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CHINA RUIFENG RENEWABLE ENERGY HOLDINGS LIMITED
中國瑞風新能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00527)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

GROUP FINANCIAL HIGHLIGHTS

- The Group's turnover from continuing operations for the six months ended 30 June 2014 increased slightly to approximately RMB292 million (2013: approximately RMB291 million).
- The Group's gross profit from continuing operations for the six months ended 30 June 2014 increased by approximately 40% to approximately RMB125 million (2013: approximately RMB90 million).
- The Group's net loss from continuing operations for the six months ended 30 June 2014 was approximately RMB14 million (2013: profit of approximately RMB56 million).
- The Group's net profit from discontinued operations for the six months ended 30 June 2014 was nil (2013: approximately RMB13 million).
- The Group's loss attributable to equity shareholders of the Company for the six months ended 30 June 2014 amounted to approximately RMB64 million (2013: profit of approximately RMB50 million). The loss was primarily due to the poor performance of the business of power grid construction which outweighed the significant improvement in the operating result of wind farm business.
- Consolidated net asset value as at 30 June 2014 decreased to approximately RMB599 million (2013: approximately RMB889 million).
- Basic and diluted loss per share for the six months ended 30 June 2014 was approximately RMB0.062 (2013: earning of approximately RMB0.051).
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014.

RESULTS

The board (the “Board”) of directors (the “Directors”) of China Ruifeng Renewable Energy Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2014 together with the comparative figures for the last corresponding period as follows:

Condensed Consolidated Income Statement

For the six months ended 30 June 2014

		For the six months ended 30 June	
	Note	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Continuing operations			
Turnover	3	292,251	291,193
Cost of sales		(167,043)	(201,606)
Gross profit		125,208	89,587
Other revenue and net income		11,478	105,587
Distribution costs		(995)	(2,620)
Administrative expenses		(54,972)	(14,200)
Other operating expenses		—	(28,439)
Profit from operations		80,719	149,915
Finance costs	4	(64,683)	(85,639)
Profit before taxation	4	16,036	64,276
Income tax	5	(29,943)	(8,162)
(Loss)/profit for the period from continuing operations		(13,907)	56,114
Discontinued operation			
Profit for the period from discontinued operations		—	12,769
(Loss)/profit for the period		(13,907)	68,883
Attributable to:			
Equity shareholders of the Company		(63,771)	49,833
Non-controlling interests		49,864	19,050
(Loss)/profit for the period		(13,907)	68,883
Basic and diluted (loss)/earnings per share attributable to the owners of the Company during the period (RMB)			
— Continuing operations (RMB)	7	(0.062)	0.038
— Discontinued operation (RMB)	7	—	0.013
		(0.062)	0.051

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
(Loss)/profit for the period	(13,907)	68,883
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside the PRC	<u>1,549</u>	<u>273</u>
Other comprehensive income for the period (net of tax)	<u>1,549</u>	<u>273</u>
Total comprehensive income for the period	<u>(12,358)</u>	<u>69,156</u>
Total comprehensive income attributable to:		
Equity shareholders of the Company	(62,222)	50,106
Non-controlling interests	<u>49,864</u>	<u>19,050</u>
(Loss)/profit for the period	<u>(12,358)</u>	<u>69,156</u>

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

		As at 30 June 2014	As at 31 December 2013
	Note	RMB'000 (unaudited)	RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	2,290,169	2,345,202
Lease prepayments		14,592	14,477
Investment in an associate		—	11,435
Available-for-sales investment		2,600	—
Deferred tax assets		1,935	1,935
		<u>2,309,296</u>	<u>2,373,049</u>
Current assets			
Inventories		7,694	1,089
Trade and other receivables	10	614,924	614,541
Lease prepayments		108	446
Tax recoverable		—	9,540
Pledged bank deposits		17,231	701
Cash and cash equivalents		119,570	135,015
		<u>759,527</u>	<u>761,332</u>
Current liabilities			
Trade and other payables	12	343,788	456,840
Derivative financial instruments	13	587	4,948
Borrowings	14	319,446	287,695
Current taxation		6,869	6,096
		<u>670,690</u>	<u>755,579</u>

		As at 30 June 2014	As at 31 December 2013
	<i>Note</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Net current assets		88,837	5,753
Total assets less current liabilities		2,398,133	2,378,802
Non-current liabilities			
Borrowings	14	1,612,589	1,420,497
Other payables		138,829	20,552
Deferred tax liabilities		47,368	49,187
		<u>1,798,786</u>	<u>1,490,236</u>
Net assets		<u>599,347</u>	<u>888,566</u>
Capital and reserves			
Share capital	15	9,536	9,476
Reserves		294,753	373,574
Equity attributable to owners of the Company		<u>304,289</u>	<u>383,050</u>
Non-controlling interests		<u>295,058</u>	<u>505,516</u>
Total equity		<u>599,347</u>	<u>888,566</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to equity shareholders of the Company									Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Statutory reserves RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Convertible note reserve RMB'000	Accumulated losses RMB'000	Total RMB'000		
Balance at 31 December 2012 (audited)	9,002	875,085	(91,284)	17,260	31,477	(1,563)	22,065	(521,781)	340,261	—	340,261
Disposal of subsidiaries	—	—	91,284	(12,062)	(31,477)	(10,515)	—	(37,230)	—	—	—
Transfer to statutory reserves	—	—	—	1,455	—	—	—	(9,988)	(8,533)	8,533	—
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	559,482	559,482
Total comprehensive income for the period	—	—	—	—	—	273	—	49,833	50,106	19,050	69,156
Balance at 30 June 2013 (unaudited)	9,002	875,085	—	6,653	—	(11,805)	22,065	(519,166)	381,834	587,065	968,899
Transfer to statutory reserves	—	—	—	2,771	—	—	—	5,762	8,533	(8,533)	—
Realisation of deferred tax liabilities in respect of conversion of the convertible note	—	—	—	—	—	—	9	—	9	—	9
Conversion of the convertible note	468	68,134	—	—	—	—	(22,074)	—	46,528	—	46,528
Acquisition of a subsidiary	—	—	—	—	—	482	—	—	482	(482)	—
Acquisition of non-controlling interests	—	—	—	—	—	—	—	(28,489)	(28,489)	(67,566)	(96,055)
Issue of commission shares	6	1,177	—	—	—	—	—	—	1,183	—	1,183
Total comprehensive income for the period	—	—	—	—	—	(699)	—	(26,331)	(27,030)	(4,968)	(31,998)
Balance at 31 December 2013 (audited)	9,476	944,396	—	9,424	—	(12,022)	—	(568,224)	383,050	505,516	888,566
Transfer to statutory reserves	—	—	—	989	—	—	—	(989)	—	—	—
Conversion of the convertible bonds	60	11,053	—	—	—	—	—	—	11,113	—	11,113
Acquisition of non-controlling interests	—	—	—	—	—	—	—	1,970	1,970	(260,322)	(258,352)
Dividend paid	—	—	—	—	—	—	—	(29,622)	(29,622)	—	(29,622)
Total comprehensive income for the period	—	—	—	—	—	1,549	—	(63,771)	(62,222)	49,864	(12,358)
Balance at 30 June 2014 (unaudited)	9,536	955,449	—	10,413	—	(10,473)	—	(660,636)	304,289	295,058	599,347

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

The unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2013.

2. Significant accounting policies

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

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013, except for the adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective to the Group for accounting periods beginning on or after 1 January 2014 as described below:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities
- Amendments to HKAS 32, Offsetting financial assets and financial liabilities
- Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets
- Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting
- HK(IFRIC) 21, Levies

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other new or amended standards and interpretations that are effective for the first time for the period that could be expected to have a material impact on the Group.

3. Turnover

The principal activities of the Group are power grid construction and consultation, wind power generation, production of wind turbine blades. The discontinued operation, diodes manufacturing business, was disposed of in May 2013.

Turnover for continuing operations represents electricity power generated from wind farm and revenue from construction contracts. The discontinued operation represented the sales value of goods supplied to customers (net of value added tax and is after deduction of any sales discounts and returns). The amount of each significant category of revenue recognised in turnover during the period is as follows:

	For the six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Continuing operations		
Sale of electricity	244,208	161,448
Revenue from construction contracts and consultation	48,043	129,745
	292,251	291,193
Discontinued operation		
Sales of goods	—	131,904
	292,251	423,097

4. Profit before taxation

(i) Profit before taxation from continuing operations is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(a) Finance costs:		
Interest on bank and other loans wholly repayable within five years	47,737	54,678
Interest on bank and other loans wholly repayable over five years	14,903	8,907
Interest expenses on convertible bonds	2,043	11,551
Interest expenses on convertible note	—	5,538
Interest expenses on promissory note	—	4,965
	<u> </u>	<u> </u>
Interest expense on financial liabilities not at fair value through profit or loss	64,683	85,639
	<u><u> </u></u>	<u><u> </u></u>
(b) Staff costs:		
Director's emoluments (including retirement benefit plan contributions)	1,846	2,124
Other staff costs	18,906	13,772
Retirement benefit scheme contributions (excluding Directors)	39	864
	<u> </u>	<u> </u>
Total staff costs	20,791	16,760
	<u><u> </u></u>	<u><u> </u></u>
(c) Other items:		
Impairment loss:		
— trade and other receivables (included in administrative expenses)	25,420	—
— property, plant and equipment	—	667
— goodwill	—	4,061
Amortisation of lease prepayments	169	275
Cost of inventories	—	5,116
Depreciation of property, plant and equipment	78,156	70,812
Interest income	(449)	(380)
	<u><u> </u></u>	<u><u> </u></u>

(ii) Profit before taxation from discontinued operation is arrived at after charging/(crediting):

	2014 <i>RMB'000</i> (unaudited)	2013 <i>RMB'000</i> (unaudited)
(a) Finance costs:		
Interest on bank and other loans wholly repayable within five years	—	109
Interest expenses on financial liabilities not at fair value through profit or loss	—	109
	<u>—</u>	<u>109</u>
(b) Staff costs (including Directors' remuneration):		
Directors' remuneration (including contribution to defined contribution retirement plans for Directors)	—	844
Other staff costs		23,798
Contribution to defined contribution retirement plans (excluding those for Directors)	—	1,668
	—	26,310
	<u>—</u>	<u>26,310</u>
(c) Other items:		
Impairment losses:		
— trade and other receivables (included in administrative expenses)	—	3,505
Amortisation of lease prepayments	—	57
Cost of inventories	—	111,402
Depreciation for property, plant and equipment	—	2,405
Interest income	—	(407)
	<u>—</u>	<u>(407)</u>

5. Income tax

For the six months ended 30 June	
2014	2013
<i>RMB'000</i>	<i>RMB'000</i>
(unaudited)	(unaudited)

Taxation expenses include:

Continuing operations

PRC enterprise income tax	31,761	10,905
Deferred tax	(1,818)	(2,743)
	<u>29,943</u>	<u>8,162</u>

Discontinued operation

PRC enterprise income tax	—	(169)
	<u>—</u>	<u>(169)</u>
	<u>29,943</u>	<u>7,993</u>

No provision of Hong Kong Profits Tax had been made as the Group's profit neither arises in, nor is derived from Hong Kong during the period (30 June 2013: 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.

Pursuant to Caishui [2008] No. 46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment ("Circular 46"). Hebei Hongsong Wind Power Co., Ltd ("Hongsong"), who 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. Accordingly, Hongsong's certain profit, derived from public infrastructure projects which are set up after 1 January 2008, was exempted from the EIT for the years 2010, 2011 and 2012, followed by a 50% reduction for the year 2013.

In addition, pursuant to Caishui [2012] No. 10 Notice on the Implementation of Public infrastructure Projects and Projects of Environmental Protection, Energy Saving and Water Conservation Entitled for Preferential Tax Treatment, certain wind power projects of Hongsong, which are approved before 31 December 2007, are also entitled to the 3+3 tax holiday commencing from the year in which the first operating income was derived but could only enjoy those tax benefit subsequent to 1 January 2008. In this connection, Hongsong has obtained the approval from the relevant tax authority to reduce its future income tax liabilities.

Except for mentioned as above, the applicable income tax rate to the Group's PRC subsidiaries from continuing operations is 25% during the period.

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

6. Interim dividend

The Directors do not recommend the distribution of an interim dividend for the six months ended 30 June 2014 (30 June 2013 : Nil).

7. (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 equity shareholders of the Company from continuing operations for the period ended 30 June 2014 of approximately RMB63,771,000 (2013: a profit of approximately RMB37,064,000).

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company from discontinued operation for the period ended 30 June 2014 of nil (2013: a profit of approximately RMB12,769,000).

The weighted average of approximately 1,038,499,000 ordinary shares (2013: 974,300,000) in issue during the period, calculated as follows:

(i) Weighted average number of ordinary shares

	For the six months ended 30 June	
	2014	2013
	'000	'000
	(unaudited)	(unaudited)
Issued ordinary shares at 1 January	1,033,772	974,300
Effect of conversion of convertible bonds	4,727	—
Weighted average number of ordinary shares at 30 June	<u>1,038,499</u>	<u>974,300</u>

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the period ended 30 June 2014 and 30 June 2013 is not presented because the existence of outstanding conversion options for the convertible note and convertible bonds during the periods have anti-dilutive effect of the basic (loss)/earnings per share.

8. Segment reporting

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

- Wind farm operation: this segment uses wind turbine to generate electricity power in the PRC.
- Construction contracts and consultation: this segment constructs power grid and wind farm and provides consultation to external customers and to Group companies in the PRC.
- Production of wind turbine blades: this segment primarily derives its revenue from the production of wind turbine blades. These products are processed in the Group's manufacturing facilities located in the PRC.
- Production of diodes: this segment designs, develops, manufactures and sells diodes and related products mainly in the PRC. This segment was disposed of in May 2013.

(a) Segment results, assets and liabilities

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

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

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

The measure used for reporting segment profit is "adjusted EBT", i.e. "adjusted earnings before taxes". To arrive at adjusted EBT, 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 EBT, management is provided with segment information concerning revenue (including inter-segment), interest income and expenses from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's chief executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2014 and 30 June 2013 is set out below.

For the period ended 30 June 2014 (unaudited):

	Wind farm operations RMB'000	Construction contracts RMB'000	Processing of wind turbine blades RMB'000	Un-allocated RMB'000	Total RMB'000
Reportable segment revenue	<u>244,208</u>	<u>48,043</u>	<u>—</u>	<u>—</u>	<u>292,251</u>
Reportable segment profit/(loss)	<u>112,986</u>	<u>(69,579)</u>	<u>(945)</u>	<u>2,143</u>	<u>44,605</u>
Central administrative costs	—	—	—	(14,104)	(14,104)
Finance costs	—	—	—	(14,465)	(14,465)
Profit before taxation					16,036
Income tax					(29,943)
Loss for the period					<u>(13,907)</u>

For the period ended 30 June 2013 (unaudited):

	Continuing operations				Discontinued operation	
	Wind farm operations RMB'000	Construction contracts RMB'000	Processing of wind turbine blades RMB'000	Un-allocated RMB'000	Sub-total RMB'000	Production of diodes RMB'000
Reportable segment revenue	<u>161,448</u>	<u>129,745</u>	<u>—</u>	<u>—</u>	<u>291,193</u>	<u>131,904</u>
Reportable segment profit/(loss)	<u>108,253</u>	<u>4,393</u>	<u>(1,034)</u>	<u>(11,851)</u>	<u>99,761</u>	<u>12,600</u>
Impairment loss on goodwill	(4,061)	—	—	—	(4,061)	—
Central administrative costs	—	—	—	(333)	(333)	—
Finance costs	—	—	—	(31,091)	(31,091)	—
Profit before taxation						
Income tax						
Profit for the period						

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

For the period ended 30 June 2014 (unaudited):

	Continuing operations				Total RMB'000
	Wind farm operations RMB'000	Construction contracts RMB'000	Processing of wind turbine blades RMB'000	Un-allocated RMB'000	
Depreciation and amortisation for the period	75,195	2,600	429	101	78,325
Interest income	413	36	—	—	449
Reportable segment assets	2,673,308	376,661	11,322	7,532	3,068,823
Additions to non-current segment assets during the period	19,528	2,355	80	9	21,972
Reportable segment liabilities	(1,802,695)	(314,485)	(13,936)	(338,360)	(2,469,476)

	Continuing operations				Discontinued operation	Total RMB'000
	Wind farm operations RMB'000	Construction contracts RMB'000	Processing of wind turbine blades RMB'000	Un-allocated RMB'000	Sub-total RMB'000	
For the period ended 30 June 2013 (unaudited):						
Depreciation and amortisation for the period	67,899	2,662	425	101	71,087	73,549
Interest income	358	22	—	—	380	787
As at the year ended 31 December 2013 (audited):						
Assets	2,592,616	500,930	21,356	8,044	3,122,946	3,122,946
Associate	11,435	—	—	—	11,435	11,435
Reportable segment assets	2,604,051	500,930	21,356	8,044	3,134,381	3,134,381
Additions to non-current segment assets during the year	309,946	2,294	—	41	312,281	313,082
Reportable segment liabilities	(1,629,347)	(278,769)	(9,561)	(328,138)	(2,245,815)	(2,245,815)

(b) Geographic information

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

9. Property, plant and equipment

For the six months ended 30 June 2014, the Group acquired property, plant and equipment (including construction in progress) from continuing operations amounting to approximately RMB21,940,000 (30 June 2013: approximately RMB130,203,000). The Group acquired property, plant and equipment through acquisition of subsidiary for the six months ended 30 June 2014 amounting to approximately RMB209,000 (30 June 2013: RMB2,029,754,000).

10. Trade and other receivables

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Trade receivables	139,468	161,635
Less: allowance for doubtful debts	(26,469)	(7,739)
	112,999	153,896
Other receivables	168,326	74,579
Loans receivables	—	47,720
Note receivables	—	14,750
Amount due from a director	13	—
Loans and receivables	281,338	290,945
Prepayments and deposits	222,314	208,667
Gross amount due from customers for contract work	111,272	114,929
	614,924	614,541

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

Trade receivables are net of allowance for doubtful debts of approximately RMB26,469,000 (31 December 2013: RMB7,739,000) with the following ageing analysis as of the end of the reporting period:

	As at 30 June 2014 <i>RMB'000</i> (unaudited)	As at 31 December 2013 <i>RMB'000</i> (audited)
Within three months	77,425	34,813
More than three months but within one year	28,330	57,986
More than one year	7,244	61,097
	<u>112,999</u>	<u>153,896</u>

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

11. Bank loans

As at 30 June 2014, the amount of the Group's bank borrowings increased to RMB1,902,323,000 (31 December 2013: RMB1,653,102,000), of which secured bank borrowings amounting to RMB1,369,822,000 (31 December 2013: RMB1,273,500,000) were secured by the property, plant and equipment, the lease prepayments and certain amount of trade receivables, and guaranteed bank borrowings amounting to RMB72,000,000 (31 December 2013: RMB82,000,000) were guaranteed by an indirect wholly-owned subsidiary of the Company, Beichen Hightech, and former shareholders of a subsidiary of the Group. Approximately RMB304,122,000 of the Group's bank loan were secured by the entire issued share capital of certain subsidiaries of the Group and a substantial shareholder, and by a substantial shareholder with Company's shares, and guaranteed by certain Directors as well as the spouse of the said Directors (31 December 2013: 297,602,000).

12. Trade and other payables

	As at 30 June 2014 <i>RMB'000</i> (unaudited)	As at 31 December 2013 <i>RMB'000</i> (audited)
Trade payables	59,493	268,945
Note payables	45,000	—
Other payables	345,234	112,273
Amounts due to Directors	10,855	12,231
Amounts due to non-controlling interests	—	13,570
Amount due to an associate	—	34,921
Financial liabilities measured at amortised cost	460,582	441,940
Advance from customers	1,262	15,012
Gross amount due to customers for contract work	20,773	20,440
	482,617	477,392
<i>Less: non-current portion of other payables</i>	<u>(138,829)</u>	<u>(20,552)</u>
	<u><u>343,788</u></u>	<u><u>456,840</u></u>

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

	As at 30 June 2014 <i>RMB'000</i> (unaudited)	As at 31 December 2013 <i>RMB'000</i> (audited)
Within three months	7,472	175,880
More than three months but within one year	72,362	72,189
More than one year	24,659	20,876
	<u><u>104,493</u></u>	<u><u>268,945</u></u>

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

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

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

13. Derivative financial instruments

	As at 30 June 2014 <i>RMB'000</i> (unaudited)	As at 31 December 2013 <i>RMB'000</i> (audited)
Derivative financial liabilities:		
Derivative component of convertible bonds	<u>587</u>	<u>4,948</u>

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

14. Borrowings

The analysis of the carrying amount of borrowings is as follows:

	As at 30 June 2014 <i>RMB'000</i> (unaudited)	As at 31 December 2013 <i>RMB'000</i> (audited)
Bank loans	1,902,323	1,653,102
Convertible bonds	11,510	17,945
Other loans	<u>18,202</u>	<u>37,145</u>
	<u>1,932,035</u>	<u>1,708,192</u>
Analysis as:		
Current	319,446	287,695
Non-current	<u>1,612,589</u>	<u>1,420,497</u>
	<u>1,932,035</u>	<u>1,708,192</u>

All of the non-current borrowings are carried at amortised cost. None of the non-current borrowings is expected to be settled within one year.

15. Share capital

	As at 30 June 2014		As at 31 December 2013	
	No. of shares '000 (unaudited)	Amount RMB'000 (unaudited)	No. of shares '000 (audited)	Amount RMB'000 (audited)
Authorised:				
Ordinary shares of HKD0.01 each	<u>2,000,000</u>	<u>20,400</u>	<u>2,000,000</u>	<u>20,400</u>
Ordinary shares, issued and fully paid:				
At 1 January	1,033,772	9,476	974,300	9,002
Conversion of the convertible bonds	7,632	60	—	—
Conversion of the convertible note	—	—	58,700	468
Commission shares issued	<u>—</u>	<u>—</u>	<u>772</u>	<u>6</u>
At 30 June/31 December	<u><u>1,041,404</u></u>	<u><u>9,536</u></u>	<u><u>1,033,772</u></u>	<u><u>9,476</u></u>

16. Business combination

Pursuant to the Capital Increment Agreement entered into between, among others, an indirect wholly-owned subsidiary of the Company, On Win Corporation Limited (“On Win”), and Hongsong, dated 24 October 2012, 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 RMB1.5 per share. The subscription shares, representing approximately 47.3% of the enlarged share capital of Hongsong, are to be paid in cash by On Win at a total consideration of RMB645,000,000 or equivalent in foreign currencies. On Win paid 20% of the consideration by cash (the equivalent amount in USD of RMB129,000,000) to Hongsong for the subscription shares. The remaining 80% of the consideration (which is equivalent to RMB516,000,000 or an equivalent amount of foreign currency) will be payable by installments throughout a two-year period from the first payment date.

Upon completion of the subscription on 6 January 2013, together with the 27,727,754 shares of Hongsong owned by Beichen Hightech 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 of Hongsong.

Consideration transferred (determined on a provisional basis)

2013
RMB'000
(unaudited)

Cash	129,000
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Assets and liabilities recognised at the date of acquisition (determined on a provisional basis)

2013
RMB'000
(unaudited)

Non-current assets

Property, plant and equipment	2,029,754
Prepaid lease payments	10,100

Current assets

Inventories	4,507
Trade and other receivables	228,142
Tax recoverables	30,760
Cash and cash equivalents	71,184

Current liabilities

Trade and other payables	(113,289)
Interest-bearing borrowings	(142,000)

Non-current liabilities

Interest-bearing borrowings	(1,265,000)
Deferred taxation	(44,769)

809,389

Gain from a bargain purchase arising from acquisition (determined on a provisional basis)

2013
RMB'000
(unaudited)

Consideration transferred	129,000
Add: Fair value of previously held 5.77% interest in Hongsong	34,224
Add: non-controlling interests	559,000
Less: recognised amount of net identifiable assets acquired	(809,389)

Gain from a bargain purchase arising from acquisition	(87,165)
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As a result of remeasuring fair value of the 5.77% equity interest in Hongsong held by the Group before the acquisition, a loss of approximately RMB11,960,000 was recognised in the consolidated income statement.

2013
RMB'000
(unaudited)

Consideration	129,000
<i>Less:</i> Deposit paid	(129,000)
<i>Add:</i> cash and cash equivalent balances acquired	71,184
	<u>71,184</u>

17. Disposal of subsidiaries

Details of the subsidiaries (Sun Light Planet Limited and its subsidiaries) disposed of during the six months ended 30 June 2013 are set out below:

2013
RMB'000
(unaudited)

Property, plant and equipment	33,833
Lease prepayments	5,777
Investment in an associate	5,103
Deferred tax assets	3,351
Inventories	12,275
Trade and other receivables	102,229
Tax recoverable	89
Cash and cash equivalents	63,275
Trade and other payables	(53,906)
Deferred tax liabilities	(6,374)
	<u>9,827</u>
Gain on disposal of subsidiaries	9,827
<i>Less:</i> Professional fees incurred for disposal of subsidiaries	(743)
Net gain on disposal of subsidiaries	<u>9,084</u>
Total consideration received	<u>175,479</u>
Net cash outflow arising on disposal:	
Cash consideration	1,967
Cash and cash equivalents disposed of	(63,275)
	<u>(61,308)</u>

The consideration of HKD220,000,000 (equivalent to approximately RMB175,479,000) was satisfied by the Company's outstanding indebtedness under the promissory note of approximately HKD217,534,000 and by cash of approximately HKD2,466,000 respectively.

18. Commitments

- (a) Capital commitments outstanding at 30 June 2014 not provided for in the financial statements were as follows:

	As at 30 June 2014 <i>RMB'000</i> (unaudited)	As at 31 December 2013 <i>RMB'000</i> (audited)
Capital injection		
— Contracted for	387,562	387,562
Acquisition of a subsidiary		
— Contracted for	—	154,254
Acquisition of property, plant and equipment and land use rights		
— Contracted for	158,657	163,309
	<u>546,219</u>	<u>705,125</u>

- (b) At 30 June 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2014 <i>RMB'000</i> (unaudited)	As at 31 December 2013 <i>RMB'000</i> (audited)
Within 1 year	624	684
After 1 year but within 5 years	772	196
	<u>1,396</u>	<u>880</u>

19. Pledge of assets

As at 30 June 2014, the Group had pledged leasehold land and buildings with net book values of approximately RMB2,467,000 (31 December 2013: approximately RMB2,538,000), trade receivables with a carrying value of approximately RMB25,601,000 (31 December 2013: approximately RMB9,359,000), and certain property, plant and equipment (excluding leasehold land and buildings) with a carrying value of approximately RMB928,197,000 (31 December 2013: approximately RMB963,916,000) as security for the bank loans obtained by the Group.

As at 30 June 2014 and 31 December 2013, the entire issued share capitals of certain subsidiaries and part of the issued share capitals of certain subsidiaries were pledged to secure the bank loans obtained by the Group.

20. Material related party transactions

During the six months ended 30 June 2014, the Group did not enter into any material transaction with related parties of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Financial Review

After the acquisition of certain equity interest in the non wholly-owned subsidiary Hongsong in January 2013, and the disposal of operating segment, production of diodes, in May 2013, the Group currently engages in wind farm operation, construction and consultation of power grid and transformer project, manufacturing, processing and sales of wind turbine blades mainly through its subsidiaries Hongsong, Hexigten Qi Langcheng Ruifeng Electric Development Co., Ltd (“Langcheng”), Hebei Beichen Power Grid Construction Co., Ltd. (“Beichen Power Grid”), and Chengde Ruifeng Renewable Energy Windpower Equipment Co., Ltd. (“Ruifeng Windpower”).

For the six months ended 30 June 2014, the Group’s turnover from continuing operations amounted to approximately RMB292,251,000 (30 June 2013: RMB291,193,000). Gross profit from continuing operations increased by approximately 40% to approximately RMB125,208,000 for the six months ended 30 June 2014 (30 June 2013: approximately RMB89,587,000). Net loss from continuing operations was approximately RMB13,907,000 (30 June 2013: a profit of approximately RMB56,114,000) whereas the net profit from discontinued operation was nil (30 June 2013: approximately RMB12,769,000). The net loss from continuing operations was mainly due to the poor performance of the business of grid construction which outweighed the significant improvement in the operating result of wind farm business for the six months ended 30 June 2014.

Turnover

Turnover from continuing operations for the six months ended 30 June 2014 was approximately RMB292,251,000. It represented a slight increase over that of approximately RMB291,193,000 in the corresponding period of 2013. The increase was mainly due to the increase in electricity sales of Hongsong.

During the period under review, the Group’s turnover was mainly derived from the power-related business after the disposal of the diodes manufacturing business in May 2013. The power-related business recorded a turnover of approximately RMB292,251,000 (30 June 2013: approximately RMB291,193,000). After the acquisition of Hongsong in January 2013, it contributed a new source of income — wind power generation, which resulted in a turnover of approximately RMB244,208,000 under the power-related business (30 June 2013: approximately RMB161,448,000). A turnover of approximately RMB48,043,000 was attributed to the power grid construction and consultation business (30 June 2013: approximately RMB129,745,000). The Group’s operating bases for the power-related business are mainly located in Chengde City of Hebei Province, and Inner Mongolia.

Analysis of the Group's turnover from continuing operations by its businesses for the six months ended 30 June 2014 is set as below:

	For the six months ended 30 June		Increase/ (decrease)	Approximate change in percentage
	2014	2013		
	RMB	RMB	RMB	%
	million	million	million	
	(unaudited)	(unaudited)		
Continuing operations Power-related business				
Wind power generation	244.21	161.45	82.76	51.26
Power grid construction and consultation	48.04	129.74	(81.70)	(62.97)
Total	292.25	291.19	1.06	0.36

Cost of sales

Cost of sales from continuing operations mainly includes the cost of raw materials, staff costs, depreciations, cost of usage of machineries, water, electricity, gas and other ancillary materials. Cost of sales from continuing operations for the six months ended 30 June 2014 was approximately RMB167,043,000, representing approximately 57% of the Group's turnover, showing a decrease when compared with that of approximately 69% for the corresponding period in 2013.

Gross profit

Gross profit from continuing operations increased by approximately 40% to approximately RMB125,208,000 (30 June 2013: approximately RMB89,587,000) which was mainly derived from the operating result of power-related business. The gross profit margin for the six months ended 30 June 2014 also increased to 43% from approximately 31% for the six months ended 30 June 2013. As a result of the acquisition of Hongsong in January 2013, a new source of income from wind power generation which had higher gross profit margin leads to an increase in gross profit of the Group.

Other revenue and net income

Other revenue and net income from continuing operations mainly comprised of tax refund from government (30 June 2014: approximately RMB7,326,000; 30 June 2013: nil), government subsidy income (30 June 2014: approximately RMB1,820,000; 30 June 2013: approximately RMB2,003,000) and interest income on financial assets not at fair value through profit or loss (30 June 2014: approximately RMB449,000; 30 June 2013: approximately RMB380,000) and revaluation gain on convertible bonds (30 June 2014: approximately RMB2,142,000; 30 June

2013: nil). The significant decrease in other revenue and net income from continuing operations was mainly due to the absence of gain from a bargain purchase arising from acquisition of Hongsong (30 June 2014: nil; 30 June 2013: approximately RMB87,165,000), gain on disposal of the then subsidiary, Sun Light (30 June 2014: Nil; 30 June 2013: approximately RMB9,084,000), rental income from operating leases relating to plant and machinery (30 June 2014: nil; 30 June 2013: approximately RMB10,803,000).

Distribution costs

Distribution costs from continuing operations mainly include commission expenses from sales and distribution activities, depreciation expenses, wages and salaries of sales personnel, travelling expenses and transportation costs. Distribution costs for the six months ended 30 June 2014 represented approximately 0.3% of the Group's total turnover, which is similar to that of approximately 1% for the corresponding period in 2013.

Administration expenses

Administration expenses from continuing operations mainly included wages, salaries and welfare expenses, redemption cost, professional fees, entertainment expenses, travelling expenses, insurance expenses, other taxation expenses, exchange difference and provision for account receivables and other receivables. It increased significantly by approximately 287% to approximately RMB54,972,000 for the period ended 30 June 2014 when compared with that of approximately RMB14,200,000 for the six months ended 30 June 2013. The increase was mainly due to foreign exchange loss of approximately RMB7,461,000 arising from the appreciation of the carrying amount of bank loans and debts denominated in USD and provision for account receivables and other receivables amounting to approximately RMB25,420,000.

Finance costs

Finance costs from continuing operations referred to interest expenses and bank charges on bank loans obtained, promissory note and convertible bonds/note issued by the Group. It amounted to approximately RMB64,683,000 for the six months ended 30 June 2014 while it amounted to approximately RMB85,639,000 in the corresponding period of 2013.

Taxation

Taxation from continuing operations increased significantly from approximately RMB8,162,000 for the six months ended 30 June 2013 to approximately RMB29,943,000 for the six months ended 30 June 2014. Such an increase was mainly due to the better operating performance of Hongsong in the period.

Net (loss)/profit for the Period

The net loss from continuing operations was approximately RMB13,907,000 for the six months ended 30 June 2014 whereas the net profit for the six months ended 30 June 2013 was approximately RMB56,114,000. The loss was mainly due to the poor performance of the business of power grid construction which outweighed the significant improvement in the operating result of wind farm business.

Net current assets

The net current assets of the Group as at 30 June 2014 increased significantly to approximately RMB88,837,000 when compared with that of approximately RMB5,753,000 as at 31 December 2013.

Liquidity and financing

The cash and bank balances as at 30 June 2014 and 31 December 2013 were approximately RMB119,570,000 (mainly denominated in RMB, USD and HKD, which amounted to approximately RMB119,238,000, USD26,000 and HKD211,000 respectively) and approximately RMB135,015,000, respectively.

As at 30 June 2014, total interest bearing borrowings of the Group amounted to approximately RMB1,932,035,000, representing an increase of approximately 13% when compared with the balance of approximately RMB1,708,192,000 as at 31 December 2013. Such an increase was mainly due to the new loan borrowed to finance the construction of Hongsong's phase 9 Project – Yuanhui Project.

The Group mainly settles its debts through its steady, recurrent cash-flows from operations. The Group's gearing ratio slightly increased to approximately 80% as at 30 June 2014 from approximately 72% as at 31 December 2013. That ratio was calculated by dividing the Group's total liabilities by its total assets. During the first half of 2013, all of the Group's borrowings were settled in Renminbi ("RMB"), United States dollar ("USD") and Hong Kong Dollar ("HKD"). Over 99% of the Group's income was denominated in Renminbi, and the remaining was denominated in Hong Kong dollar. Among the interest-bearing borrowings of the Group, approximately RMB29,712,000 were fixed rate loans, while RMB1,902,323,000 were variable rate loans. The Group had not engaged in any currency hedging facility for the six months ended 30 June 2014 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

On 12 December 2013, the Company entered into the subscription agreement with Investec Bank Limited (the “Subscriber”), to which the Company agreed to issue and the Subscriber agreed to subscribe for the zero coupon unsecured convertible bonds in the principal amount of HKD30,000,000.

In February, March and April 2014, conversion rights attached to the convertible bonds in an aggregate amount of HKD1,500,000, HKD1,500,000, HKD2,500,000, HKD1,500,000, HKD4,000,000, HKD1,500,000 and HKD1,500,000 were exercised at conversion price of HKD1.89, HKD1.88, HKD1.87, HKD1.85, HKD1.80, HKD1.79 and HKD1.76 respectively, resulting in an issue of a total of 7,632,000 ordinary shares of the Company. The outstanding principal amount of the convertible bonds was HKD16,000,000 as at the date of this announcement.

The proceeds was applied as general working capital of the Group. Details of the usage of proceeds was set out in the announcement of the Company dated 23 July 2014.

Acquisition

Acquisition of interest in Hebei Hongsong Renewable Energy Investment Co., Ltd.

On 15 November 2013, an indirect wholly-owned subsidiary of the Company, Chengde Beichen High New Technology Co., Ltd. (“Beichen Hightech”) entered into an acquisition agreement with the vendors, namely, Cheng Jinyuan, Sun Haiquan, Gu Zhanjun, Dai Wei, Liu Lingyu, Zhou Mingsheng, Cao Xuejuan and Li Zhe, pursuant to which the vendors conditionally agreed to dispose of, and Beichen Hightech conditionally agreed to purchase approximately 20.93% equity interest of Hongsong Renewable Energy at a total consideration of RMB107,490,500.

As some of the relevant percentage ratios (as defined in the Listing Rules) exceeds 5% but none of them is greater than 25%, the acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under the Listing Rules.

The above acquisition has been registered with the relevant administration for industry and commerce and new business licence of Hongsong Renewable Energy has been issued on 4 December 2013.

Further to the above acquisition, on 3 December 2013, 11 December 2013 and 18 March 2014, Beichen Hightech entered into agreements with vendors to acquire additional 17.80%, 12.25% and 26.00% of the equity interests in Hongsong Renewable Energy at considerations of RMB91,374,400, RMB62,879,700 and RMB147,298,800 respectively. Upon the completion of those acquisitions, the equity interests Hongsong Renewable Energy held by Beichen Hightech has been increased by 56.05% from 20.93% to 76.98%.

The acquisition of additional 56.05% equity interest in Hongsong Renewable Energy constitutes a major acquisition for the Group pursuant to Chapter 14 of the Listing Rules. The aforesaid acquisition as approved at the extraordinary general meeting of the Company on 19 May 2014 and was completed on 4 June 2014.

Upon completion of the aforesaid acquisitions of an aggregate of 56.05% equity interest of Hongsong Renewable Energy, Beichen Hightech controls approximately 76.98% equity interest in Hongsong Renewable Energy, and hence controls approximately 35.06% shareholdings in Hongsong. In addition to approximately 50.30% shareholdings in Hongsong that the Group currently controls, the aggregate shareholdings in Hongsong has increased to approximately 85.36%.

Details of the Acquisitions are set out in the announcements of the Company dated 15 November 2013, 3 December 2013, 11 December 2013, 18 March 2014 and 19 May 2014, respectively, and the circular of the Company dated 29 April 2014.

Termination of placing of non-listed warrants

On 12 May 2014, the Company entered into a placing agreement with Cinda International Securities Limited (the “Placing Agent”) pursuant to which the Placing Agent conditionally agreed, on a best effort basis, to procure not less than six (6) placees to subscribe for a total of up to 115,000,000 warrants at a price of HK\$0.03 per warrant, each with right to subscribe for share at a subscription price of HK\$1.3 per share. As certain conditions of the placing agreement had not been fulfilled, the placing agreement was terminated on 30 June 2014. Please refer to the announcements of the Company dated 12 May 2014 and 30 June 2014 for further details.

Pledge of assets

As at 30 June 2014, the Group had pledged leasehold land and buildings with net book values of approximately RMB2,467,000 (31 December 2013: approximately RMB2,538,000), trade receivables with a carrying value of approximately RMB25,601,000 (31 December 2013: approximately RMB9,359,000), and certain property, plant and equipment (excluding leasehold land and buildings) with a carrying value of approximately RMB928,197,000 (31 December 2013: approximately RMB963,916,000) as security for the bank loans obtained by the Group.

As at 30 June 2014 and 31 December 2013, the entire issued share capitals of certain subsidiaries and part of the issued share capitals of certain subsidiaries were pledged for the bank loans obtained by the Group.

Contingent liabilities

As at 30 June 2014 and as at 31 December 2013, the Group had no material contingent liabilities.

Employees

As at 30 June 2014, the Group had approximately 680 full-time employees (30 June 2013: 700 employees) in Hong Kong and the PRC. For the six months ended 30 June 2014, the relevant staff costs from continuing operations (including Directors' remuneration) were approximately RMB20,791,000 (30 June 2013: approximately RMB16,760,000). 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.

Non-adjusting events after the reporting period

Bond issuance

On 10 July 2014 (after trading hours), the Company entered into the Placing Agreement with Convoy Investment Services Limited ("Convoy"), whereby the Company has agreed to issue and Convoy has agreed, on a best efforts basis, to act as placing agent to procure subscribers to subscribe for the non-listing, 7% per annum bonds of up to HK\$150,000,000 in principal amount, maturing on the 7th anniversary of the date of issue ("Bonds").

The maximum gross and net proceeds from the issue of Bonds will be approximately HK\$150,000,000 and HK\$138,000,000. The Company intends to use the net proceeds from the Bonds Issue for (i) settling any liabilities arising from previous acquisitions of business by the Group; and (ii) general working capital of the Group.

Details of the issue of Bonds are set out in the announcement of the Company dated 10 July 2014.

Cooperation agreement with China Create Financial Holding Group Co., Ltd. ("China Create")

On 25 July 2014, the Company entered into a cooperation agreement with China Create in respect of development financing.

Details of the cooperation agreement are set out in the announcement of the Company dated 25 July 2014.

2. Business Review

Looking back at the first half of 2014, profits from the Group's wind power business took a big leap from the same period last year. It was set off by significant losses from the power grid construction business, leading to a loss for the Group.

On 4 June 2014, the Group completed the acquisition of additional equity interests in Hongsong Renewable Energy (the second largest shareholder of Hongsong) resulting in a total shareholding of 76.98% through its indirect wholly-owned subsidiary, Beichen Hightech, increasing the Group's control in Hongsong to 85.36%.

Wind Power Business

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 of Hongsong is 398.4MW. 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). Apart from the sale of electricity, Hongsong has also developed a Gold Standard Clean Development Mechanism (CDM) Project that qualifies for providing carbon credits, thereby expanding income sources of Hongsong. The net profit of Hongsong amounted approximately RMB87 million for the six months ended 30 June 2014 (for six months ended 30 June 2013: approximately RMB24 million).

The development project of Hongsong made steady progress in the first half of 2014. Hongsong Phase 9 Project – Yuanhui Project successfully went on grid on 29 December 2013 and commenced full commercial operation in 2014. It is expected to have positive impact on the Group's results for 2014. On the other hand, the approval process of Phase 10 Jifeng Wind Power Project is progressing smoothly. Hongsong has already obtained the project approval letters from the relevant government departments, and is submitting other documents such as feasibility study report and environmental protection assessment report, striving to commence power generation as soon as possible. It is expected that Hongsong Phase 10 Project will have a design installation capacity of 49.5MW, and is expected to bring to the Company an additional electricity output of approximately 100,000,000 kWh per annum. With the total installation capacity of Hongsong will reach 447.9MW by that time, it is anticipated that the Group's revenues from the operation of wind farms will record a significant increase correspondingly.

Since the acquisition of Hongsong, the Group has enhanced the positive development of Hongsong through the effective reorganisation of its resources and management. The transaction involving the transfer of the entire equity shareholding of Langcheng, the Group's another wind farm, has been completed and is expected to bring along substantial synergy. Langcheng, an indirect wholly-owned subsidiary of the Group, is equipped with a wind farm which is located in Shangtoudi of Hexigten Qi and possesses an installation capacity of 596.4MW. Langcheng's wind farm is expected to commence grid-connected power generation in the near future to bring revenues and earnings to the Group. Due to the proximity of distance between the two wind farms and similarity of mode of operation of the wind farms of Hongsong and Langcheng, the strength of wind power business segment of the Group becomes more prominent and enjoys complementary advantages. There is potential for their development into a large-scale wind farm with a total capacity of over 1,000MW subsequent to the integration. The Group will strive to unleash its full potential in the wind power business through construction and integration of the wind farms, which in turn will significantly strengthen the cash flows and earnings of the Group and will yield higher return to shareholders and investors.

Production of Wind Turbine Blades

Due to fluctuations in the wind turbine equipment market, sales of the wind turbine blades production business operated by Ruifeng Windpower, an indirect wholly-owned subsidiary of the Company, remained less than satisfactory for the first half of the year. The business segment recorded a loss of approximately RMB0.95 million for the first half of the year (for the six months ended 30 June 2013: a loss of approximately RMB1.03 million). In the future, the wind turbine blades production business is expected to benefit from the Group's integration and development of wind farm operations with the creation of new business opportunities for the business segment, leading to a gradual recovery of the segment's profitability.

Power Grid Construction Contracts and Consultation

For the six months ended 30 June 2014, the power grid construction contract business operated by Beichen Power Grid, an indirect wholly-owned subsidiary of the Company, recorded a significant loss of approximately RMB69.58 million (for the six months ended 30 June 2013: a profit of approximately RMB4.39 million). The loss was mainly attributable to the transient periodic market fluctuations within the power grid construction industry, more intense market competition, lowered bidding price and the setback in the income from newly signed construction contracts. It was further dragged by a significant increase in the costs under delays in the construction period of contracts signed in the past.

The continual development and operation of its renewable energy business represent the Group's principal business direction as now and in the future, and also an existing major source of income of the Group. Comparing to the renewable energy business that possesses stable cash stream and stronger profitability, the power grid construction contracts and consultation business has recorded deteriorating financial results since 2013 and is expected to gradually lose its importance without a turnaround in the short term.

3. Outlook

The Twelfth Five-Year Plan promulgated by the Chinese government that declared strong support to the renewable energy sector. Guided by the direction of streamlining administration and delegating power of the current Central Government, the National Energy Administration launched the "Interim Measures for Supervision and Administration of Grid Access for Newly Built Power Supply" (《新建電源接入電網監管暫行辦法》) that secures grid access for renewable energy power in a fair manner. Industry analysts generally are of the view that the launch of this policy will help to positively accelerate the development of the wind power and other renewable energy industries through enhancing the grid connection from new energy projects such as wind power and photovoltaic, and reducing waste wind and light. During the first half of the year, the National Energy Administration also issued the Notice regarding Wind Power Grid Connection and Utilisation in 2014 (《關於做好2014年風電並網和消納相關工作的通知》) (the "Notice"), which puts higher emphases on wind power utilisation and on-grid connection in order to further eradicate power curtailment through stepping up construction of

transmission channels from the wind farms, promoting the development and construction of dispersed wind power resources, enhancing the operation, coordination and management of on-grid wind power, improving wind power grid access and other measures, to promote healthy, systematic and continuous development of the wind power industry.

The Group continued to implement business restructuring during the first half of the year. First of all, the Group acquired additional shareholdings in Hongsong Renewable Energy to a total shareholding of 76.98% through its indirect wholly-owned subsidiary, Beichen Hightech, increasing the Group's control in Hongsong to 85.36%. This was followed by the completion of the transaction involving the transfer of the equity shareholding of Langcheng, the Group's another wind farm. The aim of the transaction was to fully utilise Hongsong's existing delivery channels in order to ensure a better prospects for development of the Group's wind power business. The above structural business reforms have streamlined the structure of Group and accentuated its principal businesses to enable more direct and effective implementation of the management's decisions.

On 25 July 2014, the Company and China Create entered into a development financing cooperation agreement. Established in 2004, China Create has a registered capital of RMB211 million and net assets of RMB1,030 million. It is a large consolidated financial services company headquartered in Shenzhen. Its 88 Wealth Online Investing and Financing Platform was elected as a strategic partner of the 13th Boao Forum for Asia. The "10 Billion China Create Saifu Industrial Buyout Investment Fund" and "10 Billion China Create Guofu Urban Renewal Industrial Investment Fund" promoted by 前海威廉金融控股有限公司, its wholly-owned subsidiary established in Qianhai, Shenzhen were officially registered in Qianhai in 2013. The Group and China Create will speed up the development of renewable energy business by way of cooperative development and acquisition. The renewable energy business includes development of wind farms, operation and maintenance of wind farms, development of solar PV generation plant and development of wind farms. The Group will build on its existing base in Hebei and Inner Mongolia and target the entire country and develop new wind power projects. In terms of the operation and maintenance of wind farms, the Group will gradually enhance its existing operation and maintenance business in Hebei area and extend to the surrounding areas. For the solar PV generation plant business, Hebei Hongsong Wind Power Co., Ltd., (a subsidiary of the Group), China Suntien Green Energy Co., Ltd., Yingli Energy (China) Company Limited and Jinglong Industrial Group Co., Ltd. jointly established Suntien Hebei Solar Energy Development Co., Ltd. (新天河北太陽能開發有限公司), with an aim to leverage on the advantages of all shareholder companies and speed up the development of Hebei solar PV power generation plant, targeting the national market.

After years of unremitting efforts, the Company enjoys stronger entity industrial support, more solid platform, and clearer principal business and strategic position. In the future, the Group will gravitate towards its existing assets and focus its efforts on the development and enhancement of existing renewable energy resources. Paralleled to the scale expansion and efficiency enhancement of its wind farm operation, the Group will integrate the advantages of all parties with its own to further consolidate its position in the renewable energy industry.

The Group will also aggressively identify possible synergistic opportunities between different business segments to boost and strengthen the revenue and profitability of different segments during the course of business and resource reorganisation, with the objective of building the Group into a renewable energy supplier and overall operation service provider with higher competitiveness.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance in order to enhance the quality of management and protect the interests of shareholders of the Company as a whole. To honour 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. As at the date of this announcement, the Board comprises six Directors, including three executive Directors and three independent non-executive Directors. The Board will continue to review its practices from time to time in order to improve the Group's corporate governance to meet internationally recognised best practice.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted a code of conduct regarding Directors' 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 enquires 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 six months ended 30 June 2014.

Senior management and those staff who are more likely to be in possession of unpublished 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 six months ended 30 June 2014.

Compliance with the Corporate Governance Code

During the six months ended 30 June 2014, the Company has fully complied with the applicable code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules.

OTHER INFORMATION

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the shares in the Company during the six months ended 30 June 2014.

Share Option Scheme

For the six months ended 30 June 2014, no options were granted under the share option scheme operated by the Company and no options were exercised, cancelled or lapsed. No options were outstanding as at 30 June 2014.

Remuneration Committee

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

Nomination Committee

The Company has set up a nomination committee and the nomination committee comprises Mr. Li Baosheng, Mr. Zhang Zhixiang, Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin as at the date of this announcement.

Audit Committee

The Company has established an audit committee, and as at the date of this announcement, the audit committee comprises Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin, being all the independent non-executive Directors. The unaudited interim results have not been audited or reviewed by the auditor of the Company, while the audit committee has reviewed the unaudited financial results of the Group for the six months ended 30 June 2014, this announcement and the interim report. The audit committee has also discussed matters such as internal control practices adopted by the Group and the financial reporting matters of the Group for the six months ended 30 June 2014.

Publication of Information on the Stock Exchange Website

The interim report of the Company, containing all the information required by the Listing Rules, will be sent to shareholders of the Company and published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.c-ruifeng.com), respectively, in due course.

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

Hong Kong, 28 August 2014

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