, the PRC subsidiaries shall set aside 10% of their net profit after taxation for the PRC statutory reserves (except where the reserve balance has reached 50% of the paid-up capital of the respective enterprises). The reserve can only be utilised, upon approval by the Board of Directors of respective enterprises and by relevant authority, to offset accumulated losses or increase registered capital, provide that the balance after such issue is not less than 25% of its registered capital.

(c) Capital management

Hongsong's primary objectives when managing capital are to safeguard Hongsong's ability to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, Hongsong will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

Hongsong monitors its capital structure by reviewing its net debt-to-equity ratio and cash flow requirements, taking into account its future financial obligations and commitments.

	As at 31 December 2009 *RMB'000*	**As at 31 December 2010** *RMB'000*	**As at 31 December 2011** *RMB'000*	**As at 31 May 2012** *RMB'000*
Interest-bearing borrowings: *(Note 16)*				
Current portion	43,500	82,000	168,500	100,500
Non-current portion	1,259,500	1,313,000	1,107,000	1,093,000
Total interest-bearing borrowings	1,303,000	1,395,000	1,275,500	1,193,500
Less: Cash and cash equivalents *(Note 14)*	(87,771)	(33,744)	(29,676)	(44,319)
Net debt	1,215,229	1,361,256	1,245,824	1,149,181
Total equity	506,275	571,146	602,661	640,931
Gearing ratio	240%	238%	207%	179%

21. FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of Hongsong's business. Hongsong's exposure to these risks and the financial risk management policies and practices used by Hongsong to manage these risks are described below.

(a) Credit risk

(i) Hongsong's credit risk is primarily attributable to cash and cash equivalents, trade and other receivables and other current assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(ii) The receivables from sales of electricity mainly represent receivables from the provincial power grid companies. The Group have no significant credit risk with any of these power grid companies as the Group and its subsidiaries maintain long-term and stable business relationships with these companies. The receivables from the provincial power grid companies accounted for 92%, 94%, 77% and 67% of Hongsong's total trade debtor as at 31 December 2009, 2010 and 2011 and 31 May 2012 respectively. For other trade receivables and other receivables, Hongsong performs an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

(iii) The credit risk on liquid funds is limited because the counter parties are financial institutions with established high credit ratings.

(iv) Further quantitative disclosures in respect of Hongsong's exposure to credit risk arising from trade and other receivables are set out in note 13.

(b) Liquidity risk

Hongsong's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following liquidity table details the remaining contractual maturities at the end of each of the reporting period of Hongsong's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each of the reporting period) and the earliest date Hongsong required to pay:

	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total contractual undiscounted cash flow**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2009						
Bank loans	116,819	175,656	769,115	648,845	1,710,435	1,303,000
Trade and other payables	17,788	—	—	—	17,788	17,788
	134,607	175,656	769,115	648,845	1,728,223	1,320,788

	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
As at 31 December 2010						
Bank loans	180,434	272,499	831,561	480,777	1,765,271	1,395,000
Trade and other payables	36,837	—	—	—	36,837	36,837
	217,271	272,499	831,561	480,777	1,802,108	1,431,837

	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
As at 31 December 2011						
Bank loans	268,622	219,275	802,684	323,433	1,614,014	1,275,500
Trade and other payables	32,055	—	—	—	32,055	32,055
	300,677	219,275	802,684	323,433	1,646,069	1,307,555

	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
As at 31 May 2012						
Bank loans	187,547	216,703	776,960	310,856	1,492,066	1,183,500
Other loan	10,102	—	—	—	10,102	10,000
Trade and other payables	36,915	—	—	—	36,915	36,915
	234,564	216,703	776,960	310,856	1,539,083	1,230,415

(c) Interest rate risk

Hongsong's interest rate risk arises primarily from Hongsong's cash and cash equivalents, bank deposits, bank loans. Borrowings issued at variable rates and at fixed rates expose Hongsong to cash flow interest rate risk and fair value interest rate risk respectively. Hongsong does not use financial derivatives to hedge against the interest rate risk. Hongsong's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of Hongsong's net borrowings at the end of each of the reporting period:

	As at 31 December 2009		As at 31 December 2010		As at 31 December 2011		As at 31 May 2012	
	Effective interest rates		*Effective interest rates*		*Effective interest rates*		*Effective interest rates*	
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
Fixed rate borrowings:								
Other loan	—	—	—	—	—	—	6.1	10,000
Variable rate borrowings:								
Bank loans								
Long term loan	5.35–7.05	1,303,000	5.35–6.14	1,395,000	5.35–7.05	1,275,500	5.94–7.05	1,183,500
Total net borrowings		1,303,000		1,395,000		1,275,500		1,193,500
Net fixed rate borrowings as a percentage of total net borrowings		0%		0%		0%		1%

(ii) Sensitivity analysis

As at 31 December 2009, 2010 and 2011 and 31 May 2012, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased Hongsong's profit after taxation and retained profits by approximately RMB3,690,000, RMB6,614,000, RMB6,599,000 and RMB2,436,000 respectively.

The sensitivity analysis above indicates the instantaneous change in Hongsong's profit after taxation (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of each of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by Hongsong at the end of each of the reporting period, the impact on Hongsong's profit after taxation (and retained profits) is estimated as an annualised impact on interest expense of such a change in interest rates.

(d) Currency risk

Hongsong is exposed to currency risk primarily through sales and purchases which give rise to receivables that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros.

Except for CERs and VERs sales which were denominated in foreign currencies, all of the revenue-generating operations of Hongsong are transacted in RMB. The directors considered that Hongsong's exposure to foreign currency risk is insignificant.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent Hongsong from satisfying sufficient foreign currency demands and Hongsong may not be able to pay dividends in foreign currencies to its shareholders.

(e) Fair values

The three levels of the fair value hierarchy defined in HKFRS 7, Financial instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

As at 31 December 2009, 2010 and 2011 and 31 May 2012, Hongsong did not have any assets and liabilities that are measured at the above fair value measurements hierarchy.

22. COMMITMENTS

(a) Capital commitments outstanding at the end of each of the reporting period not provided for in the Financial Information were as follows:

	As at 31 December 2009	**As at 31 December 2010**	**As at 31 December 2011**	**As at 31 May 2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Acquisition of property, plant and equipment — Contracted for	315,286	8,705	11,119	11,119

23. CONTINGENT LIABILITIES

(a) Contingent liability in respect of taxes on CDM revenue

Up to date, there have been no rules issued on whether the revenue from sales of CERs and VERs is subject to any VAT or business tax. The directors of Hongsong are of the opinion that no such taxes will be applicable to the revenue from sales of CERs and VERs. Therefore, Hongsong has not made any provision on such contingencies.

24. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to Hongsong's directors as disclosed in note 7 and certain of the highest paid to employees as disclosed in note 8, is as follows:

	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	Five months ended 31 May 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other benefits	294	1,288	1,798	327	343
Post-employment benefits	127	175	408	73	158
Salaries and other emoluments	421	1,463	2,206	400	501

Total remuneration is included in "staff costs" (see note 5(b)).

25. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying Hongsong's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of each of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(i) Impairment of property, plant and equipment and lease prepayments

The recoverable amount of an asset is the greater of its fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. Hongsong uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(ii) Impairment of receivables

Hongsong maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the trade and other receivables, where applicable, at the end of each of the reporting period. The estimates are based on the ageing of the trade and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

(iii) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. Hongsong reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on Hongsong's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(b) Critical accounting judgements in applying Hongsong's accounting policies

In determining the carrying amounts of some assets and liabilities, Hongsong makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of each of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. Hongsong's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying Hongsong's accounting policies.

26. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of this report, the HKICPA has issued the following new and revised standards, amendments or interpretations which are not yet effective for the Relevant Periods and which have not been adopted in this report. These include the following which may be relevant to Hongsong.

HKFRS 1 (Amendment)	Government Loans[2]
HKFRS 7 (Amendment)	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC)–Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2014.
4 Effective for annual periods beginning on or after 1 January 2015.

Hongsong is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on Hongsong's results of operation and financial position.

B. SUBSEQUENT EVENTS

Save as disclosed in the Financial Information, there were no significant event subsequent to 31 May 2012.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Hongsong have been prepared in respect of any period subsequent to 31 May 2012.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants
Jonathan T.S. Lai
Practising Certificate Number: P04165
Hong Kong

1. SUMMARY OF FINANCIAL INFORMATION ON HONGSONG

The following summary is extracted from the audited consolidated financial statements of Hongsong for the three years ended 31 December 2011 and five months ended 31 May 2012. The financial statements of Hongsong have been prepared in accordance with both relevant accounting principles and accounting rules applicable to enterprises established in the PRC and HKFRS. As the financial statements of the Company have also been prepared in accordance with HKFRS, the Company is not of the view that any principal difference exists between Hongsong's accounting standards and the accounting standards used by the Company which would have a material impact on the financial statements of Hongsong. However, after gaining access to the books and records of Hongsong, the Company can carry out a more in-depth comparison between the accounting standards adopted by Hongsong and the accounting standards adopted by the Company, and will set out findings of principal differences, if any, in a supplemental circular.

Summary of financial statements for the three years ended 31 December 2011 and five months ended 31 May 2012

	As at and for the year ended 31 December			As at and for the five months ended 31 May	As at and for the five months ended 31 May
	2009	**2010**	**2011**	**2011**	**2012**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (unaudited)	*(RMB'000)*
Revenue & Profit					
Turnover	224,014	291,068	283,514	175,741	130,424
Profit before taxation	118,457	127,220	96,919	108,975	60,176
Income tax	29,932	24,196	19,544	27,381	21,906
Profit for the year	88,525	103,024	77,375	81,594	38,270
Profit for the year attributable to equity shareholders of the Company	88,525	103,024	77,375	81,594	38,270
Dividends	—	38,153	45,860	45,860	—

	As at 31 December			As at 31 May
	2009	2010	2011	2012
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Assets & Liabilities				
Non-current assets	1,592,743	1,836,446	1,747,907	1,707,727
Current assets	254,336	187,203	177,336	185,381
Current liabilities	81,304	139,503	215,582	159,177
Non-current liabilities	1,259,500	1,313,000	1,107,000	1,093,000
Net assets	506,275	571,146	602,661	640,931
Capital & Reserves				
Registered capital	390,000	390,000	480,000	480,000
Reserves	116,275	181,146	122,661	160,931

2. MANAGEMENT DISCUSSION AND ANALYSIS OF HONGSONG

Set out below is the management discussion and analysis on Hongsong for the five months ended 31 May 2012 (the "**Relevant Period**"), the full financial year ended 31 December 2011 (the "**Year 2011**"), the full financial year ended 31 December 2010 (the "**Year 2010**"), and the full financial year ended 31 December 2009 (the "**Year 2009**"). This should be read in conjunction with the Accountants' Report on Hongsong included in Appendix IIA of this circular.

FOR THE RELEVANT PERIOD

Business review

During the Relevant Period, Hongsong is a company with limited liability under the law of the PRC and is principally engaged in wind farm operation in Hongsongwa area in Chengde of Hebei province in the PRC. The wind farms have a maximum develop capacity of 596.4MW, and the consolidated installed capacity of power generating assets has developed up to 348.9MW.

Financial review

During the Relevant Period, Hongsong derives its revenue mainly from selling electricity to the power grid of Jibei Electric Power Company Limited and North China Grid Company Limited, which forms the national power grid, with a negligible revenue stream from sub-contracting installation of wind turbine and selling of carbon credits. The selling price of the electricity is fixed by the PRC government. Hongsong has recorded turnover of approximately RMB130.4 million and a profit of approximately RMB38.27 million for the Relevant Period.

The amounts of electricity and revenue generated at the wind farm are highly dependent on the wind conditions while the costs, mainly depreciated charges and finance costs, are spread throughout the relevant period. As advised by Hongsong, the wind power in the first half of 2011 are stronger that the second half of 2011. As a result, the revenue from the sale of electricity generated for the five months ended 31 May 2011 accounted for 62.0% of the total revenue for 2011 and thus the profit before taxation for the five months ended 31 May 2011 was higher than the profit before taxation for the year ended 31 December 2011.

Liquidity, financial position and capital structure

During the Relevant Period, Hongsong funded its operation mainly by internal cash, bank loans and the shareholder's loan. As at 31 May 2012, the cash and cash equivalents were approximately RMB44.3 million, the bank borrowings were approximately RMB1,183.5 million, and the shareholder's loans were approximately RMB10 million. The details of the bank borrowings and the shareholder's loans were disclosed in the Appendix IIA of this circular. The bank borrowings and cash and cash equivalents were held in RMB.

As at 31 May 2012, the current assets and liabilities of Hongsong were approximately RMB185.38 million and RMB159.18 million, respectively. The current ratio, represented by current assets as a percentage of current liabilities, was approximately 1.165 times as at 31 May 2012, as compared with that of 0.823 times as at 31 December 2011.

As at 31 May 2012, Hongsong's total assets and total liabilities amounted to approximately RMB1,893.11 million and RMB1,252.18 million, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 66.14% as at 31 May 2012, as compared with 68.70% as at 31 December 2011.

Employment and remuneration policy

As at 31 May 2012, Hongsong had 107 employees and the staff cost recorded was approximately of RMB4.7 million for the Relevant Period.

Significant investment held and future plans for material investments or capital assets

Save as the development of Hongsong, there was no significant investment held by Hongsong during the Period and Hongsong will focus on its existing business of wind farms operation.

Contingent liabilities

Saved as disclosed in the Appendix IIA of this circular regarding the contingent liability in respect of taxes on CDM revenue, Hongsong has no material contingent liabilities during the Relevant Period.

Charge on assets

As at 31 May 2012, Hongsong has pledged its property, plant and equipment held for own use for the purpose of securing the bank loans of RMB657,000,000 with a carrying value of approximately RMB506,422,000. Hongsong had pledged its trade receivables from provincial power grid companies for the purpose of securing the bank loans of RMB213,000,000 with a carrying value of approximately RMB24,643,000.

Foreign exchange exposure

At the end of the Relevant Period, Hongsong did not exposed to any foreign currency risk as none of its assets and liabilities were denominated in currency other than the functional currency of the respective group entities. Hongsong has not adopted any financial instruments for hedging purposes.

Significant acquisition and disposal

During the Period, Hongsong did not have any significant acquisition or disposal of investment.

FOR THE YEAR 2011

Business review

During the Year 2011, Hongsong was a company with limited liability under the law of the PRC and was principally engaged in wind farm operation in Hongsongwa area in Chengde of Hebei province in the PRC.

Financial review

During the Year 2011, Hongsong derived its revenue mainly from selling electricity to the power grid of North China Grid Company Limited, which formed the national power grid, with a negligible revenue stream from sub-contracting installation of wind turbine and selling of carbon credits. Hongsong had recorded turnover of approximately RMB283.51 million and a profit of approximately RMB77.38 million for the Year 2011.

Liquidity, financial position and capital structure

During the Year 2011, Hongsong funded its operation mainly by internal cash and bank loans. As at 31 December 2011, the cash and cash equivalents were approximately RMB29.7 million, and the bank borrowings were approximately RMB1,275.5 million. The details of the bank borrowings and the shareholder's loans were disclosed in the Appendix IIA of this circular. The bank borrowings and cash and cash equivalents were held in RMB.

As at 31 December 2011, the current assets and liabilities of Hongsong were approximately RMB177.34 million and RMB215.58 million, respectively. The current ratio, represented by current assets as a percentage of current liabilities, was approximately 0.823 times as at 31 December 2011, as compared with that of 1.342 times as at 31 December 2010.

As at 31 December 2011, Hongsong's total assets and total liabilities amounted to approximately RMB1,925.24 million and RMB1,322.58 million, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 68.70% as at 31 December 2011, as compared with 71.78% as at 31 December 2010.

Employment and remuneration policy

As at 31 December 2011, Hongsong had 109 employees and the staff cost recorded was approximately of RMB11.83 million for the Year 2011.

Significant investment held and future plans for material investments or capital assets

Save as the development of Hongsong, there was no significant investment held by Hongsong during the Year 2011 and Hongsong will focus on its existing business of wind farms operation.

Contingent liabilities

Saved as disclosed in the Appendix IIA of this circular regarding the contingent liability in respect of taxes on CDM revenue, Hongsong has no material contingent liabilities during the Relevant Period.

Charge on assets

As at 31 December 2011, Hongsong has pledged its property, plant and equipment held for own use for the purpose of securing the bank loans of RMB673,000,000 with a carrying value of approximately RMB532,157,000. Hongsong had pledged its trade receivables from provincial power grid companies for the purpose of securing the bank loans of RMB228,000,000 with a carrying value of approximately RMB40,172,000.

Foreign exchange exposure

At the end of the Year 2011, Hongsong did not exposed to any foreign currency risk as none of its assets and liabilities were denominated in currency other than the functional currency of the respective group entities. Hongsong has not adopted any financial instruments for hedging purposes.

Significant acquisition and disposal

During the Year 2011, Hongsong did not have any significant acquisition or disposal of investment.

FOR THE YEAR 2010

Business review

During the Year 2010, Hongsong is a company with limited liability under the law of the PRC and is principally engaged in wind farm operation in Hongsongwa area in Chengde of Hebei province in the PRC.

Financial review

During the Year 2010, Hongsong derives its revenue mainly from selling electricity to the power grid of North China Grid Company Limited, which forms the national power grid, with a negligible revenue stream from sub-contracting installation of wind turbine and selling of carbon credits. Hongsong has recorded turnover of approximately RMB291.07 million and a profit of approximately RMB103.02 million for the Year 2010.

Liquidity, financial position and capital structure

During the Year 2010, Hongsong funded its operation mainly by internal cash and bank loans. As at 31 December 2010, the cash and cash equivalents were approximately RMB33.7 million, and the bank borrowings were approximately RMB1,395 million. The details of the bank borrowings and the shareholder's loans were disclosed in the Appendix IIA of this circular. The bank borrowings and cash and cash equivalents were held in RMB.

As at 31 December 2010, the current assets and liabilities of Hongsong were approximately RMB187.2 million and RMB139.5 million, respectively. The current ratio, represented by current assets as a percentage of current liabilities, was approximately 1.342 times as at 31 December 2010, as compared with that of 3.128 times as at 31 December 2009.

As at 31 December 2010, Hongsong's total assets and total liabilities amounted to approximately RMB2,023.65 million and RMB1,452.5 million, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 71.78% as at 31 December 2010, as compared with 72.59% as at 31 December 2009.

Employment and remuneration policy

As at 31 December 2010, Hongsong had 108 employees and the staff cost recorded was approximately of RMB9.69 million for the Year 2010.

Significant investment held and future plans for material investments or capital assets

Save as the development of Hongsong, there was no significant investment held by Hongsong during the Period and Hongsong will focus on its existing business of wind farms operation.

Contingent liabilities

Saved as disclosed in the Appendix IIA of this circular regarding the contingent liability in respect of taxes on CDM revenue, Hongsong has no material contingent liabilities during the Year 2010.

Charge on assets

As at 31 December 2010, Hongsong has pledged its property, plant and equipment held for own use for the purpose of securing the bank loans of RMB731,500,000 with a carrying value of approximately RMB578,848,000. Hongsong had pledged its trade receivables from provincial power grid companies for the purpose of securing the bank loans of RMB255,000,000 with a carrying value of approximately RMB68,521,000.

Foreign exchange exposure

At the end of the Year 2010, Hongsong did not exposed to any foreign currency risk as none of its assets and liabilities were denominated in currency other than the functional currency of the respective group entities. Hongsong has not adopted any financial instruments for hedging purposes.

Significant acquisition and disposal

During the Year 2010, Hongsong did not have any significant acquisition or disposal of investment.

FOR THE YEAR 2009

Business review

During the Year 2009, Hongsong is a company with limited liability under the law of the PRC and is principally engaged in wind farm operation in Hongsongwa area in Chengde of Hebei province in the PRC.

Financial review

During the Year 2009, Hongsong derives its revenue mainly from selling electricity to the power grid of North China Grid Company Limited, which forms the national power grid, with a negligible revenue stream from sub-contracting installation of wind turbine and selling of carbon credits. Hongsong has recorded turnover of approximately RMB224.01 million and a profit of approximately RMB88.53 million for the Year 2009.

Liquidity, financial position and capital structure

During the Year 2009, Hongsong funded its operation mainly by internal cash and bank loans. As at 31 December 2009, the cash and cash equivalents were approximately RMB87.8 million, and the bank borrowings were approximately RMB1,303 million. The details of the bank borrowings and the shareholder's loans were disclosed in the Appendix IIA of this circular. The bank borrowings and cash and cash equivalents were held in RMB.

As at 31 December 2009, the current assets and liabilities of Hongsong were approximately RMB254.3 million and RMB81.3 million, respectively. The current ratio, represented by current assets as a percentage of current liabilities, was approximately 3.128 times as at 31 December 2009.

As at 31 December 2009, Hongsong's total assets and total liabilities amounted to approximately RMB1,847.08 million and RMB1,340.80 million, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 72.59% as at 31 December 2009.

Employment and remuneration policy

As at 31 December 2009, Hongsong had 96 employees and the staff cost recorded was approximately of RMB4.6 million for the Year 2009.

Significant investment held and future plans for material investments or capital assets

Save as the development of Hongsong, there was no significant investment held by Hongsong during the Year 2009 and Hongsong focused on its existing business of wind farms operation.

Contingent liabilities

Saved as disclosed in the Appendix IIA of this circular regarding the contingent liability in respect of taxes on CDM revenue, Hongsong has no material contingent liabilities during the Year 2009.

Charge on assets

As at 31 December 2009, Hongsong has pledged its property, plant and equipment held for own use for the purpose of securing the bank loans of RMB593,000,000 with a carrying value of approximately RMB589,155,000. Hongsong had pledged its trade receivables from provincial power grid companies for the purpose of securing the bank loans of RMB255,000,000 with a carrying value of approximately RMB36,621,000.

Foreign exchange exposure

At the end of the Year 2009, Hongsong did not exposed to any foreign currency risk as none of its assets and liabilities were denominated in currency other than the functional currency of the respective group entities. Hongsong has not adopted any financial instruments for hedging purposes.

Significant acquisition and disposal

During the Year 2009, Hongsong did not have any significant acquisition or disposal of investment.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

The unaudited pro forma financial information of the Enlarged Group (the "Unaudited Pro Forma Financial Information"), comprising the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group, has been prepared by the Directors in accordance with the paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed Subscription of new shares in Hongsong.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in its published annual report for the year ended 31 December 2011, its published interim report for the six months ended 30 June 2012 and other financial information included elsewhere in this Circular. The Unaudited Pro Forma Financial Information does not take account of any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Enlarged Group included in the Unaudited Pro Forma Financial Information.

The unaudited pro forma consolidated statement of financial position as if the proposed Subscription had taken place on 30 June 2012 and has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2012 as extracted from the published interim report of the Company for the six months ended 30 June 2012, after incorporating the pro forma adjustments as described in the accompanying notes to illustrate the effect of the proposed Subscription.

The unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows as if the proposed Subscription had taken place on 1 January 2011 and have been prepared based on the audited consolidated income statement, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group as extracted from the published annual report of the Company for the year ended 31 December 2011, after incorporating the pro forma adjustments as described in the accompanying notes to illustrate the effect of the proposed Subscription.

The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates and uncertainties. Among other key assumptions, the Directors have assumed that the Company would be able to raise sufficient funding through internal resources, fund raising pursuant to the general mandate granted or to be granted by Shareholders and/or other borrowings to finance the proposed Subscription throughout a two-year period from the date of the First Payment Date which defined in Part A of the Circular.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, it may not give a true picture of the financial position, results of operations and cash flows of the Enlarged Group had the proposed Subscription been completed as at 30 June 2012 or 1 January 2011, where applicable, or any future date.

(1) Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	The Group as at 30 June 2012	Hongsong as at 31 May 2012	Pro forma adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(audited)				(unaudited)
		(Note 1)	*(Note 2)*	*(Note 3(i))*	*(Note 3(ii))*	
Non-current assets						
Property, plant and equipment	223,782	1,703,452			241,698	2,168,932
Lease prepayments	17,532	4,275			5,825	27,632
Goodwill	83,006	—				83,006
Investment in an associate	5,099	—				5,099
Available-for-sale financial assets	46,184	—			(46,184)	—
Deferred tax assets	3,201	—				3,201
	378,804	1,707,727				2,287,870
Current assets						
Inventories	30,770	2,497				33,267
Trade and other receivables	623,242	138,421				761,663
Lease prepayments	401	144				545
Pledged bank deposits	6,685	—				6,685
Cash and cash equivalents	56,067	44,319	645,000			745,386
	717,165	185,381				1,547,546
Current liabilities						
Trade and other payables	134,311	37,298	645,000	70,000		886,609
Derivative financial instruments	1,050	—				1,050
Interest-bearing borrowings	90,400	100,500				190,900
Current taxation	6,642	21,379				28,021
	232,403	159,177				1,106,580
Net current assets	484,762	26,204				440,966
Total assets less current liabilities	863,566	1,733,931				2,728,836

	The Group as at 30 June 2012 *RMB'000* (unaudited)	Hongsong as at 31 May 2012 *RMB'000* (audited) *(Note 1)*	Pro forma adjustments *RMB'000* *(Note 2)*	*RMB'000* *(Note 3(i))*	*RMB'000* *(Note 3(ii))*	The Enlarged Group *RMB'000* (unaudited)
Non-current liabilities						
Interest-bearing borrowings	362,575	1,093,000				1,455,575
Deferred tax liabilities	10,957	—			61,824	72,781
	373,532	1,093,000				1,528,356
Net assets	490,034	640,931				1,200,480
Capital and reserves						
Share capital	8,607	480,000		(480,000)		8,607
Reserves	481,427	160,931		(160,931)	13,836	495,263
Total equity attributable to equity shareholders of the Company	490,034	640,931				503,870
Non-controlling interests	—	—			696,610	696,610
	490,034	640,931				1,200,480

(2) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group

	The Group for the year ended 31 December 2011	Hongsong for the year ended 31 December 2011	Pro forma adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)			(unaudited)
		(Note 1)	*(Note 3(ii))*	*(Note 3(iii))*	
Turnover	750,328	283,514			1,033,842
Cost of sales	(610,853)	(126,347)			(737,200)
Gross profit	139,475	157,167			296,642
Other revenue and net income	114,311	28,586	13,836		156,733
Distribution costs	(16,155)	—			(16,155)
Administrative expenses	(54,756)	(9,308)			(64,064)
Profit from operations	182,875	176,445			373,156
Finance costs	(82,682)	(79,526)			(162,208)
Share of profits less losses of associates	(105)	—			(105)
Profit before taxation	100,088	96,919			210,843
Income tax	(8,570)	(19,544)			(28,114)
Profit for the year	91,518	77,375			182,729
Attributable to:					
Equity shareholders of the Company	91,518	77,375	13,836	(38,455)	144,274
Non-controlling interests	—	—		38,455	38,455
Profit for the year	91,518	77,375			182,729

(3) Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group

	The Group for the year ended 31 December 2011	Hongsong for the year ended 31 December 2011	Pro forma adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)			(unaudited)
		(Note 1)	*(Note 3(ii))*	*(Note 3(iii))*	
Profit for the year	91,518	77,375	13,836		182,729
Other comprehensive income for the year					
Exchange differences on translation of financial statements of operations outside the PRC	(1,393)	—			(1,393)
Other comprehensive income for the year (net of tax)	(1,393)	—			(1,393)
Total comprehensive income for the year	90,125	77,375			181,336
Total comprehensive income attributable to:					
Equity shareholders of the Company	90,125	77,375	13,836	(38,455)	142,881
Non-controlling interests	—	—		38,455	38,455
	90,125	77,375			181,336

(4) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

	The Group for the year ended 31 December 2011	Hongsong for the year ended 31 December 2011	Pro forma adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)			(unaudited)
		(Note 1)	*(Note 2)*	*(Note 3(ii))*	
Operating activities					
Profit before taxation	100,088	96,919		13,836	210,843
Adjustments for:					
Depreciation	19,735	109,800			129,535
Loss on disposal of property, plant and equipment	787	—			787
Impairment loss on property, plant and equipment	2,637	—			2,637
Impairment loss on trade and other receivables	6,360	—			6,360
Amortisation of lease prepayments	338	144			482
Interest income	(898)	(332)			(1,230)
Share of profits less losses of associates	105	—			105
Interest expenses	82,682	79,526			162,208
Fair value gain on derivative financial instruments	(36,648)	—			(36,648)
Gain on disposal of lease prepayments	(350)	—			(350)
Gain on deemed disposal of an associate	(8,101)	—			(8,101)
Gain on a bargain purchase	(6,105)	—		(13,836)	(19,941)
Gain on change of estimated cash flows of convertible bonds	(19,355)	—			(19,355)
Net losses on trading securities	38	—			38

	The Group for the year ended 31 December 2011	Hongsong for the year ended 31 December 2011	Pro forma adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)			(unaudited)
		(Note 1)	*(Note 2)*	*(Note 3(ii))*	
Operating profit before changes in working capital	141,313	286,057			427,370
Increase in inventories	(759)	(2,497)			(3,256)
Increase in trading securities	(38)	—			(38)
(Increase)/Decrease in trade and other receivables	(28,905)	8,296			(20,609)
Decrease in amounts due from related companies	458	—			458
Decrease in amount due from an associate	9,620	—			9,620
Decrease in trade and other payables	(108,983)	(4,787)			(113,770)
Decrease in amounts due to directors	(880)	—			(880)
Decrease in amounts due to related companies	(18,334)	—			(18,334)
Cash (used in)/generated from operations	(6,508)	287,069			280,561
PRC Enterprise Income Tax paid	(2,541)	(25,178)			(27,719)
Interest paid	(16,954)	(79,526)			(96,480)
Net cash (used in)/generated from operating activities	(26,003)	182,365			156,362
Investing activities					
Payments for the purchase of property, plant and equipment	(15,605)	(21,405)			(37,010)
Payments for acquisition of subsidiaries	(78,637)	—			(78,637)
Payments for acquisition of an associate	(5,000)	—			(5,000)
Interest received	898	332			1,230
Proceeds from disposal of property, plant and equipment	7,047	—			7,047
Proceeds from sales of lease prepayments	532	—			532
Net cash used in investing activities	(90,765)	(21,073)			(111,838)

	The Group for the year ended 31 December 2011	Hongsong for the year ended 31 December 2011	Pro forma adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)			(unaudited)
		(Note 1)	*(Note 2)*	*(Note 3(ii))*	
Financing activities					
Proceeds from other borrowings	258,800	—	645,000		903,800
Proceeds from issue of warrants	3,558	—			3,558
Repayment of bank and other loans	(241,400)	(119,500)			(360,900)
Interest expenses of convertible bonds	(9,339)	—			(9,339)
Decrease in pledged bank deposit	23,270	—			23,270
Dividend paid	—	(45,860)			(45,860)
Net cash generated from/(used in) financing activities	34,889	(165,360)			514,529
Net (decrease)/increase in cash and cash equivalents	(81,879)	(4,068)			559,053
Cash and cash equivalents at 1 January	181,990	33,744			215,734
Effect of foreign exchange rate changes	(17,455)	—			(17,455)
Cash and cash equivalents at 31 December	82,656	29,676			757,332

(5) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The amounts are extracted from the audited Financial Information of Hongsong as at 31 May 2012 included in the Accountants' Report on Hongsong as set out in Appendix IIA to this Circular.

2. This adjustment represents the completion of the proposed Subscription on 30 June 2012. Pursuant to the terms of the Capital Increment Agreement, the consideration of RMB645,000,000 or an equivalent amount of foreign currency shall be settled by the Subscriber in cash by two stages as set out in Part A of this Circular. The Directors expect the consideration will be funded by internal resources, fund raising pursuant to general mandate granted or to be granted by Shareholders and/or other borrowings of the Company. As at the Latest Practicable Date, the Company has yet outlined the details of financing method.

3. The identifiable assets and liabilities of Hongsong acquired by the Group will be accounted for in the unaudited pro forma consolidated statement of financial position of the Enlarged Group at fair value under the purchase method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "*Business Combinations*".

   For the purpose of preparation of the Unaudited Pro Forma Financial Information, the allocation of the purchase price is determined based on the Directors' estimates of the fair value of the identifiable assets and liabilities of Hongsong as at 31 May 2012 and with reference to the valuation reports dated 31 August 2012 on the fair values of the property, plant and equipment and lease prepayments held by Hongsong.

   The actual fair values of the identifiable assets and liabilities will be determined as of the date of Completion and may differ materially from the amounts disclosed in the Unaudited Pro Forma Financial Information because of changes in fair values of the assets and liabilities of the transaction, and as further analysis is completed. Consequently, the actual allocation of the purchase price will likely result in different amounts than those in the Unaudited Pro Forma Financial Information.

   (i) This adjustment represents the consolidation entry to eliminate the share capital of Hongsong and pre-acquisition reserves after deducting the proposed profit distribution on consolidation. For the purpose of preparation of the Unaudited Pro Forma Financial Information, the Directors have assumed the proposed profit distribution will be at the maximum level of RMB70 million.

(ii) This adjustment relates to the recognition of:

- fair value adjustments of RMB241,698,000 and RMB5,825,000 on property, plant and equipment and lease prepayments held by Hongsong respectively, which have been assessed by the Directors as fair and reasonable. The estimated fair values of the property, plant and equipment and lease prepayments of Hongsong as at 31 May 2012 are determined by the Directors by reference to a professional valuation conducted by RHL Appraisal Limited on that date.

	RMB'000
Book value of property, plant and equipment as set out in Appendix IIA to this circular	1,703,452
Fair value of property, plant and equipment determined by the Directors	1,945,150
Fair value adjustment	241,698

	RMB'000
Book value of lease prepayments as set out in Appendix IIA to this Circular	4,275
Fair value of lease prepayments determined by the Directors	10,100
Fair value adjustment	5,825

In accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36"), an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the Directors have performed an impairment testing on the carrying values of the property, plant and equipment and lease prepayments of Hongsong taking into account the independent valuation report and with reference to HKAS 36. The Directors are of the opinion, and the reporting accountants concurred, that there are no indications that the values of the property, plant and equipment and lease prepayments of Hongsong may be impaired.

The auditors of the Company will carry out impairment review of the property, plant and equipment and lease prepayments of Hongsong with reference to an independent valuation report, which will be prepared under the same principal assumptions and valuation method in the future.

- the amount of the non-controlling interests of Hongsong of approximately RMB696,610,000 has been calculated at 49.7% of the total identifiable net assets of Hongsong of approximately RMB1,401,630,000.

- gain on a bargain purchase of approximately RMB13,836,000, being the excess amount of the Group's share of the fair value of the net identifiable assets of Hongsong over the consideration as at 30 June 2012, as if the proposed Subscription was completed on that day. The accounting policies adopted in preparing these adjustments are applied on the same basis as the Group would normally adopt in preparing its annual financial statements.

	RMB'000
Net assets value of Hongsong before the proposed Subscription	640,931
Add: Cash to be received from the proposed Subscription	645,000
Fair value adjustment on property, plant and equipment	241,698
Fair value adjustment on lease prepayments	5,825
Less: Proposed profit distribution assumed at the maximum level	(70,000)
Effect of deferred tax liabilities on the fair value adjustments on	
— property, plant and equipment estimated at Enterprise Income Tax rate of 25%	(60,425)
— lease prepayments estimated at land appreciation tax rates	(1,399)
Total identifiable net assets of Hongsong	1,401,630
Cash consideration	645,000
Add: Non-controlling interests in Hongsong	696,610
Existing equity interest in Hongsong held by Beichen Hightech	46,184
Less: Total identifiable net assets of Hongsong	(1,401,630)
Gain on a bargain purchase	13,836

Upon Completion of the proposed Subscription, the fair value of the identifiable assets and liabilities of Hongsong will have to be reassessed. As a result of the re-assessment, the identifiable assets and liabilities of Hongsong at the date of Completion may be substantially different from the fair value of the identifiable assets and liabilities used in the preparation of this Unaudited Pro Forma Financial Information, the final amount of the identifiable assets and liabilities, as well as gain on a bargain purchase and the non-controlling interests to be recognised in connection with the proposed Subscription at the date of Completion may be different from the estimated amount stated herein.

(iii) This adjustment represents the non-controlling interests' share of Hongsong's profit for the year. This adjustment is expected to have continuing effect on the Enlarged Group's consolidated income statement.

	RMB'000
Profit of Hongsong for the year	77,375
Profit shared by the non-controlling interests at 49.7%	38,455

4. No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs (including fees to legal advisers, financial adviser, reporting accountants, valuer, printer and other expenses) as the Directors determined that such costs are insignificant.

5. No adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2012.

B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants of the Company, HLB Hodgson Impey Cheng Limited, Chartered Accountants, Certified Public Accountants, Hong Kong, addressed to the directors of the Company.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

12 November 2012

The Board of Directors
China Ruifeng Galaxy Renewable Energy Holdings Limited

Dear Sirs,

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

We report on the unaudited pro forma financial information of China Ruifeng Galaxy Renewable Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and Hebei Hongsong Wind Power Co., Ltd. ("Hongsong") (collectively referred to as the "Enlarged Group"), comprising the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group (the "Unaudited Pro Forma Financial Information"), as set out in Section A entitled "Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix III to the Company's circular dated 12 November 2012 (the "Circular"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the proposed subscription of the new shares of Hongsong might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Section A of Appendix III of the Circular.

Respective responsibilities of the directors of the Company and the reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 30 June 2012 or any future date; or

- the results and cash flows of the Enlarged Group for the year ended 31 December 2011 or any future periods.

Opinion

In our opinion:

- the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants
Jonathan T.S. Lai
Practising Certificate Number: P04165
Hong Kong

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Licence No.: C-015672

Date: 12 November 2012

The Board of Directors
China Ruifeng Galaxy Renewable Energy Holdings Limited
Unit 2607, 26th Floor,
China Merchants Tower,
Shun Tak Centre,
168–200 Connaught Road Central,
Hong Kong.

Dear Sirs,

VALUATION OF PER SHARE EQUITY INTEREST OF HEBEI HONGSONG WIND POWER CO., LTD.

In accordance with the instruction of China Ruifeng Galaxy Renewable Energy Holdings Limited (hereinafter referred to as the "**Ruifeng Galaxy**"), we have undertaken a valuation to determine the fair value on per share equity interest of Hebei Hongsong Wind Power Co., Ltd. (hereinafter referred to as the "**Company**" or "**Hongsong**") before the share subscription in Hongsong as at 31 May 2012 (the "**Valuation Date**").

The valuation will be used as reference on the circular dated 12 November 2012 (the "**Circular**") in regards to new shares subscription in Hongsong. The valuation and findings in this report will be used for the abovementioned purpose only.

BASIS OF VALUATION

Our valuation was carried out on a fair value basis. According to Hong Kong Financial Reporting Standards, fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

We have conducted our valuation in accordance with International Valuation Standards issued by International Valuation Standards Council. Our valuation was performed so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. All matters essential to the proper understanding of the valuation are disclosed in the valuation report. Opinion of value included in the valuation report is impartial, independent, and unbiased.

Ruifeng Galaxy

Ruifeng Galaxy is principally engaged in (i) constructions of power grid and transformer projects; (ii) manufacturing, processing and sale of wind power equipment; and (iii) manufacturing and trading of diodes.

Ruifeng Galaxy believed that the development of clean and renewable energy will become the next industrial revolution in light of the emerging energy crisis faced by the world nowadays. Ruifeng Galaxy intends to streamline its current business and focus its resources on renewable energy industry, which Ruifeng Galaxy believes has great potential for growth.

Hongsong

Hongsong was established in the People's Republic of China (the "**PRC**") in 2001 for the sole purpose of developing wind farms in Hebei and surrounding provinces in the PRC. It was one of the pioneers in wind farm operation in Chengde, Hebei province, the PRC. Over the years, Hongsong has increased its paid up capital from an initial investment of RMB32 million to RMB480 million for the past 10 years. The company has distributed substantial portions of its profits to its shareholders.

The wind farms operated by Hongsong are located in Hongsongwa area of Hebei province, which has a maximum developed capacity of 596.4MW, and as of the 8 November 2012, the consolidated installed capacity of power generating assets has developed up to 348.9MW. Hongsong delivers and sells the electricity by its wind farms to the power grid of Jibei Electric Power Company Limited and derive substantially all of its revenue from the sale of electricity to the general public. Besides the sales of electricity, Hongsong wind farms have also been developed as a Gold Standard CDM Project that qualifies for providing carbon credits, which improves Hongsong's profitability.

Hongsong derives its revenue mainly from selling electricity to the power grid of Jibei Electric Power Company Limited, which forms the national power grid, with a negligible revenue stream from sub-contracting installation of wind turbine and selling of carbon credits. Due to favourable government policies on renewable energy, Hongsong benefits from preferential policies such as a high selling price of electricity to the grid and preferential tax treatments.

Since commencement of the operation, Hongsong has already supplied an accumulated 1,573 GW hours of electricity into the national power grid, and has already collected an accumulated revenues of approximately RMB1 billion. Hongsong estimates that by the end of 2013, it would have completed one 220 kV and seven 110 kV substations, which would support the distribution of not less than 550 MW wind power electricity into the Hongsongwa area. In addition, Hongsong plans to use the proceeds of Subscription as capital expenses for the development of phases 8 to 11 of Hongsong.

According to management of Hongsong, the wind farm is divided into 13 phases with its details as listed below:

Phase	Wind Turbine Capacity/Type	No. of Wind Turbines	Total Capacity	Status
1	600kW	4	2.4MW	Operating
2	600kW & 750kW	82	49.5MW	Operating
3	750kW	66	49.5MW	Operating
4	750kW	66	49.5MW	Operating
5	750kW	66	49.5MW	Operating
6	750kW & 1,500kW	43	49.5MW	Operating
7	1,500kW	33	49.5MW	Operating
8	1,500kW	33	49.5MW	Pending approval for operation
9	1,500kW	33	49.5MW	Planning
10-13	—	—	49.5MW	Planning

SOURCES OF INFORMATION

In conducting the valuation, we have considered, reviewed and relied upon the following key information provided by the management of Hongsong and the public.

- Announcement "Framework Agreement in Respect of Possible Subscription of Shares in Hebei Hongsong Wind Power Co., Ltd." dated 17 April 2012;
- Financial statements of Hongsong for the period ended 31 May 2012 provided by the management of Hongsong;
- Financial projection of Hongsong from 1 January 2012 to 31 December 2031 (the "**Financial Forecast**") prepared by the management of Hongsong;
- Discussions with the management of Hongsong and information provided by the management of Hongsong;
- The capital injection and cooperation agreement entered into between Hebei Hongsong Wind Power Co., Ltd. and China Ruifeng Galaxy Renewable Energy Holdings Limited (河北紅松風力發電股份有限公司與中國瑞風銀河新能源控股有限公司增資合作協議) dated 28 June 2012;
- The Capital Increment Agreement entered into between Hongsong, On Win Corporation Limited and the existing shareholders of Hongsong (河北紅松風力發電股份有限公司、進盈有限公司及現有股東增資擴股協議) dated 24 October 2012;
- Hebei Yuanhui Wind Farm Project (49.5MW) Feasibility Study Report (河北櫞匯風電場工程(49.5MW)可行性研究報告) for Phase 9;

- Sales and purchase agreement of electricity between North China Grid Company Limited and Hongsong (華北電網有限公司與河北紅松風力發電股份有限公司購售電合同) dated 25 April 2011 (the "**Tariff Agreement**");

- Caishui [2008] No. 156 (財税[2008]156號) issued by the Ministry of Finance and the State Administration of Taxation of the PRC dated 9 December 2008 regarding to 50% of on Value-Added Tax ("**VAT**");

- Guoshuifa [2009] No. 80 (國稅發[2009]80號) issued by the State Administration of Taxation of the PRC dated 16 April 2009 regarding to Preferential Tax Treatment;

- Terms and Conditions for the Forward Sale and Purchase of CERs between Carbon Resource Management Ltd. and Hongsong dated 22 March 2006 (CDM Agreement 1);

- Amendment agreement to 5 CDM Emission Reductions Purchase Agreements between Carbon Resource Management S.A. for Chengde Songshan Wind Farm Project, Chengde Huifeng Wind Farm Project, Chengde Fengze Wind Farm Project, Chengde Peifeng Wind Farm Project and Chengde Runfeng Wind Farm Project dated 28 March 2011 (CDM Agreement 2);

- Enterprise Legal Person Business License of Hongsong; and

- Bloomberg Database.

APPROACH AND METHODOLOGY

The fair value of the Company is conducted by one or more of the three generally accepted valuation approaches: asset approach, market approach and income approach.

Asset Approach

A means of estimating the value of a business and/or equity interest using methods based on the market value of individual business assets less liabilities. It is founded on the principle of substitution, i.e. an asset is worth no more than it would cost to replace all of its constituent parts.

Income Approach

This approach focuses on the economic benefits generated by the income producing capability of an enterprise. The underlying theory of this approach is that the value of an enterprise can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Market Approach

A general way of estimating a value indication of an asset, the market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised asset relative to market comparables.

Determination of the Valuation Approach

Among the three approaches, we consider that the Income Approach is more appropriate for valuing the Company.

The Asset Approach does not directly incorporate information about the future economic benefits contributed by the subject asset. Market Approach may be difficult to apply since there are insufficient relevant comparable transactions and the status of the wind farm of comparable transactions is not directly comparable to the company. We are unable to satisfy ourselves that the comparable transaction method would be the most appropriate valuation approach. In this regard, we rely on the Income approach in calculating the fair value of the Company.

The Income Approach focuses on the economic benefits generated by the income producing capability of an enterprise. The underlying theory of this approach is that the value of an enterprise can be measured by the present worth of the economic benefits to be received over the useful life of the wind turbines. Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Determination of discount rate

Discount rate is applied for calculation of the present value of cash flows. We can obtain the company's cost of equity with reference to the public comparable companies, based on the capital asset pricing model (hereinafter referred to as "**CAPM**") using beta of its proxies.

The CAPM only measures the systematic risk component, however, disregards the unsystematic risk component. To compensate for the unsystematic risk of the investment, we have included other risk adjustment such as small size risk premium, and company specific risk.

The computation of the estimated cost of equity is shown as follows:

$$K_e = R_f + \beta_{eg} \times (R_m - R_f) + SP + CSR$$

where K_e = return of geared equity

R_f = risk free return

β_{eg} = geared equity beta

R_m = market return

SP = size premium

CSR = company specific risk

Risk-free rate (R_f): The risk-free rate based on the 10-year China sovereign bond yield as at the Valuation Date, 3.39%, is used.

Beta (β_{eg}): The average geared equity beta of comparable companies as at the Valuation Date, 1.08, is taken as the beta for Hongsong.

Market return (R_m): Market return for Hongsong with reference to 10-year return in China, 14.81%, as provided by Bloomberg.

Size premium (SP): Size premium 3.89% according to 2012 Ibbotson SBBI Valuation Yearbook.

Company specific risk (CSR): Taking into consideration the reliance on revenue to the nature environment, a risk premium of 2% was added based on our internal assessment.

Then we calculated the weighted average cost of capital (hereinafter referred to as "**WACC**") by weighting the rate of returns required by equity and debt holders using the proportions of the firm's value attributed from each source of capital (equity and debt).

$$WACC = K_e \times W_e + K_d \times (1 - T) \times W_d$$

where K_e = cost of equity

K_d = cost of debt

W_e = percentage of equity to total capital

W_d = percentage of debt to total capital

T = tax rate

Cost of equity (K_e): The cost of equity as at the Valuation Date per calculation by adjusted CAPM, 21.57%, is used.

Cost of debt (K_d): The People's Bank of China over five year loan rate as at the Valuation Date, 7.05%, is used.

Percentage of equity to total capital (W_e): The percentage of equity to total capital calculated by average debt-to-equity ratio of the comparable companies. 29% is taken for Hongsong.

Percentage of debt to total capital (W_d): The percentage of debt to total capital calculated by average debt-to-equity ratio of the comparable companies. 71% is taken for Hongsong.

Tax rate (T): The Corporate Income Tax rate in China, 25%, is adopted.

Taking account of the above, we suggested an appropriate weighted average cost of capital at 10.03% to be applied in this valuation task.

Discount for lack of marketability

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The discount for lack of marketability reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

A number of studies were conducted in the U.S. in an attempt to determine average levels of discounts for lack of marketability. These studies all fall into one of two basic categories, depending on the type of market transaction data on which they are based:

- Restricted stock studies.
- Studies of transactions in closely held stocks prior to initial public offerings (IPOs).

In this case, a discount for lack of marketability of 20% is applied to the indicated fair market value of the Target Company derived by the income approach.

THE FINANCIAL FORECAST

Hebei Hongsong Wind Power Co., Ltd.

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Operational information																				
Weighted average annual capacity (MW)	317	367	398	398	398	398	398	398	396	396	396	396	347	297	275	209	145	99	81	32
Annual operating hours	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311
Curtailment	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Financial information*																				
(Unit: RMB Million)																				
Revenue**	148	441	412	412	412	412	412	412	409	409	409	409	358	307	285	216	150	102	84	33
Other income																				
CDM revenue	11	12	12	12	12	12	—	—	—	—	—	—	—	—	—	—	—	—	—	—
VAT refund	10	16	36	36	36	36	36	36	35	35	35	35	31	27	25	19	13	9	7	3
Operating Expenses	(86)	(168)	(183)	(184)	(185)	(186)	(187)	(188)	(189)	(190)	(191)	(192)	(187)	(181)	(131)	(59)	(51)	(44)	(38)	(16)
EBIT	83	301	277	276	275	274	261	260	255	254	253	252	202	153	179	176	112	67	53	20

* The financial information for 2012 refers to the period from 1 June 2012 to 31 December 2012.

** Net of VAT and business tax

ASSUMPTIONS

In arriving at our opinion, we have assumed and relied extensively upon the accuracy and completeness of the information provided to us by the management of Hongsong such as technical studies, legal documents, oral conversation through correspondences and interviews.

We also conducted research using various sources to verify the information provided to us and we have no reason to doubt the accuracy of the data and information.

Our opinion is based upon economic, market, financial and other conditions as they exist and can be evaluated on the date of this report and we assume no responsibility to update or revise our opinion based on events or circumstances occurring after the date of this report. In reaching our opinion, we have made assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are highly uncertain and beyond our control or the control of any party involved in this valuation exercise.

We have planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that our valuation provides a reasonable basis for our opinion.

Our major assumptions are listed as follows:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business;

- The Company will be able to procure and retain key personnel operating staffs and technical staffs;

- The Financial Forecast includes the projection for phase 1 to phase 9. Hongsong will successfully complete the subsequent development and approval of operation and obtain the expected result of the Financial Forecast;

- The financial information of Hongsong was prepared by the management of Hongsong on a reasonable basis. We did not independently investigate or otherwise verify the data provided and do not express an opinion or offer any form of assurance regarding its accuracy and completeness;

- Revenues: The sales of wind power are recognized as revenue from operating activity. According to the historical trend and advised by the management of Hongsong, we adopted 2,311 annual operating hours according to average annual operating hours from 2009 to 2011;

- Electricity tariff: As advised by the management and with reference to the Tariff Agreement, a weighted average of tariff, RMB0.55 per KW. It is further assumed that the tariff price will maintain at this rate;

As advised by the management of the company, the Company only received RMB0.42 in 2012, the remaining portion is expected to be received in 2013;

- VAT: As advised by the management of Hongsong and with reference to Caishui [2008] No. 156, the revenue of the electricity tariff is subject to preferential treatment of 50% refund of VAT. The applicable VAT rate is assumed to be at 8.5%;

- Income from sales of Certified Emission Reductions ("**CER**"): According to the CDM Agreement 1, which expires in 2012, the revenue from each unit of CER is EUR 7.52. The company has entered into new contract, CDM Agreement 2, with contracting period from 2013–2017, the income is based on the discounted average price of last 5 trading days of "ICE's ECX future price". Based on best estimation of management and experience of the management, EUR 2.95 is adopted for the calculation of income for the year 2013 to 2017. The contract will be expired in 2017, it is assumed that no income will be generated from the sales of CERs from 2018 onwards;

- Operating expenses: As advised by the management of Hongsong, the operating expenses for 2012 are assumed as RMB0.0349 per kWh and growth at 2% per annum based on their experience and best estimation;

- Maintenance cost: As advised by the management of Hongsong, the maintenance cost for 2012 are assumed as RMB0.0088 per kWh and growth at 3% per annum based on their experience and best estimation;

- Taxation: According to Guoshuifa [2009] No. 80 and advised by the management of Hongsong, the Company can enjoy preferential tax treatment for the new phases of wind farm, namely phases 6, 7, 8 and 9. The treatment enables 0% to profits tax in the first three years and 12.5% for the fourth to six year;

- Working capital: As advised by the management of Hongsong with their experience, the accounts receivable period is assumed to be 90 days and the accounts payable turnover day is assumed to be 60 days; and

- Capital expenditure: As advised by the management of Hongsong and with reference to the capital expenditure used in the construction of phase 7, it is assumed the capital expenditure for the construction of phase 8 and phase 9 are RMB154M, RMB287M, and RMB143M in 2012 to 2014 respectively.

LIMITING CONDITIONS

- As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, client representation, project documentation and other pertinent data concerning the project made available to us during the course of our valuation. We have assumed the accuracy of, and have relied on the information and client representations provided in arriving at our opinion of value.

- We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial statements give a true and fair view and have been prepared in accordance with the relevant companies' ordinance.

- RHL Appraisal Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation and with reference to the project described herein unless prior arrangements have been made.

- No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers.

- Our conclusions assume continuation of prudent client policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

- We assume that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the date of this report.

- This valuation report has been prepared solely as reference on the Circular only.

- This report is confidential to the client for the specific purpose to which it refers. In accordance with our standard practice, we must state that this report and valuation is for the use only of the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

VALUATION COMMENTS

As part of our analysis, we have reviewed information, documentation and other pertinent data concerning the Company as has been made available to us. Such information has been provided by management of the Company. We have assumed the accuracy of, and have relied on, such information to a considerable extent in arriving at our opinion of value.

We confirm that we have made relevant searches and enquiries and obtained such further information as is considered necessary for the purposes of this valuation exercise.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The assumptions made in our valuation are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and RHL Appraisal Limited.

OPINION OF VALUE

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the fair value on equity interest as at the Valuation Date, free from any encumbrances, of the equity interest per outstanding share before share subscription is **Renminbi ONE DOLLAR AND FIFTY SEVEN CENTS ONLY (RMB1.57)**.

Sensitivity analysis

A sensitivity analysis was prepared to profile the results based on 1% variation from the derived discount rate of 10.03%. The following table summarizes the resulting values of the Company:

Discount Rate Sensitivity

Discount rate	**Per share value** *(RMB)*
9.03%	1.82
10.03%	1.57
11.03%	1.35

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Alexander C.Y. Lau	**Neville H.S. Yu**
MFin, LLB	*CPA*
Director	*Associate Director*

Mr. Alexander Lau has over 10 years' experience in investment analysis, corporate finance, business valuation and intangible assets valuation in the PRC, Hong Kong and the Asia Pacific Region.

Mr. Neville Yu is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants with over 6 years' experience gained in a corporate valuation firm and one of the top-tier international accounting firms focusing on financial audit, internal control assessment, financial statement analysis, business and intangible asset valuation, financial instrument valuation for private and listed companies of various industries in the Greater China region.

As the business valuation is based on discounted cash flow method, it is deemed to be a profit forecast under the Listing Rules. The Company received from its reporting accountants, HLB Hodgson Impey Cheng Limited the following report prepared for inclusion in this circular in respect of the business valuation of Hongsong.

A. REPORT FROM HLB HODGSON IMPEY CHENG LIMITED

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

12 November 2012

The Board of Directors
China Ruifeng Galaxy Renewable Energy Holdings Limited

Dear Sirs,

REPORT FROM REPORTING ACCOUNTANTS ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF HEBEI HONGSONG WIND POWER CO., LTD.

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the business valuation (the "Valuation") dated 12 November 2012 prepared by RHL Appraisal Limited in respect of the valuation of the fair value on per share equity interest of Hebei Hongsong Wind Power Co., Ltd. ("Hongsong") before the share subscription in Hongsong is based. The Valuation is set out in Appendix IV of the circular of China Ruifeng Galaxy Renewable Energy Holdings Limited (the "Company") dated 12 November 2012 (the "Circular") in connection with the proposed subscription of new shares in Hongsong by On Win Corporation Limited, an indirect wholly-owned subsidiary of the Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors of the Company and as set out on pages 157 to 158 of the Circular. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting Accountants' Responsibility

Our responsibility is to report, as required by paragraph 29(2) of Appendix 1B of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of Hongsong.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance about whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out on pages 157 to 158 of the Circular. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 29(2) of Appendix 1B of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out on pages 157 to 158 of the Circular.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants
Jonathan T.S. Lai
Practising Certificate Number: P04165
Hong Kong

TC Capital Asia Limited
天財資本亞洲有限公司

12 November 2012

The Board of Directors
China Ruifeng Galaxy Renewable Energy Holdings Limited (the "Company")

Dear Sirs,

Re: Very substantial acquisition in relation to the Subscription of the Share Capital of Hebei Hongsong Wind Power Co., Ltd.

We refer to the valuation report dated 12 November 2012 prepared by the Valuer in relation to the appraisal of the equity interest per outstanding share before share subscription of Hongsong as at 31 May 2012. Terms defined in the circular shall have the same meanings as those used in this letter, unless the context otherwise requires.

We have discussed with the Valuer about different aspects including the information and documents provided by the Hongsong, which formed the bases and assumptions based upon which the valuation report has been prepared, and reviewed the valuation. We have also considered the report from HLB Hodgson Impey Cheng Limited, dated 12 November 2012 regarding whether the discount future estimated cash flow of Hongsong, so far as the arithmetical calculations are concerned, have been properly complied with the bases and assumptions as set out in the valuation. We have noted that the discounted future estimated cash flows in the valuation are mathematically accurate and are consistent with the Company's accounting policies, where appropriate.

Under Rule 14.62(3) of the Listing Rules, we are of the opinion that the valuation, for which you as the Directors of the Company are responsible, have been made after due and careful enquiry.

However, as the forecast and the assumptions on which they are based relate to the future, we express no opinion on how closely the actual cash flow and profit eventually will correspond with the forecast. Our work in connection with the forecast has been undertaken solely for the compliance of Rule 14.62(3) of the Listing Rules and for no other purpose.

Yours faithfully
For and on behalf of
TC Capital Asia Limited
Edward Wu
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

(i) Interest of the Directors or chief executive of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interest or short position in the Shares, underlying Shares and/or debentures (as the case may be) of the Company or any associated corporations (within the meaning of Part XV of 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 is taken or deemed to have under such provisions of the SFO); or which was required to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Listing Rules:

Long position in the Shares

Name of Director	Number of Shares held/ interested	Capacity	Approximate percentage of the issued share capital of the Company
Li Baosheng *(Note)*	350,000,000	Interest of a controlled corporation	35.92%
Zhang Zhixiang *(Note)*	77,770,000	Interest of a controlled corporation	7.98%

Note:

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

As at Latest Practicable Date, Diamond Era was interested in:

(i) 291,300,000 Shares; and

(ii) 58,700,000 Shares to be issued upon exercise of the conversion rights in respect of an outstanding principal amount of HK$58,700,000 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 is deemed, or taken to be, interested in the Shares in which Diamond Era is interested in for the purpose of the SFO.

(ii) Interests of substantial shareholders and other persons

Save as disclosed below, as at the Latest Practicable Date, the Directors were not aware of any person (other than the Directors or chief executives of the Company) who 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, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long position in the Shares

Name of shareholder	**Number of Shares held/ interest**	**Capacity**	**Approximate percentage of the issued share capital of the Company**
Diamond Era *(Note 1)*	350,000,000	Beneficial owner	35.9%
Advance Gain Enterprises Limited ("Advance Gain") *(Note 2)*	272,160,666	Nominee for another person (other than a bare trustee)	27.9%
CCB International (Holdings) Limited *(Note 2)*	272,160,666	Beneficial owner	27.9%
CCB Financial Holdings Limited *(Note 2)*	272,160,666	Interest of a controlled corporation	27.9%
CCB International Asset Management Limited *(Note 2)*	272,160,666	Interest of a controlled corporation	27.9%
CCB International Group Holdings Limited *(Note 2)*	272,160,666	Interest of a controlled corporation	27.9%
Central Huijin Investment Ltd. *(Note 2)*	272,160,666	Interest of a controlled corporation	27.9%
China Construction Bank Corporation *(Note 2)*	272,160,666	Interest of a controlled corporation	27.9%

Notes:

1. 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 Latest Practicable Date, Diamond Era was interested in:

   (i) 291,300,000 Shares; and

   (ii) 58,700,000 Shares to be issued upon exercise of the conversion rights in respect of an outstanding principal amount of HK$58,700,000 attached to the Convertible Note.

2. As at Latest Practicable Date, Advance Gain was interested in 272,160,666 Shares, comprising (i) its interest in 64,996,666 Shares to be issued upon exercise of the conversion rights in respect of an outstanding principal amount of US$12,580,000 attached to the 8.0% per annum coupon rate secured convertible bonds in the principal amount of US$18,580,000 issued by the Company on 31 December 2010 (the "Convertible Bonds") and held by it; (ii) its interest in 29,164,000 Shares, and (iii) its interest in 178,000,000 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 138,000,000 Shares held by Diamond Era, and 40,000,000 Shares to be issued to upon exercise of the conversion rights in respect of HK$40,000,000 out of the entire outstanding principal amount HK$58,700,000 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 272,160,666 Shares by these companies relates to the same block of Shares.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by relevant member of the Enlarged Group within one year without payment of compensation, other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or any of their respective associates (as defined in the Listing Rules) were interested in any business apart from the Company's business, which competed or was likely to compete, either directly or indirectly, with the Enlarged Group's business.

5. INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors or experts named in the section headed "Experts and Consents" in this appendix had any direct or indirect interest in the assets which had been, since 31 December 2011, the date to which the latest published audited consolidated financial statements of the Company have been made up, acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition or which has been agreed or proposed since 31 December 2011, being the date to which the audited consolidated financial statements of the Company have been made up), or were proposed to be acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition or which has been agreed or proposed since 31 December 2011, being the date to which the audited consolidated financial statements of the Company have been made up).

There was no contract or arrangement subsisting as at the Latest Practicable Date in which a Director was materially interested and which was significant in relation to the business of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition or which has been agreed or proposed since 31 December 2011, being the date to which the latest published audited consolidated financial statements of the Company have been made up).

6. MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered or to be entered into by any member of the Enlarged Group (including any company which will become a subsidiary of the Company by reason of an acquisition or has been agreed or proposed since 31 December 2011, being the date to which the latest published audited consolidated financial statements of the Company have been made up) within the two years immediately preceding the Latest Practicable Date:

(a) an agreement dated 19 December 2010 entered into between the Company and Advance Gain Enterprises Limited in relation to the issue of the 8.0% per annum coupon rate secured convertible bonds due on 30 June 2013 in the principal amount of US$18.58 million by the Company;

(b) a conditional sale and purchase agreement dated 12 January 2011 entered into among the Ruifeng Windpower (as purchaser), Mr. Li Baosheng, Mr. Li Baojun, Ms. Li Juan, Ms. Meng Yanrong, Mr. Li Baomin (as vendors) and Mr. Li Baosheng (as guarantor) in relation to the acquisition of the entire equity interest in Beichen Hightech for a consideration of RMB50,802,400;

(c) the conditional sale and purchase agreement dated 18 January 2011 entered into among the Ruifeng Windpower (as purchaser), Mr, Li Baosheng and Mr. Li Baojun (as vendors) and Mr. Li Baosheng (as guarantor) in relation to the acquisition of 70% equity interest in Langcheng for a total consideration of RMB31,500,000;

(d) a conditional placing agreement dated 29 April 2011 entered into between the Company and Goldin Equities Limited in relation to the placing by the Company, through Goldin Equities Limited on a best efforts basis, unlisted warrants for up to an aggregate of HK$240,000,000 for 150,000,000 Shares (subject to adjustment) at the issue price of HK$0.03 per warrant independent investors;

(e) the CB Subscription Agreement dated 17 April 2012 (as amended by an amendment agreement dated 26 April 2012 (the "Amendment Agreement")) entered into among the Company, TPG Rave Holdings, L.P. and Diamond Era in relation to the subscription of US$100,000,000 8% per annum convertible bonds and fully detachable US$25,000,000 warrants;

(f) the Hongsong Subscription Agreement dated 28 June 2012 entered into between the Company and Hongsong in relation to the subscription of the 520,000,000 new shares in the share capital of Hongsong;

(g) the Termination Agreement dated 18 September 2012 entered into among the Company, TPG Rave Holdings, L.P. and Diamond Era in relation to the termination of the CB Subscription Agreement and the Amendment Agreement;

(h) the cooperation agreement dated 24 October 2012 entered into between the Subscriber and Hongsong in relation to the operation of Hongsong; and

(i) the Capital Increment Agreement dated 24 October 2012 entered into among On Win, a wholly-owned subsidiary of the Company, Hongsong and the existing shareholders of Hongsong, which supersedes the Hongsong Subscription Agreement.

Save as disclosed above, no contract was entered by into the Company or its subsidiaries which were not in the ordinary course of business and are or may be material in the two years immediately preceding the Latest Practicable Date.

7. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge information and belief, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Group as at the Latest Practicable Date.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief and based on information provided by the Vendor, no member of Hongsong was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against Hongsong as at the Latest Practicable Date.

Based on the information set out above, as at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. QUALIFICATIONS AND CONSENT OF EXPERTS

The names and qualifications of the experts who have been named in this circular or given their opinion or advice which are contained in this circular are set forth below:

Name	Qualification
TC Capital Asia Limited	financial adviser and a licensed corporation to carry on business in type 1 (Dealing in Securities) and type 6 (Advising on Corporate Finance) regulated activities under the SFO
HLB Hodgson Impey Cheng Limited	Chartered Accountants Certified Public Accountants
RHL Appraisal Limited	valuer

Each of the above experts has given and have not withdrawn its written consent to the issue of this circular with the inclusion of references to their names in the form and context in which they respectively appear.

Save as disclosed herein, as at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did any of them had any interest, direct or indirect, in any assets which had since 31 December 2011 (being the date to which the latest published audited accounts of the Company have been made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

(a) The company secretary of the Company is Mr. Cheng Koon Kau Alfred, who is a member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants.

(b) The registered office of the Company is situated at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and the principal place of business of the Company in Hong Kong is situated at Unit 2607, 26th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

10. LANGUAGE

This circular has been printed in English and Chinese. In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company at Unit 2607, 26th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up and including the date of the EGM:

(a) the Capital Increment Agreement;

(b) the memorandum and articles of association of the Company as at the Latest Practicable Date;

(c) the annual reports of the Company for each of the three financial years ended 31 December 2009, 2010 and 2011; and the interim reports of the Company for each of the six months ended 30 June 2011 and 2012;

(d) the accountants' reports on Hongsong issued by HLB Hodgson Impey Cheng Limited, the text of which are set out in Appendix IIA to this circular;

(e) the accountants' report on unaudited pro forma financial information on the Enlarged Group as set out in Appendix III to this circular;

(f) the valuation report from RHL Appraisal Limited in respects of Hongsong, the text of which is set out in Appendix IV to this circular;

(g) the Reports on Forecasts Underlying the Valuation on Hongsong issued by HLB Hodgson Impey Cheng Limited and TC Capital Asia Limited, the text of which is set out in Appendix V to this circular;

(h) the material contracts referred to in the section headed "Material contracts" in this appendix, which includes the Capital Increment Agreement;

(i) the written consents referred to in the section headed "Experts and Consents" in Appendix VI; and

(j) this circular.

China Ruifeng Galaxy Renewable Energy Holdings Limited
中國瑞風銀河新能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00527)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**EGM**") of China Ruifeng Galaxy Renewable Energy Holdings Limited (the "**Company**") will be held at Unit 2607, 26th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Tuesday, 27 November 2012 at 10 a.m. for the purpose of considering and, if thought fit, passing the ordinary resolutions below with or without amendments.

ORDINARY RESOLUTIONS

"**THAT**

(a) "the conditional capital increment agreement dated 24 October 2012 (the "**Capital Increment Agreement**") entered into among On Win Corporation Limited, an indirectly wholly-owned subsidiary of the Company, Hebei Hongsong Wind Power Co., Ltd. ("**Hongsong**"), Hebei Hongsong Renewable Energy Investment Co., Ltd., Chengde City SDIC Electricity Power Construction Investment Co., Ltd., Hebei Weichang Hongsongwa Animal Husbandry Liability Company, Chengde Beichen High New Technology Co., Ltd., Chengde Shuangluan Shiqiang Industry and Trade Co., Ltd., and Weicheng Manchu and Mongol Autonomous County Yongda Investment Co., Ltd. in relation to subscription of 430,000,000 new shares in the share capital of Hongsong, a copy of which has been produced to the EGM, marked "A" and initialed by the Chairman of the EGM for the purpose of identification, and all the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

(b) **THAT** any one director of the Company be and is hereby authorised to do all such acts and things, as he/she may in his/her absolute discretion considers necessary, expedient or desirable to give effect to and/or implement the terms and transactions contemplated in the Capital Increment Agreement and any other documents or matters incidental thereto or as contemplated therein."

By order of the Board
China Ruifeng Galaxy Renewable Energy Holdings Limited
Li Baosheng
Chairman

Hong Kong, 12 November 2012

Notes:

1. A shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, subject to the provision of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number of shares in the Company (the "Share") in respect of which each such proxy is so appointed.

2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and, in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.

3. In the case of joint holders of Shares, any one of such joint holders may vote at the EGM, either personally or by proxy, in respect of such Share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.

4. The voting on the resolution at the EGM will be conducted by way of poll.

5. Shareholders or their proxies are required to produce their identification documents when attending the EGM.