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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

GROUP FINANCIAL HIGHLIGHTS

— The Group's turnover decreased by approximately 22% to approximately RMB582,987,000 (2011: approximately RMB750,328,000).

— The Group's gross profit decreased to approximately RMB48,596,000 (2011: approximately RMB139,475,000).

— The Group's loss attributable to equity shareholders amounted to approximately RMB166,964,000 (2011: profit of approximately RMB91,518,000).

The financial results for the year ended 31 December 2012 deteriorated mainly because of the following reasons. Firstly, the diodes manufacturing business experienced a loss in 2012 mainly as a result of non-cash item expenses made for the year such as impairment losses on property, plant and equipment and lease prepayments. Secondly, another material non-cash item expense, goodwill impairment loss on investments, was also made for the year. Thirdly, the nature of some non-core incomes from fair value gain like a gain on change of estimated cash flows of convertible bonds, a gain from bargain purchase arising from the acquisition of a subsidiary and a gain on deemed disposal of an associate recorded in 2011 no longer recurred in 2012.

— Consolidated net assets value of the Group decreased to approximately RMB340,261,000 (2011: approximately RMB349,416,000).

— Basic (loss)/earnings per share was approximately RMB(0.183) (2011: approximately RMB0.112).

— Diluted (loss)/earnings per share was approximately RMB(0.183) (2011: approximately RMB0.076).

— The Board does not recommend a final dividend for the year ended 31 December 2012.

RESULTS

The board (the "Board") of directors (the "Directors") of China Ruifeng Galaxy Renewable Energy Holdings Limited ("China Ruifeng" or the "Company") announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012 together with the comparative figures for the previous year as follows:

Consolidated Income Statement
For the year ended 31 December 2012

	Note	**2012** *RMB'000*	2011 *RMB'000*
Turnover	*4*	**582,987**	750,328
Cost of sales		**(534,391)**	(610,853)
Gross profit		**48,596**	139,475
Other revenue and net income	*6*	**36,070**	114,311
Distribution costs		**(12,824)**	(16,155)
Administrative expenses		**(66,739)**	(54,756)
Other operating expenses		**(85,630)**	—
(Loss)/Profit from operations		**(80,527)**	182,875
Finance costs	*7(a)*	**(75,014)**	(82,682)
Share of profits less losses of associates		**(3)**	(105)
(Loss)/Profit before taxation	*7*	**(155,544)**	100,088
Income tax	*8*	**(11,420)**	(8,570)
(Loss)/Profit for the year		**(166,964)**	91,518
Attributable to:			
Equity shareholders of the Company		**(166,964)**	91,518
Non-controlling interests		**—**	—
(Loss)/Profit for the year		**(166,964)**	91,518
(Loss)/Earnings per share			
Basic (RMB)	*10*	**(0.183)**	0.112
Diluted (RMB)	*10*	**(0.183)**	0.076

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012	2011
	RMB'000	*RMB'000*
(Loss)/Profit for the year	**(166,964)**	91,518
Other comprehensive income		
Exchange differences on translation of financial statements of operations outside the PRC	**(792)**	(1,393)
Other comprehensive income for the year (net of tax)	**(792)**	(1,393)
Total comprehensive income for the year	**(167,756)**	90,125
Total comprehensive income attributable to:		
Equity shareholders of the Company	**(167,756)**	90,125

Consolidated Statement of Financial Position

At 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment		**182,340**	223,878
Lease prepayments		**10,866**	17,750
Goodwill		**4,060**	83,006
Investment in an associate		**5,103**	5,106
Available-for-sale investments		**46,184**	46,184
Deferred tax assets		**3,379**	3,201
		251,932	379,125
Current assets			
Inventories	*11*	**30,328**	48,034
Trade and other receivables	*12*	**667,720**	506,427
Lease prepayments		**249**	401
Pledged bank deposits		**4,151**	3,627
Cash and cash equivalents		**160,380**	82,656
		862,828	641,145
Current liabilities			
Trade and other payables	*13*	**112,532**	162,792
Derivative financial instruments		**1,528**	1,027
Borrowings		**614,054**	105,400
Current taxation		**8,271**	11,190
		736,385	280,409
Net current assets		**126,443**	360,736
Total assets less current liabilities		**378,375**	739,861
Non-current liabilities			
Borrowings		**23,000**	378,198
Deferred tax liabilities		**15,114**	12,247
		38,114	390,445
Net assets		**340,261**	349,416
Capital and reserves			
Share capital		**9,002**	7,740
Reserves		**331,259**	341,676
Total equity		**340,261**	349,416

Notes

1. GENERAL INFORMATION

China Ruifeng Galaxy Renewable Energy Holdings Limited (the "Company") was incorporated in the Cayman Islands on 23 June 2005 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 June 2006.

The annual results set out in this announcement do not constitute the Group's financial statements for the year ended 31 December 2012 but are extracted from those financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements 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). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Group and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

— financial instruments classified as available-for-sale; and

— derivative financial instruments.

The preparation of financial statements 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.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 7, *Financial instrument: Disclosures – Transfers of financial assets*
- Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKFRS 7, Financial instrument: Disclosures

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to HKAS 12, Income taxes

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group did not have any significant deferred tax relating to investment properties in previous periods or the current period which require remeasure in the current accounting period under the amendments.

4. TURNOVER

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

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

	2012	2011
	RMB'000	*RMB'000*
Sales of goods	**311,720**	424,169
Revenue from construction contracts	**269,352**	317,683
Processing income	**1,915**	8,476
	582,987	750,328

5. SEGMENT REPORTING

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

— Production of diodes: this segment designs, develops, manufactures and sells diodes and related products in the People's Republic of China (the "PRC").

— Construction contracts: this segment constructs power grid and wind farm in the PRC.

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

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

(a) Segment results, assets and liabilities

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

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

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

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

In addition to receiving segment information concerning adjusted EBIT, management is provided with segment information concerning revenue (including inter segment), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's chief executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2012 and 2011 is set out below.

	Production of diodes		Construction contracts		Production of wind turbine blades		Wind farm operation		Sub-total		Un-allocated		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue	**311,720**	380,875	**269,352**	317,683	**1,915**	51,770	**–**	–	**582,987**	750,328	**–**	–	**582,987**	750,328
Reportable segment profit/(loss)	**8,750**	18,466	**32,557**	72,109	**(3,201)**	4,084	**451**	12,665	**38,557**	107,324	**704**	56,045	**39,261**	163,369
Impairment losses on:														
– Goodwill	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(78,946)**	–	**(78,946)**	–
– Property, plant and equipment	**(36,351)**	(2,637)	**–**	–	**–**	–	**–**	–	**(36,351)**	(2,637)	**–**	–	**(36,351)**	(2,637)
– Lease prepayments	**(6,684)**	–	**–**	–	**–**	–	**–**	–	**(6,684)**	–	**–**	–	**(6,684)**	–
Central administrative costs	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(14,899)**	5,084	**(14,899)**	5,084
Finance costs	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(57,925)**	(65,728)	**(57,925)**	(65,728)
(Loss)/Profit before taxation													**(155,544)**	100,088
Income tax													**(11,420)**	(8,570)
(Loss)/Profit for the year													**(166,964)**	91,518

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

	Production of diodes		Construction contracts		Production of wind turbine blades		Wind farm operation		Sub-total		Un-allocated		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Depreciation and amortisation for the year	**12,195**	14,241	**4,875**	4,784	**860**	871	**111**	46	**18,041**	19,942	**221**	131	**18,262**	20,073
Interest income	**482**	800	**38**	47	**4**	4	**12**	6	**536**	857	**3**	41	**539**	898
Share of profits less losses of associates	**(3)**	86	**–**	–	**–**	–	**–**	–	**(3)**	86	**–**	(191)	**(3)**	(105)
Assets	**251,572**	312,801	**402,985**	396,436	**20,675**	37,222	**394,609**	183,223	**1,069,841**	929,682	**39,816**	85,482	**1,109,657**	1,015,164
Associate	**5,103**	5,106	**–**	–	**–**	–	**–**	–	**5,103**	5,106	**–**	–	**5,103**	5,106
Reportable segment assets	**256,675**	317,907	**402,985**	396,436	**20,675**	37,222	**394,609**	183,223	**1,074,944**	934,788	**39,816**	85,482	**1,114,760**	1,020,270
Additions to non-current segment assets during the year	**4,319**	11,406	**9,626**	548	**–**	16	**50**	3,513	**13,995**	15,483	**849**	122	**14,844**	15,605
Reportable segment liabilities	**(95,437)**	(87,669)	**(185,009)**	(195,647)	**(9,106)**	(21,060)	**(102,644)**	(27,615)	**(392,196)**	(331,991)	**(382,303)**	(338,863)	**(774,499)**	(670,854)

(b) Geographic information

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

(c) Information about a major customer

For the year ended 31 December 2012, revenue of approximately RMB135,691,000 was made to a single customer attributable to the construction contracts segment comprising approximately 23% of the total revenue of the Group.

For the year ended 31 December 2011, there was no single customer contributing over 10% of the total revenue of the Group.

6. OTHER REVENUE AND NET INCOME

	2012	2011
	RMB'000	*RMB'000*
Interest income on financial assets not at fair value through profit or loss	**539**	898
Government subsidy income	**666**	344
Sales of scrap	**2,582**	2,912
Dividend income from available-for-sale investments	**4,087**	—
Net losses on trading securities	**—**	(38)
Gain on deemed disposal of an associate	**—**	8,101
Gain on a bargain purchase	**—**	6,105
Compensation income on prepayment on acquisition of land use rights	**4,201**	19,656
Fair value gain on derivative financial instruments	**701**	36,648
Gain on change of estimated cash flows of convertible bonds	**—**	19,355
Rental income from operating leases relating to plant and machinery	**22,930**	20,149
Others	**364**	181
	36,070	114,311

7. (LOSS)/PROFIT BEFORE TAXATION

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

	2012	2011
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest on bank and other loans wholly repayable within five years	**17,377**	16,954
Interest expenses on convertible bonds	**30,611**	38,236
Interest expenses on convertible note	**12,914**	13,280
Interest expenses on promissory note	**14,112**	14,212
Interest expenses on financial liabilities not at fair value through profit or loss	**75,014**	82,682
(b) Staff costs (including Directors' remuneration)[#]:		
Contributions to defined contribution retirement plans	**5,010**	4,790
Salaries, wages and other benefits	**91,461**	88,404
	96,471	93,194

	2012	2011
	RMB'000	*RMB'000*
(c) Other items:		
Amortisation of lease prepayments	**402**	338
Impairment losses:		
— trade and other receivables		
(included in administrative expenses)	**218**	6,360
— property, plant and equipment		
(included in cost of sales)	**36,351**	2,637
— goodwill		
(included in other operating expenses)	**78,946**	—
— lease prepayments		
(included in other operating expenses)	**6,684**	—
Depreciation for property, plant and equipment#	**17,860**	19,735
Net foreign exchange loss/(gain)	**1,806**	(14,413)
Auditors' remuneration		
— audit services	**1,257**	987
Operating lease charges		
— minimum lease payments in respect of property rentals#	**1,530**	1,897
Cost of inventories#	**308,458**	366,050
Gain on disposal of lease prepayments	**—**	(350)
(Gain)/Loss on disposal of property, plant and equipment	**(127)**	787

\# Cost of inventories includes approximately RMB52,850,000 (2011: approximately RMB60,228,000) relating to staff costs, depreciation and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Income tax in the consolidated income statement represents:

	2012	2011
	RMB'000	*RMB'000*
Current tax — PRC Enterprise Income Tax		
Provision for the year	**7,868**	14,913
Over-provision in respect of prior years	**(513)**	(3,432)
Deferred tax		
Origination and reversal of temporary differences	**4,065**	(2,911)
	11,420	8,570

No provision of Hong Kong Profits Tax had been made as the Group's profit neither arises in, nor is derived from Hong Kong during the year (2011:Nil).

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

Except for Changzhou Galaxy Electrical Co., Ltd. ("Galaxy Electrical") and Changzhou Galaxy Semiconductor Co., Ltd. ("Galaxy Semiconductor"), the applicable income tax rate to the Group's PRC subsidiaries is 25% in 2012.

Galaxy Electrical and Galaxy Semiconductor are recognised as high-technology enterprises. According to the PRC tax regulations, Galaxy Electrical and Galaxy Semiconductor are entitled to a preferential tax rate of 15% in both years.

Pursuant to the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises ("FEIT"), Changzhou Galaxy Hi-New Electric Parts Co., Ltd. ("Galaxy Hi-New"), is located in the coastal economic open zone and is recognised as Production Foreign Invested Enterprises. According to the PRC tax regulations, Galaxy Hi-New is entitled to a tax concession period in which Galaxy Hi-New is fully exempted from PRC income tax for the first two years commencing from their first profit making year (after the offset of tax losses brought forward), followed by a 50% reduction in the PRC income tax for the next three years. Year 2011 is the third year of 50% reduction on the income tax for Galaxy Hi-New. The applicable income tax rate of other PRC subsidiaries is 25% in 2011.

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

9. DIVIDENDS

No dividend has been declared or paid by the Company for the year ended 31 December 2012 (2011: Nil).

10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately RMB166,964,000 (2011: profit of approximately RMB91,518,000) and the weighted average of approximately 912,114,000 ordinary shares (2011: 819,000,000 ordinary shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2012	2011
	'000	*'000*
Issued ordinary shares at 1 January	**819,000**	819,000
Effect of exercise of warrants	**45,044**	—
Effect of conversion of convertible note	**22,830**	—
Effect of conversion of convertible bonds	**25,240**	—
Weighted average number of ordinary shares at 31 December	**912,114**	819,000

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately RMB166,964,000 (2011: profit of approximately RMB77,665,000) and the weighted average number of ordinary shares of approximately 912,114,000 ordinary shares (diluted) (2011: approximately 1,025,762,000 ordinary shares), calculated as follows:

(i) (Loss)/Profit attributable to ordinary equity shareholders of the Company (diluted)

	2012	2011
	RMB'000	*RMB'000*
(Loss)/Profit attributable to ordinary equity shareholders	**(166,964)**	91,518
Effect of effective interest on the liability component of convertible bonds and convertible note (net of tax)	—	49,325
Effect of net foreign exchange gain on convertible bonds and convertible note	—	(7,175)
Effect of gain on change of estimated cash flows of convertible bonds	—	(19,355)
Effect of fair value gain recognised on the derivative component of convertible bonds	—	(36,648)
(Loss)/Profit attributable to ordinary equity shareholders (diluted)	**(166,964)**	77,665

(ii) Weighted average number of ordinary shares (diluted)

	2012	2011
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**912,114**	819,000
Effect of conversion of convertible bonds	**—**	95,997
Effect of conversion of convertible note	**—**	107,000
Effect of deemed issue of shares under the Company's warrants for nil consideration	**—**	3,765
Weighted average number of ordinary shares (diluted) at 31 December	**912,114**	1,025,762

For the year ended 31 December 2012, the computation of diluted loss per share does not assume the conversion of the Group's outstanding convertible note and convertible bonds since their exercise would result a decrease in loss per share.

11. INVENTORIES

	2012	2011
	RMB'000	*RMB'000*
Raw materials	**6,661**	9,054
Work in progress	**10,347**	17,567
Finished goods	**13,320**	21,413
	30,328	48,034

12. TRADE AND OTHER RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**216,527**	280,721
Less: allowance for doubtful debts	**(19,615)**	(19,397)
	196,912	261,324
Other receivables	**76,966**	53,776
Note receivables	**22,718**	32,132
Amounts due from Directors	**725**	—
Loans and receivables	**297,321**	347,232
Prepayments and deposits	**163,936**	66,172
Deposit for acquisition of a subsidiary	**129,000**	—
Gross amount due from customers for contract work	**77,463**	93,023
	667,720	506,427

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

(a) Ageing analysis

Trade receivables are net of allowance for doubtful debts of approximately RMB19,615,000 (2011: approximately RMB19,397,000) with the following ageing analysis as of the end of the reporting period:

	2012	2011
	RMB'000	*RMB'000*
Within three months	**130,077**	226,049
More than three months but within one year	**41,718**	24,086
More than one year	**25,117**	11,189
At 31 December	**196,912**	261,324

Trade receivables are due within 15–90 days from the date of billing.

13. TRADE AND OTHER PAYABLES

	2012	2011
	RMB'000	*RMB'000*
Trade payables	**76,297**	110,896
Other payables	**20,080**	34,909
Advance from customers	**10,440**	14,613
Amounts due to Directors	**2,722**	720
Financial liabilities measured at amortised cost	**109,539**	161,138
Gross amount due to customers for contract work	**2,993**	1,654
	112,532	162,792

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

	2012	2011
	RMB'000	*RMB'000*
Within three months	**51,408**	70,545
More than three months but within one year	**17,799**	32,064
More than one year	**7,090**	8,287
	76,297	110,896

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

14. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2012 not provided for in the financial statements were as follows:

	2012	2011
	RMB'000	*RMB'000*
Acquisition of a subsidiary		
— Contracted for	**516,000**	—
Acquisition of property, plant and equipment and land use rights		
— Contracted for	**453,678**	11,385
	969,678	11,385

(b) At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2012	2011
	RMB'000	*RMB'000*
Within 1 year	**1,631**	1,025
After 1 year but within 5 years	**1,085**	445
More than 5 years	**828**	827
	3,544	2,297

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to two years. None of the leases includes contingent rentals.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Results of the Group for the year ended 31 December 2012

For the year ended 31 December 2012, the Group's turnover was approximately RMB582,987,000 (2011: approximately RMB750,328,000). The Group's gross profit was approximately RMB48,596,000 (2011: approximately RMB139,475,000). Gross profit margin was approximately 8% (2011: approximately 19%). The Group's net loss for the year was approximately RMB166,964,000 (2011: net profit of approximately RMB91,518,000). As at 31 December 2012, net assets of the Group was approximately RMB340,261,000 (2011: approximately RMB349,416,000).

The financial results for the year ended 31 December 2012 deteriorated mainly because of the following reasons. Firstly, the diodes manufacturing business experienced a loss in 2012. Secondly, goodwill impairment loss on investments was provided for in 2012. Thirdly, the nature of incomes from fair value gain recorded in 2011 no longer recurred in 2012, like a gain on change of estimated cash flows of convertible bonds, a gain from bargain purchase arising from the acquisition and a gain on deemed disposal of an associate.

During the year, the Group continued to increase investment in wind power projects and subscribe for the controlling stake in Hebei Hongsong Wind Power Co., Ltd. ("Hongsong") pursuant to a capital injection agreement. The Group's principal business has also been transformed into wind power related business successfully. At the same time, the business development of wind farm operation is expected to lay a solid foundation for the Group to take a great leap and the contribution of wind farm operation to the Group is expected to gain more importance in coming future.

Leverage on the wind farms resources and power grid construction business, the Group aspires to be an efficient integrated operator, focusing on exploring, running the operation of and providing maintenance services to wind farms and exploring the field of clean energy, power saving and environmental protection.

(1) Wind farm investment and operation business

1. Investment in Hongsong

As at the date of this announcement, the capital injection to subscribe for the controlling stake in Hongsong has obtained the approval from and filed with all relevant government authorities (including the approval for Hongsong to be changed into a sino-foreign equity joint venture company). Pursuant to the capital increment agreement (the "Capital Increment Agreement") entered into between On Win Corporation Limited ("On Win") (being a wholly-owned subsidiary of the Company), Hongsong and the then existing shareholders of Hongsong on 24 October 2012, On Win has paid to Hongsong 20% of the consideration (equivalent to RMB129,000,000 or an equivalent amount of foreign currency) and Hongsong also allotted and issued to On Win 430,000,000 new shares of Hongsong, representing approximately 47.3% of the enlarged share capital of Hongsong. Together with the approximately 5.77% share capital of Hongsong originally held by the Group prior to the capital injection, the Group holds an aggregate of approximately 50.3% share capital in Hongsong upon the completion of the transaction.

Hongsong was established in 2001 in the PRC. It is one of the pioneers in wind farm operation in Chengde, Hebei Province, the PRC. After over ten years of development, Hongsong has built a sizeable wind resource reserve at its wind farm, and has developed into a "Gold Standard" Clean Development Mechanism ("CDM") project qualified for providing carbon credits in the PRC. The maximum installation capacity of the wind farm operated by Hongsong is 596.4 megawatt (MW).

Hongsong's principal business is wind power generation. 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 turbine blades and selling carbon credits. In the past ten years, Hongsong has been profitable and distributed a substantial portion of its profits to its shareholders.

As the wind farm of Hongsong is located in proximity to the wind farm of Hexigten Qi Langcheng Ruifeng Electric Development Co., Ltd. ("Langcheng"), its existing wind power business and grid connection are expected to strengthen the Company's business development plan.

By the end of 2012, the installed capacity of Hongsong increased by another 49.5MW to 348.9MW when the construction project of the eighth phase wind farm of Hongsong ("the eighth phase") was completed successfully. In addition, Hongsong has already obtained the necessary approvals for the right to develop the ninth phase wind farm of Hongsong ("the ninth phase") of which the construction project is expected to be completed by the second half of 2013. Upon the completion of construction project of the eighth phase and the ninth phase, Hongsong is expected to generate more electricity, enhancing the profitability and cash flows of the Group.

2. *Continuous development of Langcheng's wind farm*

On 18 January 2011, Chengde Ruifeng Renewable Energy Windpower Equipment Co., Ltd. ("Ruifeng Windpower") agreed to acquire 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, allowing the Company to own Langcheng's wind farm resources located in Hexigten Qi, Inner Mongolia, the PRC.

Langcheng was established in 2005, and was principally engaged in the operation of wind farm located in Hexigten Qi, Inner Mongolia. 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.

As Langcheng's wind farm is located in proximity to the wind farm of Hongsong, electricity generated upon commencement of operation of Langcheng is expected to be connected and transmitted to the State Power Grid.

(2) Power grid construction business

Hebei Beichen Power Grid Construction Co., Ltd. ("Beichen Power Grid") (an indirect wholly-owned subsidiary of the Company) was established in 2001, and was principally 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 authorised to carry out contracting works of high voltage power transmission lines above 500 kilovolt and project works of 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 blades manufacturing business

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

AVIC Huiteng Windpower Equipment Co., Ltd. remains our largest customer. However, 2012 is a tough year for the wind turbine blades manufacturing business since Ruifeng Windpower suffered from the overcapacity of the industry in the PRC. In view of the fierce competition of the industry, Ruifeng Windpower is in a position to seek alternative business alliances to start wind turbine blades manufacturing projects in areas with less severe competition like Qin Huang Dao and the south-western region of the PRC.

On the other hand, the geographical advantage of Ruifeng Windpower and the proximity to quality wind farms in Hebei Province and Inner Mongolia offer possible business opportunities to Ruifeng Windpower to provide maintenance services to wind farm operation for neighborhood wind farms. Hongsong is expected to offer its resources for Ruifeng Windpower to commence the business of maintenance services when it becomes a member of the Group upon the completion of the acquisition.

(4) Diodes manufacturing business

The diodes manufacturing business of the Group was mainly operated through Galaxy Electrical, an indirect wholly-owned subsidiary of the Company.

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.

As the renewable energy business is the key business direction in the coming future and is gaining weight on its contribution, it is expected that the contribution of diodes manufacturing business would lose its importance gradually, together with the worsening financial performance for the past few years.

Prospects

Wind energy is the clean energy that is closest to us with the most convenient source and an enormous reserve. The total wind energy in the world is approximately three times of the total consumption of the world. For 1% of the total wind energy in the world that is utilised, the world energy consumption can be reduced by 3%. If 1% of the total wind energy in the world is applied in power generation, it will contribute 8% to 9% to the world's total electricity generation. This shows that there is infinite room for wind power utilisation.

In recent years, with the increasing prominence of issues such as global energy shortage, environmental pollution and global warming, the active exploration of renewable energy has become the key strategic choice for many countries around the world in their search for sustainable development and cultivation of new economic growth points. The wind power industry enjoys the strongest momentum of development amongst all. In particular, the nuclear leakage in Fukushima, Japan has prompted increasing interest and dependence of the world on renewable energy such as wind power.

Currently, the PRC has surpassed the United States in both the total connected installed wind power capacity and annual additional connected installed capacity, and ranked number one in the world. According to the relevant data, the growth rate of wind power generation topped all other energy in China in 2012. However, at the same time, despite the accumulated connected installed capacity in the PRC accounted for nearly 5% of the total connected installed power capacity, it only accounted for 1.4% of the total electricity consumption of the society, signifying that the utilisation rate of wind power remains extremely limited, with abundant room for development in the future.

With wind power being the most advanced renewable energy in terms of technology, possessing the best conditions for scale-up development and prospects for commercialised development, wind power is expected to enjoy unwavering importance as the state's strategic emerging industry. In accordance with the relevant development plans, the accumulated connected installed wind power capacity in China is expected to maintain an annual growth rate of about 15 million kW over the period of the "Twelfth Five-year Plan", bringing immense market potential. Against this background, the PRC wind power industry is about to enter into a brand new phase of development, during which a series of policies and plans including the "Renewable Energy Law" and the "Medium to Long Term Development Plan for Renewable Energy" will exert crucial effects. It is foreseeable that the industry will head for increasingly scientific, sophisticated development in the future with an emphasis on enhancing quality and efficiency.

Building on favourable policy platform and industry environment, the Company will fully leverage on the two major wind farms of Hongsong and Langcheng and integrate the resources and edges in its own power grid business to keep on accelerating the pace of the development of wind power related business, in particular wind power operation. The two major wind farms of Hongsong and Langcheng are expected to create synergistic effects due to their geographical proximity, turning the area into a large-scale wind farm equipped with an installation capacity of over 1,000MW. The Company aims at becoming an integrated wind power operator that prioritises income from wind power and enjoys a stable cash flow and better profitability.

Looking ahead, the Group is in the process of acquiring land use rights and properties to enrich its asset level and to enhance its asset quality. Guided by the development strategy of exploring and utilising existing wind farm resources in the Group and realising integrated operation, the Company will relentlessly commit to developing and utilising renewable energy, whilst integrating the resources and edges of its own power grid business in the pursuit of new development opportunities. At the same time, we will continue to strive for excellence in the development of the existing and potential wind farm projects, and gradually reduce the share of income by non-wind power businesses such as diodes manufacturing, in an effort to establish a solid market foothold in the wind power industry in the near future, to build a solid and extensive foundation for its long-term development, and to create values for the society and strive for higher return for the shareholders and investors of the Company.

FINANCIAL REVIEW

Turnover

During the year under review, the Group's turnover of approximately RMB582,987,000 was derived from two business divisions — the power-related business and the diodes manufacturing business. The power-related business recorded a turnover of approximately RMB271,267,000, representing a decrease by approximately 27%, of which approximately RMB269,352,000 was attributed mainly to the power grid construction business for the year under review. 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 RMB311,720,000 for the year under review. The decrease in turnover was mainly due to fierce market competition. 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 year ended 31 December 2012 is set out below:

Turnover by business

	Year ended 31 December		(Decrease)/	Approximate change in
	2012	2011	**Increase**	**percentage**
	RMB million	*RMB million*	***RMB million***	*%*
(i) Power-related business				
Power grid construction and consultation	**269.35**	317.68	(48.33)	(15.21)
Sales and processing of wind turbine blades	**1.92**	51.77	(49.85)	(96.29)
	271.27	369.45	(98.18)	(26.57)
(ii) Diodes manufacturing business				
Plastic packaged diodes	**210.96**	264.42	(53.46)	(20.22)
Glass packaged diodes	**21.38**	29.82	(8.44)	(28.30)
Bridge rectifiers	**0.55**	2.82	(2.27)	(80.50)
Surface mount device packaged diodes	**78.05**	83.64	(5.59)	(6.68)
Others	**0.78**	0.18	0.60	333.33
	311.72	380.88	(69.16)	(18.16)
Total	**582.99**	750.33	(167.34)	(22.30)

Cost of Sales

Cost of sales mainly includes the cost of raw materials, subcontracting costs, staff costs, water, electricity, gas, other ancillary materials and provision of impairment loss on property, plant and equipment. Cost of sales for the year ended 31 December 2012 accounted for approximately RMB534,391,000, and represented approximately 92% of the Group's turnover, showing an increase from that of approximately 81% for the year ended 31 December 2011. The increase was mainly attributed by a provision of impairment loss on property, plant and equipment with an amount of approximately RMB36,351,000.

Gross Profit

Gross profit decreased significantly by approximately 65% to approximately RMB48,596,000 (2011: approximately RMB139,475,000), and the gross profit margin has also decreased from approximately 19% for the year ended 31 December 2011 to approximately 8% for the year ended 31 December 2012. Save as disclosed in the paragraph headed "Cost of Sales" above, the significant decrease was mainly due to the provision of impairment loss. Apart from this, it was also due to the severe market competition of production of diodes and an increase in production cost.

Other Revenue and Net Income

Other revenue and net income mainly comprised of rental income from operating leases relating to plant and machinery (2012: approximately RMB22,930,000; 2011: approximately RMB20,149,000), compensation income on prepayment on acquisition of land use rights (2012: approximately RMB4,201,000; 2011: approximately RMB19,656,000), gain on change of estimated cash flows of convertible bonds (2012: Nil; 2011: approximately RMB19,355,000), dividend income from available-for-sale investments (2012: approximately RMB4,087,000; 2011: Nil), sales of scrap (2012: approximately RMB2,582,000; 2011: approximately RMB2,912,000), fair value gain on derivative financial instruments (2012: approximately RMB701,000; 2011: approximately RMB36,648,000), interest income on financial assets not at fair value through profit or loss (2012: approximately RMB539,000; 2011: approximately RMB898,000), government subsidy income (2012: approximately RMB666,000; 2011: approximately RMB344,000), gain on deemed disposal of an associate Langcheng (2012: Nil; 2011: approximately RMB8,101,000) and gain on a bargain purchase (2012: Nil; 2011: approximately RMB6,105,000). The significant decrease in other revenue and net income by approximately RMB78,241,000 was mainly due to several reasons, including gain on change of estimated cash flows of convertible bonds, gain on a bargain purchase arising from acquisition of Langcheng and gain on deemed disposal of an associate Langcheng recorded in previous year no longer recurred for the year ended 31 December 2012. In addition, fair value gain on derivative financial instruments and compensation income on prepayment on acquisition of land use rights decreased significantly in the year ended 31 December 2012.

Distribution Costs

Distribution costs mainly included 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 2012, which represented approximately 2% of the Group's total turnover, remained relatively stable when compared with that for the year ended 31 December 2011.

Administrative Expenses

Administrative expenses mainly included wages, salaries and welfare expenses, professional fees, depreciation expenses of office equipment, other taxation expenses, exchange losses and entertainment expenses. It increased by approximately 22% to approximately RMB66,739,000 for the year ended 31 December 2012 when compared with that of approximately RMB54,756,000 for the year ended 31 December 2011. The increase was mainly derived from exchange losses and increase in staff cost.

Other Operating Expenses

Other operating expenses for the year ended 31 December 2012 amounting to approximately RMB85,630,000 (2011: Nil) accounted for impairment of goodwill relating to the acquisition of Power Full Group Holdings Limited ("Power Full") and its subsidiaries, and the impairment loss on lease prepayments of diodes segment.

Finance Costs

Finance costs refer to interest expenses on bank and other loans obtained, promissory note and convertible bonds/note issued by the Group. It amounted to approximately RMB75,014,000 for the year ended 31 December 2012 while it amounted to approximately RMB82,682,000 for the year ended 31 December 2011.

Taxation

Taxation increased from approximately RMB8,570,000 for the year ended 31 December 2011 to approximately RMB11,420,000 for the year ended 31 December 2012. Such an increase was mainly derived from the deferred tax of approximately RMB6,374,000 regarding the temporary differences attributable to the aggregate undistributed profits of certain PRC subsidiaries.

Net (Loss)/Profit

The net loss for the year ended 31 December 2012 accounted for approximately RMB166,964,000 (2011: net profit of approximately RMB91,518,000). The net loss was mainly derived from an impairment of goodwill by approximately RMB78,946,000 regarding the acquisition of Power Full, and the deterioration of financial results of diodes manufacturing business and the drop in other revenue and net income. The financial results of diodes manufacturing business were aggravated by severe market competition, increase in production cost and provision of impairment loss on property, plant and equipment and lease prepayments by approximately RMB43,035,000. Among other revenue and net income, fair value gain on derivative financial instruments and compensation income on prepayment on acquisition of land use rights dropped by approximately RMB51,402,000 whereas the gain on change of estimated cash flows of convertible bonds, gain on a bargain purchase arising from acquisition of Langcheng and gain on deemed disposal of an associate Langcheng with a total amount of approximately RMB33,561,000 no longer recurred for the year ended 31 December 2012.

Net Current Assets

The net current assets of the Group as at 31 December 2012 decreased to approximately RMB126,443,000 compared with that of approximately RMB360,736,000 in 2011. The significant decrease was mainly due to convertible bonds/note and promissory note which was classified as non-current liabilities as at 31 December 2011 that will expire in the year 2013 was grouped into current liabilities as at 31 December 2012 with a total amount of approximately RMB291,474,000.

Liquidity and Financing

The cash and bank balances as at 31 December 2012 and 31 December 2011 amounted to approximately RMB164,531,000 (mainly comprised approximately RMB145,506,000, USD773,000 and HKD17,454,000) and approximately RMB86,283,000, respectively.

Total borrowings of the Group as at 31 December 2012 amounted to approximately RMB637,054,000, representing an increase of approximately 32% when compared with approximately RMB483,598,000 as at 31 December 2011.

The Group repaid its debts mainly through the steady recurrent cash flows generated by its operations. The Group's gearing ratio slightly increased to approximately 69% as at 31 December 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 2012, all of the Group's borrowings were settled in Renminbi ("RMB") and Hong Kong dollars ("HKD"). Approximately 90% of the Group's income was denominated in Renminbi and the remaining was denominated in Hong Kong dollars and United States dollars ("USD"). Other interest-free borrowings and interest-bearing borrowings were RMB70,000,000 and approximately RMB567,054,000 respectively. Among the interest-bearing borrowings of the Group, approximately RMB412,054,000 were fixed rate loans, while RMB155,000,000 were floating rate loans. The Group had not engaged in any currency hedging facility for the year ended 31 December 2012 and up to the date of this announcement, 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 USD18,580,000 in cash at 100% of their principal amount. Based on the initial conversion price of HKD1.50 per share to be allotted and issued upon exercise of the conversion rights attached to the said convertible bonds, a maximum number of 95,996,666 ordinary shares may be allotted and issued.

In March 2012, conversion rights attached to convertible bonds in an aggregate principal amount of USD6,000,000 were exercised at a conversion price of HKD1.50 per share, resulting in the issue of 31,000,000 ordinary shares of the Company. The outstanding principal amount of the convertible bonds was USD12,580,000 as at 31 December 2012. Further details of the convertible bonds are set out in the announcement of the Company dated 19 December 2010.

Non-listed Warrants

Pursuant to a placing agreement between the Company and Goldin Equities Limited (the "Placing Agent") dated 29 April 2011, warrants to subscribe for 150,000,000 ordinary shares of the Company at the initial subscription price of HKD1.60 per ordinary share (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 of the warrants, 76,000,000 warrants had been exercised with gross proceeds of HKD121,600,000, 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.

Termination of an Issuance of Convertible Bonds and Warrants

On 17 April 2012, the Company, TPG Rave Holdings, L.P (the "Lead Subscriber") and Diamond Era Holdings Limited ("Diamond Era") entered into a subscription agreement (the "Subscription Agreement"), pursuant to which the Lead Subscriber (and/or affiliates as it may nominate) has agreed to subscribe for 60% of a 8% United States dollar denominated convertible bond(s) in respect of the principal amount of USD100,000,000 (the "Bonds") and the non-listed warrants with an exercise value of USD25,000,000 (the "Warrants"), while Diamond Era (or its nominees) has agreed to subscribe for the remaining 40% of the Bonds and the Warrants, subject to the terms and conditions of the Subscription Agreement.

On 18 September 2012, the Company, the Lead Subscriber and Diamond Era entered into a termination agreement, pursuant to which they have agreed to terminate the Subscription Agreement. Please refer to the announcements of the Company dated 26 April 2012, 29 June 2012 and 18 September 2012, respectively for further details.

Material acquisitions

Acquisition of interest in Hongsong

On 28 June 2012, the Company and Hongsong entered into a subscription agreement (the "Hongsong Subscription Agreement") with Hongsong, pursuant to which the Company has conditional agreed to subscribe from Hongsong, and Hongsong has conditionally agreed to issue to the Company a total of 520,000,000 shares in the share capital of Hongsong at a total consideration of RMB780,000,000 or RMB1.50 per share to be issued by Hongsong pursuant to the Hongsong Subscription Agreement.

On 24 October 2012, an indirectly wholly owned subsidiary of the Company, On Win 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, On Win has conditionally agreed to subscribe from Hongsong, and Hongsong has conditionally agreed to issue to On Win, 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 On Win 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 Chengde Beichen High New Technology Co., Ltd. prior to the capital injection, the Company, through its wholly owned subsidiaries, holds 457,727,754 shares in the total issued share capital of Hongsong, which represents approximately 50.3% share capital.

As one or more of the relevant applicable percentage ratios (as defined in the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange")) in respect of the acquisition is or are greater than 100%, the said acquisition constitutes a very substantial acquisition for the Company pursuant to Chapter 14 of the Listing Rules.

The aforesaid acquisition was approved at the extraordinary general meeting of the Company on 27 November 2012 and was completed on 6 January 2013.

Further details of the aforesaid acquisition are set out in the announcements of the Company dated 21 September 2012, 24 October 2012, 31 October 2012, 12 November 2012, 27 November 2012 and 9 January 2013, respectively, and the circular of the Company dated 12 November 2012.

Acquisition of land use rights and properties involving issue of convertible note and promissory note

On 14 November 2012, Beichen Power Grid (as purchaser) entered into six acquisition agreements with Mr. Li Baosheng (as vendor), pursuant to which the purchaser conditionally agreed to acquire the land use rights for the lands and properties at an aggregate consideration of RMB280,000,000, which shall be satisfied by paying Mr. Li (or his nominee) in cash and issue to Mr. Li (or his nominee) promissory note and convertible note in the following way:—

Contract	Consideration	Location of the land/ properties
Land use rights transfer contract 1	RMB58,000,000 in cash (or its HKD equivalent) or promissory note in the principal amount of RMB58,000,000 (or its HKD equivalent)	Songshugou Village, Shuangtashan Town, Shuangluan District, Chengde City
Land use rights transfer contract 2	Convertible note in the principal amount of RMB41,000,000 (or its HKD equivalent)	Shiziyuen Village, Shuiquangou Town, Shuangqiao District, Chengde City
Land use rights transfer contract 3	Convertible note in the principal amount of RMB13,000,000 (or its HKD equivalent)	No.65, Shiziyuen Village, Shuangqiao District, Chengde City
Property sale and purchase contract 1	Convertible note in the principal amount of RMB43,000,000 (or its HKD equivalent) and (i) a sum of RMB17,000,000 in cash (or its HKD equivalent); or (ii) promissory note in the principal amount of RMB17,000,000 (or its HKD equivalent)	Songshugou Village, Shuangtashan Town, Shuangluan District, Chengde City
Property sale and purchase contract 2	Convertible note equivalent to RMB53,000,000 (or its HKD equivalent)	Shizigou Village, Shuiquanggou Town, Shuangqiao District, Chengde City
Property sale and purchase contract 3	Convertible note equivalent to RMB55,000,000 (or its HKD equivalent)	Jiangjiagou, Shuiquangou, Toudao Pailou, Shuangqiao District, Chengde City

Completion of the transactions under the aforesaid contracts are inter-conditional. The aforesaid convertible note in an aggregate principal amount of RMB205,000,000 (or its HKD equivalent) may be converted into ordinary shares of the Company at an initial conversion price of HKD1.5 per ordinary share (subject to adjustment).

As the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the acquisition are higher than 25% but below 100%, the acquisition constitutes a major transaction of the Company pursuant to Chapter 14 of the Listing Rules.

Mr. Li Baosheng, is an executive Director, the Chairman and a substantial shareholder of the Company, and is therefore a connected person 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 not yet completed as at the date of this announcement.

Further details of the aforesaid acquisition are set out in the announcements of the Company dated 14 November 2012, 5 December 2012 and 31 January 2013, respectively.

Pledge of assets

As at 31 December 2012, the Group had pledged land and building with net book values of approximately RMB7,595,000 (2011: approximately RMB12,554,000) as security for the bank loans obtained by the Group.

Upon the completion of the acquisition of the entire issued share capital of Power Full by the Company on 7 July 2010, the entire issued share capital of Sun Light Planet Limited, a direct wholly-owned holding subsidiary of the Company, was pledged to the holder of the promissory note to secure the Company's obligation under the promissory note which was issued by the Company to satisfy part of the consideration in the amount of HKD330,000,000.

In July 2012, conversion rights attached to convertible note in an aggregate principal amount of HKD48,300,000 were exercised at a conversion price of HKD1.00 per share, resulting in the issue of 48,300,000 ordinary shares of the Company. The outstanding principal amount of the convertible note was HKD58,700,000 as at 31 December 2012.

Upon the issuance of convertible bonds in the principal amount of USD18,580,000 in December 2010 to Advance Gain, the entire issued share capital of Power Full was pledged to Advance Gain to secure the Company's obligation under the said convertible bonds.

Contingent Liabilities

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

Employees

As at 31 December 2012, the Group had approximately 2,000 full-time employees (2011: approximately 2,200 employees) in Hong Kong and the PRC, comprising approximately 700 employees from the power-related business and approximately 1,300 employees from the business of diodes manufacturing. For the year ended 31 December 2012, the relevant employee costs (including the Directors' remuneration) were approximately RMB96,471,000 (2011: approximately RMB93,194,000). 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.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance in order to raise the quality of management and protect the interests of shareholders of the Company as a whole. To honor these commitments, the Group believes that good corporate governance reflects that a responsible enterprise must be credit worthy and transparent and abide by a high level of code of practice.

Corporate Governance Practices

The Company has fully complied throughout the year 2012 with the applicable code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "Code") set out in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding Director's securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules. The Company had made specific enquiries with all the Directors and all the Directors confirmed that they had complied with the practice as contained in the Model Code and the aforesaid code of conduct adopted by the Company for the year ended 31 December 2012.

Senior management and those staff who are more likely to be in possession of unpublished price-sensitive information, inside information or other relevant information in relation to the Group have adopted rules based on the Model Code. These senior management and staff have been individually notified and advised about the Model Code by the Company. No incident of non-compliance of the Model Code by relevant senior management members was noted by the Company during the year under review.

Audit Committee

The audit committee of the Company comprises of three independent non-executive Directors, namely, Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin, and Ms. Wong Wai Ling is the chairman of the audit committee of the Company. The annual results of the Company for the year ended 31 December 2012 and this announcement had been reviewed by the audit committee of the Company before being presented to the Board for approval.

CLOSURE OF REGISTER

The transfer books and register of members of the Company will be closed for the purpose of determining shareholders who are entitled to attend the 2012 Annual General Meeting of the Company to be held on 7 May 2013 (Tuesday) from 6 May 2013 (Monday) to 7 May 2013 (Tuesday) (both dates inclusive), when no transfer of shares will be registered. The Board has resolved not to recommend payment of final dividends for the year ended 31 December 2012.

In order to be eligible to attend and vote at the 2012 Annual General Meeting of the Company to be held on 7 May 2013 (Tuesday), all transfer documents, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration, not later than 4:30 p.m. on 3 May 2013 (Friday).

SCOPE OF WORK OF AUDITORS

The figures in respect of this announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited ("HLB"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2012. The work performed by HLB in this respect did not constitute as assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLB on this announcement.

SHARE OPTION SCHEME

For the year ended 31 December 2012, no options have been granted under the share option scheme operated by the Company, and no options were outstanding during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

Completion of Acquisition in Hongsong

The acquisition of share capital in Hongsong (referred to in the paragraph headed "Material acquisitions" under the section "Management Discussion and Analysis" of this announcement) was approved at the extraordinary general meeting of the Company on 27 November 2012 and was completed on 6 January 2013. Further details of the approval of the capital increment of Hongsong are set out in the announcement of the Company dated 9 January 2013. Upon the date of this announcement, RMB129,000,000 was paid for the paid up capital of Hongsong which was equivalent to 20% of the consideration.

Appointment of Executive Director and Resignation of Non-executive Director

Mr. Ning Zhongzhi has been appointed as the chairman of Hongsong since 2010 and an executive Director with effect from 28 January 2013 and Mr. Zhang Yong has tendered his resignation as a non-executive Director with effect from 29 January 2013. Further details of the said appointment and resignation are set out in the announcement of the Company dated 28 January 2013.

Updated Development of Hongsong

Hongsong has completed the construction of Phase 8 Project – Shanyuan Project in October 2012, and it successfully went on-grid in December 2012. The total capacity of Hongsong has reached 348.9MW in February 2013, and the project has completely gone on-grid and commenced commercial operation, further increasing the wind power assets of the Company significantly.

On 24 January 2013, Hongsong Phase 9 Project – Yuanhui Project ("Yuanhui Project") was officially approved by Hebei Development and Reform Commission. On 1 February 2013, Hongsong received the construction commencement permit of the project. The designed installed capacity of the project was 49.5MW, with a total investment of approximately RMB370,000,000. The Company is expected to have an additional capacity of 100,000,000 kWh per annum.

The Yuanhui Project is expected to complete and commence production by the end of September 2013. By then, the total installed capacity of the project will reach 398.4MW, and it is expected that the related income from the Company's wind power business will be increased significantly.

Further details of the updated development of Hongsong are set out in the announcement of the Company dated 6 February 2013.

Proposed Change of Company Name

On 26 March 2013, the Board proposed to change the English name of the Company from "China Ruifeng Galaxy Renewable Energy Holdings Limited" to "China Ruifeng Renewable Energy Holdings Limited" and to change the Chinese name of the Company from "中國瑞風銀河新能源控股有限公司" to "中國瑞風新能源控股有限公司".

The proposed change of Company's name is subject to (i) the passing of a special resolution by the Shareholders at the Annual General Meeting of the Company approving the proposed change of the Company's name; and (ii) the Registrar of Companies in the Cayman Islands granting approval for the change of Company's name.

Further details of the proposed change of Company's name are set out in the announcement of the Company dated 26 March 2013.

PUBLICATION OF 2012 ANNUAL REPORT

The 2012 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at http://www.c-ruifeng.com and the "HKExnews" website of the Stock Exchange at http://www.hkexnews.hk.

By Order of the Board
China Ruifeng Galaxy Renewable Energy Holdings Limited
Li Baosheng
Chairman

Hong Kong, 26 March 2013

As at the date of this announcement, the executive Directors are Mr. Li Baosheng, Mr. Zhang Zhixiang, Mr. Xu Xiaoping and Mr. Ning Zhongzhi; and the independent non-executive Directors are Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin.