



2013

ANNUAL REPORT

CHINA WINDPOWER GROUP LIMITED

FOR THE YEAR
ENDED 31 DECEMBER 2013

STOCK CODE : 182

Contents

| | |
|---|-----|
| Corporate Information | 2 |
| Chairman's Statement | 3 |
| Management Discussion and Analysis | 5 |
| Biographical Details of Directors and Senior Management | 13 |
| Report of the Directors | 16 |
| Corporate Governance Report | 24 |
| Independent Auditor's Report | 33 |
| Consolidated Income Statement | 35 |
| Consolidated Statement of Comprehensive Income | 37 |
| Consolidated Balance Sheet | 38 |
| Balance Sheet | 40 |
| Consolidated Statement of Changes in Equity | 42 |
| Consolidated Cash Flow Statement | 44 |
| Notes to the Consolidated Financial Statements | 46 |
| Five Year Financial Summary | 171 |

Corporate Information

Board of Directors

Executive Directors

Mr. Liu Shunxing

(Chairman)

Mr. Ko Chun Shun, Johnson

(Vice Chairman)

Mr. Yang Zhifeng

(Chief Executive Officer)

Mr. Wang Xun

Ms. Liu Jianhong

Mr. Yu Weizhou

Mr. Zhou Zhizhong

Ms. Ko Wing Yan, Samantha

Independent non-executive Directors

Dr. Wong Yau Kar, David, BBS, JP

Mr. Yap Fat Suan, Henry

Dr. Shang Li

Ms. Huang Jian

Company Secretary

Mr. Chan Kam Kwan, Jason

Auditor

PricewaterhouseCoopers

Certified Public Accountants

Bankers

China Development Bank

Agricultural Bank of China

Industrial and Commercial Bank of China

Standard Chartered Bank

Hang Seng Bank

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Chairman's Statement

Dear Shareholders:

On behalf of the board of directors (the "Board") of China WindPower Group Limited (the "Company" or the "Group"), I hereby present to shareholders the 2013 annual results of the Group. The consolidated revenue and profit attributable to equity holders of the Company for the year ended 31 December 2013 were HK\$1,882,610,000 and HK\$151,117,000, respectively. Basic earnings per share were 2.03 HK cents. The Group's profit increased significantly compared to last year. As of 31 December 2013, the Group's net assets stood at HK\$4,993,886,000.

In 2013, the Group maintained a stable safety production; total power generation generated from the Group's power plants grew substantially to 2,400.48 million kwh, 17.5% increase compared to 2012. This year, the Group accelerated the business strategy of restructuring its assets composition. The Group had 13 continuation and newly constructed wind and solar power plants in the year, with a total capacity of 554MW; of which 12 power plants, 504MW were located in area with no grid curtailment. As these power plants commence operation, the profitability of the Group's power plants investment will heighten.

Moreover, the Group sold down equity stakes in power plants in the North with heavy curtailment or with potential curtailment risk. With the sales and the divestment into quality solar power plants and wind power plants in the South, the Group's assets composition was further optimized, enhancing the Group's ability to combat economic risks.

This year, the Group continued to adjust its human resources and structure. Since end of 2012, the Group has down sized the number of employees from 1,586 to 1,148. Through improving every operational management, the Group's expenses and costs dropped significantly.

Analyzing from the Group's internal development and external conditions, we can say that the Group has come out and rebounded from its lowest point with a new development.

Internally, after two years of continuous hard work, we have strengthened our safety management and implemented different measures to increase power generation; we firmly developed wind power plants in the South and expanded into the solar sector; we optimized our power plant resources and added capacity in areas with no curtailment; we cut every possible operational expenses; we strengthened our financing capability and invested in more wholly or majority owned power plants; all these strategies have become effective. Furthermore, we raised capital from the capital market to enhance our working capital for the development and we also brought in new joint venture partners to explore new co-operative developments. Through such efforts, the results of the Group improved, share price performed and employees' stock options became more valuable. With all the hard work in the past two years, the Group has grown stronger.

Chairman's Statement

Externally, in 2013, China continued to intensify the support for solar power development; orderly redirect wind power development in midland and southern areas; and rectify the timely payment of renewable energy tariff subsidy. Grid curtailment in the North has generally improved with few exceptions areas including Jilin. As air pollution worsens, we expect China will further encourage the development of renewable energy and the State Grid will accelerate the planning and constructions of transmission lines to increase power transmission capacity. In January 2014, NEA announced the plan to add 18GW of wind power capacity and 14GW of solar power capacity which are both higher than the installed capacity in 2013. Thus, we continue to see a bright and promising development prospect and a favorable growth opportunity ahead.

In 2014, the group will seize the sound industry development opportunity and increase our investments in solar power projects and wind power projects in the South, as well as wholly or majority own quality wind and solar power plants. We will strengthen our safety production to increase profitability of power plants; grasp the opportunity of industry expansion to enhance the productivity of EPC; optimize equity and assets structure through capital management; and implement scientific measures to control costs.

The prospect of renewable energy development is broad, meaningful and crucial. After years of hard work, the Group has built a solid foundation for future development. All members of the Group will strive our best for the renewable energy development and environmental improvement and deliver strong results to shareholders in 2014.

Liu Shunxing

Chairman

Hong Kong, 20 March 2014

Management Discussion and Analysis

I. Operating Environment

In 2013, world economy continued to recover, but at an uneven recovery pace; the economic growth in developing countries was still much faster than the developed countries. In 2013, China maintained a steady economic growth, with an annual GDP of RMB56,884.5 billion representing a 7.7% increase compared to 2012, and total accumulated electricity consumption of 5,322.3 billion kWh, an increase of 7.5% compared to 2012.

In 2013, China continued to suffer from severe haze attack and environmental pollution had become a major livelihood issue. China attached more attention to the development of renewable energy and the State Council officially issued two important documents to plan for the future energy composition and enhance the proportion of renewable clean energy in the energy consumption structure. In January, “the 12th Five-Year Plan of Energy Development” was released, which proposed the “increasing of non-fossil energy consumption from 8.6% in 2010 to 11.4% in 2015” as a binding target. In September, the “Atmospheric Pollution Prevention Plan (2013-2017)” was issued to suggest raising the proportion of non-fossil energy consumption to 13% in 2017.

In addition, the Chinese government continued to introduce major policies and measures to address curtailment, grid connection, renewable energy tariff subsidies and other issues which constrained the development of renewable energy. In February, the National Energy Administration (NEA) issued “Notice on Better Executing Wind Power Grid Connection and Power Consumptive Related Work in 2013,” which called for intensifying power consumptive research programs in resource-rich regions and supporting the strengthening of wind power grid construction to promptly resolve grid curtailment problem. In July, the State Council published the “Opinions on Promoting the Healthy Development of the Solar PV Industry” to encourage the development of distributed solar, orderly carry out the construction of solar power plants, and put forward requirements for the tariff subsidies and settlement processes. Subsequently, the Ministry of Finance issued “Notice on the Problems regarding Implementation of Distributed Solar in accordance with Power Subsidy Policy”, refining the subsidy payment process, while requiring improvement in managing the pool of subsidies for the solar power plants and large-scale wind power plants and resolving the historical outstanding subsidy payments within a stated time. In September, the NEA sent out a notice stating that the grid consumptive conditions and electricity billing of wind power and solar power will be monitored in 10 provinces or municipalities through governing the implementation of the documents and regulations.

During the year, the Chinese government vigorously promoted the approvals and constructions of ultra-high voltage power (UHV) transmission line in Northwest, Inner Mongolia and other regions to improve the consumptive capacity of power grid for wind power through technological advancement; promoted the transmission of surplus wind power from Northeast Power Grid to North China Power Grid; and put forth the implementation of wind power heating and other projects, to effectively alleviate the grid curtailment problem.

Under the evolving industry environment, China’s wind power industry maintained a steady growth and the solar power industry achieved a rapid development in 2013.

Management Discussion and Analysis

II. Business Review

In 2013, the Group's consolidated revenue amounted to HK\$1,882,610,000 (2012: HK\$1,099,819,000), increased by 71.17% compared to last year; profit attributable to equity holders of the Company totaled HK\$151,117,000 (2012: HK\$40,386,000), increased by 274.18% compared to last year. The Group's basic earnings per share were 2.03 HK cents (2012: 0.55 HK cents). The Group's fully diluted earnings per share were 2.03 HK cents (2012: 0.55 cents).

At the end of 2013, the Group's net asset value totaled HK\$4,993,886,000 (2012: HK\$4,454,998,000) and its cash and cash equivalents were HK\$1,850,209,000 (2012: HK\$731,167,000).

(1) Power Plant Investment, Development and Operation Business

(1) Power Plant Generations

In 2013, the Group's power plants generated electricity output of 2,400.48 million kWh in total, up 17.5% compared to 2012, of which wind power generation was 2,258.55 million kWh and solar power generation was 141.93 million kWh. The output attributable to the Group was 1,146.26 million kWh, representing an increase of 14.8% compared to 2012. Attributable electricity output generated by wind power plants and solar power plants was 1,009.62 million kWh and 136.64 million kWh, respectively.

This year, the revenue from the Group's consolidated power plants was HK\$114,273,000 (2012: HK\$63,064,000) and the share of results of associates and jointly controlled power plants was HK\$63,266,000 (2012: HK\$38,753,000).

In 2013, the availability rate of wind turbines achieved 95.25% (2012: 97.06%). The weighted average utilization hours of the Group's wind power plants increased significantly to 1,871 hours (2012: 1,568 hours). The availability rate of the Group's solar power plants was 96.27% (2012: 99.12%), and the weighted average utilization hours were 1,551 hours (2012: 1,598 hours). The average grid curtailment rate of the Group's power plant was 17.6% (2012: 26.9%).

This year, the weighted average tariff rate of the Group's wind power plants was RMB0.5583/kWh (including VAT) (2012: RMB0.5704/kWh). The weighted average tariff rate of the Group's solar power plants was RMB1.169/kWh (including VAT) (2012: RMB1.271/kWh).

(2) Disposal of Equity Interests in Power Plants

In 2013, the Group restructured and optimized asset structure, disposed several operational power plants and some power projects which were under development; at the same time, lower equity stake in certain power plants in the heavy curtailment areas. The Group achieved gain of HK\$178,109,000 (2012: HK\$205,011,000) from the disposals and restructuring.

Management Discussion and Analysis

II. Business Review *(Continue)*

(1) Power Plant Investment, Development and Operation Business *(Continue)*

(3) ***Newly Added Installed Capacity***

In 2013, there were 5 continued projects and 8 new projects under construction with capacity of 243MW and 311MW, respectively. The total under construction capacity was 554MW. The Group also had 7 new power plants commenced operation, with total capacity of 265MW and attributable capacity of 158MW; of which 4 were wind power plants with capacity of 194MW and attributable capacity of 87MW and 3 were wholly-owned solar power plants with capacity of 71MW.

As at the end of 2013, the Group had 35 grid-connected wind and solar power plants, with a total capacity of 1,526MW and attributable capacity of 702MW; of which 25 were wind power plants with total capacity of 1,355MW and attributable capacity of 548MW and 10 were solar power plants with total capacity of 171MW and attributable capacity of 154MW.

(4) ***Project Development and Resource Reserves***

In 2013, the Group obtained 16 final project approvals (total capacity of 740MW) from the provincial energy authorities, including 6 wind power projects with total capacity of 300MW and 10 solar power projects with total capacity of 440MW. These projects are located in central and southern regions with good construction and grid connection conditions, which are expected to generate good investment returns upon completion. At the end of 2013, the Group possessed 1,074MW of wind power project approvals and 420MW of solar power project approvals. These projects are expected to be built within the next two years.

According to the "Third Batch of Wind Farm Project Approvals under the 12th Five-Year Plan" issued by NEA, the Group got 18 wind power projects (total capacity of 880MW) enlisted in the third batch; 16 of which were in southern regions with good construction and grid connection conditions.

This year, the Group also attained initiation approvals for 14 power projects with total capacity of 500MW from the provincial energy authorities, which include 6 wind power projects with total capacity of 300MW and 8 solar power projects with total capacity of 200MW. By the end of 2013, the Group had obtained initial approvals for a total of 2,180MW wind and 520MW solar power projects and is actively applying for the final approvals.

In 2013, the Group signed 1,550MW wind power and 1,410MW solar power exclusive development right agreements. As at the end of 2013, the Group's wind resources amounted to over 28GW and solar power resources totaled to 6.5GW, which ensure the sustainable development of the Group.

Management Discussion and Analysis

II. Business Review *(Continue)*

(1) Power Plant Investment, Development and Operation Business *(Continue)*

(5) Clean Develop Mechanism (CDM) Development

The European economic crisis has led to shrinkage in the carbon credit market, thus CERs prices remained low and the default risk by the buyer had increased significantly. In 2013, the Group made an impairment on all outstanding CDM accounts receivable from the associates or jointly controlled power plants and the total impairment loss was HK\$76,165,000 (2012: HK\$6,190,000) in 2012, the Group accounted for HK\$31,408,000 of loss from derecognition of CERs receivables of the Group's joint ventures.

(6) Financing

In 2013, the Group continued to deepen cooperation with large financial institutions, the ability to provide financing guarantee was further recognized. Several on-shore banks have provided a hefty credit line to support the Group's development of wholly owned power projects. At the same time, the Group also introduced a strategic partner and raised equity capital to strengthen the Group's cash flow and balance sheet. Capital raised will be used for the development and construction of the Group's wholly-owned power projects.

In 2013, the Group's wholly owned subsidiaries, associates and joint ventures obtained additional HK\$3,093,000,000 loans from various financial institutions, in which HK\$2,127,000,000 is off balance sheet under the Group's associates and joint ventures.

(2) Renewable Energy Service Business

In 2013, the number of projects undertaken by EPC segment increased and mostly as a "total solution" contract, which include the complete package of design, consultancy, equipment supply, procurement and construction. Thus, the revenue grew substantially, but overall profit margin was low due to minimal profit margin in the equipment supply and procurement businesses. Also, in the meantime, the Group combined the equipment manufacturing and EPC segments and generated some human resources and other redundancy costs.

(1) Engineering, Procurement & Construction (EPC)

In 2013, the Group's EPC companies undertook 16 external and internal EPC projects with a total capacity of 854MW, completed 12 equipment procurement projects (610MW) and finished 224 feasibility studies and various design consultancy services to internal and external customers.

During the year, the Group's EPC companies undertook 300MW wind power EPC project for China Power Investment Group's Huolinhe recycling economy demonstration project and Huaneng New Energy Co. Limited's 100MW solar power EPC project. Of which, 200MW of the wind power plants and 100MW solar power plant commenced operation as agreed in the contracts.

Management Discussion and Analysis

II. Business Review *(Continue)*

(2) Renewable Energy Service Business *(Continue)*

(1) Engineering, Procurement & Construction (EPC) *(Continue)*

During the year, the Group's design company passed the review by China Consulting Association and was awarded the qualification of "Qualified Engineering Consulting Unit Class B" and project management certification; fulfilled the ISO9001 quality management system audit and obtained "Quality Management System Certification"; and satisfied the high-tech enterprise qualification review for the "high-tech enterprise certificate".

During the year, the Group's EPC company generated a total revenue of HK\$1,643,670,000 (2012: HK\$907,441,000).

(2) Power Plant Operation and Maintenance (O&M)

In 2013, the Group's power plant O&M companies focused on strengthening the operating and overhaul capabilities. The power plants under the O&M contract operated stably and exceeded the annual power generation plan. Equipment availability, failure numbers and other indicators were within controllable range. There were no personal injuries, major equipment or fire accidents, nor any environmental pollutants or events that would impact the normal operation of the power grid. We were able to maintain a steady production in a safe environment. Meanwhile, the O&M companies actively undertook regular inspection and maintenance services to external power plants; provided equipment preventive tests, technical renovation overhaul, wind power forecast and other services to internal and external power plants.

In 2013, the Group's O&M unit had provided service to 43 wind and solar power plants, 10 of which were to external wind and solar power plants. In addition, 20 scheduled inspection service contracts were signed with turbine manufacturers, and 15 service contracts for preventive tests, technical renovation overhaul and wind power forecast were signed with power plants.

In 2013, the O&M business segment contributed revenue of HK\$124,667,000 (2012: HK\$129,314,000).

III. Liquidity and Financial Resources

As at 31 December 2013, the Group had cash and cash equivalents of approximately HK\$1,850,209,000 (2012: HK\$731,167,000). As at that date, the current ratio was 1.18 times (31 December 2012: 1.69 times), gearing ratio (long term debt divided by owner's equity) was 0.26 (31 December 2012: 0.30). At the end of the reporting period, the Group's borrowings amounted to HK\$2,330,192,000 (31 December 2012: HK\$1,382,087,000), and the consolidated net assets of the Group stood at HK\$4,993,886,000 (31 December 2012: HK\$4,454,998,000).

Management Discussion and Analysis

III. Liquidity and Financial Resources *(Continue)*

(1) Foreign Exchange Risk

In 2013, the Group's principal businesses (including capital expenditures) were dominated in Renminbi. The Group did not engage in the use of any financial instruments for hedging purpose.

(2) Charge of Asset

As of 31 December 2013, equipment of the Group was pledged as security for outstanding loan of RMB993,846,000.

(3) Contingent Liability

The Group has pledged its share of equity interests of one joint ventures (2012: 5) with total value of its share of registered capital held by the Group amounted to HK\$47,365,000 (2012: HK\$341,913,000) as security for the bank loans of joint ventures.

Gansu Guazhou Century Concord Wind Power Co., Ltd. ("Guazhou"), a joint venture of the Group, signed a loan agreement with total amount of US\$140,000,000 with International Finance Corporation ("IFC"). The principle amount of the loan was US\$99,556,000 and the outstanding balance as at 31 December 2013 was US\$78,725,000. Pursuant to the guarantee agreement signed with IFC, the Group has provided the corporate guarantee to IFC and pledged its subsidiary's 49% equity interests of Guazhou company, with total value of HK\$417,014,000 (2012: HK\$404,352,000).

The Group provided RMB300 million guaranteed loans for Jianghua Yao Autonomous County Century Concord Wind Power Co., Limited, a joint venture of the Group. As at 31 December 2013, withdrawal amounted to RMB180,000,000.

Save as mentioned above, the Group did not have any significant contingent liabilities as at 31 December 2013.

(4) Commitments

As at 31 December 2013, the Group had capital commitments of HK\$841,973,000 (2012: HK\$566,434,000) which were not accounted for in the financial statements. The amount was mainly the capital committed for investment in power plants of HK\$582,590,000 (2012: HK\$343,892,000) and capital committed for the payment for equipment purchased by subordinate project companies of HK\$259,383,000 (2012: HK\$222,542,000).

Management Discussion and Analysis

IV. Staff and Remuneration

As at 31 December 2013, the Group had 1,148 (31 December 2012: 1,586) full-time employees — 105 for the Group's headquarter, 378 for project development and management, 219 for EPC and 446 for O&M.

During the year, the staff cost was HK\$149,965,000 (2012: HK\$157,349,000), representing a 4.69% drop compared to 2012.

V. Social Responsibility and Environmental Protection

The Group attached great importance to social responsibility and concern for employee's occupational health, safety and working ability advancement. The Group continuously provided university financial aids to wind power education and improved economic and education levels in underprivileged areas. The Group dedicates to develop renewable energies so as to reduce environmental pollution and the impact of climate change and to achieve a sustainable economic development.

In 2013, the Group's Zhangdong wind power plants ranked number 4 out of 70 in the grid-friendly wind power plants contest organized by Liaoning Power Grid Company and was granted the "friendly wind farm" title.

The Group has made eminent progress in emission reduction through its investment in wind and solar power projects. During the year, the Group's wind and solar power plants reduced carbon dioxide emissions by 2,490,000 tons, sulfur dioxide emission by 24,568 tons, and nitrogen oxide emission by 2,179 tons. Moreover, in contrast to coal-fired thermal plants, the Group's wind and solar power plants saved 837,400 tons of standard coal and 6,954,800 tons of water. At the end of the year, the Group's wind and solar power plants had cumulatively reduced carbon dioxide emission by 8,220,000 tons, sulfur dioxide emission by 81,622 tons, and nitrogen oxide emission by 7,224 tons. They had saved 2,779,500 equivalent tons of standard coal and 23,055,600 tons of water.

VI. Prospect

Clean renewable energy, including hydropower, wind power, nuclear power and solar power, will be the main direction in the adjustment of energy structure. The technologies of wind and solar power are maturing and becoming more commercial, thus will be the two major forces in the renewable energy development. Under the pressure of energy conservation globally and rectifying atmospheric haze in China, the growth in proportion of renewable energy in the energy consumption structure will be long-term and sustainable, bringing long-term benefits to the development of wind and solar power.

Management Discussion and Analysis

VI. Prospect *(Continue)*

In 2014, China will continue to enhance the support for wind power and solar power generation, mainly to resolve grid curtailment; instruct timely payment of the renewable energy subsidies; and strengthen construction of power transmission lines. The operating 800kV Hami-Zhengzhou UHV DC transmission line will effectively improve the transmission capacity of renewable energy power in Northwest region. The Jiuquan-Hunan, West Inner Mongolia-Changsha, Ximeng-Taizhou, UHV transmission lines that are planned for the transmissions of renewable energy will commence construction successively. In the national energy conference held in January 2014, China planned to install 18GW wind power capacity and 14GW solar power capacity in the year. Renewable energy will experience another bright and promising development period and the Group is faced with a favorable growth opportunity ahead.

In 2014, the Group will strive to achieve the following operational goals:

- (1) Increase efforts in project approvals and accelerate investments and constructions of wind power projects in the South and solar power projects.
- (2) Strengthen safety production and raise power plants profitability through implementing accountability of safety production at all levels, carrying out thorough inspection to eliminate all hazards and defects, focusing more on failure analysis and spare parts management; and lowering production cost while uplifting operation efficiency, so as to ensure a stable growth in power generation and returns in power plants.
- (3) Advance the ability of EPC companies to expand into external business and ensure constructions complete punctually; take full advantage of the capability of design company to improve equipment selection and design optimization, etc; maintain good relationships with suppliers through the procurement company so as to lower costs and ensure quality; and conduct more through construction preparation by ensuring the construction schedule and quality and by evaluating construction conditions in advance.
- (4) Continue to restructure and optimize asset composition by accelerating the disposal and replacement of existing assets in areas with severe grid curtailment or with potential curtailment risk and disposing inefficient assets while revitalizing the idle assets.
- (5) Continue to maintain good cooperation relations with China Power Investment, Huaneng Renewable, China Huadian and other large power companies and co-develop more projects.
- (6) Continue to implement various measures to improve management efficiency and control costs; advance management of development, construction, production, operation and maintenance; enhance corporate standardized management such as project management, information management, and system establishment; promote reform of rewards, punishments and incentives system; conduct audit and risk management and optimize organization and human resources structure.

In the coming year, the Group will work hard, seize the opportunity and achieve promising results at the back of a strong growth momentum to reward the support of shareholders.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Liu Shunxing, aged 52, joined the Group in 2007. He has become the Chairman of the Company since June 2009. He is also a director of various subsidiaries of the Group. Mr. Liu holds a Bachelor degree of Electricity Generation from Tianjin University and a Master degree of Energy Source Economy Management from the Management College of Harbin Institute of Technology. Mr. Liu is the vice president of China Energy Research Institute, an executive of China Energy Council and a deputy director of the China Specialism Committee of Thermoelectricity. He was formerly the Vice CEO of China Energy Conservation Investment Corporation for eight years.

Mr. Ko Chun Shun, Johnson, aged 62, joined the Group in 2006 as the Chairman and was re-designated as Vice-Chairman of the Company since June 2009. He is also the deputy chairman and executive director of DVN (Holdings) Limited, the chairman and executive director of Reorient Group Limited and Varitronix International Limited. The above companies are all listed on the Hong Kong Stock Exchange. Mr. Ko is also a director of a subsidiary of the Group. Mr. Ko is the father of Ms. Ko Wing Yan, Samantha, an executive Director. Mr. Ko has extensive experience in a variety of activities, including manufacturing, securities trading, international trade, electronics and the renewable energy industry. He also has extensive experience in corporate finance, corporate restructuring and mergers and acquisitions.

Mr. Yang Zhifeng, aged 43, joined the Group in 2007. He has become the Chief Executive Officer (“CEO”) of the Company since 12 November 2013 and is also a director of various subsidiaries of the Group. Mr. Yang holds his Master degree in International Finance from Renmin University of China. He once worked in China Energy Conservation Investment Corporation and has extensive experience in industrial investment and corporate management.

Mr. Wang Xun, aged 47, joined the Group in 2007. He is a director of various subsidiaries of the Group. Mr. Wang holds an Executive Master of Business Administration from Cheung Kong Graduate School of Business. Mr. Wang has devoted himself to wind power industry since 1999. He had held senior management positions in Golden Concord Holdings Limited.

Ms. Liu Jianhong, aged 45, joined the Group in 2007. She is the Vice President of the Company and is also a director of various subsidiaries of the Group. Ms. Liu holds her Master degree from the Law School of Renmin University of China and an EMBA from China Europe International Business School. She was the Chief Legal Officer of China Energy Conservation Investment Corporation.

Mr. Yu Weizhou, aged 49, joined the Group in 2009. He is currently the Vice President of the Company and is also a director of various subsidiaries of the Group. He holds a Bachelor degree in statistics and a Master degree in finance from Renmin University of China and a Ph.D degree of Engineering Management from Xian University of Technology. Mr. Yu once worked in State Economic & Trade Commission, State Power Management Commission and China Shenhua-Guohua Energy Investment Ltd.

Biographical Details of Directors and Senior Management

Executive Directors *(Continued)*

Mr. Zhou Zhizhong, aged 57, joined the Group as Vice President in 2009, and had become the executive director of the Company since June 2011. He is also a director of various subsidiaries of the Group. Mr. Zhou holds a Master degree from Nanjing University of Science and Technology. He once worked in Jiangsu Electric Bureau, Nanjing Power Supply Bureau, the First Electric Power Construction Company of Jiangsu Province and the Golden Concord Group.

Ms. Ko Wing Yan, Samantha, aged 34, joined the Group in 2009. Ms. Ko holds a Bachelor Degree in Economics and Mathematics from Mount Holyoke College, and a Master Degree in Finance from the Imperial College Management School in London. She has over seven years of experience in banking and has extensive experience in the securities and capital markets, and was a director of global markets — structured credit and fund solutions of HSBC until August 2009. Before joining HSBC, Ms. Ko served in international investment banks including Morgan Stanley (in Hong Kong) and JP Morgan Securities Limited (in London). Ms. Ko is also the executive director of Reorient Group Limited, the shares are listed on the Hong Kong Stock Exchange. Ms. Ko is the daughter of Mr. Ko Chun Shun, Johnson who is the Vice Chairman and an executive Director.

Independent Non-Executive Directors

Dr. Wong Yau Kar, David, BBS, JP, aged 56, has been an independent non-executive director of the Company since 2006. Dr. Wong has extensive experience in manufacturing, direct investment, international trade and corporate finance and is currently the managing director of United Overseas Investments Ltd. Dr. Wong is elected as a Hong Kong Deputy of the 12th National People's Congress. Dr. Wong has been actively participating in public services and to name a few, he is currently Chairman of the Land and Development Advisory Committee and a commission member of the Exchange Fund Advisory Committee. In 2010, Dr. Wong was appointed as a Justice of Peace (JP), and in 2012, Dr. Wong was awarded a Bronze Bauhinia Star (BBS) for his valuable contribution to the society. Dr. Wong is currently a non-executive director of CIAM Group Limited, and an independent non-executive director of Reorient Group Limited, China Jiu hao Health Industry Corporation Limited, Shenzhen Investment Limited and Redco Properties Group Limited, the shares of which are all listed on the Stock Exchange.

Mr. Yap Fat Suan, Henry, aged 68, has been an independent non-executive director of the Company since 2006. He holds a master degree in Business Administration from the University of Strathclyde, Glasgow, in the United Kingdom. He is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in finance and accounting. He retired as the managing director of Johnson Matthey Hong Kong Limited in June 2007 and prior to that appointment he was the general manager of Sun Hung Kai China Development Limited. Mr. Yap is also an independent non-executive director of DVN (Holdings) Limited and Brockman Mining Limited, which are listed on the Hong Kong Stock Exchange.

Biographical Details of Directors and Senior Management

Independent Non-Executive Directors *(Continued)*

Dr. Shang Li, aged 39, has been currently an independent non-executive director of the Company in December 2012 and holds a Ph.D degree in Computer Engineering from Princeton University, USA. Dr. Shang has extensive experience and knowledge in cyber-physical systems, embedded systems, computer systems and nanotechnologies & etc. He is an Associate Professor of the Department of Electrical, Computer and Energy Engineering in University of Colorado at Boulder and the Chair Professor in Tongji University. He was formerly the vice president and Chief Architect of Intel China Research. He has published over 90 articles in international top journals and conferences in related fields. In 2012, Dr. Shang received the “25 Best Papers from FPGA” from ACM International Symposium on Field-Programmable Gate Arrays and the “Computational Sustainability Award” from the Computing Community Consortium.

Ms. Huang Jian, aged 45, has been currently an independent non-executive director of the Company in December 2012 and holds a Master degree from the Central University of Finance and Economics of the PRC. She is also a certified public accountant in the PRC. Ms. Huang has over past 20 years of professional experience in accounting, auditing and taxation. Ms. Huang was the senior partner of RSM China Certified Public Accountants until 2011 and she is now a full time member of SME Board Public Offering Review Committee of the China Securities Regulatory Commission.

Senior Management

Mr. Hu Mingyang, aged 42, joined the Group in 2009. He is the Chief Financial Officer of the Company. He holds a Master degree in economics from Peking University, and is a certified public accountant. He was the Director of Finance Office and General Office, which are directly under China Council for the Promotion of International Trade, and the General Manager of Finance Department of China Patent Agent (H.K.) Ltd.

Mr. Xie Jianmin, aged 50, joined the Group in 2007. He is the Chief Engineer of the Company. Mr. Xie holds a Doctorate degree from Xi’an Jiaotong University. He was a professor of Southeast University and he has been conducting advanced research in the wind power industry. He was the Director of Ningxia Wind Power Research Institute.

Mr. Wang Zuohai, aged 49, joined the Group in 2007. He is the Vice President of the Company. He holds a Doctor Degree of Southwestern University of Finance and Economics. Mr. Wang had served as Vice General Manager of Financial Department of Motorola (China) Electronics Ltd., CFO and General Manager of Assets Management Department of China Bamboo Holdings Limited.

Mr. Liu Ruiqing, aged 49, joined the Group in 2011. He is assistant to CEO. He holds a Master degree from North China Electric Power University. He has worked for Huadian Group and Guohua Group.

Report of the Directors

The directors of the Company (the “Directors”) submit their report together with the audited consolidated financial statements for the year ended 31 December 2013 (the “Year”).

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in Note 18 to the financial statements. An analysis of the Group’s income and contribution to operating profit for the Year is set out in Note 5 to the financial statements.

Results and Dividends

The results of the Group for the Year are set out in the consolidated income statement on page 35. The Directors do not recommend the payment of a final dividend.

Reserves

Movements in the reserves of the Group and of the Company during the Year are set out in Note 33 to the financial statements.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group and of the Company are set out in Note 15 to the financial statements.

Share Capital

Details of the movements in the share capital of the Company are set out in Note 31 to the financial statements.

Distributable Reserves

Details of the distributable reserves of the Company as at 31 December 2013 are set out in Note 33 to the financial statements.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company’s bye-laws and there is no restriction against such rights under the laws of the Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Report of the Directors

Five-year Financial Summary

A summary of the results, and of the assets, liabilities and equities of the Group for the last five financial years/period is set out on page 171 and 172.

Purchase, Sale or Redemption of the Listed Securities of the Company

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Share Options

The Company has adopted the existing share option scheme (the "Share Option Scheme") on 16 April 2007.

The purpose of the Share Option Scheme is to recognize and acknowledge the contributions of the Qualified Persons (as defined in the Share Option Scheme, including but not limited to, the directors, employees, partners and associates of the Group) of the Group.

Pursuant to this 10-year term Share Option Scheme, the Company can grant options to the Qualified Persons for a consideration of HK\$1.00 for each grant payable by the Qualified Persons. The total number of the shares issued and to be issued upon exercise of the options granted to each Qualified Person (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares then in issue. During the Year, no share options were granted under the Share Option Scheme. The share option scheme limit was refreshed by a resolution passed at the annual general meeting held on 20 June 2011. The maximum number of options that can be granted by the Company was refreshed to 739,377,996 share options.

Subscription price in relation to each option pursuant to the Share Option Scheme shall be not less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date on which the option is offered to a Qualified Person; or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; or (iii) the nominal value of the shares. There shall be no minimum holding period for the vesting or exercise of the options but the options are exercisable within the option period as determined by the board of directors of the Company.

Movements of the share option are set out in Note 32 to the financial statements. As at the date of this report, the total number of share option that can be granted was 739,377,996, representing 8.27% of the issued share capital of the Company.

Report of the Directors

Directors

The Directors during the Year and up to the date of this report were:

Executive Directors

Mr. Liu Shunxing
Mr. Ko Chun Shun, Johnson
Mr. Yang Zhifeng
Mr. Wang Xun
Ms. Liu Jianhong
Mr. Yu Weizhou
Mr. Zhou Zhizhong
Ms. Ko Wing Yan, Samantha
Mr. Chan Kam Kwan, Jason (resigned on 21 January 2014)

Non-executive Directors

Mr. Tsoi Tong Hoo, Tony (resigned on 21 January 2014)

Independent non-executive Directors

Dr. Zhou Dadi (resigned on 21 January 2014)
Dr. Wong Yau Kar, David, BBS, JP
Mr. Yap Fat Suan, Henry
Dr. Shang Li
Ms. Huang Jian

In accordance with bye-law 99 of the Company's Bye-laws, Messrs. Liu Shunxing, Ko Chun Shun, Johnson, Wong Yau Kar, David, and Yap Fat Suan, Henry shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

All the non-executive Directors are appointed for a specific term and will be subject to retirement by rotation and re-election at the annual general meeting of the Company.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules during the Year and the Company considered that they are independent.

Report of the Directors

Directors' Service Contracts

None of the Directors has a service contract with the Company which requires the Company to give a period of notice of more than one year, or to pay compensation or make other payments equivalent to more than one year's emolument.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company or any of its fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at 31 December 2013, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), or known to the Company, were as follows:

(i) Long positions in the shares of the Company:

| Name of the Director | Number of shares held and nature of interest | | | | Total | Approximate percentage of the total issued share capital (%) |
|-------------------------------------|--|--------|----------------------------|--|---------------|--|
| | Personal | Family | Corporate | | | |
| Liu Shunxing | — | — | 2,138,479,387 ¹ | | 2,138,479,387 | 26.67 |
| Ko Chun Shun, Johnson | — | — | 2,000,000,000 ² | | 2,000,000,000 | 24.94 |
| Yang Zhifeng | — | — | 2,023,469,387 ³ | | 2,023,469,387 | 25.23 |
| Wang Xun | — | — | 2,023,469,387 ³ | | 2,023,469,387 | 25.23 |
| Liu Jianhong | 1,210,000 | — | 2,023,469,387 ³ | | 2,024,679,387 | 25.25 |
| Ko Wing Yan, Samantha | — | — | 20,000,000 ⁴ | | 20,000,000 | 0.25 |
| Dr. Wong Yau Kar, David, BBS, JP | 400,000 | — | — | | 400,000 | 0.005 |
| Yap Fat Suan, Henry | 200,000 | — | — | | 200,000 | 0.002 |

Report of the Directors

Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation *(Continued)*

(i) Long positions in the shares of the Company: *(Continued)*

Notes:

1. 2,023,469,387 shares are held by China Wind Power Investment Limited, China Wind Power Investment Limited is wholly-owned by New Energy International Limited, which in turn is a wholly-owned subsidiary of Concord International Investment Limited ("Concord International"). Four executive Directors, namely Mr. Liu Shunxing, Mr. Yang Zhifeng, Mr. Wang Xun and Ms. Liu Jianhong held as to 88.02% of the issued shares of Concord International, and the above four directors of the Company are also the directors of Concord International, New Energy International Limited and China Wind Power Investment Limited. 115,010,000 shares are held by Guangfeng International Holdings Limited which is wholly owned by Beijing Guangfeng Energy Technology Limited. Mr. Liu Shunxing held as to 99% of the issued shares of Beijing Guangfeng Energy Technology Limited.
2. Mr. Ko Chun Shun, Johnson is deemed to be interested in 2,000,000,000 shares held by Gain Alpha Finance Limited ("Gain Alpha"). Gain Alpha is wholly owned by Mr. Ko Chun Shun, Johnson.
3. 2,023,469,387 shares are held by China Wind Power Investment Limited, China Wind Power Investment Limited is wholly-owned by New Energy International Limited, which in turn is a wholly-owned subsidiary of Concord International Investment Limited ("Concord International"). Four executive Directors, namely Mr. Liu Shunxing, Mr. Yang Zhifeng, Mr. Wang Xun and Ms. Liu Jianhong held as to 88.02% of the issued shares of Concord International, and the above four directors of the Company are also the directors of Concord International, New Energy International Limited and China Wind Power Investment Limited.
4. Ms. Ko Wing Yan, Samantha is deemed to be interested in 20,000,000 shares held by Pine Coral Limited ("Pine Coral"). Pine Coral is wholly owned by Ms. Ko Wing Yan, Samantha.

(ii) Long positions in debentures of the Company:

Ms. Liu Jianhong, an executive Director, has held RMB1,000,000 of 6.375% Bond issued by the Company.

(iii) Long positions in the underlying shares of share options of the Company:

Details of the movement of the share options are set out in Note 32 to the financial statements.

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executives of the Company and/or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

Report of the Directors

Directors' Rights to Acquire Shares

Save as disclosed under the heading "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying shares and Debentures of the Company or any Associated Corporation" above, at no time during the Year was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors (including their respective spouse and children under the age of 18) to acquire benefits by the means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

Substantial Shareholders

As at 31 December 2013, save as disclosed under the section "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying shares and Debentures of the Company or any Associated Corporation" above, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital under Section 336 of the SFO.

Long positions in the shares of the Company:

| Name of shareholder | Number of the shares of the Company held | Approximate percentage of the total issued share capital (%) |
|---|---|---|
| China Wind Power Investment Limited (1) | 2,023,469,387 | 25.23 |
| Gain Alpha Finance Limited (2) | 2,000,000,000 | 24.94 |

Notes:

- (1) The shares are held by China Wind Power Investment Limited, China Wind Power Investment Limited is wholly-owned by New Energy International Limited, which in turn is a wholly-owned subsidiary of Concord International Investment Limited ("Concord International"). Four executive Directors, namely Mr. Liu Shunxing, Mr. Yang Zhifeng, Mr. Wang Xun and Ms. Liu Jianhong held as to 88.02% of the issued shares of Concord International.
- (2) Gain Alpha is wholly owned by Mr. Ko Chun Shun, Johnson.
- (3) Pursuant to a subscription agreement dated 18 December 2013, Huadian Fuxin Energy Corporation Limited ("Huadian Fuxin"), is deemed to be interested in 880,000,000 shares of the Company as at 31 December 2013. The subscription of the 880,000,000 shares of the Company by Huadian Fuxin was completed on 19 March 2014. Details of the Huadian's subscription can refer to the circular dated 23 January 2014.

Save as disclosed above, as at 31 December 2013, there were no other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Section 336 of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

Report of the Directors

Connected Transactions and Continuing Connected Transactions

A summary of the related parties transactions entered into by the Group during the year is disclosed in Note 39 to the financial statements. Pursuant to Chapter 14A of the Listing Rule, the Group has the following connected transactions during the year.

Connected Transactions

On 1 March 2013, Century Concord, a wholly-owned subsidiary of the Company, entered into four Agreements with Guodian Northeast New Energy Developments Limited (the “Purchaser”), a subsidiary of China Guodian Corporation pursuant to which Century Concord has conditionally agreed to dispose of 60% equity interests in four joint ventures, being the entire equity interests in the joint ventures held by Century Concord, to the Purchaser at a total consideration of RMB 225,403,500 (equivalent to approximately HK\$280.18 million).

Continuing Connected Transactions

During the Year, the Group has provided the Services to the Joint Ventures (which are associates of connected persons as defined in the Listing Rules) for a consideration of RMB14,878,964 (2012: RMB110,273,000).

The above continuing connected transactions have been reviewed by the independent non-executive Directors who had confirmed that the aforesaid continuing connected transactions were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms and on terms in accordance with the framework agreements of the relevant transactions; and
- (iii) in accordance with the framework agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company’s auditor was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 22 of this annual report in accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A copy of the auditor’s letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

Report of the Directors

Major Suppliers and Major Customers

During the Year, sales to the Group's largest 5 customers accounted for 58% of the total sales for the Year, and the largest customer included there in amounted to 29%.

Purchases from the Group's 5 largest suppliers accounted for 39% of the total purchases for the Year, and the largest supplier included therein amounted to 16%.

None of the Directors, their associates or any shareholders, which to the knowledge of the Directors own more than 5% of the Company's share capital, had interests in the major suppliers or customers noted above.

Corporate Governance

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 24 to 32 of the annual report.

Post Balance Sheet Event

Details of the post balance sheet event is set out in Note 40 to the financial statements.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there was sufficient of public float of the Company's securities as required under the Listing Rules.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Liu Shunxing

Chairman

Hong Kong, 20 March 2014

Corporate Governance Report

The board of Directors of the Company (the “Board”) is committed to achieving a high standard of corporate governance.

Throughout the year ended 31 December 2013, the Board has reviewed the Group’s corporate governance practices and is satisfied that the Company has complied with the code provisions in the Corporate Governance Code (“the Code”) set out in the Appendix 14 to the Listing Rules on the Stock Exchange, except for the following deviation:

Code Provision A.2.1

There was no separation of the role of the chairman (“Chairman”) and chief executive officer (“CEO”) of the Company as set out in the Code provision A.2.1 until 12 November 2013. Mr. Yang Zhifeng, the executive Director, was appointed as the CEO of the Company with effect from 12 November 2013. Since 12 November 2013, the roles of the Chairman and CEO have been segregated and exercised by different individuals.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2013.

The Board

As at 31 December 2013, the Board comprised of fifteen Directors, including nine executive Directors, one non-executive Director and five independent non-executive Directors. Biographical details of the Directors are stated under the section “Biographical Details of Directors and Senior Management”.

Mr. Ko Chun Shun, Johnson (“Mr. Ko”), an executive Director and the Vice Chairman of the Company, is the father of Ms. Ko Wing Yan, Samantha (“Ms. Ko”), an executive Director. Mr. Ko, Ms. Ko, Mr. Tsoi Tong Hoo, Tony (“Mr. Tsoi”) and Dr. Wong Yau Kar, David, BBS, JP, are all directors of Reorient Group Limited. Mr. Ko and Mr. Tsoi are directors of Varitronix International Limited, Mr. Ko and Mr. Yap Fat Suan, Henry are both directors of DVN (Holdings) Limited. Mr. Chan Kam Kwan, Jason, an executive Director, is also the company secretary of DVN (Holdings) Limited. Mr. Chan Kam Kwan, Jason and Mr. Yap Fat Suan, Henry are directors of Brockman Mining Limited. The shares of the above companies are listed on the Stock Exchange. Messrs. Chan Kam Kwan, Jason, Tsoi Tong Hoo, Tony and Dr. Zhou Dadi have resigned as the Directors on 21 January 2014.

A major shareholder of the Company, China Wind Power Investment Limited, is held 88.02% indirectly by 4 executive Directors namely, Mr. Liu Shunxing, Mr. Yang Zhifeng, Mr. Wang Xun and Ms. Liu Jianhong.

Saved as disclosed above, there are no financial, business, family or other material/relevant relationships between the Board members.

Corporate Governance Report

The Board *(Continued)*

For a Director to be considered independent, that director should not have any direct or indirect material interest in the Group. In determining the independence of Directors, the Board follows the requirement set out in the Listing Rules. Each of the independent non-executive Directors has made an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

All the non-executive Directors (including the independent non-executive Directors) are appointed for a specific term and will be subject to retirement by rotation and re-election at the annual general meeting of the Company.

The Chairman is responsible for providing leadership to, and overseeing, the functioning of the Board to ensure that the Board acts in the best interest for the Group. The Chairman is responsible for approving the agenda for each Board meeting, after taking into account the matters proposed by other Directors. With the support of the executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The Chairman also actively encourages all Directors to be fully engaged in the Board's affairs and make contributions to the Board's functions. The Board has adopted good corporate governance practices and procedures and has taken appropriate steps to provide effective communication with shareholders.

The CEO is responsible for managing the business of the Group, attending to the formulation and implementation of group policies, and assuming full accountability for the Group's operations. Acting as the principal manager of the Group's business, the CEO develops a strategic operating plan that reflects the long-term objectives and priorities established by the Board, and is directly responsible for maintaining the operational performance of the Group. Working with the senior management and the Board, the CEO ensures that the funding requirements of the business are met and closely monitors the operating and financial results against the plans and budgets. He also takes remedial actions when necessary and advises the Board of any significant developments and issues of the Group.

Ongoing dialogues are maintained with all Directors to keep them fully informed of all major business developments and issues.

Corporate Governance Report

The Board *(Continued)*

The Board meets regularly, and at least 4 times a year. Between meetings, senior management of the Group provides to Directors the information on the activities and developments in the business of the Group on a timely basis and when required, additional Board meetings are held. In addition, Directors have full access to the information of the Group and the independent professional advice whenever deemed necessary by the Directors. During the year ended 31 December 2013, a total of 7 board meetings and one general meeting (“2013 AGM”) were held and the attendance of each director is set out below:

| | Name of Director | Number of meetings attended in the year ended 31 December 2013/ Number of meetings eligible to attend | |
|--|-------------------------------------|--|-----------|
| | | Board meetings | 2013 AGM* |
| Chairman | Liu Shunxing | 7/7 | 1/1 |
| Vice Chairman | Ko Chun Shun, Johnson | 7/7 | 1/1 |
| CEO | Yang Zhifeng | 7/7 | 1/1 |
| Executive Directors | Wang Xun | 7/7 | 1/1 |
| | Liu Jianhong | 7/7 | 1/1 |
| | Yu Weizhou | 7/7 | 1/1 |
| | Zhou Zhizhong | 7/7 | 1/1 |
| | Ko Wing Yan, Samantha | 7/7 | 1/1 |
| | Chan Kam Kwan, Jason | 7/7 | 1/1 |
| Non-executive Director | Tsoi Tong Hoo, Tony | 7/7 | 1/1 |
| Independent Non-Executive Directors | Dr. Zhou Dadi | 7/7 | 1/1 |
| | Dr. Wong Yau Kar, David, BBS, JP | 7/7 | 1/1 |
| | Yap Fat Suan, Henry | 7/7 | 1/1 |
| | Dr. Shang Li | 7/7 | 1/1 |
| | Huang Jian | 7/7 | 1/1 |

* 2013 AGM was held on 31 May 2013

Corporate Governance Report

The Board *(Continued)*

Professional Training for Directors

All Directors, including independent non-executive Directors, should always know their collective responsibilities as Directors and of the businesses and activities of the Group. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills, and updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

During the year ended 31 December 2013, all Directors have received relevant trainings on the topics relating to corporate governance and regulations and have provided their training records as follow:

| Directors | Type of training |
|--|------------------|
| Executive Directors | |
| Mr. Liu Shunxing | B |
| Mr. Ko Chun Shun, Johnson | B |
| Mr. Yang Zhifeng | B |
| Mr. Wang Xun | B |
| Ms. Liu Jianhong | B |
| Mr. Yu Weizhou | B |
| Mr. Zhou Zhizhong | B |
| Ms. Ko Wing Yan, Samantha | B |
| Mr. Chan Kam Kwan Jason | B |
| Non-executive Director | |
| Mr. Tsoi Tong Hoo, Tony | B |
| Independent non-executive Directors | |
| Dr. Zhou Dadi | B |
| Dr. Wong Yau Kar, David, BBS, JP | A & B |
| Mr. Yap Fat Suan, Henry | B |
| Dr. Shang Li | B |
| Ms. Huang Jian | B |

Notes:

A: attending training course

B: reading relevant materials

Corporate Governance Report

Board Committees

During the year ended 31 December 2013, the Board has reviewed and monitored the training and continuous professional development of directors and senior management. The Board has also reviewed and ensured compliance of the relevant legal and regulatory requirements. Besides, the Company has set up three committees including the Nomination Committee, the Remuneration Committee and the Audit Committee. Each committee has its specific terms of reference with reference to the Code.

Remuneration Committee

The Remuneration Committee comprises five members. The Remuneration Committee is chaired by Dr. Wong Yau Kar, David, BBS, JP with Mr. Liu Shunxing, Ms. Liu Jianhong, Dr. Zhou Dadi and Mr. Yap Fat Suan, Henry being the members. The Remuneration Committee meets for the determination of the remuneration packages of Directors and senior management of the Group. In addition, the Remuneration Committee also meets as and when required to consider remuneration related matters such as making recommendations to the Board on the Group's policy and structure for the remuneration of Directors and senior management. Dr. Zhou Dadi has resigned the Director on 21 January 2014 and Dr. Shang Li, an independent non-executive Director, has been appointed as a member of the Remuneration Committee on the same date.

Under its term of reference, the Remuneration Committee assists the Board in achieving its objective of attracting, retaining and motivating people of the highest caliber and experience needed to shape and execute strategies across the Group's operations. The Committee also assists the Group in the administration of the fair and transparent procedure for setting policies on the remuneration of Directors and senior management of the Group. The written terms of reference are posted on the websites of the Company and the Stock Exchange.

During the year, the Remuneration Committee has held 1 meeting with all members present. The Committee has reviewed the remuneration packages for Directors and senior management of the Group.

Nomination Committee

The Nomination Committee comprises five members, namely Mr. Liu Shunxing (Chairman), Ms. Liu Jianhong, Dr. Zhou Dadi, Dr. Wong Yau Kar, David, BBS, JP and Mr. Yap Fat Suan, Henry.

The terms of reference of the Nomination Committee have been determined with reference to the Code and are posted on the websites of the Company and the Stock Exchange. Under its terms of reference, the Nomination Committee is responsible for identifying potential directors and making recommendations to the Board on the appointment or re-appointment of directors of the Company. Potential new directors are selected on the basis of their qualifications, skills and experience which the Nomination Committee considers will make a positive contribution to the performance of the Board. During the year, the Nomination Committee has held 1 meeting with all members present. The Committee has reviewed the structure, size and composition of the Board.

Dr. Zhou Dadi has resigned the Director on 21 January 2014 and Ms. Huang Jian, an independent non-executive Director, has been appointed as a member of the Nomination Committee on the same date.

Corporate Governance Report

Board Committees *(Continued)*

Nomination Committee *(Continued)*

During the year, the Board adopted a board diversity policy (the "Policy") setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on merit and contribution, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee will review the Policy on a regular basis and discuss any revisions that may be required, and recommended any such revisions to the Board for consideration and approval.

Audit Committee

The Audit Committee comprises three independent non-executive Directors. The Audit Committee is chaired by Mr. Yap Fat Suan, Henry and the other members of the Committee are Dr. Wong Yau Kar, David, BBS, JP and Mr. Tsoi Tong Hoo, Tony ("Mr. Tsoi"). Mr. Yap Fat Suan, Henry is a chartered accountant in England and Wales and is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Tsoi has resigned the Director on 21 January 2014 and Ms. Huang Jian, an independent non-executive Director, has been appointed as a member of the Audit Committee on the same date.

The terms of reference of the Audit Committee are in line with the Code and are posted on the websites of the Company and the Stock Exchange. Under its terms of reference, the Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's interim and annual financial statements, to review the scope, extent and effectiveness of the Group's internal control system, and to review the Group's financial and accounting policies.

The Audit Committee has held 2 meetings during the year with all members present.

There are no disagreements between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

Auditors' Remuneration

A summary of fees for audit and non-audit services is as follows:

| Nature of the services | 31 December | 31 December |
|------------------------|--------------|-------------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Audit services | 3,292 | 3,292 |
| Other services | 136 | 180 |
| | 3,428 | 3,472 |

Corporate Governance Report

Internal Controls

The Board is responsible for the Group's internal control system and has the responsibility for reviewing its effectiveness. The Company and its subsidiaries have adopted a set of internal control procedures and policies to safeguard the assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations. The internal control system is designed to ensure the financial, operational and compliance controls, and risk management functions are in place and functioning effectively. The Board has conducted a review of and is satisfied with the effectiveness of the internal control system of the Group.

The Board also reviews, at least annually, the adequacy of resources, staff qualifications and experience of the Group's accounting and financial reporting function, and their training programmes and budget.

Financial Reporting

The Directors acknowledge their responsibility for preparing the financial statements which give a true and fair view and are in compliance with the statutory requirements and applicable financial reporting standards. As at 31 December 2013, the Directors were not aware of any material misstatement or uncertainties that might put doubt on the Group's financial position or continue as a going concern. The Board endeavours to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

A statement by the auditor about the auditor's responsibility is set out on page 33 and 34 of this annual report.

Company Secretary

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that the activities of the Board are carried out efficiently and effectively. The Company Secretary assists the Chairman to prepare agendas and Board papers for meetings and disseminates such documents to the Directors and board committees in a timely manner. The Company Secretary is responsible for ensuring that the Board is fully briefed on all legislative, regulatory and corporate governance developments when making decisions. The Company Secretary is also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Buy-backs, including publication and dissemination of Report and Financial Statements and interim reports within the period laid down in the Listing Rules, timely dissemination of announcements and information relating to the Group to the market and ensuring that proper notification is made when there are any dealings of the Directors in the securities of the Group.

The Company Secretary also advises the Directors on their obligations for disclosure of interests in securities, connected transactions and price-sensitive information and ensures that the standards and disclosures required by the Listing Rules are observed.

During the year, Mr. Chan Kam Kwan, Jason, the Company Secretary of the Company, has undertaken no less than 15 hours of professional training to update his skills and knowledge.

Corporate Governance Report

Shareholders' Rights

How Shareholders can convene a special general meeting ("SGM")

Subject to Section 74 of the Companies Act 1981 of Bermuda (the "Act") and Bye-law 62 of the Bye-laws of the Company, shareholders holding in aggregate not less than 10% of the paid-up capital of the Company have the right, by written requisition to the Board or the secretary of the Company, to request a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

Procedures for putting forward proposals at a general meeting

Any number of shareholders representing not less than 5% of the total voting rights of the Company on the date of the requisition or not less than 100 shareholders of the Company are entitled to put forward a proposal for consideration at a general meeting of the Company. Shareholders should follow the requirements and procedures as set out in Section 79 of the Act for putting forward such proposal at a general meeting.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Suite 3901, 39/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong

Fax: (852) 2866 0281

Email: cs@cwpgroup.com.hk

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Corporate Governance Report

Investor Relations

The Board is committed in providing clear and full performance information of the Group to shareholders through the publication of interim and annual reports. In addition to the circulars, notices and financial reports sent to shareholders, additional information of the Group is also available to shareholders on the Group's website.

Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice is given. The Chairman and Directors are available to answer questions on the Group's business at the meeting. Subject to the Act and the bye-laws of the Company, all shareholders shall have statutory rights to call for special general meetings and put forward agenda items for consideration in the general meetings. All resolutions at the general meeting are decided by a poll which is conducted by the Group's branch share registrar in Hong Kong.

The Group values feedback from shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are always welcomed.

Constitutional Document

There are no changes in the Company's constitutional document during the year.

Independent Auditor's Report



羅兵咸永道

TO THE SHAREHOLDERS OF CHINA WINDPOWER GROUP LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China WindPower Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 170, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888

Independent Auditor's Report *(Continued)*

TO THE SHAREHOLDERS OF CHINA WINDPOWER GROUP LIMITED *(Continued)*

(incorporated in Bermuda with limited liability)

Auditor's Responsibility *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20 March 2014

Consolidated Income Statement

For the year ended 31 December 2013

| | <i>Note</i> | 2013 HK\$'000 | 2012 HK\$'000 <i>(Note 2.26)</i> |
|---|-------------|--------------------------------|--|
| Revenue | 6 | 1,882,610 | 1,099,819 |
| Other income | 6 | 46,401 | 24,821 |
| Other gains, net | 7 | 177,204 | 200,054 |
| Exchange gains, net | 7 | 10,538 | 38 |
| Expenses | | | |
| Cost of construction and inventories sold | 10 | (1,436,399) | (791,738) |
| Inventory write-down | 21 | (39,934) | — |
| Employee benefit expense | 8, 10 | (149,965) | (157,349) |
| Depreciation and amortisation | 15 | (63,991) | (46,672) |
| Operating lease payments | 10 | (2,537) | (16,738) |
| Other expenses | 10 | (114,438) | (114,333) |
| Finance costs | 9 | (103,496) | (85,985) |
| Share of results of associates | | | |
| — Share of results before provision for receivables | 19 | 3,272 | 7,278 |
| — Provision for receivables | 19(vi) | (2,380) | — |
| Share of results of joint ventures | | | |
| — Share of results before provision for receivables | 20 | 59,994 | 31,475 |
| — Provision for receivables | 20(viii) | (73,785) | (6,190) |
| — Loss from discounting of receivables | 20(ix) | — | (31,408) |
| Profit before income tax | | 193,094 | 113,072 |
| Income tax expense | 11 | (41,967) | (72,160) |
| Profit for the year | | 151,127 | 40,912 |
| Profit attributable to: | | | |
| Equity holders of the Company | | 151,117 | 40,386 |
| Non-controlling interests | | 10 | 526 |
| | | 151,127 | 40,912 |

Consolidated Income Statement *(Continued)*

For the year ended 31 December 2013

| | <i>Note</i> | 2013 HK\$'000 | 2012 <i>HK\$'000</i> <i>(Note 2.26)</i> |
|---|--------------|--------------------------------|---|
| Earnings per share attributable to equity holders of the Company during the year | | | |
| Basic earnings per share | <i>13(a)</i> | 2.03 HK cents | 0.55 HK cents |
| Diluted earnings per share | <i>13(b)</i> | 2.03 HK cents | 0.55 HK cents |

The notes on pages 46 to 170 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Profit for the year | 151,127 | 40,912 |
| Other comprehensive income/ (loss): | | |
| Items that may be reclassified to profit or loss | | |
| Currency translation differences | | |
| — Group | 69,365 | (812) |
| — Associates | 10,326 | 520 |
| — Joint ventures | 46,202 | (1,623) |
| — Recycling upon loss of control over subsidiaries | — | (7,409) |
| — Recycling upon disposal and partial disposal of joint ventures | (32,024) | (1,687) |
| Total other comprehensive income/(loss) for the year, net of tax | 93,869 | (11,011) |
| Total comprehensive income for the year | 244,996 | 29,901 |
| Total comprehensive income attributable to: | | |
| Equity holders of the Company | 244,642 | 29,373 |
| Non-controlling interests | 354 | 528 |
| | 244,996 | 29,901 |

The notes on pages 46 to 170 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2013

| | Note | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 15 | 2,238,277 | 1,247,670 |
| Leasehold land and land use rights | 16 | 147,699 | 148,947 |
| Intangible assets | 17 | 1,361,973 | 1,324,790 |
| Interests in associates | 19 | 369,950 | 302,859 |
| Interests in joint ventures | 20 | 1,486,510 | 1,507,111 |
| Available-for-sale financial assets | 23 | — | 2,775 |
| Prepayments and deposits | 25 | 22,931 | 23,528 |
| Deferred tax assets | 34 | 15,168 | 14,669 |
| | | 5,642,508 | 4,572,349 |
| Current assets | | | |
| Inventories | 21 | 449,450 | 209,880 |
| Trade and bill receivables | 24 | 524,103 | 367,204 |
| Prepayments, deposits and other receivables | 25 | 806,825 | 591,680 |
| Amounts due from associates | 19 | 66,580 | 31,887 |
| Amounts due from joint ventures | 20 | 511,524 | 1,003,859 |
| Cash and cash equivalents | 26 | 1,850,209 | 731,167 |
| | | 4,208,691 | 2,935,677 |
| Total assets | | 9,851,199 | 7,508,026 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 30 | 1,262,479 | 1,298,218 |
| Deferred tax liabilities | 34 | 4,875 | 5,544 |
| Deferred government grant | 35 | 16,952 | 17,177 |
| | | 1,284,306 | 1,320,939 |

Consolidated Balance Sheet (Continued)

As at 31 December 2013

| | Note | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------|------------------|------------------|
| Current liabilities | | | |
| Trade and bill payables | 28 | 1,304,735 | 1,007,791 |
| Other payables and accruals | 29 | 823,359 | 390,778 |
| Amounts due to associates | 19 | 79,848 | 158,749 |
| Amounts due to joint ventures | 20 | 270,867 | 35,491 |
| Borrowings | 30 | 1,067,713 | 83,869 |
| Current income tax liabilities | | 26,485 | 55,411 |
| | | 3,573,007 | 1,732,089 |
| Total liabilities | | | |
| | | 4,857,313 | 3,053,028 |
| Net current assets | | | |
| | | 635,684 | 1,203,588 |
| Total assets less current liabilities | | | |
| | | 6,278,192 | 5,775,937 |
| Net assets | | | |
| | | 4,993,886 | 4,454,998 |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | 31 | 80,187 | 73,936 |
| Reserves | | 4,891,264 | 4,380,070 |
| | | 4,971,451 | 4,454,006 |
| Non-controlling interests | | 22,435 | 992 |
| Total equity | | | |
| | | 4,993,886 | 4,454,998 |

The notes on pages 46 to 170 are an integral part of these consolidated financial statements.

The financial statements on pages 35 to 170 were approved by the Board of Directors on 20 March 2014 and were signed on its behalf.

Liu Shunxing
Director

Ko Chun Shun, Johnson
Director

Balance Sheet

As at 31 December 2013

| | Note | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 15 | — | — |
| Interests in subsidiaries | 18 | 1,382,487 | 1,500,416 |
| Deposits | 25 | 669 | 669 |
| | | 1,383,156 | 1,501,085 |
| Current assets | | | |
| Trade receivables | 24 | 5,657 | 11,032 |
| Prepayments, deposits and other receivables | 25 | — | 11,447 |
| Amounts due from subsidiaries | 18 | 1,297,463 | 1,034,380 |
| Amounts due from joint ventures | 20 | 360 | 297 |
| Cash and cash equivalents | 26 | 184,709 | 20,548 |
| | | 1,488,189 | 1,077,704 |
| Total assets | | 2,871,345 | 2,578,789 |
| LIABILITIES | | | |
| Non-current liability | | | |
| Borrowings | 30 | — | 915,752 |
| Current liabilities | | | |
| Borrowings | 30 | 952,528 | — |
| Other payables and accruals | 29 | 19,822 | 19,599 |
| Amounts due to subsidiaries | 18 | 177,792 | 105,686 |
| | | 1,150,142 | 125,285 |
| Total liabilities | | 1,150,142 | 1,041,037 |
| Net current assets | | 338,047 | 952,419 |
| Total assets less current liabilities | | 1,721,203 | 2,453,504 |
| Net assets | | 1,721,203 | 1,537,752 |

Balance Sheet (Continued)

As at 31 December 2013

| | <i>Note</i> | 2013 HK\$'000 | 2012 <i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | <i>31</i> | 80,187 | 73,936 |
| Reserves | <i>33</i> | 1,641,016 | 1,463,816 |
| Total equity | | 1,721,203 | 1,537,752 |

The notes on pages 46 to 170 are an integral part of these consolidated financial statements.

The financial statements on pages 35 to 170 were approved by the Board of Directors on 20 March 2014 and were signed on its behalf.

Liu Shunxing
Director

Ko Chun Shun, Johnson
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

| | Attributable to equity holders of the Company | | | | | | | | | Total equity HK\$'000 |
|--|---|---------------------------|---------------------------------|---|------------------------------|----------------------------|-------------------------------|-------------------|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Contributed surplus HK\$'000 | Premium arising on acquisition of non-controlling interests HK\$'000 | Exchange reserve HK\$'000 | Other reserves HK\$'000 | Retained earnings HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | |
| Balance at 1 January 2012 | 73,936 | 2,341 | 2,675,788 | (35,481) | 365,582 | 94,486 | 1,297,730 | 4,474,382 | — | 4,474,382 |
| Comprehensive income | | | | | | | | | | |
| Profit for the year | — | — | — | — | — | — | 40,386 | 40,386 | 526 | 40,912 |
| Other comprehensive (loss)/income | | | | | | | | | | |
| Currency translation differences | | | | | | | | | | |
| — Group | — | — | — | — | (814) | — | — | (814) | 2 | (812) |
| — Associates | — | — | — | — | 520 | — | — | 520 | — | 520 |
| — Joint ventures | — | — | — | — | (1,623) | — | — | (1,623) | — | (1,623) |
| — Recycling upon loss of control over subsidiaries | — | — | — | — | (7,409) | — | — | (7,409) | — | (7,409) |
| — Recycling upon partial disposal of joint ventures | — | — | — | — | (1,687) | — | — | (1,687) | — | (1,687) |
| Total other comprehensive (loss)/income, net of tax | — | — | — | — | (11,013) | — | — | (11,013) | 2 | (11,011) |
| Total comprehensive income | — | — | — | — | (11,013) | — | 40,386 | 29,373 | 528 | 29,901 |
| Total contributions by and distributions to equity holders of the Company recognised directly in equity | | | | | | | | | | |
| Share-based compensation | — | — | — | — | — | 24,187 | — | 24,187 | — | 24,187 |
| Dividend relating to the year ended 31 December 2011 | — | — | — | — | — | — | (73,936) | (73,936) | — | (73,936) |
| Total contributions by and distributions to equity holders of the Company | — | — | — | — | — | 24,187 | (73,936) | (49,749) | — | (49,749) |
| Non-controlling interests arising on business combination | — | — | — | — | — | — | — | — | 464 | 464 |
| Total transactions with owners | — | — | — | — | — | 24,187 | (73,936) | (49,749) | 464 | (49,285) |
| Balance at 31 December 2012 | 73,936 | 2,341 | 2,675,788 | (35,481) | 354,569 | 118,673 | 1,264,180 | 4,454,006 | 992 | 4,454,998 |

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2013

| | Attributable to equity holders of the Company | | | | | | | | | |
|--|---|---------------------------|---------------------------------|---|------------------------------|----------------------------|-------------------------------|-------------------|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Contributed surplus HK\$'000 | Premium arising on acquisition of non-controlling interests HK\$'000 | Exchange reserve HK\$'000 | Other reserves HK\$'000 | Retained earnings HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
| Balance at 1 January 2013 | 73,936 | 2,341 | 2,675,788 | (35,481) | 354,569 | 118,673 | 1,264,180 | 4,454,006 | 992 | 4,454,998 |
| Comprehensive income | | | | | | | | | | |
| Profit for the year | — | — | — | — | — | — | 151,117 | 151,117 | 10 | 151,127 |
| Other comprehensive income | | | | | | | | | | |
| Currency translation differences | | | | | | | | | | |
| — Group | — | — | — | — | 69,021 | — | — | 69,021 | 344 | 69,365 |
| — Associates | — | — | — | — | 10,326 | — | — | 10,326 | — | 10,326 |
| — Joint ventures | — | — | — | — | 46,202 | — | — | 46,202 | — | 46,202 |
| — Recycling upon disposal and partial disposal of joint ventures | — | — | — | — | (32,024) | — | — | (32,024) | — | (32,024) |
| Total other comprehensive income, net of tax | — | — | — | — | 93,525 | — | — | 93,525 | 344 | 93,869 |
| Total comprehensive income | — | — | — | — | 93,525 | — | 151,117 | 244,642 | 354 | 244,996 |
| Total contributions by and distributions to equity holders of the Company recognised directly in equity | | | | | | | | | | |
| Subscription of new ordinary shares | 6,000 | 251,770 | — | — | — | — | 257,770 | — | — | 257,770 |
| Exercise of share options | 251 | 10,770 | — | — | — | (3,425) | 7,596 | — | — | 7,596 |
| Share-based compensation | — | — | — | — | — | 7,437 | 7,437 | — | — | 7,437 |
| Total contributions by and distributions to equity holders of the Company | 6,251 | 262,540 | — | — | — | 4,012 | 272,803 | — | — | 272,803 |
| Non-controlling interests arising on business combination | — | — | — | — | — | — | — | — | 21,089 | 21,089 |
| Total transactions with owners | 6,251 | 262,540 | — | — | — | 4,012 | 272,803 | — | 21,089 | 293,892 |
| Balance at 31 December 2013 | 80,187 | 264,881 | 2,675,788 | (35,481) | 448,094 | 122,685 | 1,415,297 | 4,971,451 | 22,435 | 4,993,886 |

The notes on pages 46 to 170 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2013

| | Note | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------|------------------|------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 36(a) | 461,207 | 375,494 |
| Income tax paid | | (75,556) | (54,914) |
| Net cash generated from operating activities | | 385,651 | 320,580 |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | | (357,013) | (705,581) |
| Capital injection to joint ventures | | (212,057) | (104,470) |
| Capital injection to associates | | (62,787) | — |
| Capital reduction from a joint venture | | — | 18,805 |
| Net proceeds from disposal of available-for-sale financial assets | | 2,910 | — |
| Net proceeds received from joint venture partners | 36(b), (c) | 267,116 | 145,796 |
| Net proceeds from disposal of subsidiaries | 36(d) | 73,185 | 3,220 |
| Acquisition of subsidiaries, net of cash acquired | 36(e) | (108,576) | (48,305) |
| Prepayment for acquisition of a subsidiary | | — | (4,316) |
| Net proceeds from disposal of property, plant and equipment | 36(g) | 1,161 | 462 |
| Net proceeds from disposal of financial assets at fair value through profit or loss | | 1,668 | 1,585 |
| Dividends received from associates | | 1,587 | — |
| Dividends received from joint ventures | | 67,463 | 11,062 |
| Loan granted to associates | | — | (24,029) |
| Loan repayments received from associates | | — | 61,453 |
| Loan granted to joint ventures | | (222,004) | (307,456) |
| Loan repayments received from joint ventures | | 136,235 | 242,577 |
| Loan granted to third parties | | — | (48,683) |
| Receipts of government grants | | 9,900 | — |
| Loan repayments received from third parties | | 45,358 | 2,000 |
| Interest received | | 19,152 | 8,458 |
| Net cash used in investing activities | | (336,702) | (747,422) |

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2013

| | Note | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------|------------------|------------------|
| Cash flows from financing activities | | | |
| Issue of ordinary shares | | 257,770 | — |
| Net proceeds from exercise of share options | | 7,596 | — |
| Proceeds from borrowings | | 989,826 | 400,248 |
| Repayment of borrowings | | (106,216) | (156,318) |
| Dividend paid to equity holders of the Company | 14 | — | (73,936) |
| Interest paid | | (111,185) | (76,138) |
| Net cash generated from financing activities | | 1,037,791 | 93,856 |
| Net increase/(decrease) in cash and cash equivalents | | 1,086,740 | (332,986) |
| Cash and cash equivalents at beginning of the year | | 731,167 | 1,063,541 |
| Exchange gain on cash and cash equivalents | | 32,302 | 612 |
| Cash and cash equivalents at end of the year | | 1,850,209 | 731,167 |
| Analysis of balances of cash and cash equivalents | | | |
| Cash and bank balances | 26 | 1,850,209 | 731,167 |

The notes on pages 46 to 170 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. General information

China WindPower Group Limited (the “Company”) is a limited liability company incorporated in Bermuda. The head office and its principal place of business is located at Suite 3901, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

During the year, the Company and its subsidiaries (together the “Group”) were involved in the following principal activities of engineering, procurement and construction of power plants, manufacture of equipment, operation and maintenance of power plants, and investment in power plants.

The shares of the Company are listed on the Stock Exchange of Hong Kong Limited (“the Hong Kong Stock Exchange”).

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 20 March 2014.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

New and amended standards adopted by and relevant to the Group

HKAS 28 (revised 2011), 'Investments in associates' includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The change in accounting policy results only in additional disclosure.

Amendment to HKFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. The amendments require new disclosure requirements which focus on quantitative information about recognized financial instruments that are offset in the statement of financial position, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The change in accounting policy results only in additional disclosure.

HKFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The new standards have no material impact on the Group's consolidated financial statements.

HKFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The new standards have no material impact on the Group's consolidated financial statements.

HKFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, structured entities and other off balance sheet vehicles. The new standard results only in additional disclosures.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

New and amended standards adopted by and relevant to the Group (Continued)

HKFRS 13 'Fair value measurement', which aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and generally accepted accounting principles in the United States of America ("US GAAP"), do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The new standard results only in additional disclosures.

There are no other amended standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that would be expected to have a material impact on the Group.

New standards, amendments to standards and interpretation that have been issued but were not effective

The following new standards, amendments to standards and interpretation which have been issued by the HKICPA as of 31 December 2013 may impact to the Group in future years but are not yet effective for the year ended 31 December 2013 and have not been early adopted in these financial statements:

| | | Applicable accounting period to the Group |
|--|--|--|
| HKAS 32 (Amendment) | Offsetting financial assets and financial liabilities | 1 January 2014 |
| HKAS 36 (Amendment) | Recoverable amount disclosures for non-financial assets | 1 January 2014 |
| HKAS 39 (Amendment) | Novation of derivatives and continuation of hedge accounting | 1 January 2014 |
| HKFRS 9 | Financial instruments | To be determined |
| HKFRS14 | Regulatory deferral accounts | 1 January 2016 |
| Amendments to HKFRS 7 and HKFRS 9 | Mandatory effective date and transition disclosures | To be determined |
| Amendments to HKFRS 10,12 and HKAS 27 (2011) | Investment entities | 1 January 2014 |
| HK(IFRIC) 21 | Levies | 1 January 2014 |
| Annual improvements 2010 — 2012 cycle | | 1 July 2014 |
| Annual improvements 2011 — 2013 cycle | | 1 July 2014 |

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

New and amended standards adopted by and relevant to the Group *(Continued)*

The Group has commenced an assessment of the impact of these new, amended and revised HKFRSs but is not yet in a position to state whether they would have a significant impact of its results of operations and financial position.

2.2 Consolidation

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.2 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (Note 2.6).

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less impairment (Note 2.8). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Associates and joint ventures ("JVs")

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. JVs are joint arrangement whereby the venture partners that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in associates and JVs are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of its associates' and JVs' post-acquisition profits or losses are recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in associates or JVs equal or exceed its interests in the associates or JVs, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates or JVs.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.2 Consolidation *(Continued)*

(b) Associates and joint ventures (“JVs”) *(Continued)*

The Group determines at each reporting date whether there is any objective evidence that the investments in the associates or JVs are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates or JVs and their carrying value and recognises the amount adjacent to 'share of results of associates/JVs' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates or JVs are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associates or JVs. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and JVs have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates and JVs are recognised in the consolidated income statement.

In the Company's balance sheet, the investments in associates and JVs are stated at cost less impairment (Note 2.8). The results of associates and JVs are accounted for by the Company on the basis of dividend received and receivable.

(c) Disposal/partial disposal

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group receives a consideration from another venture partner as a compensation for the Group to contribute its non-monetary assets/business to a JV, the difference between the fair value of consideration received from the venture partner and the portion of carrying amount of non-monetary assets/business contributed attributable to equity interests of the other venture partner is recognised as a gain or loss in the consolidated income statement. The unrealised gains or losses on non-monetary assets/business contributed to JVs are eliminated against the investment under the equity method.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.2 Consolidation *(Continued)*

(c) Disposal/partial disposal (Continued)

If the Group's ownership interest in a joint venture is reduced, but the investment continues to be a joint venture, the Group shall reclassify to profit or loss only a proportionate amount of the gain or loss previously recognised in other comprehensive income.

If the ownership of interest in a joint venture, which is accounted for under the equity method, is reduced, and the investment becomes an associate which continues to be accounted for under the equity method, the Group shall reclassify to profit or loss only a proportionate amount of the gain or loss previously recognised in other comprehensive income.

If the ownership of interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

When the Group ceases to have control or significant influence over an entity, any retained interest in the entity is re-measured to its fair value at the date when the control and significant influence is lost, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. As a result, the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using Renminbi ("RMB"), the currency of the primary economic environment in which the entity operates ("the functional currency"). As the Company is listed on the Main Board of the Hong Kong Stock Exchanges, the directors consider that it will be more appropriate to adopt Hong Kong Dollars ("HK\$") as the Group's and the Company's presentation currency. Accordingly, the consolidated financial statements are presented in HK\$.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within 'exchange gain, net' in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'other income' and 'finance cost'. All other foreign exchange gains and losses are presented in the income statement within 'exchange gain, net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.4 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from translation of inter-company loan balances between group entities are recognised in other comprehensive income and accumulated in equity under 'exchange reserve' when such loans form part of the Group's net investments in foreign entities. When such loans are repaid, the related exchange gains or losses are reclassified to the consolidated income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a JV that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity under 'exchange reserve' in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated income statement as a part of gain or loss of disposal.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or JVs that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to the consolidated income statement as a part of gain or loss of disposal.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Construction in progress is stated at cost, which includes borrowing costs incurred to finance the construction, and is proportionally attributed to qualifying assets.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

| | |
|-----------------------------------|--|
| Buildings | 20 to 25 years |
| Leasehold improvements | Over the shorter of useful lives and lease terms |
| Furniture, fixtures and equipment | 3 to 20 years |
| Motor vehicles | 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.6 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and JVs and represents the excess consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates or JVs is included in interests in associates or JVs and is tested for impairment as part of the overall balances.

Separately recognised goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment and carried at cost less impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed. Gains or losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

(b) Other intangible assets

Intangible assets acquired in business combination are identified and recognised separately from goodwill where they satisfy the definition of intangible assets and their fair values can be measured reliably. Such intangible assets are recognised at their fair values at the acquisition date. The other intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the costs over their estimated useful lives of 20 years.

2.7 Leasehold land and land use rights

The leasehold land and land use rights have finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the costs of land use rights over the lease terms.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.8 Impairment of investments in subsidiaries, associates, JVs and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable operation segments (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associates and joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and joint ventures and their carrying value and recognises the amount adjacent to 'share of results of associates' and 'share of results of joint ventures' accounted for using equity method' in the income statement.

2.9 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.9 Financial assets *(Continued)*

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables comprise trade and bill receivables, deposits and other receivables, amounts due from associates and JVs, loan to a JV and cash and cash equivalents in the consolidated and company balance sheets (Notes 2.13 and 2.14).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss categories are presented in the consolidated income statement within 'other gains, net' in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustment recognised in equity are included in the consolidated income statement as 'other gains, net'.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.9 Financial assets *(Continued)*

(c) Available-for-sale financial assets (Continued)

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of JVs to secure loans.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 2.10.

2.10 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.10 Impairment of financial assets *(Continued)*

(a) Assets carried at amortised cost *(Continued)*

Management determines the provision for impairment of receivables. This estimate is based on the credit history of its receivables and the current market condition. Management reassesses the provision at each reporting date.

Significant judgement is exercised on the assessment of the collectability of receivables. In making its judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customer payment trends including subsequent payments and customers' financial position. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the specific identification of their individual costs. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Construction contracts

A construction contract is defined by HKAS11 as a contract specifically negotiated for the construction of an asset. The accounting policy for contract revenue is set out in Note 2.22.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the reporting date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the percentage of completion method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the percentage of surveys of work performed for individual contract up to the reporting date. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the consolidated balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits exceed progress billings and a contract represents a liability where the opposite is the case.

The Group presents as an asset the gross amount due from customers (including associates and JVs) for contract work for all contracts in progress for which costs incurred plus recognised profits exceed progress billings. Progress billings not yet paid by customers and retention are included in 'trade and bill receivables'.

The Group presents as a liability the gross amount due to customers (including associates and JVs) for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables mainly represent amounts due from the People's Republic of China ("PRC") local government authority in relation to the amounts paid to guarantee the construction projects of power plants. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, bill and other receivables and amounts due from subsidiaries, associates and JVs are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases the company's equity share capital for cancellation, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to equity holders of the Company.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables and amounts due to subsidiaries, associates and JVs are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method except for borrowing costs capitalised for qualifying assets (Note 2.5).

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries, associates and JVs operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.19 Current and deferred income tax *(Continued)*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill and the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and JVs, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on temporary differences arising from the elimination of unrealised gains on transactions between subsidiaries of the Group. They are amortised at a rate according to depreciation rate of assets retained within the Group.

Investment tax credits are tax benefits received only for investment in specific assets. The tax benefit is recognised separately from related assets as deferred government grant and amortised over the estimated useful lives of the related assets in the consolidated income statement.

2.20 Employee benefits

(a) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are recognised within 'employee benefit expense' in the consolidated income statement as they become payable in accordance with the rules of the MPF scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.20 Employee benefits *(Continued)*

(a) Pension obligations *(Continued)*

The employees of the Group's subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the local municipal government. The subsidiaries are required to contribute certain percentage of the payroll costs to the central pension schemes. The contributions are recognised within 'employee benefit expense' in the consolidated income statement as they become payable in accordance with the rules of the central pension schemes.

(b) Share-based compensation

The Group operates equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Forfeiture occurs when either a service or a non-market vesting condition is not met.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each reporting date, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to interests in subsidiaries undertakings, with a corresponding credit to equity in the parent entity accounts.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.20 Employee benefits *(Continued)*

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.21 Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and value-added tax and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the Group's activities as described below.

- (i) Sales of goods are recognised when the significant risks and rewards of ownership have been transferred to the buyers and the goods are accepted by the customers and collectability of the related receivables is reasonably assured.
- (ii) Sales of services are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.
- (iii) Contract revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of surveys of work performed (Note 2.12).
- (iv) Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable. Dividend income is recognised when the shareholders' right to receive payment has been established.
- (v) Dealings in securities and sale of investments are recognised on the transaction dates when the relevant contract notes are exchanged or on the settlement dates when the securities are delivered.
- (vi) Electricity income is recognised when electricity is supplied to provincial grid companies.
- (vii) Sales of carbon emission rights are recognised at their fair value where there is a reasonable assurance that the price of carbon emission rights is determined and the Group has delivered the rights to the buyers through verification.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies *(Continued)*

2.23 Government grants

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all conditions attached.

Government grant relating to land use rights and property, plant and equipment are included in non-current liabilities as deferred government grant and are credited to the consolidated income statement within 'other income' on a straight-line basis over the expected lives of the related assets.

Government grants relating to costs are deferred and recognised within 'other income' in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

2.26 Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation for a fairer presentation of the Group's activities. Share of JVS' provision of receivables and loss from discounting of receivables, which have been previously included in the "share of results of joint ventures", are now separately disclosed. This reclassification has no effect on the Group's consolidated balance sheets as at both 31 December 2013 and 2012, or the Group's profit or cash flows for the years ended 31 December 2013 and 2012.

Notes to the Consolidated Financial Statements

3. Financial risk management

3.1 Financial risk factors

The Group activities exposed it to a variety of financial risks. The management periodically analyses and reviews measures to manage its exposure to market risk (including foreign currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management and has not used any derivatives or other instruments for hedging purposes.

As at 31 December 2013, the Group financial instruments mainly consisted of trade and bills receivables, deposits and other receivables, amounts due from/to associates, amounts due from/to JVs, loan to a JV, cash and cash equivalents, trade and bill payables, other payables and accruals and borrowings. Details of these financial instruments are disclosed in Note 22.

(a) *Market risk*

(i) *Foreign exchange risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises from monetary assets and liabilities denominated in foreign currencies.

The Group operates mainly in the PRC and Hong Kong. Majority of revenues and cost of construction and inventories are denominated in RMB, same as the functional currency.

As at 31 December 2013 and 2012, certain bank balances, loan to a JV, prepayments, deposits and other receivables and other payables and accruals are denominated in United States dollars ("US\$") and hence exposed to foreign exchange risk.

As at 31 December 2013 and 2012, certain cash and bank balances, deposits and other receivables and other payables and accruals are denominated in Hong Kong dollars ("HK\$") and hence exposed to foreign exchange risk.

Details of the Group's loan to a JV, prepayments, deposits and other receivables, bank balances, other payables and accruals and borrowings denominated in foreign currencies are disclosed in Notes 20, 25, 26, 29 and 30, respectively.

As at 31 December 2013, if US\$ had strengthened/weakened by 5% against RMB with all other variables held constant, the profit for the year and equity would increase/decrease by HK\$3,538,000 (2012: HK\$2,984,000), mainly as a result of foreign exchange gains/losses on translation of US\$ denominated trade and other receivables, loan to a JV, bank balances and other payables.

Notes to the Consolidated Financial Statements

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk (Continued)

As at 31 December 2013, if HK\$ had strengthened/ weakened by 5% against RMB with all other variable held constant, the profit for the year and equity would increase/ decrease by HK\$15,573,000 (2012: HK\$ 9,093,000), mainly as a result of foreign exchange losses/ gains on translation of HK\$ denominated other receivable, bank balances and other payables.

(ii) Cashflow and fair value interest rate risk

Cashflow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate as it is issued at fixed interest rates.

The Group's cashflow interest rate risk arises from bank balances, loan to a JV, loans to third parties and borrowings. Borrowings issued at variable rates expose the Group to cashflow interest rate risk which is partially offset by bank balances held at variable rates.

The interest rate profile of the Group's bank balances and borrowings are disclosed in Notes 26 and 30 respectively. The cash deposits placed with banks generate interest at the prevailing market interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year and equity would decrease/increase by HK\$2,130,000 (2012: HK\$976,000). This is mainly attributable to the Group's exposure to interest income/expenses on floating rate bank balances and borrowings.

(b) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the respective notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Credit risk is managed on a group basis. Both trade and bill receivables and amounts due from associates and JVs arise during the course of the Group's business operations and are trade in nature. For trade receivables, the management of the Group limit credit risk by assessing the credit quality of the customer, perform ongoing credit evaluation taking into account its financial position, past trade experience and other factors. For the amounts due from associates and JVs, the Group has significant influence or joint operational control over its associates and JVs and their financial positions with other ventures are regularly monitored in order to minimise the credit risk associated with receivables due from associates and JVs. The Group has policies in place to review the recoverability of trade receivables and amounts due from associates and JVs on an ongoing basis and assess the adequacy of provision for impairment.

The maximum exposure to credit risk is therefore represented by the carrying amount of each financial asset as stated in the consolidated and company balance sheets.

In addition, the Group also provide certain guarantee for a JV's borrowing, the maximum credit risk relating to the guarantee is disclosed in Note 37.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash reserves and banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows and match maturity profiles of financial assets and liabilities.

As at 31 December 2013, the Group has available unutilised bank and other loans facilities of approximately HK\$764,179,000 (2012: HK\$775,633,000).

The table below analyses the financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows of financial liabilities based on earliest date on which the Group can be required to pay. Balances due within twelve months approximate their carrying balances, as the impact of discounting was not significant.

Notes to the Consolidated Financial Statements

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

As at 31 December 2013

| | Group | | | | |
|---|--------------------------------------|---------------------------|----------------------------|--------------------------|-----------------------------|
| | Less than 3 months HK\$'000 | 3-6 months HK\$'000 | 6-12 months HK\$'000 | 1-2 years HK\$'000 | Over 2 years HK\$'000 |
| Trade and bill payables | 1,304,735 | — | — | — | — |
| Other payables and accruals | 277,268 | — | — | — | — |
| Amounts due to associates | 47,779 | — | — | — | — |
| Amounts due to JVs | 9,682 | — | — | — | — |
| Borrowings | 27,011 | 998,319 | 140,511 | 189,612 | 1,712,769 |
| Financial guarantee <i>(Note 37)</i> | 62,159 | — | 60,361 | 116,655 | 541,958 |

| | Company | | | | |
|---|--------------------------------------|---------------------------|----------------------------|--------------------------|-----------------------------|
| | Less than 3 months HK\$'000 | 3-6 months HK\$'000 | 6-12 months HK\$'000 | 1-2 years HK\$'000 | Over 2 years HK\$'000 |
| Other payables and accruals | 19,822 | — | — | — | — |
| Amounts due to subsidiaries | 177,792 | — | — | — | — |
| Borrowings | — | 969,122 | — | — | — |
| Financial guarantee <i>(Note 37)</i> | 62,159 | — | 60,361 | 116,655 | 541,958 |

Notes to the Consolidated Financial Statements

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

As at 31 December 2012

| | Less than 3 months <i>HK\$'000</i> | Group | | | |
|---|---|----------------------------------|-----------------------------------|---------------------------------|------------------------------------|
| | | 3-6 months <i>HK\$'000</i> | 6-12 months <i>HK\$'000</i> | 1-2 years <i>HK\$'000</i> | Over 2 years <i>HK\$'000</i> |
| Trade and bill payables | 1,007,791 | — | — | — | — |
| Other payables and accruals | 286,336 | — | — | — | — |
| Amounts due to associates | 48,055 | — | — | — | — |
| Amounts due to JVs | 14,114 | — | — | — | — |
| Borrowings | 19,595 | 78,278 | 73,619 | 976,658 | 553,959 |
| Financial guarantee <i>(Note 37)</i> | 65,088 | — | 63,256 | 122,534 | 658,685 |

| | Less than 3 months <i>HK\$'000</i> | Company | | | |
|---|---|----------------------------------|-----------------------------------|---------------------------------|------------------------------------|
| | | 3-6 months <i>HK\$'000</i> | 6-12 months <i>HK\$'000</i> | 1-2 years <i>HK\$'000</i> | Over 2 years <i>HK\$'000</i> |
| Other payables and accruals | 19,599 | — | — | — | — |
| Amounts due to subsidiaries | 105,686 | — | — | — | — |
| Borrowings | 14,741 | 14,741 | 29,483 | 939,250 | — |
| Financial guarantee <i>(Note 37)</i> | 65,088 | — | 63,256 | 122,534 | 658,685 |

Notes to the Consolidated Financial Statements

3. Financial risk management *(Continued)*

3.2 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total capital is calculated as equity plus borrowings.

The Group's total borrowings and total capital positions as at 31 December 2013 and 2012 were as follows:

| | 2013 | 2012 |
|----------------------|------------------|-----------|
| | HK\$'000 | HK\$'000 |
| Total borrowings | 2,330,192 | 1,382,087 |
| Total equity | 4,993,886 | 4,454,998 |
| Total capital | 7,324,078 | 5,837,085 |
| Gearing ratio | 32% | 24% |

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Consolidated Financial Statements

3. Financial risk management *(Continued)*

3.3 Fair value estimation *(Continued)*

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2013.

| | Level 1 <i>HK\$'000</i> | Level 2 <i>HK\$'000</i> | Level 3 <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|----------------------------|----------------------------|----------------------------|--------------------------|
| As at 31 December 2013 | | | | |
| Available-for-sale financial assets <i>(Note 23)</i> | — | — | — | — |
| As at 31 December 2012 | | | | |
| Available-for-sale financial assets <i>(Note 23)</i> | — | — | 2,775 | 2,775 |

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Financial instruments valued with reference to the quoted market price are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note that all the fair value estimates on the available-for-sale financial assets are included in level 3.

Notes to the Consolidated Financial Statements

3. Financial risk management *(Continued)*

3.3 Fair value estimation *(Continued)*

The following table presents the changes in level 3 instruments for the year ended 31 December 2013 and 2012.

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Opening balance | 2,775 | — |
| Additions | — | 2,775 |
| Disposal | (2,775) | — |
| Closing balance | — | 2,775 |
| Total gains or losses for the year included in profit or loss for assets disposed during the year | 458 | — |

3.4 Offsetting financial assets and financial liabilities

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

| As at 31 December 2013 | Gross amounts of recognised financial assets HK\$'000 | Gross amounts of recognised financial liabilities set off in the balance sheet HK\$'000 | Net amounts of financial assets presented in the balance sheet HK\$'000 | Related amounts not set off in the balance sheet Cash collateral received HK\$'000 | Net amount HK\$'000 |
|------------------------------------|--|---|---|--|------------------------|
| Amounts due from joint ventures | 714,002 | (202,478) | 511,524 | — | 511,524 |
| Amounts due from associates | 79,422 | (12,842) | 66,580 | — | 66,580 |
| Total | 793,424 | (215,320) | 578,104 | — | 578,104 |

Notes to the Consolidated Financial Statements

3. Financial risk management *(Continued)*

3.4 Offsetting financial assets and financial liabilities *(Continued)*

(a) *Financial assets (Continued)*

| As at 31 December 2012 | Gross amounts of recognised financial assets <i>HK\$'000</i> | Gross amounts of recognised financial liabilities set off in the balance sheet <i>HK\$'000</i> | Net amounts of financial assets presented in the balance sheet <i>HK\$'000</i> | Related amounts not set off in the balance sheet Cash collateral received <i>HK\$'000</i> | Net amount <i>HK\$'000</i> |
|------------------------------------|---|--|--|---|-------------------------------|
| Amounts due from joint ventures | 1,119,964 | (116,105) | 1,003,859 | — | 1,003,859 |
| Amounts due from associates | 163,092 | (131,205) | 31,887 | — | 31,887 |
| Total | 1,283,056 | (247,310) | 1,035,746 | — | 1,035,746 |

(b) *Financial liabilities*

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

| As at 31 December 2013 | Gross amounts of recognised financial liabilities <i>HK\$'000</i> | Gross amounts of recognised financial assets set off in the balance sheet <i>HK\$'000</i> | Net amounts of financial liabilities presented in the balance sheet <i>HK\$'000</i> | Related amounts not set off in the balance sheet Cash collateral received <i>HK\$'000</i> | Net amount <i>HK\$'000</i> |
|----------------------------------|---|--|---|---|-------------------------------|
| Amounts due to joint ventures | 473,345 | (202,478) | 270,867 | — | 270,867 |
| Amounts due to associates | 92,690 | (12,842) | 79,848 | — | 79,848 |
| Total | 566,035 | (215,320) | 350,715 | — | 350,715 |

Notes to the Consolidated Financial Statements

3. Financial risk management *(Continued)*

3.4 Offsetting financial assets and financial liabilities *(Continued)*

(b) Financial liabilities *(Continued)*

| As at 31 December 2012 | Gross amounts of recognised financial liabilities <i>HK\$'000</i> | Gross amounts of recognised financial assets set off in the balance sheet <i>HK\$'000</i> | Net amounts of financial liabilities presented in the balance sheet <i>HK\$'000</i> | Related amounts not set off in the balance sheet Cash collateral received <i>HK\$'000</i> | Net amount <i>HK\$'000</i> |
|----------------------------------|---|--|---|---|-----------------------------------|
| Amounts due to joint ventures | 151,596 | (116,105) | 35,491 | — | 35,491 |
| Amounts due to associate | 289,954 | (131,205) | 158,749 | — | 158,749 |
| Total | 441,550 | (247,310) | 194,240 | — | 194,240 |

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party; or bankruptcy.

Notes to the Consolidated Financial Statements

4. Critical accounting estimates and judgements

In preparing the consolidated financial statements, management is required to exercise significant judgements in the selection and application of accounting principles, as well as in making estimates and assumptions. The following is a review of the significant accounting policies that are impacted by judgements and uncertainties and for which different amounts may be reported under a different set of conditions or using different assumptions.

(a) Revenue recognition

The Group uses the percentage of completion method in accounting for contract revenue from the individual contract of construction works and revenue from fixed-price contracts to deliver services to customers. The percentage of completion of construction works is determined by reference to the percentage of surveys of work performed for individual contract at the reporting date. Because of the nature of activities undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group regularly reviews and revises the estimation of both contract revenue and contract cost in the budget prepared for each construction contract as the contract progresses. In addition, use of the percentage of completion method for service revenue required the Group to estimate the service performed to date as a proportion of the total services to be performed. The Group regularly reviews and revises the estimation of the total services to be performed during the services rendering.

(b) Income tax

The Group is subject to income taxes in numerous jurisdictions, including Hong Kong and the PRC. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(c) Impairment of assets

At each reporting date, the Group reviews internal and external sources of information to identify indications that the following assets which are significant to the Group and/or the Company may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- goodwill and other intangible asset;
- interests in subsidiaries, associates and JVs;
- available-for-sale financial assets; and
- trade and other receivables

Notes to the Consolidated Financial Statements

4. Critical accounting estimates and judgements *(Continued)*

(c) Impairment of assets *(Continued)*

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill that has indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment. An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount (Note 17).

The sources utilised to identify indications of impairment are often subjective in nature and the Group is required to use judgement in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at any given reporting date.

If an indication of impairment is identified, such information is further subject to an exercise that requires the Group or the Company to estimate the recoverable amount, representing the greater of the asset's fair value less cost to sell or its value in use. Depending on the Group's or the Company's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable amount, the Group may perform such assessment utilising internal resources or the Group or the Company may engage external advisors to counsel the Group or the Company in making this assessment. Regardless of the resources utilised, the Group or the Company is required to make many assumptions to make this assessment, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable amount of any asset.

(d) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment with similar nature and function. It could change significantly as a result of changes in the Group's operations including any future relocation or renovation of the Group's facilities. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down assets that have been abandoned or sold.

Notes to the Consolidated Financial Statements

5. Segment information

(a) Business segments

Management has determined the operating segments based on the internal reports reviewed and used by executive directors for strategic decision making.

The executive directors consider the business from a product and service perspectives. During the year, the executive directors restructured the organisation and transferred part of the business operations from “manufacture of equipment” segment to “engineering, procurement and construction” segment. The two operating segments were then merged to form the new segment ‘engineering, procurement, construction and manufacture of equipment. In the new structure, the Group has, reported on three operating segments as follows:

- Engineering, procurement, construction and manufacture of equipment — providing technical and consultancy services, securing power resources in renewable energy industry, undertaking electrical engineering and construction of power plant projects and manufacturing of tower tube and gear box equipment for power business;
- Operation and maintenance of power plants — providing operation and maintenance services to power plants; and
- Investment in power plants — investing in power plants.

To ensure a consistent comparison to the new structure, the comparatives have been restated accordingly.

The executive directors assess the performance of the operating segments based on a measure of adjusted earnings before interest and income tax. This measurement basis excludes the effects of non-recurring income and expenditure from the operating segments.

Segment assets comprise goodwill, interests in associates, interests in JVs, property, plant and equipment, leasehold land and land use rights, other intangible asset, available-for-sale financial assets, inventories, receivables and cash and cash equivalents which are related to the segments.

Segment assets included goodwill amounted to HK\$100,670,000 (2012: HK\$97,614,000), HK\$77,855,000 (2012: HK\$75,491,000) and HK\$1,176,041,000 (2012: HK\$1,149,864,000) allocated to the “engineering, procurement, construction and manufacture of equipment” segment, “operation and maintenance of power plants” segment and “investment in power plants” segment, respectively.

Segment liabilities comprise payables, borrowings, current income tax liabilities and deferred government grant which are related to the segments.

Inter-segment sales and transfers are transacted at cost or with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Notes to the Consolidated Financial Statements

5. Segment information *(Continued)*

(a) Business segments *(Continued)*

Sales to external customers included sales of goods amounted to HK\$1,127,597,000 (2012: HK\$692,811,000), revenue from construction service amounted to HK\$597,941,000 (2012: HK\$245,664,000) and revenue from operation and maintenance, consultancy and design services amounted to HK\$157,072,000 (2012: HK\$161,344,000).

For the year ended 31 December 2013

| | Engineering, procurement, construction and equipment manufacturing HK\$'000 | Power plant operation and maintenance HK\$'000 | Investment in power plants HK\$'000 | Total HK\$'000 | |
|---|--|---|---|-------------------|---------|
| Segment revenue | | | | | |
| Inter-segment sales | 389,020 | 11,035 | (400,055) | — | |
| Sales to external customers | 1,643,670 | 124,667 | 114,273 | 1,882,610 | |
| Segment results | 56,356 | 46,404 | 117,791 | 220,551 | |
| Finance income | 2,727 | 244 | 1,047 | 4,018 | |
| Other gains, net | (3,030) | — | 178,109 | 175,079 | |
| Unallocated income | | | | 44,509 | |
| Unallocated expenses | | | | (90,809) | |
| Finance costs | (8,039) | (1) | (36,115) | (44,155) | |
| Share of joint ventures and an associate's provision for receivables | — | — | (76,165) | (76,165) | |
| Inventory write-down | (39,934) | — | — | (39,934) | |
| Profit before income tax | | | | 193,094 | |
| Income tax expense | (35,600) | (8,409) | 2,042 | (41,967) | |
| Profit for the year | | | | 151,127 | |
| Segment assets | 2,651,108 | 367,541 | 6,604,354 | 9,623,003 | |
| Unallocated assets | | | | 228,196 | |
| Total assets | | | | 9,851,199 | |
| Segment liabilities | (2,402,897) | (20,756) | (1,460,502) | (3,884,155) | |
| Unallocated liabilities | | | | (973,158) | |
| Total liabilities | | | | (4,857,313) | |
| Other segment information | | | | Unallocated | Total |
| Additions to non-current assets (other than financial instruments and deferred tax assets) | 9,982 | 326 | 555,997 | — | 566,305 |
| Depreciation of property, plant and equipment | 36,243 | 4,090 | 37,390 | 20 | 77,743 |
| Amortisation of other intangible asset and prepaid operating lease payment | 5,825 | — | — | 121 | 5,946 |
| (Gain)/loss on disposal of property, plant and equipment | (549) | — | 118 | — | (431) |
| Share-based compensation | 1,601 | 485 | 3,338 | 2,013 | 7,437 |

Notes to the Consolidated Financial Statements

5. Segment information (Continued)

(a) Business segments (Continued)

For the year ended 31 December 2012

| | Engineering, procurement construction and equipment manufacturing HK\$'000 (Note 2.26) | Power plant operation and maintenance HK\$'000 | Investment in power plants HK\$'000 (Note 2.26) | Total HK\$'000 (Note 2.26) | |
|--|--|---|--|----------------------------------|---------|
| Segment revenue | | | | | |
| Inter-segment sales | 352,014 | 4,473 | (356,487) | — | |
| Sales to external customers | 907,441 | 129,314 | 63,064 | 1,099,819 | |
| Segment results | (27,176) | 48,348 | 20,019 | 41,191 | |
| Finance income | 3,111 | 34 | 1,477 | 4,622 | |
| Other gains, net | (6,542) | — | 205,011 | 198,469 | |
| Unallocated income | | | | 21,784 | |
| Unallocated expenses | | | | (95,093) | |
| Finance costs | (14,432) | — | (5,871) | (20,303) | |
| Share of joint ventures' provision for receivables | — | — | (6,190) | (6,190) | |
| Loss from discounting of receivables | — | — | (31,408) | (31,408) | |
| Profit before income tax | | | | 113,072 | |
| Income tax expense | (58,226) | (2,360) | (11,574) | (72,160) | |
| Profit for the year | | | | 40,912 | |
| Segment assets | 1,946,695 | 295,307 | 5,135,378 | 7,377,380 | |
| Unallocated assets | | | | 130,646 | |
| Total assets | | | | 7,508,026 | |
| Segment liabilities | (1,545,314) | (10,514) | (559,419) | (2,115,247) | |
| Unallocated liabilities | | | | (937,781) | |
| Total liabilities | | | | (3,053,028) | |
| Other segment information | | | | Unallocated | Total |
| Additions to non-current assets (other than financial instruments and deferred tax assets) | 18,877 | 6,141 | 382,436 | 3 | 407,457 |
| Depreciation of property, plant and equipment | 30,292 | 3,111 | 29,117 | 293 | 62,813 |
| Amortisation of other intangible asset and prepaid operating lease payment | 5,715 | — | — | 119 | 5,834 |
| Loss on disposal of property, plant and equipment | 451 | — | — | — | 451 |
| Share-based compensation | 12,096 | 1,014 | 6,703 | 4,374 | 24,187 |

Notes to the Consolidated Financial Statements

5. Segment information *(Continued)*

(b) Geographical segments

The Company is domiciled in Bermuda. None of its revenue was generated from external customers in Bermuda, and no non-current assets are located in Bermuda.

Management considers the geographical segments with revenue derived from different locations, which determined by the country in which the customer is operated. Engineering, procurement and construction and equipment manufacturing is operated in two main geographical segments, including the PRC and Ghana. The Group's power plant operation and maintenance activities are operated in the PRC, while investment in power plants is operated in the PRC and the United States of America. There are no sales between geographical segments.

Total assets and capital expenditures are allocated based on the geographical location of the assets, mainly located in the PRC and the locations including the United States of America, Hong Kong, Ghana and Philippines.

The Group's revenue, total assets and capital expenditures by locations are analysed as follows:

| | 2013 | | | 2012 | | |
|---------|----------------------------|---------------------------------|---|----------------------------|---------------------------------|---|
| | Revenue <i>HK\$'000</i> | Total assets <i>HK\$'000</i> | Capital expenditures <i>HK\$'000</i> | Revenue <i>HK\$'000</i> | Total assets <i>HK\$'000</i> | Capital expenditures <i>HK\$'000</i> |
| The PRC | 1,860,879 | 8,351,171 | 537,896 | 1,025,615 | 6,083,236 | 405,361 |
| Others | 21,731 | 1,500,028 | 28,409 | 74,204 | 1,424,790 | 2,096 |
| | 1,882,610 | 9,851,199 | 566,305 | 1,099,819 | 7,508,026 | 407,457 |

(c) Major customers

One (2012: two) single external customer contributes more than 10% revenue of the Group. These revenues are attributable to the engineering, procurement and construction and equipment manufacturing segment. The revenue of these customers are summarised below:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|------------|-------------------------|-------------------------|
| Customer A | 554,824 | N/A |
| Customer B | N/A | 308,506 |
| Customer C | N/A | 207,650 |

Notes to the Consolidated Financial Statements

6. Revenue and other income

Revenue represents consultancy and construction income, the net invoiced value of goods sold and other services rendered during the year.

| | Group | |
|-----------------------------------|------------------|-----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Revenue | 1,882,610 | 1,099,819 |
| Other income | | |
| Interest income | 24,535 | 13,485 |
| Subletting income | 7,139 | 4,019 |
| Government grants (<i>Note</i>) | 11,481 | 6,267 |
| Others | 3,246 | 1,050 |
| | 46,401 | 24,821 |

Note:

For the year ended 31 December 2013, the Group obtained government grant of HK\$9,900,000 and recognised as income from the United States of America ("USA") government to subsidise technical development and support.

For the year ended 31 December 2012, the Group obtained government grants of HK\$5,530,000 and recognised as income from the PRC government to subsidise for technical development and support.

Notes to the Consolidated Financial Statements

7. Other gains, net and exchange gains, net

An analysis of other gains, net and exchange gains, net are as follows:

| | Group | |
|--|-----------------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Other gains, net | | |
| Gain on businesses or assets contribution to JVs (<i>Note 36(b)</i>) | — | 127,132 |
| Gain on disposal and partial disposal of JVs (<i>Note 36(c)</i>) | 137,881 | 51,330 |
| (Loss)/gain on disposal of subsidiaries, net (<i>Note 36(d)</i>) | (9,310) | 26,549 |
| Gain on acquisition of subsidiaries (<i>Note 36(e)</i>) | 46,439 | — |
| Gain on partial disposal of a subsidiary (<i>Note 36(f)</i>) | 68 | — |
| Gain on disposal of available-for-sale financial assets | 458 | — |
| Net realised gains on disposal of financial assets at fair value through profit or loss | 1,668 | 1,585 |
| Other professional fees | — | (6,542) |
| | 177,204 | 200,054 |
| Exchange gains, net | | |
| Exchange gain on partial repayments of shareholders' loans | 10,853 | — |
| Others | (315) | 38 |
| | 10,538 | 38 |

Notes to the Consolidated Financial Statements

8. Employee benefit expense (including directors' emoluments)

| | Group | |
|--|-----------------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Wages, salaries and bonuses | 174,910 | 145,497 |
| Pension costs — defined contribution plans (<i>Note (i)</i>) | 22,675 | 21,226 |
| Share-based compensation (<i>Note 32</i>) | 7,437 | 24,187 |
| | 205,022 | 190,910 |
| <i>Less: Employee benefit expense capitalised (Note (ii))</i> | (55,057) | (33,561) |
| | 149,965 | 157,349 |

Notes:

- (i) As at 31 December 2013, the Group had no significant forfeited contributions available to reduce its contributions to the pension scheme in future years (2012: Same).
- (ii) For the year ended 31 December 2013, employee benefit expense of HK\$8,077,000 (2012: HK\$13,262,000) has been recognised as unrealised profits or losses on transactions between the Group and its associates and JVs under interests in associates and JVs (Notes 19 and 20). In addition, employee benefit expense of HK\$46,980,000 (2012: HK\$20,299,000) has been capitalised as construction in progress under property, plant and equipment (Note 15), work in progress under inventories (Note 21) and amounts due from/(to) customers for contract work (Note 27) as at 31 December 2013.

Notes to the Consolidated Financial Statements

8. Employee benefit expense (including directors' emoluments) (Continued)

(a) Directors' emoluments

Details of directors' emoluments are set out below:

| | Group | | | | Total HK\$'000 |
|--|-------------------------------------|---|---|--|-------------------|
| | For the year ended 31 December 2013 | | | | |
| | Fees HK\$'000 | Basic salaries, bonuses, allowances and benefits HK\$'000 | Employer's contribution to pension schemes HK\$'000 | Share-based compensation (Note (ii)) HK\$'000 | |
| Chairman | | | | | |
| Liu Shunxing (Note (i)) | — | 2,086 | — | 1,136 | 3,222 |
| Executive directors | | | | | |
| Ko Chun Shun, Johnson | — | 1,046 | 15 | 16 | 1,077 |
| Yang Zhifeng (Note (vii)) | — | 1,711 | — | 757 | 2,468 |
| Wang Xun | — | 535 | — | 757 | 1,292 |
| Liu Jianhong | — | 1,782 | — | 757 | 2,539 |
| Yu Weizhou | — | 1,588 | — | 750 | 2,338 |
| Zhou Zhizhong | — | 1,494 | — | 740 | 2,234 |
| Ko Wing Yan, Samantha | — | 795 | 30 | 308 | 1,133 |
| Chan Kam Kwan, Jason (Note (iv)) | — | 300 | 15 | 87 | 402 |
| Non-executive director | | | | | |
| Tsoi Tong Hoo, Tony (Note (iii)) | 144 | — | — | 75 | 219 |
| Independent non-executive directors | | | | | |
| Zhou Dadi (Note (v)) | 144 | — | — | 83 | 227 |
| Wong Yau Kar, David, BBS, JP | 144 | — | — | 69 | 213 |
| Yap Fat Suan, Henry | 144 | — | — | 69 | 213 |
| Shang Li | 144 | — | — | — | 144 |
| Huang Jian (Note (vi)) | 144 | — | — | — | 144 |
| | 864 | 11,337 | 60 | 5,604 | 17,865 |

Notes to the Consolidated Financial Statements

8. Employee benefit expense (including directors' emoluments) (Continued)

(a) Directors' emoluments (Continued)

| | Group | | | | Total HK\$'000 |
|--|-------------------------------------|---|---|--|-------------------|
| | For the year ended 31 December 2012 | | | | |
| | Fees HK\$'000 | Basic salaries, bonuses, allowances and benefits HK\$'000 | Employer's contribution to pension schemes HK\$'000 | Share-based compensation (Note (ii)) HK\$'000 | |
| Chairman | | | | | |
| Liu Shunxing (Note (i)) | — | 2,355 | — | 2,290 | 4,645 |
| Executive directors | | | | | |
| Ko Chun Shun, Johnson | — | 1,305 | 14 | 82 | 1,401 |
| Yang Zhifeng (Note (vii)) | — | 1,815 | — | 1,530 | 3,345 |
| Wang Xun | — | 1,815 | — | 1,530 | 3,345 |
| Liu Jianhong | — | 1,852 | — | 1,530 | 3,382 |
| Yu Weizhou | — | 1,479 | — | 1,483 | 2,962 |
| Zhou Zhizhong | — | 1,478 | — | 1,434 | 2,912 |
| Ko Wing Yan, Samantha | — | 930 | 14 | 605 | 1,549 |
| Chan Kam Kwan, Jason (Note (iv)) | — | 325 | 14 | 187 | 526 |
| Non-executive director | | | | | |
| Tsoi Tong Hoo, Tony (Note (iii)) | 144 | — | — | 177 | 321 |
| Independent non-executive directors | | | | | |
| Zhou Dadi (Note (v)) | 144 | — | — | 165 | 309 |
| Wong Yau Kar, David, BBS, JP | 144 | — | — | 145 | 289 |
| Yap Fat Suan, Henry | 144 | — | — | 145 | 289 |
| Shang Li | — | — | — | — | — |
| Huang Jian (Note (vi)) | — | — | — | — | — |
| | 576 | 13,354 | 42 | 11,303 | 25,275 |

Notes to the Consolidated Financial Statements

8. Employee benefit expense (including directors' emoluments) *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

- (i) Mr. Liu Shunxing has resigned as the Chief Executive Officer ("CEO") of the Company but remains as the Chairman and Executive Director of the Company with effect from 12 November 2013.
- (ii) It represents amortisation of the fair value of share options measured at the grant date charged to the consolidated income statement over the reporting period, regardless of whether or not the share options have been exercised.
- (iii) Mr. Tsoi Tong Hoo, Tony has resigned as a non-executive director and a member of the Audit Committee with effect from 21 January 2014.
- (iv) Mr. Chan Kam Kwan, Jason has resigned as an executive director with effect from 21 January 2014.
- (v) Mr. Zhou Dadi has resigned as an independent non-executive director on 21 January 2014.
- (vi) Ms. Huang Jian, an existing independent non-executive director, has been appointed as a member of the Audit committee with effect from 21 January 2014.
- (vii) Mr. Yang Zhifeng has been appointed as the Chief executive of the Company with effect from 12 November 2013.

Save as those emoluments presented above, no other fees or emoluments were paid, have been or will be paid to the independent non-executive directors in respect of the current year (2012: Same).

For the year ended 31 December 2013, there were no arrangement under which a director waived or agreed to waive any remuneration, and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2012: Same).

Details of share options granted to directors are set out in Note 32 to the consolidated financial statements.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2012: five) directors whose emoluments are reflected in the analysis presented above.

Notes to the Consolidated Financial Statements

9. Finance costs

| | Group | |
|---|-----------------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Interest expenses: | | |
| — Bank borrowings, wholly repayable within five years | 8,040 | 14,432 |
| — Bank borrowings, not wholly repayable within five years | 36,115 | 5,871 |
| — Guaranteed bond, wholly repayable within five years | 67,330 | 65,682 |
| | 111,485 | 85,985 |
| <i>Less: Interest capitalised (Note)</i> | (7,989) | — |
| | 103,496 | 85,985 |

Note:

For the year ended 31 December 2013, borrowing costs have been capitalised at various applicable rates ranging from 6.14% to 7.11% per annum for qualifying assets classified as construction in progress under property, plant and equipment (Note 15).

Notes to the Consolidated Financial Statements

10. Profit before income tax

Profit before income tax is stated after charging the following:

| | Group | |
|--|------------------|--------------------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| | | <i>(Note 2.26)</i> |
| Cost of construction and inventories sold | | |
| Cost of construction | 510,631 | 157,260 |
| Cost of inventories sold | 925,768 | 634,478 |
| | 1,436,399 | 791,738 |
| Depreciation of property, plant and equipment <i>(Note 15)</i> | 59,811 | 43,910 |
| Amortisation of prepaid operating lease payment <i>(Note 16)</i> | 4,059 | 2,643 |
| Amortisation of other intangible assets <i>(Note 17)</i> | 121 | 119 |
| | 63,991 | 46,672 |
| Auditor's remuneration | 3,292 | 3,292 |
| Business taxes and other levies | 16,020 | 15,359 |
| Inventory write-down <i>(Note 21)</i> | 39,934 | — |
| Provision for receivables <i>(Note 24)</i> | 10,176 | — |
| Professional fee | 15,887 | 16,537 |
| Travelling expenses | 10,364 | 9,126 |
| Employee benefit expense | 149,965 | 157,349 |
| Others | 61,236 | 86,757 |
| | 306,874 | 288,420 |

Notes to the Consolidated Financial Statements

11. Income tax expense

| | Group | |
|---|-----------------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Current tax | | |
| — PRC corporate income tax | 37,227 | 39,710 |
| — Withholding tax | 4,535 | 3,923 |
| — Adjustments in respect of prior years (<i>Note</i>) | 1,074 | 31,894 |
| | 42,836 | 75,527 |
| Deferred tax (<i>Note 34</i>) | (869) | (3,367) |
| | 41,967 | 72,160 |

Note:

In 2012, the investigation department of the local PRC tax bureau (the "Investigation Department") initiated a tax audit on a wholly-owned subsidiary of the Group. The Group has then received an additional Corporate Income Tax ("CIT") assessment of RMB11,402,000 (equivalent to HK\$14,014,000) for year 2009 relating to the apportionment basis adopted by the Group in allocating the profit between head quarter and branch in Jilin region, which has been settled during the current year.

Subsequent to the tax audit, management has reassessed the potential tax exposure for being challenged by Investigation Department under the same basis in connection with the tax provision for years 2010 and 2011 and accordingly additional provisions of RMB10,495,000 (equivalent to approximately HK\$12,899,000) and RMB3,652,000 (equivalent to approximately HK\$4,489,000) have been made, respectively, against these potential tax exposures in 2012.

The Group has adopted the appointment basis concluded by Investigation Department for the year ended 31 December 2012.

Notes to the Consolidated Financial Statements

11. Income tax expense *(Continued)*

PRC corporate income tax is provided for at the rate of 25% (2012: 25%) for the year of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC corporate income tax purpose. Certain subsidiaries of the Group are entitled to preferential tax treatments including two years exemption followed by three years of a 50% tax reduction.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

| | Group | |
|---|-----------------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Profit before income tax | 193,094 | 113,072 |
| Tax calculated at domestic tax rates applicable to profits in the respective locations <i>(Note)</i> | 39,826 | 26,969 |
| Tax effects of associates' & JVs' results reported, net of tax | 6,059 | (1,074) |
| Effects of tax holiday on assessable profits of subsidiaries incorporated in the PRC | (7,315) | (48,850) |
| Income not subject to tax | (65,885) | (42,172) |
| Expenses not deductible for tax purposes | 38,871 | 25,103 |
| Tax losses for which no deferred tax asset was recognised | 7,646 | 1,194 |
| Utilisation of previously unrecognised tax losses | (72) | — |
| Temporary differences resulting from unrealised gains on transactions between the Group and its associates and JVs for which no deferred tax asset was recognised | 17,228 | 75,173 |
| Recognition of withholding tax in current year | 4,535 | 3,923 |
| Adjustments in respect of prior years | 1,074 | 31,894 |
| | 41,967 | 72,160 |

Note: The weighted average applicable tax rate for the year was 20.63% (2012: 23.85%). The change in weighted average applicable tax rate was mainly caused by a change in mix of profits earned and inter-company profits elimination in different group companies which are subject to different tax rates.

Notes to the Consolidated Financial Statements

12. Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company for the year ended 31 December 2013 is dealt with in the financial statements of the Company to the extent of HK\$135,581,000 (2012: HK\$75,473,000).

13. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

| | 2013 | 2012 |
|--|------------------|-----------|
| Profit attributable to equity holders of the Company (HK\$'000) | 151,117 | 40,386 |
| Weighted average number of ordinary shares in issue (thousands) | 7,427,168 | 7,393,595 |
| Basic earnings per share attributable to equity holders of the Company (HK cents per share) | 2.03 | 0.55 |

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company has one category of dilutive potential ordinary shares: share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The weighted average number of ordinary shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options.

Notes to the Consolidated Financial Statements

13. Earnings per share (Continued)

(b) Diluted (Continued)

| | 2013 | 2012 |
|--|------------------|-----------|
| Profit used to determine diluted earnings per share (HK\$'000) | 151,117 | 40,386 |
| Weighted average number of ordinary shares in issue (thousands) | 7,427,168 | 7,393,595 |
| Adjustment for: — effect of dilutive potential shares issuable under the Company's share option scheme (thousands) | 4,403 | — |
| Weighted average number of ordinary shares used to determine diluted earnings per share (thousands) | 7,431,571 | 7,393,595 |
| Diluted earnings per share attributable to equity holders of the Company (HK cents per share) | 2.03 | 0.55 |

14. Dividend

The directors do not recommend the payment of a dividend for the year ended 31 December 2013 (2012: Nil).

Notes to the Consolidated Financial Statements

15. Property, plant and equipment — Group and Company

Group

| | Buildings <i>HK\$'000</i> | Leasehold improve- ments <i>HK\$'000</i> | Furniture, fixtures and equipment <i>HK\$'000</i> | Motor vehicles <i>HK\$'000</i> | Construction in progress <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|------------------------------|---|--|--------------------------------------|--|--------------------------|
| Cost | | | | | | |
| As at 1 January 2013 | 228,869 | 28,203 | 680,884 | 48,302 | 366,113 | 1,352,371 |
| Acquisition of subsidiaries | — | — | 209 | 2,547 | 466,598 | 469,354 |
| Additions | — | 8,157 | 23,043 | 3,025 | 532,080 | 566,305 |
| Disposals | — | — | (37) | (3,281) | (83) | (3,401) |
| Transfer from construction in progress | 117,463 | — | 704,805 | — | (822,268) | — |
| Loss of control over subsidiaries | — | — | (270) | (2,209) | (17,116) | (19,595) |
| Exchange differences | 8,911 | 1,003 | 32,123 | 1,515 | 13,827 | 57,379 |
| As at 31 December 2013 | 355,243 | 37,363 | 1,440,757 | 49,899 | 539,151 | 2,422,413 |
| Accumulated depreciation | | | | | | |
| As at 1 January 2013 | 18,189 | 13,178 | 53,157 | 20,177 | — | 104,701 |
| Charge for the year | 9,502 | 6,523 | 53,174 | 8,544 | — | 77,743 |
| Disposals | — | — | (16) | (1,992) | — | (2,008) |
| Loss of control over subsidiaries | — | — | (130) | (560) | — | (690) |
| Exchange differences | 710 | 509 | 2,451 | 720 | — | 4,390 |
| As at 31 December 2013 | 28,401 | 20,210 | 108,636 | 26,889 | — | 184,136 |
| Net book value | | | | | | |
| As at 31 December 2013 | 326,842 | 17,153 | 1,332,121 | 23,010 | 539,151 | 2,238,277 |

Notes to the Consolidated Financial Statements

15. Property, plant and equipment — Group and Company (Continued)

Group (Continued)

| | Buildings HK\$'000 | Leasehold improve- ments HK\$'000 | Furniture, fixtures and equipment HK\$'000 | Motor vehicles HK\$'000 | Construction in progress HK\$'000 | Total HK\$'000 |
|---|-----------------------|--|---|-------------------------------|---|-------------------|
| Cost | | | | | | |
| As at 1 January 2012 | 233,517 | 27,550 | 145,364 | 47,008 | 881,566 | 1,335,005 |
| Acquisition of subsidiaries | — | — | 26,785 | 253 | — | 27,038 |
| Additions | 972 | 1,262 | 22,124 | 11,247 | 371,852 | 407,457 |
| Disposals | — | — | (848) | (1,093) | — | (1,941) |
| Transfer from construction in progress | 167,635 | — | 487,532 | — | (655,167) | — |
| Loss of control over subsidiaries | (173,196) | (607) | (1,938) | (9,109) | (230,214) | (415,064) |
| Exchange differences | (59) | (2) | 1,865 | (4) | (1,924) | (124) |
| As at 31 December 2012 | 228,869 | 28,203 | 680,884 | 48,302 | 366,113 | 1,352,371 |
| Accumulated depreciation | | | | | | |
| As at 1 January 2012 | 10,198 | 8,479 | 15,924 | 13,443 | — | 48,044 |
| Charge for the year | 10,855 | 4,685 | 37,564 | 9,709 | — | 62,813 |
| Disposals | — | — | (182) | (846) | — | (1,028) |
| Loss of control over subsidiaries | (2,889) | (1) | (336) | (2,150) | — | (5,376) |
| Exchange differences | 25 | 15 | 187 | 21 | — | 248 |
| As at 31 December 2012 | 18,189 | 13,178 | 53,157 | 20,177 | — | 104,701 |
| Net book value | | | | | | |
| As at 31 December 2012 | 210,680 | 15,025 | 627,727 | 28,125 | 366,113 | 1,247,670 |

For the year ended 31 December 2013, depreciation of HK\$59,811,000 (2012: HK\$43,910,000) has been charged in 'depreciation and amortisation' in the consolidated income statement and depreciation of HK\$3,404,000 (2012: HK\$7,566,000) has been recognised as unrealised profits or losses on transactions between the Group and its associates and JVs under interests in associates and JVs (Notes 19 and 20). In addition, depreciation of HK\$14,528,000 (2012: HK\$11,337,000) has been capitalised as construction in progress under property, plant and equipment, work in progress under inventories (Note 21) and amounts due from/(to) customers for contract work (Note 27) as at 31 December 2013.

Notes to the Consolidated Financial Statements

15. Property, plant and equipment — Group and Company (Continued)

Group (Continued)

As at 31 December 2013, bank borrowings are secured on buildings and equipment for the net book value of HK\$190,784,000 (2012: HK\$77,214,000) and HK\$602,681,000 (2012: HK\$477,927,000) (Note 30), respectively.

Company

| | Leasehold improvements <i>HK\$'000</i> | Furniture and fixtures <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-------------------------------|--|--|--------------------------|
| Cost | | | |
| As at 1 January 2012 | 1,351 | 28 | 1,379 |
| Exchange differences | — | — | — |
| As at 31 December 2012 | 1,351 | 28 | 1,379 |
| Accumulated depreciation | | | |
| As at 1 January 2012 | 1,351 | 25 | 1,376 |
| Charge for the year | — | 3 | 3 |
| Exchange differences | — | — | — |
| As at 31 December 2012 | 1,351 | 28 | 1,379 |
| Net book value | | | |
| As at 31 December 2012 | — | — | — |
| Cost | | | |
| As at 1 January 2013 | 1,351 | 28 | 1,379 |
| Exchange differences | — | — | — |
| As at 31 December 2013 | 1,351 | 28 | 1,379 |
| Accumulated depreciation | | | |
| As at 1 January 2013 | 1,351 | 28 | 1,379 |
| Charge for the year | — | — | — |
| Exchange differences | — | — | — |
| As at 31 December 2013 | 1,351 | 28 | 1,379 |
| Net book value | | | |
| As at 31 December 2013 | — | — | — |

Notes to the Consolidated Financial Statements

16. Leasehold land and land use rights — Group

| | Group <i>HK\$'000</i> |
|---|---------------------------------|
| Net book amount as at 1 January 2012 | 154,710 |
| Amortisation of prepaid operating lease payment | (5,715) |
| Exchange differences | (48) |
| Net book amount as at 31 December 2012 | 148,947 |
| Amortisation of prepaid operating lease payment | (5,825) |
| Exchange differences | 4,577 |
| Net book amount as at 31 December 2013 | 147,699 |

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book amounts are analysed as follows:

| | Group | |
|----------------------------------|------------------------|-----------------|
| | 2013 | 2012 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Outside Hong Kong, held on: | | |
| Leases of between 10 to 50 years | 147,699 | 148,947 |

For the year ended 31 December 2013, amortisation of HK\$4,059,000 (2012: HK\$2,643,000) has been charged in 'depreciation and amortisation' in the consolidated income statement and amortisation of HK\$1,205,000 (2012: HK\$2,651,000) has been recognised as unrealised profits or losses on transactions between the Group and its associates and JVs under interests in associates and JVs (Notes 19 and 20). In addition, amortisation of HK\$561,000 (2012: HK\$421,000) has been capitalised as construction in progress under property, plant and equipment (Note 15) and work in progress under inventories (Note 21) as at 31 December 2013.

As at 31 December 2013, no bank borrowings are secured on leasehold land and land use rights (2012: net book amount of HK\$106,067,000) (Note 30).

Notes to the Consolidated Financial Statements

17. Intangible assets — Group

| | Goodwill <i>HK\$'000</i> | Group Other intangible asset <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|------------------------------------|--|---------------------------------|
| Net book amount as at 1 January 2012 | 1,322,950 | 1,941 | 1,324,891 |
| Amortisation | — | (119) | (119) |
| Acquisition of subsidiaries | 3,312 | — | 3,312 |
| Loss of control over subsidiaries | (1,846) | — | (1,846) |
| Partial disposal of JVs | (1,204) | — | (1,204) |
| Exchange differences | (243) | (1) | (244) |
| Net book amount as at 31 December 2012 | 1,322,969 | 1,821 | 1,324,790 |
| Amortisation | — | (121) | (121) |
| Acquisition of subsidiaries | 1,512 | 5,569 | 7,081 |
| Partial disposal of JVs | (11,198) | — | (11,198) |
| Exchange differences | 41,283 | 138 | 41,421 |
| Net book amount as at 31 December 2013 | 1,354,566 | 7,407 | 1,361,973 |

Goodwill arose from the acquisition of China Wind Power Holdings Limited (“China Wind Power”) and its subsidiaries (collectively “China Wind Power Group”) which was completed on 1 August 2007. Goodwill was allocated to the groups of cash-generating units identified according to the operations, which was substantially allocated to the investment in power plants. In 2012, the Group has recognised additional goodwill of HK\$3,312,000 in relation to the acquisition of Liaoning Liaoneng Lifting Engineering Co. Ltd. (“Liaoning Liaoneng”) which was completed on 19 July 2012 and allocated to the operation of engineering and construction. In 2013, the Group has recognised additional goodwill of HK\$1,512,000 in relation to the acquisition of Kangbao Century Concord Wind Power Co Ltd. which was completed on 13 January 2013 and allocation to the operation of investment in power plant.

Goodwill is monitored at the groups of cash-generating units, a level lower than the operating segments. The Group has assessed the recoverable amount of goodwill and determined that the goodwill has not been impaired.

Notes to the Consolidated Financial Statements

17. Intangible assets — Group (Continued)

The recoverable amount is determined based on fair value less cost to sell calculations. These calculations use cash flow projections based on the financial budgets approved by management covering a ten-year period and a pre-tax discount rate of 9% (2012: 10.6%). Cash flows beyond the ten-year period are extrapolated using a steady growth rate of 10% (2012: 8%). Other key assumptions include projected installation capacity in the coming ten years with annual growth rate of 10% (2012: 8%), estimated power generating capacity of each wind farm, expected tariff rate and applicable PRC corporate income tax rate. Management determined these key assumptions based on past performance and their expectation on market development.

Goodwill on acquisition is attributable to the anticipated profitability of the Company and its subsidiaries identified according to their operations. The Group and its subsidiaries operate in the power business, in particular consultancy and design; engineering and construction; manufacture of equipment; operation and maintenance of power plants; and investment in power plants.

There was no impairment loss recognised during the year ended 31 December 2013 (2012: Same). Had the projected installation capacity used in cash flow projections been 30% (2012: 10%) lower than management's estimate, no additional impairment loss of goodwill should be recognised by the Group (2012: Same).

Other intangible asset arose from the acquisition of the China Wind Power Group completed on 1 August 2007. It represents the Wind Power Plan Cooperation Agreements signed with relevant local government authorities in the PRC. This intangible asset is amortised over the duration of the agreement of 20 years. For the year ended 31 December 2013, amortisation of HK\$121,000 (2012: HK\$119,000) has been charged in 'depreciation and amortisation' in the consolidated income statement.

18. Interests in subsidiaries — Company

| | Company | |
|--|------------------|-----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Non-current assets | | |
| Unlisted shares, at cost (Note (i)) | 6,915 | 6,706 |
| Loans to subsidiaries (Note (ii)) | 1,375,572 | 1,493,710 |
| | 1,382,487 | 1,500,416 |
| Current assets/(liabilities) | | |
| Amounts due from subsidiaries (Note (iii)) | 1,297,463 | 1,034,380 |
| Amounts due to subsidiaries (Note (iv)) | (177,792) | (105,686) |

Notes to the Consolidated Financial Statements

18. Interests in subsidiaries — Company (Continued)

Notes:

(i) As at 31 December 2013, particulars of the principal subsidiaries are as follows:

| Name | Place of incorporation/ registration and operations and kind of legal entity | Nominal value of issued ordinary/registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|--|--|---|--|----------|---|
| | | | Direct | Indirect | |
| CCH Wind Power Holdings Ltd. | British Virgin Islands, limited company | 1 ordinary share of US\$1 | 100% | — | Investment holding |
| CCH Energy Investment Ltd. | British Virgin Islands, limited company | 1 ordinary share of US\$1 | 100% | — | Investment holding |
| CCH Investment Ltd. | Hong Kong, limited company | 1 ordinary share of HK\$1 | 100% | — | Investment holding |
| China Wind Power (HK) Ltd. | Hong Kong, limited company | 1 ordinary share of HK\$1 | 100% | — | Investment holding |
| China Wind Power Holdings Ltd. | British Virgin Islands, limited company | 1 ordinary share of US\$1 | — | 100% | Investment holding |
| CWP Construction Ltd. | Hong Kong, limited company | 1 ordinary share of HK\$1 | — | 100% | Investment holding |
| CWP Energy Ltd. | Hong Kong, limited company | 1 ordinary share of HK\$1 | — | 100% | Investment holding |
| CWP Equipment Manufacture Ltd. | Hong Kong, limited company | 1 ordinary share of HK\$1 | — | 100% | Investment holding |
| CWP Holdings Ltd. | Hong Kong, limited company | 1 ordinary share of HK\$1 | — | 100% | Investment holding |
| Hoku Solar Power I, LLC | The United States of America, limited company | — | — | 80% | Solar power plant operation |
| CWP Energy Equipment Ltd. | Hong Kong, limited company | 1 ordinary share of HK\$1 | — | 100% | Investment holding |
| Fuxin Concord Windpower Equipment and Technical Service Co., Ltd. 阜新協合風電設備製造及技術服務有限公司 | The PRC, wholly-owned foreign enterprise | Registered capital of HK\$100,000,000 | — | 100% | Wind power equipment repair and maintenance |

Notes to the Consolidated Financial Statements

18. Interests in subsidiaries — Company *(Continued)*

Notes: *(Continued)*

(i) As at 31 December 2013, particulars of the principal subsidiaries are as follows: *(Continued)*

| Name | Place of incorporation/ registration and operations and kind of legal entity | Nominal value of issued ordinary/registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|--|---|--|----------|--|
| | | | Direct | Indirect | |
| Damaoqi Century Concord Wind Power Co., Ltd. 達茂旗協合風力發電有限公司 | The PRC, limited company | Registered capital of RMB20,000,000 | — | 100% | Wind power plant investment and operation |
| Tianjin Century Concord Wind Power Investment Co., Ltd. 天津協合風電投資有限公司 | The PRC, wholly-owned foreign enterprise | Registered capital of RMB520,000,000 | — | 100% | Investment holding |
| Tianjin Century Concord Huaxing Wind Power Equipment Co., Ltd. 天津協合華興風電裝備有限公司 | The PRC, wholly-owned foreign enterprise | Registered capital of RMB490,000,000 | — | 100% | Sales of wind power equipment and new energy equipment |
| Beijing Guohuaaidi Wind Power Technology Services Co., Ltd. 北京國華愛地風電運行維護技術服務有限公司 | The PRC, limited company | Registered capital of RMB848,450,000 | — | 100% | Wind power plant operating and maintenance |
| Jiangsu Huize Power Engineering Co., Ltd. 江蘇匯澤電力工程有限公司 | The PRC, limited company | Registered capital of RMB20,000,000 | — | 100% | Power plant facilities construction |
| Jilin CWP Power Engineering Co., Ltd. 吉林協合電力工程有限公司 | The PRC, Sino-foreign equity joint venture | Registered capital of RMB100,000,000 | — | 100% | Power plant facilities construction |
| Beijing Juhe Power Technology Design Co., Ltd. 北京聚合電力工程設計有限公司 | The PRC, wholly-owned foreign enterprise | Registered capital of HK\$50,000,000 | — | 100% | Power system design, research and exploitation |
| Century Concord Wind Power Investment Co., Ltd. 協合風電投資有限公司 | The PRC, limited company | Registered capital of RMB2,000,000,000 | — | 100% | Investment holding |
| Jilin Juhe Wind Power Co., Ltd. 吉林聚合風力發電有限公司 | The PRC, limited company | Registered capital of RMB20,000,000 | — | 100% | Wind power plant investment and operation |

Notes to the Consolidated Financial Statements

18. Interests in subsidiaries — Company (Continued)

Notes: (Continued)

(i) As at 31 December 2013, particulars of the principal subsidiaries are as follows: (Continued)

| Name | Place of incorporation/ registration and operations and kind of legal entity | Nominal value of issued ordinary/registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|--|--|---|--|----------|--|
| | | | Direct | Indirect | |
| Jilin Century Concord Wind Power Investment Co., Ltd. 吉林協合風力發電投資有限公司 | The PRC, limited company | Registered capital of RMB100,000,000 | — | 100% | Wind power plant investment and operation |
| Beijing Shijijuhe Wind Power Technology Co., Ltd. 北京世紀聚合風電技術有限公司 | The PRC, wholly-owned foreign enterprise | Registered capital of US\$10,000,000 | — | 100% | Wind power research and development in wind power technology |
| Jilin Tianhe Wind Power Equipment Co., Ltd. 吉林省天合風電設備有限公司 | The PRC, wholly-owned foreign enterprise | Registered capital of HK\$213,661,300 | — | 100% | Power equipment manufacturing |
| Jilin Tianhe Wind Power Equipment Manufacturing Operation and Maintenance Co. 吉林省天合風電裝備製造運行維護有限公司 | The PRC, wholly-owned foreign enterprise | Registered capital of HK\$34,500,000 | — | 100% | Wind power equipment manufacturing |
| Beijing Century Concord Operation and Maintenance Co., Ltd. 北京協合運維風電技術有限公司 | The PRC, wholly-owned foreign enterprise | Registered capital of RMB20,000,000 | — | 100% | Wind power plant operation and maintenance |
| Kangbao Century Concord Wind Power Co., Ltd. 康保協合風力發電有限公司 | The PRC, limited company | Registered capital of RMB10,000,000 | — | 100% | Wind power plant investment and operation |
| Delingha Century Concord Photovoltaic Power Co., Ltd. 德令哈協合光伏發電有限公司 | The PRC, limited company | Registered capital of RMB222,000,000 | — | 100% | Solar power plant investment and operation |
| Liaoning Liaoneng Solar Technology Development Co., Ltd. 遼寧遼能起重工程有限公司 | The PRC, limited company | Registered capital of RMB20,000,000 | — | 100% | Leasing of machinery and equipment |
| Beijing Dongli Xiehe Technology Development Co., Ltd. 北京動力協合科技有限公司 | The PRC, limited company | Registered capital of RMB5,000,000 | — | 100% | Wind power research and development in wind power technology |

Notes to the Consolidated Financial Statements

18. Interests in subsidiaries — Company (Continued)

Notes: (Continued)

(i) As at 31 December 2013, particulars of the principal subsidiaries are as follows: (Continued)

| Name | Place of incorporation/ registration and operations and kind of legal entity | Nominal value of issued ordinary/registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|--|---|--|----------|---|
| | | | Direct | Indirect | |
| Jilin Yuhe CWP Power Engineering Co., Ltd. 吉林省宇合機電設備安裝工程有限公司 | The PRC, limited company | Registered capital of RMB10,000,000 | — | 100% | Power plant facilities installation |
| Wuwei Century Concord Solar Power Co., Ltd. 武威協合太陽能發電有限公司 | The PRC, limited company | Registered capital of RMB21,550,000 | — | 100% | Solar power plant investment and operation |
| Yongren Century Concord Solar Power Co., Ltd. 永仁協合太陽能發電有限公司 | The PRC, limited company | Registered capital of RMB86,690,000 | — | 97.1% | Solar power plant investment and operation |
| TEMA Renewable Energy Ltd. | Ghana, limited company | Registered capital of GHC75,000 | — | 100% | Power plant engineering, procurement and construction |
| Tieling Century Concord Xingda Wind Power Co., Ltd. 鐵嶺協合興達風力發電有限公司 | The PRC, Sino-foreign equity joint venture | Registered capital of RMB50,758,910 | — | 69.86% | Wind power plant investment and operation |
| Yinhua Century Concord New Energy Investment Limited 銀華協合新能源投資有限公司 | The PRC, limited company | Registered capital of RMB260,000,000 | — | 100% | Investment holding |
| Huayin Century Concord International Lease Limited 華銀協合國際租賃有限公司 | The PRC, wholly-owned foreign enterprise | Registered capital of US\$15,000,000 | — | 100% | Equipment lease |
| CWP Renewable Energy Equipment Supply Ltd. | British Virgin Islands, limited company | Registered capital of US\$1 | — | 100% | Equipment procurement and sales |
| GSE WI 1, LLC | The United States of America, limited company | — | — | 80% | Solar power plant investment and operation |

Notes to the Consolidated Financial Statements

18. Interests in subsidiaries — Company (Continued)

Notes: (Continued)

(i) As at 31 December 2013, particulars of the principal subsidiaries are as follows: (Continued)

| Name | Place of incorporation/ registration and operations and kind of legal entity | Nominal value of issued ordinary/registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|--|---|--|----------|--|
| | | | Direct | Indirect | |
| Yanyuan Century Concord Photovoltaic Co., Ltd 鹽源協合光伏發電有限公司 | The PRC limited company | Registered capital of RMB2,000,000 | — | 100% | Solar power plant investment and operation |
| Pingyuanxian Century Concord Solar Power Co., Ltd 平原縣協合太陽能發電有限公司 | The PRC limited company | Registered capital of RMB3,000,000 | — | 100% | Solar power plant investment and operation |
| Yulin Century Concord New Energy Co., Ltd 榆林協合生態新能源有限公司 | The PRC limited company | Registered capital of RMB100,000,000 | — | 100% | Solar power plant investment and operation |
| Urban Energy Solar LLC. (USA) | The United States of America, limited company | Registered capital of US\$100 | — | 100% | Solar power plant investment and operation |
| Naidong Century Concord Solar Power Co., Ltd. 乃東協合太陽能發電有限公司 | The PRC, limited company | Registered capital of RMB46,150,000 | — | 100% | Solar power plant investment and operation |

GHC = Ghanaian Credits

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

- (ii) The balances are interest free and are not repayable in the foreseeable future.
- (iii) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from subsidiaries approximate their fair values and approximately 32% (2012: 88%), 65% (2012: 10%) and 3% (2012: 2%) of the total carrying amounts are denominated in RMB, HK\$ and US\$, respectively.
- (iv) Amounts due to subsidiaries include the trade payables to subsidiaries of HK\$7,631,000 (2012: HK\$7,906,000). All trade payables to subsidiaries are with ageing by invoice date less than three months.

Other balances due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due to subsidiaries approximate their fair values and approximately 95% (2012: 96%) and 5% (2012: 4%) of the total carrying amounts are denominated in RMB and HK\$, respectively.

Notes to the Consolidated Financial Statements

19. Interests in associates — Group

The amounts recognised in the consolidated balance sheet are as follows:

| | Group | |
|---|-----------------|-----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Non-current assets | | |
| Share of net assets of associates (<i>Note (i) and (v)</i>) | 369,950 | 302,859 |
| Current assets/(liabilities) | | |
| Amounts due from associates (<i>Note (ii)</i>) | 43,177 | 6,434 |
| Amounts due from associates for contract work (<i>Notes (iii) and 27</i>) | 23,403 | 25,453 |
| | 66,580 | 31,887 |
| Amounts due to associates (<i>Note (iv)</i>) | (62,544) | (140,659) |
| Amounts due to associates for contract work (<i>Notes (iv) and 27</i>) | (17,304) | (18,090) |
| | (79,848) | (158,749) |

The amounts recognised in the consolidated income statement are as follows:

| | Group | |
|---|-----------------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Share of results of associates | | |
| Share of results before provision for receivables | 3,272 | 7,278 |
| Provision for receivables | (2,380) | — |
| | 892 | 7,278 |

Notes to the Consolidated Financial Statements

19. Interests in associates — Group (Continued)

Notes:

(i) As at 31 December 2013, particulars of the principal associates are as follows:

| Name of associates | Place of incorporation/ registration and operations and kind of legal entity | Nominal value of registered capital | Interest held indirectly | | Principal activities |
|--|---|--|-----------------------------|--------------------|---|
| | | | 2013 | 2012 | |
| Dongtou Energy Investment Co., Ltd. 東投能源投資有限公司 | The PRC, limited company | RMB200,000,000 | 25% | — | Investment holding |
| Zhengzhou Zhengji Century Concord Equipment Co., Ltd. 鄭州正機協合能源裝備科技有限公司 | The PRC, Sino-foreign equity joint venture | RMB16,000,000 | 28% | 28% | Manufacturing of wind power facilities |
| Changtu Liaoneng Xiexin Wind Power Co., Ltd. 昌圖遼能協鑫風力發電有限公司 | The PRC, Sino-foreign equity joint venture | US\$24,819,000 | 25% | 25% | Wind power plant investment and operation |
| Chaoyang Wind Power Development Service Co., Ltd. 朝陽風電開發服務有限公司 | The PRC, limited company | RMB1,800,000 | 11% (Note a) | 11% (Note a) | Wind power plant investment and operation |
| Jilin Province Zhanyu Wind Power Assets Management Co., Ltd. 吉林省瞻榆風電資產經營管理有限公司 | The PRC, limited company | RMB713,800,000 | 17.15% (Note b) | 17.15% (Note b) | Wind power plant investment and operation |
| Fuxin Union Wind Power Co., Ltd. 阜新聯合風力發電有限公司 | The PRC, Sino-foreign equity joint venture | RMB175,500,000 | 24.5% | 24.5% | Wind power plant investment and operation |
| Fuxin Century Concord-Shenhua Wind Power Co., Ltd. 阜新中華協合風力發電有限公司 | The PRC, Sino-foreign equity joint venture | RMB160,000,000 | 24.5% | 24.5% | Wind power plant investment and operation |
| Chaoyang Century Concord Wanjia Wind Power Co., Ltd. 朝陽協合萬家風力發電有限公司 | The PRC, limited company | RMB162,000,000 | 30% | 30% | Wind power plant investment and operation |
| Sihong Century Concord Wind Power Co., Ltd. 泗洪協合風力發電有限公司 | The PRC, limited company | RMB83,660,000 | 30% (Note 36(f)) | 100% | Wind power plant investment and operation |
| Fuxin Taihe Wind Power Co., Ltd. 阜新泰合風力發電有限公司 | The PRC, limited company | RMB300,000,000 | 30% | 30% | Wind power plant investment and operation |

Notes to the Consolidated Financial Statements

19. Interests in associates — Group *(Continued)*

Notes: (Continued)

- (i) As at 31 December 2013, particulars of the principal associates are as follows: *(Continued)*

Even though the Group holds less than 20 percent of the voting power of the investees, the Group demonstrates significant influences on the investees by:

- (a) holding a seat on the board of directors for a board with 5 members and all directors having equal voting rights.
- (b) holding the second highest percentage in total shareholding of the investee.

- (ii) Amounts due from associates mainly represent trade receivables from associates of HK\$42,665,000 (2012: HK\$4,892,000). Trade receivables from associates with ageing by invoice date less than three months are not considered impaired. As at 31 December 2013, trade receivables of HK\$14,765,000 (2012: HK\$316,000) were fully performing. As at 31 December 2013, trade receivables of HK\$27,900,000 (2012: HK\$4,576,000) were past due but not impaired. These relate to a number of associates for whom there is no financial difficulty and based on past experience, the overdue amounts can be recovered.

Other balances due from associates are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from associates approximate their fair values and are denominated in RMB.

- (iii) Amounts due from associates for contract work are cost of constructions incurred but not billable.
- (iv) Amounts due to associates include the trade deposits received from associates of HK\$14,765,000 (2012: HK\$92,604,000).

Amounts due to associates for contract work are advances received from associates but not yet provided the construction service.

Other balances due to associates are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due to associates approximate their fair values and are denominated in RMB.

- (v) The Group's share of net assets of associates include the deferred tax provided as temporary differences arising between the tax bases of assets and their carrying amounts in the consolidated financial statements resulted from the unrealised profits on the assets acquired from the Company's subsidiaries.
- (vi) The Group's share of the provision for receivable of HK\$2,380,000 (2012: Nil) of Changtu Liaoneng Xiexin Wind Power Co., Ltd. ("Changtu") represents the impairment on carbon emission rights ("CER") receivable provided by Changtu. In the view of low transaction volume and unfavourable external market conditions, the directors of Changtu consider to recognise an impairment provision for the entire CER receivable.

Notes to the Consolidated Financial Statements

19. Interests in associates — Group *(Continued)*

The aggregated assets, liabilities, revenue and expenses of the Group's associates, all of which are unlisted, are as follows:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Total assets | 2,865,053 | 2,573,105 |
| Total liabilities | (1,241,073) | (1,232,818) |
| Net assets | 1,623,980 | 1,340,287 |

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|----------------------------|--------------------------------|-------------------------|
| Revenue | 198,309 | 115,740 |
| Expenses | (188,295) | (109,145) |
| Profit for the year | 10,014 | 6,595 |

Set out below is the associate of the Group as at 31 December 2013, which, in the opinion of the directors, is material to the Group. The associate listed below has share capital consisting solely of ordinary shares, which is held directly by the Group; the country of incorporation or registration is also its principal place of business.

| Name of entity | Place of business/ country of incorporation | % of ownership interest 2013 | % of ownership interest 2012 | Measurement method |
|----------------------------------|--|---|---|-------------------------------|
| Fuxin Taihe Wind Power Co., Ltd. | The PRC | 30% | 30% | Equity |

Fuxin Taihe generates wind power to the renewable energy industry in the PRC. The Group sells products and provides consultancy, construction and operation maintenance services to it.

Summarised financial information for associate

Set out below is the summarised unaudited financial information for Fuxin Taihe which is accounted for using the equity method.

Notes to the Consolidated Financial Statements

19. Interests in associates — Group *(Continued)*

Summarised balance sheet

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Current | | |
| Cash and cash equivalents | 68,072 | 16,391 |
| Other current assets (excluding cash) | 157,393 | 192,799 |
| Total current assets | 225,465 | 209,190 |
| Financial liabilities (excluding trade payables) | (10,700) | (61,549) |
| Other current liabilities (including trade payables) | (40,281) | (41,734) |
| Total current liabilities | (51,981) | (103,283) |
| Non-current | | |
| Assets | 934,997 | 951,903 |
| Financial liabilities | (695,089) | (673,984) |
| Other liabilities | — | — |
| Total non-current liabilities | (695,089) | (673,984) |
| Net assets | 414,392 | 383,826 |

Notes to the Consolidated Financial Statements

19. Interests in associates — Group *(Continued)*

Summarised statement of comprehensive income

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Revenue | 131,721 | 50,596 |
| Depreciation and amortisation | (46,450) | (23,452) |
| Interest income | 239 | 48 |
| Interest expense | (50,133) | (26,844) |
| Profit before provision for receivables | 19,216 | 1,492 |
| Provision for receivables | — | — |
| Profit from continuing operations | 19,216 | 1,492 |
| Income tax expense | (940) | — |
| Net profit from continuing operations | 18,276 | 1,492 |
| Other comprehensive income | 12,290 | 13,025 |
| Total comprehensive income | 30,566 | 14,517 |
| Dividends received from the associate | — | — |

The information above reflects the amounts presented in the unaudited financial statements of the associate (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

Notes to the Consolidated Financial Statements

19. Interests in associates — Group *(Continued)*

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Opening net assets as at 1 January | 383,826 | — |
| Capital injection | — | 369,309 |
| Profit for the year | 18,276 | 1,492 |
| Other comprehensive income | 12,290 | 13,025 |
| Closing net assets | 414,392 | 383,826 |
| Interest shareholding | 30% | 30% |
| Interests in associate | 124,318 | 115,148 |
| Unrealised profits and deferred tax assets (charged)/credited to the share of results, net | (266) | 1,602 |
| Addition in unrealised profits, net | (9,877) | (11,050) |
| Other adjustments | — | — |
| Carrying value | 114,175 | 105,700 |

Set out below is, in aggregate, the carrying amounts of the Group's interests in all individually immaterial associates that are accounted for using the equity method.

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Carrying amount of the Group's interests | 255,775 | 197,159 |
| The Group's share of: | | |
| Profit from continuing operations before provision for receivables | (1,945) | 8,432 |
| Provision for receivables | (2,380) | — |
| Other comprehensive income | 6,639 | (3,388) |
| Total comprehensive income | 2,314 | 5,044 |

Notes to the Consolidated Financial Statements

20. Interests in joint ventures — Group and Company

The amounts recognised in the consolidated balance sheet are as follows:

| | Group | |
|---|------------------|-----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Non-current assets | | |
| Share of net assets of JVs (<i>Notes (i) and (vii)</i>) | 1,432,167 | 1,455,337 |
| Loan to a JV (<i>Note (ii)</i>) | 54,343 | 51,774 |
| | 1,486,510 | 1,507,111 |
| Current assets/(liabilities) | | |
| Amounts due from JVs (<i>Note (iii)</i>) | 284,102 | 620,449 |
| Amounts due from JVs for contract work (<i>Notes (iv) and 27</i>) | 56,262 | 39,333 |
| Loans to JVs (<i>Note (v)</i>) | 171,160 | 344,077 |
| | 511,524 | 1,003,859 |
| Amounts due to JVs (<i>Note (vi)</i>) | (250,984) | (24,589) |
| Amounts due to JVs for contract work (<i>Note (vi) and 27</i>) | (19,883) | (10,902) |
| | (270,867) | (35,491) |
| Company | | |
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Current assets | | |
| Amounts due from JVs (<i>Note (iii)</i>) | 360 | 297 |

Notes to the Consolidated Financial Statements

20. Interests in joint ventures — Group and Company (Continued)

The amounts recognised in the consolidated income statement are as follows:

| | Group | |
|---|-----------------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Share of results of JVs | | |
| Share of results before provision for receivables | 59,994 | 31,475 |
| Provision for receivables | (73,785) | (6,190) |
| Loss from discounting of receivables | — | (31,408) |
| | (13,791) | (6,123) |

Notes:

- (i) As at 31 December 2013, particulars of the principal JVs are as follows:

| Name of JVs | Place of incorporation/ registration and operations and kind of legal entity | Nominal value of registered capital | Proportion of value of registered capital held by the Group 2013 | Proportion of value of registered capital held by the Group 2012 | Proportion of voting power held | Principal activities |
|---|--|-------------------------------------|--|--|---------------------------------|---|
| Jilin CWP-Milestone Wind Power Co., Ltd. 吉林里程協合風力發電有限公司 | The PRC, Sino-foreign equity joint venture | RMB150,000,000 | 49% | 49% | 50% | Wind power plant investment and operation |
| Erlianhaote Changfeng Century Concord Wind Power Exploiture Co., Ltd. 二連浩特長風協合風能開發有限公司 | The PRC, Sino-foreign equity joint venture | RMB76,000,000 | 49% | 49% | 50% | Wind power plant investment and operation |
| Jilin Taihe Wind Power Co., Ltd. 吉林泰合風力發電有限公司 | The PRC, Sino-foreign equity joint venture | RMB150,000,000 | 49% | 49% | 50% | Wind power plant investment and operation |
| Tongliao Taihe Wind Power Co., Ltd. 通遼泰合風力發電有限公司 | The PRC, Sino-foreign equity joint venture | RMB150,000,000 | 49% | 49% | 50% | Wind power plant investment and operation |

Notes to the Consolidated Financial Statements

20. Interests in joint ventures — Group and Company (Continued)

Notes: (Continued)

(i) As at 31 December 2013, particulars of the principal JVs are as follows: (Continued)

| Name of JVs | Place of incorporation/ registration and operations and kind of legal entity | Nominal value of registered capital | Proportion of value of registered capital held by the Group 2013 | Proportion of value of registered capital held by the Group 2012 | Proportion of voting power held | Principal activities |
|--|---|--|--|--|--|--|
| Taipusiqi Century Concord-Shenhua Wind Power Investment Co., Ltd. 太仆寺旗中華協合風力發 電投資有限公司 | The PRC, Sino-foreign equity joint venture | RMB136,000,000 | 49% | 49% | 50% | Wind power plant investment and operation |
| Taipusiqi Union Wind Power Co., Ltd. 太仆寺旗聯合風力發電 有限公司 | The PRC, limited company | RMB89,000,000 | 51% | 51% | 50% | Wind power plant investment and operation |
| Suqian Century Concord New Energy Co., Ltd. 宿遷協合新能源有限公司 | The PRC, limited company | RMB30,000,000 | 49% | 49% | 50% | Solar power plant investment and operation |
| Mengdong Century Concord New Energy Co., Ltd. 蒙東協合新能源有限公司 | The PRC, limited company | RMB810,940,000 | 32.16% | 49% | 50% | Wind power plant investment and operation |
| Mengdong Century Concord Kezuohouqi Wind Power Co., Ltd. 蒙東協合科左後旗風力發 電有限公司 | The PRC, limited company | RMB90,000,000 | 32.16% | 49% | 50% | Wind power plant investment and operation |
| Mengdong Century Concord Kailu Wind Power Co., Ltd. 蒙東協合開魯風力發電 有限公司 | The PRC, limited company | RMB86,000,000 | 32.16% | 49% | 50% | Wind power plant investment and operation |

Notes to the Consolidated Financial Statements

20. Interests in joint ventures — Group and Company *(Continued)*

Notes: *(Continued)*

(i) As at 31 December 2013, particulars of the principal JVs are as follows: *(Continued)*

| Name of JVs | Place of incorporation/ registration and operations and kind of legal entity | Nominal value of registered capital | Proportion of value of registered capital held by the Group 2013 | Proportion of value of registered capital held by the Group 2012 | Proportion of voting power held | Principal activities |
|--|---|--|--|--|--|---|
| Mengdong Century Concord Kezuohouqihudeng Wind Power Co., Ltd. 蒙東協合科左後旗花燈風 力發電有限公司 | The PRC, limited company | RMB76,700,000 | 32.16% | 49% | 50% | Wind power plant investment and operation |
| Mengdong Century Concord Zhaluteqibaiyinchagan Wind Power Co., Ltd. 蒙東協合扎魯特旗白音查 幹風力發電有限公司 | The PRC, limited company | RMB74,200,000 | 32.16% | 49% | 50% | Wind power plant investment and operation |
| Tianchang Century Concord Wind Power Co., Ltd. 天長協合風力發電有限 公司 | The PRC, limited company | RMB55,000,000 | 49% | 49% | 50% | Wind power plant investment and operation |
| Gansu Guazhou Century Concord Wind Power Co., Ltd. 甘肅瓜州協合風力發電 有限公司 | The PRC, Sino-foreign equity joint venture | RMB669,120,000 | 51.45% | 51.45% | 50% | Wind power plant investment and operation |
| Mengdong Century Concord Zhaluteqi Beisala Wind Power Co., Ltd. 蒙東協合扎魯特旗北薩拉 風力發電有限公司 | The PRC, limited company | RMB3,000,000 | 32.16% | 49% | 50% | Wind power plant investment and operation |

Notes to the Consolidated Financial Statements

20. Interests in joint ventures — Group and Company (Continued)

Notes: (Continued)

(i) As at 31 December 2013, particulars of the principal JVs are as follows: (Continued)

| Name of JVs | Place of incorporation/ registration and operations and kind of legal entity | Nominal value of registered capital | Proportion of value of registered capital held by the Group 2013 | Proportion of value of registered capital held by the Group 2012 | Proportion of voting power held | Principal activities |
|---|---|--|--|--|--|--|
| Zhenlai Huaxing Wind Power Co., Ltd. 鎮賚華興風力發電有限 公司 | The PRC, limited company | RMB140,000,000 | 32.16% | 49% | 50% | Wind power plant investment and operation |
| Mengdong Century Concord Zhaluteqi Wind Power Co., Ltd. 蒙東協合扎魯特旗風力發 電有限公司 | The PRC, limited company | RMB90,000,000 | 32.16% | 49% | 50% | Wind power plant investment and operation |
| Wuchuan County Yihe Wind Power Co., Ltd. 武川縣義合風力發電有限 公司 | The PRC, limited company | RMB100,000,000 | 46% | 46% | 50% | Wind power plant investment and operation |
| Haian Century Concord Wind Power Co., Ltd. 海安協合風力發電有限 公司 | The PRC, limited company | RMB45,480,000 | 49% | 49% | 50% | Wind power plant investment and operation |
| Hainanzhou Shineng Photovoltaic Power Co., Ltd. 海南州世能光伏發電有限 公司 | The PRC, limited company | RMB60,000,000 | 60% | 60% | 50% | Solar power plant investment and operation |
| Suzhou Century Concord Wind Power Co., Ltd. 宿州協合風力發電有限 公司 | The PRC, limited company | RMB81,980,000 | 43% | 49% | 50% | Wind power plant investment and operation |
| Xiaoxian Century Concord Wind Power Co., Ltd. 蕭縣協合風力發電有限 公司 | The PRC, limited company | RMB83,550,000 | 49% | 49% | 50% | Wind power plant investment and operation |

Notes to the Consolidated Financial Statements

20. Interests in joint ventures — Group and Company *(Continued)*

Notes: *(Continued)*

(i) As at 31 December 2013, particulars of the principal JVs are as follows: *(Continued)*

| Name of JVs | Place of incorporation/ registration and operations and kind of legal entity | Nominal value of registered capital | Proportion of value of registered capital held by the Group 2013 | Proportion of value of registered capital held by the Group 2012 | Proportion of voting power held | Principal activities |
|---|---|--|--|--|--|---|
| Jianghua Yao Autonomous County Century Concord Wind Power Co., Ltd. 江華瑤族自治縣協合風力 發電有限公司 | The PRC, limited company | RMB72,722,000 | 59.3% | 69.4% | 50% | Wind power plant investment and operation |
| Jingmen Century Concord Wind Power Co., Ltd. 荊門協合風力發電有限 公司 | The PRC, limited company | RMB73,308,000 | 59.3% | 69.4% | 50% | Wind power plant investment and operation |
| Hebi Century Junlong Wind Power Co., Ltd. 鶴壁協合浚龍風力發電有 限公司 | The PRC, limited company | RMB123,495,900 | 59.3% | 69.4% | 50% | Wind power plant investment and operation |
| Fuchuan Century Concord Wind Power Co., Ltd. 富川協合風力發電有限 公司 | The PRC, limited company | RMB1,000,000 | 50% | 50% | 50% | Wind power plant investment and operation |
| Yantai Yihao New Energy Development Co., Ltd 煙台億豪新能源開發有限 公司 | The PRC, limited company | RMB2,040,000 | 49% <i>(Note 36(b))</i> | 100% | 50% | Wind power plant investment and operation |

Notes to the Consolidated Financial Statements

20. Interests in joint ventures — Group and Company *(Continued)*

Notes: *(Continued)*

(ii) Loan to a JV, Gansu Guazhou Century Concord Wind Power Co., Ltd., is unsecured, interest bearing at 5.3% (2012: 5.3%) per annum and repayable on 15 July 2022. The carrying amount of the loan to a JV approximates its fair value and is denominated in US\$. The effective interest rate on the loan to a JV was 4.12% (2012: 4.12%).

(iii) Amounts due from JVs mainly represent trade receivables from JVs of HK\$212,896,000 (2012: HK\$421,330,000). Trade receivables from JVs with ageing by invoice date less than three months are not considered impaired. As at 31 December 2013, trade receivables of HK\$54,116,000 (2012: HK\$322,314,000) were fully performing. As at 31 December 2013, trade receivables of HK\$158,780,000 (2012: HK\$99,016,000) were past due but not impaired. These relate to a number of JVs for whom there is no financial difficulty and based on past experience, the overdue amounts can be recovered.

Other balances due from JVs are unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due from JVs approximate their fair values and approximately 100% (2012: 97%) and nil (2012: 3%) of the total carrying amounts of the Group are denominated in RMB and US\$, respectively, while the carrying amount of the Company is denominated in HK\$ (2012: Same).

(iv) Amounts due from JVs for contract work are cost of constructions incurred but not billable.

(v) Loans to JVs are unsecured, interest bearing ranging from 5.85% to 10% (2012: 5.85% to 10%) per annum and repayable on demand. The carrying amounts of the loans to JVs approximate their fair values and are denominated in RMB. The effective interest rate on the loans to JVs was 8.31% (2012: 8.31%).

(vi) Amounts due to JVs mainly represent the trade deposits received from JVs of HK\$241,302,000 (2012: HK\$21,377,000).

Amounts due to JVs for contract work are advances received from JVs but not yet provided the construction service.

Other balances due to JVs are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due to JVs approximate their fair values and majority of the carrying amounts are denominated in RMB.

(vii) The Group's share of net assets of JVs include the deferred tax provided as temporary differences arising between the tax bases of assets and their carrying amounts in the consolidated financial statements resulted from the unrealised profits on the assets acquired from the Company's subsidiaries.

(viii) The Group's share of the JVs' provision for receivable of HK\$73,785,000 (2012: HK\$6,190,000) represent the impairment on carbon emission rights ("CER") receivable provided by JV. In the view of low transaction volume and unfavourable external market conditions, the directors of the JVs consider to recognise an impairment provision for the entire CER receivable.

(ix) The Group's share of the JV's loss from discounting of receivables represents the discount of long-term CER receivables to net present value made by JV.

Notes to the Consolidated Financial Statements

20. Interests in joint ventures — Group and Company *(Continued)*

As at 31 December 2013 and 2012, the JVs which are principally engaged in wind power plant investment and operation, have yet to obtain the formal land use right certificates for certain wind power plants. The directors of the JVs believe that the use of and the conduct of relevant activities above mentioned land are not affected by the fact that the relevant land use right certificates have not been obtained. JVs' directors believe that this will not have any material adverse effect on JVs' results of operations and financial conditions.

The Group's JVs' aggregated assets, liabilities, revenue and expenses are as follows:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|----------------------------|--------------------------------|-------------------------|
| Assets: | | |
| Non-current assets | 9,969,215 | 11,293,233 |
| Current assets | 3,150,691 | 3,153,105 |
| | 13,119,906 | 14,446,338 |
| Liabilities: | | |
| Non-current liabilities | (5,921,182) | (6,245,066) |
| Current liabilities | (3,272,028) | (4,122,188) |
| | (9,193,210) | (10,367,254) |
| Net assets | 3,926,696 | 4,079,084 |
| Capital commitments | 857,273 | 2,444,985 |
| Revenue | 1,074,058 | 1,086,051 |
| Expenses | (1,143,525) | (1,161,207) |
| Loss for the year | (69,467) | (75,156) |

The Group's contingent liabilities relating to the Group's interests in JVs and the contingent liabilities of the JVs themselves are disclosed in Note 37. The Group's capital commitments in relation to its interests in JVs are disclosed in Note 38(b).

Set out below are the joint ventures of the Group as at 31 December 2013, which, in the opinion of the directors, are material to the Group. The joint ventures as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Notes to the Consolidated Financial Statements

20. Interests in joint ventures — Group and Company *(Continued)*

Nature of interests in JVs as at 31 December 2013 and 2012

| Name of entity | Place of business/ country of incorporation | Proportion of ownership interest 2013 | Proportion of ownership interest 2012 | Nature of the relationship | Measurement method |
|--|--|--|--|----------------------------|--------------------|
| Jilin CWP Milestone Wind Power Co., Ltd. | The PRC | 49% | 49% | Note 1 | Equity |
| Jilin Taihe Wind Power Co., Ltd. | The PRC | 49% | 49% | Note 1 | Equity |
| Mengdong Century Concord New Energy Co., Ltd. (Sub-group) <i>(Note 2)</i> | The PRC | 32.16% | 49% | Note 1 | Equity |
| Taipusiqi Union Wind Power Co., Ltd. | The PRC | 51% | 51% | Note 1 | Equity |
| Gansu Guazhou Century Concord Wind Power Co., Ltd. | The PRC | 51.45% | 51.45% | Note 1 | Equity |

Note 1: The above entities generate wind power to the renewable energy industry in the PRC. The Group sells products and provides consultancy, construction and operation maintenance services to these entities.

Note 2: As at 31 December 2013, Mengdong Century Concord New Energy Co., Ltd. included the following JVs of the Group:

- Mengdong Century Concord Kezuohouqi Wind Power Co., Ltd.
- Mengdong Century Concord Kezuohouqihudeng Wind Power Co., Ltd.
- Mengdong Century Concord Kezuohouqibaiinnaoer Wind Power Co., Ltd.
- Mengdong Century Concord Zhaluteqi Wind Power Co., Ltd.
- Mengdong Century Concord Zhaluteqibaiyinchagan Wind Power Co., Ltd.
- Mengdong Century Concord Zhaluteqi Beisala Wind Power Co., Ltd.
- Mengdong Century Concord Kailu Wind Power Co., Ltd.
- Zhenlai Huaxing Wind Power Co., Ltd.
- Jingmen Century Concord Wind Power Co., Ltd.
- Hebi Century Concord Junlong Wind Power Co., Ltd.
- Jianghua Yao Autonomous County Century Concord Wind Power Co., Ltd.

These entities are private companies and there is no quoted market price available for their shares.

Summarised financial information for joint ventures

Set out below are the summarised unaudited financial information for the above entities which are accounted for using the equity method.

Notes to the Consolidated Financial Statements

20. Interests in joint ventures — Group and Company (Continued)

Summarised balance sheet

| | Jilin CWP Milestone Wind Power Co., Ltd | | Jilin Taihe Wind Power Co., Ltd. | | Mengdong Century Concord New Energy Co., Ltd. (Sub-group) | | Taipusiqi Union Wind Power Co., Ltd | | Gansu Guazhou Century Concord Wind Power Co., Ltd | |
|--|---|------------------|----------------------------------|------------------|---|--------------------|-------------------------------------|------------------|---|------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Current | | | | | | | | | | |
| Cash and cash equivalents | 11,158 | 26,885 | 12,525 | 4,905 | 217,026 | 50,792 | 7,180 | 9,249 | 145,895 | 82,420 |
| Other current assets (excluding cash) | 58,394 | 56,252 | 52,983 | 81,017 | 1,361,075 | 1,376,793 | 210,511 | 145,543 | 245,234 | 358,118 |
| Total current assets | 69,552 | 83,137 | 65,508 | 85,922 | 1,578,101 | 1,427,585 | 217,691 | 154,792 | 391,129 | 440,538 |
| Financial liabilities (excluding trade payables) | (1,199) | (709) | (15,412) | (199) | (287,517) | (1,558,403) | (2,614) | (116,446) | (220,122) | (287,368) |
| Other current liabilities (including trade payables) | (63,895) | (58,823) | (37,848) | (36,880) | (1,282,999) | (439,499) | (79,420) | — | (265,235) | (282,973) |
| Total current liabilities | (65,094) | (59,532) | (53,260) | (37,079) | (1,570,516) | (1,997,902) | (82,034) | (116,446) | (485,357) | (570,341) |
| Non-current | | | | | | | | | | |
| Assets | 458,858 | 469,538 | 475,389 | 481,016 | 3,584,516 | 3,601,565 | 379,774 | 389,346 | 1,523,182 | 1,552,311 |
| Financial liabilities | (317,973) | (308,318) | (343,411) | (345,317) | (2,411,546) | (2,368,112) | (364,652) | (309,182) | (543,883) | (566,687) |
| Other liabilities | — | — | — | — | — | — | — | — | — | — |
| Total non-current liabilities | (317,973) | (308,318) | (343,411) | (345,317) | (2,411,546) | (2,368,112) | (364,652) | (309,182) | (543,883) | (566,687) |
| Net assets | 145,343 | 184,825 | 144,226 | 184,542 | 1,180,555 | 663,136 | 150,779 | 118,510 | 885,071 | 855,821 |

Notes to the Consolidated Financial Statements

20. Interests in joint ventures — Group and Company (Continued)

Summarised statement of comprehensive income

| | Jilin CWP Milestone Wind Power Co., Ltd | | Jilin Taihe Wind Power Co., Ltd. | | Mengdong Century Concord New Energy Co., Ltd (Sub-group) | | Taipusiqi Union Wind Power Co., Ltd | | Gansu Guazhou Century Concord Wind Power Co., Ltd | |
|---|---|-----------------|----------------------------------|-----------------|--|-----------------|-------------------------------------|--------------|---|----------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue | 31,692 | 39,556 | 37,116 | 51,559 | 398,492 | 220,914 | 67,216 | 13,733 | 171,351 | 182,054 |
| Depreciation and amortisation | (27,423) | (26,990) | (26,634) | (26,282) | (155,431) | (117,354) | (20,792) | (1,924) | (79,762) | (84,668) |
| Interest income | 110 | 664 | 25 | 124 | 37,733 | 5,520 | 10,358 | (3) | 380 | 145 |
| Interest expense | (19,298) | (19,941) | (21,478) | (23,058) | (213,777) | (137,367) | (22,272) | (265) | (50,862) | (53,570) |
| (Loss)/profit before provision for receivables | (23,217) | (14,516) | (18,918) | (6,130) | 23,955 | (70,507) | 28,140 | 8,859 | 38,047 | 4,282 |
| Provision for receivables | (21,118) | (6,797) | (23,375) | (7,378) | (227) | (5,104) | — | — | (36,746) | (11,444) |
| (Loss)/profit from continuing operations | (44,335) | (21,313) | (42,293) | (13,508) | 23,728 | (75,611) | 28,140 | 8,859 | 1,301 | (7,162) |
| Income tax (expense)/credit | (272) | (3,899) | (3,127) | — | — | (44) | — | — | 1,113 | 5,390 |
| Net (loss)/profit from continuing operations | (44,607) | (25,212) | (45,420) | (13,508) | 23,728 | (75,655) | 28,140 | 8,859 | 2,414 | (1,772) |
| Other comprehensive income | 5,125 | (124) | 5,104 | (80) | 28,031 | 18,551 | 4,129 | 10 | 26,836 | (114) |
| Total comprehensive income | (39,482) | (25,336) | (40,316) | (13,588) | 51,759 | (57,104) | 32,269 | 8,869 | 29,250 | (1,886) |
| Dividends received from joint ventures | — | — | — | — | — | — | — | — | — | — |

The information above reflects the amounts presented in the unaudited financial statements of the joint ventures (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint ventures.

Notes to the Consolidated Financial Statements

20. Interests in joint ventures — Group and Company *(Continued)*

Reconciliation of summarised financial information

Reconciliation of the summarised unaudited financial information presented to the carrying amount of its interests in joint ventures

| | Jilin CWP Milestone Wind Power Co., Ltd | | Jilin Taihe Wind Power Co., Ltd. | | Mengdong Century Concord New Energy Co., Ltd (Sub-group) | | Taipusiqi Union Wind Power Co., Ltd | | Gansu Guazhou Century Concord Wind Power Co., Ltd | |
|--|---|------------------|----------------------------------|------------------|--|------------------|-------------------------------------|------------------|---|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Opening net assets as at | | | | | | | | | | |
| 1 January | 184,825 | 210,161 | 184,542 | 198,130 | 663,136 | 597,334 | 118,510 | 109,641 | 855,821 | 857,707 |
| Capital injection by JV partners | — | — | — | — | 465,660 | 122,906 | — | — | — | — |
| Profit for the year | (44,607) | (25,212) | (45,420) | (13,508) | 23,728 | (75,655) | 28,140 | 8,859 | 2,414 | (1,772) |
| Other comprehensive income | 5,125 | (124) | 5,104 | (80) | 28,031 | 18,551 | 4,129 | 10 | 26,836 | (114) |
| Closing net assets | 145,343 | 184,825 | 144,226 | 184,542 | 1,180,555 | 663,136 | 150,779 | 118,510 | 885,071 | 855,821 |
| Interest shareholding | 49% | 49% | 49% | 49% | 32.16% | 49% | 51% | 51% | 51.45% | 51.45% |
| Interests in joint ventures | 71,218 | 90,564 | 70,671 | 90,426 | 379,666 | 324,937 | 76,898 | 60,441 | 455,369 | 440,319 |
| Unrealised profits and deferred tax assets credited to the share of results, net | 1,633 | 1,602 | 1,086 | 1,218 | 6,451 | 4,786 | 128 | 848 | 1,868 | 2,221 |
| Cumulative unrealised profits, net | (22,950) | (23,878) | (16,319) | (17,057) | (119,414) | (127,694) | (1,275) | (8,248) | (4,925) | (9,294) |
| Other adjustments | — | — | — | — | — | — | — | — | 934 | 2,328 |
| Carrying value | 49,901 | 68,288 | 55,438 | 74,587 | 266,703 | 202,029 | 75,751 | 53,041 | 453,246 | 435,574 |

Notes to the Consolidated Financial Statements

20. Interests in joint ventures — Group and Company *(Continued)*

Reconciliation of summarised financial information *(Continued)*

Reconciliation of the summarised unaudited financial information presented to the carrying amount of its interests in joint ventures *(Continued)*

Set out below is, in aggregate, the carrying amounts of the Group's interests in all individually immaterial joint ventures that are accounted for using the equity method.

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|--------------------------------|------------------|
| Carrying amount of the Group's interests | 531,128 | 621,818 |
| The Group's share of: | | |
| Profit before provision for receivables and loss from discounting of receivables | 24,902 | 51,669 |
| Provision for receivables and loss from discounting of receivables | (32,966) | (16,073) |
| Other comprehensive income | 11,542 | (10,559) |
| Total comprehensive income | 3,478 | 25,037 |

Notes to the Consolidated Financial Statements

21. Inventories — Group

| | Group | |
|------------------|-----------------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Raw materials | 627 | 21,768 |
| Work in progress | 208,312 | 188,112 |
| Finished goods | 240,511 | — |
| | 449,450 | 209,880 |

The cost of inventories recognised as expense and included in the consolidated income statement amounted to HK\$925,768,000 (2012: HK\$634,478,000). As at 31 December 2013, work in progress with cost of HK\$39,934,000 (2012: Nil) was considered as obsolete and provision was made as at 31 December 2013.

Notes to the Consolidated Financial Statements

22. Financial instruments by category — Group and Company

The accounting policies for financial instruments have been applied to the line items below:

| | Group | |
|--|-----------------|-----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Assets as per balance sheet | | |
| <u>Available-for-sale</u> | | |
| Available-for-sale financial assets (Note 23) | — | 2,775 |
| <u>Loans and receivables</u> | | |
| Trade and bill receivables (Note 24) | 524,103 | 367,204 |
| Deposits and other receivables (Note 25) | 239,511 | 363,447 |
| Amounts due from associates (Note 19) | 43,177 | 6,434 |
| Amounts due from JVs (Note 20) | 284,102 | 620,449 |
| Amounts due from JVs for contract work (Note 27) | 56,262 | 39,333 |
| Loans to JVs (Note 20) | 225,503 | 395,851 |
| Cash and cash equivalents (Note 26) | 1,850,209 | 731,167 |
| Liabilities as per balance sheet | | |
| <u>Other financial liabilities at amortised cost</u> | | |
| Trade and bill payables (Note 28) | 1,304,735 | 1,007,791 |
| Other payables and accruals (Note 29) | 277,268 | 286,336 |
| Amounts due to associates (Note 19) | 47,779 | 48,055 |
| Amounts due to JVs (Note 20) | 9,682 | 14,114 |
| Borrowings (Note 30) | 2,330,192 | 1,382,087 |
| Company | | |
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Assets as per balance sheet | | |
| <u>Loans and receivables</u> | | |
| Trade receivables (Note 24) | 5,657 | 11,032 |
| Deposits and other receivables (Note 25) | 669 | 7,452 |
| Amounts due from subsidiaries (Note 18) | 1,297,463 | 1,034,380 |
| Amounts due from JVs (Note 20) | 360 | 297 |
| Cash and cash equivalents (Note 26) | 184,709 | 20,548 |
| Liabilities as per balance sheet | | |
| <u>Other financial liabilities at amortised cost</u> | | |
| Other payables and accruals (Note 29) | 19,822 | 19,599 |
| Amounts due to subsidiaries (Note 18) | 177,792 | 105,686 |
| Borrowing (Note 30) | 952,528 | 915,752 |

Notes to the Consolidated Financial Statements

23. Available-for-sale financial assets — Group

Available-for-sale financial assets include the following:

| | Group | |
|-----------------------------|-----------------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Unlisted securities: | | |
| Equity securities — the PRC | — | 2,775 |

| | Group | |
|---|-----------------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| At 1 January | 2,775 | — |
| Exchange differences | — | — |
| Disposal | (2,775) | — |
| Loss of joint control of a subsidiary (<i>Note 36(d)</i>) | — | 2,775 |
| At 31 December | — | 2,775 |

Notes to the Consolidated Financial Statements

24. Trade and bill receivables — Group and Company

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Trade receivables | 526,457 | 353,042 | 5,657 | 11,032 |
| Less: allowance for impairment of trade receivables | (10,176) | — | — | — |
| Trade receivables, net | 516,281 | 353,042 | 5,657 | 11,032 |
| Bill receivables | 7,822 | 14,162 | — | — |
| | 524,103 | 367,204 | 5,657 | 11,032 |

As at 31 December 2013, the ageing analysis of the trade receivables, based on invoice date, was as follows:

| | Group | | Company | |
|-----------------|------------------|------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Within 3 months | 286,917 | 143,013 | 5,657 | 11,032 |
| 3 to 6 months | 32,374 | 23,979 | — | — |
| 6 to 12 months | 94,741 | 26,651 | — | — |
| Over 1 year | 98,726 | 143,463 | — | — |
| Over 2 years | 3,523 | 15,936 | — | — |
| | 516,281 | 353,042 | 5,657 | 11,032 |

The Group's credit terms granted to customers range from 30 to 180 days. On certain construction revenue and equipment sales projects, the Group generally grants project final acceptance period and retention period to its customers range from 1 to 2 years from the date of acceptance according to the sales agreements signed between the Group and customers.

The carrying amounts of the Group's and the Company's trade and bill receivables approximate their fair values. Approximately 92% (2012: 96%) and 8% (2012: 4%) of the total carrying amounts of the Group are denominated in RMB and US\$, respectively, while 100% (2012: 100%) of the total carrying amounts of the Company are denominated in US\$.

Notes to the Consolidated Financial Statements

24. Trade and bill receivables — Group and Company *(Continued)*

Trade receivables of the Group and the Company that are not past due and not impaired amounted to HK\$329,485,000 (2012: HK\$273,181,000) and HK\$5,657,000 (2012: HK\$11,032,000), respectively. These balances relate to a wide range of customers for whom there was no recent history of default.

As at 31 December 2013, trade receivables of HK\$186,796,000 are past due but not impaired. These relate to a number of independent customers for whom there is no financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

| | Group | | Company | |
|-----------------|------------------|------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Within 3 months | 79,816 | 61,633 | — | — |
| 3 to 6 months | 16,107 | 62 | — | — |
| 6 to 12 months | 84,964 | 8,056 | — | — |
| Over 1 year | 5,909 | 10,110 | — | — |
| | 186,796 | 79,861 | — | — |

The amount of the provision was HK\$10,176,000 as of 31 December 2013 (2012: nil). It was assessed that a portion of the receivable is expected to be recoverable. The ageing of the receivable is over 1 year.

Included in trade receivables as at 31 December 2013, there were HK\$26,687,000 (2012: HK\$19,499,000) and HK\$62,330,000 (2012: HK\$63,173,000) retention money held in respect of construction revenue and equipment sales, respectively, in which retention money of HK\$40,369,000 (2012: HK\$59,899,000) were aged over 12 months based on invoice date but not impaired.

As at 31 December 2013, the trade receivables balances amounting to HK\$145,340,000 (2012: HK\$53,131,000) were pledged to secure bank borrowings wholly repayable after 5 years (Note 30).

The maximum exposure to credit risk at the reporting date is their fair values. The Group does not hold any collateral as security.

Notes to the Consolidated Financial Statements

25. Prepayments, deposits and other receivables — Group and Company

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Prepayments | 387,502 | 164,172 | — | 4,664 |
| Deposits | 3,297 | 1,639 | 669 | 669 |
| Other receivables | 214,846 | 296,455 | — | 6,783 |
| Loans to third parties | 21,368 | 65,353 | — | — |
| Value-added tax recoverable | 161,454 | 63,919 | — | — |
| Amounts due from customers for contract work (Note 27) | 41,289 | 23,670 | — | — |
| | 829,756 | 615,208 | 669 | 12,116 |
| Less: Non-current portion | (22,931) | (23,528) | (669) | (669) |
| | 806,825 | 591,680 | — | 11,447 |

| | Group | | Company | |
|-----------------|------------------|------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Denominated in: | | | | |
| — HK\$ | 14,099 | 189,905 | 669 | 2,161 |
| — RMB | 813,946 | 372,659 | — | 7,457 |
| — US\$ | 1,711 | 36,574 | — | 2,498 |
| — Others | — | 16,070 | — | — |
| | 829,756 | 615,208 | 669 | 12,116 |

The carrying amounts of the Group's and the Company's prepayments, deposits and other receivables approximate their fair values.

None (2012: 44%) of the loans to third parties are interest-free and have no fixed terms of repayment and the remaining balances are interest bearing at 9% per annum.

Notes to the Consolidated Financial Statements

26. Cash and cash equivalents — Group and Company

| | Group | | Company | |
|---------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
| Cash at banks and in hand | 1,850,209 | 731,167 | 184,709 | 20,548 |
| Maximum exposure to credit risk | 1,849,932 | 730,896 | 184,709 | 20,548 |
| Denominated in: | | | | |
| — HK\$ | 307,501 | 17,900 | 170,998 | 9,540 |
| — RMB | 1,515,287 | 698,342 | 95 | 58 |
| — US\$ | 25,582 | 14,905 | 13,616 | 10,950 |
| — Others | 1,839 | 20 | — | — |
| | 1,850,209 | 731,167 | 184,709 | 20,548 |

RMB is not freely convertible into other currencies. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business in the PRC.

As at 31 December 2013, the weighted effective interest rate on the Group's and the Company's bank balances are 0.29% (2012: 0.33%) and 0.01% (2012: 0.01%), respectively.

Notes to the Consolidated Financial Statements

27. Construction contracts — Group

| | Group | |
|---|--------------------|-------------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| The aggregate costs incurred and recognised profits to date | 2,017,542 | 1,723,959 |
| <i>Less: Progress billings</i> | (1,922,160) | (1,682,456) |
| | <hr/> | <hr/> |
| Net balance sheet position for ongoing construction contracts | 95,382 | 41,503 |
| | <hr/> | <hr/> |
| Analysis: | | |
| Amounts due from customers for contract work | | |
| — associates (<i>Note 19</i>) | 23,403 | 25,453 |
| — JVs (<i>Note 20</i>) | 56,262 | 39,333 |
| — third parties (<i>Note 25</i>) | 41,289 | 23,670 |
| | <hr/> | <hr/> |
| Amounts due to customers for contract work (<i>Note 29</i>) | (25,572) | (46,953) |
| | <hr/> | <hr/> |
| | 95,382 | 41,503 |
| | <hr/> | <hr/> |

Included in trade receivables (*Note 24*), amounts due from associates (*Note 19*) and amounts due from JVs (*Note 20*) as at 31 December 2013, there were HK\$26,632,000 (2012: HK\$19,499,000), HK\$4,016,000 (2012: HK\$13,606,000) and HK\$47,134,000 (2012: HK\$71,253,000) retention money held in respect of construction in progress, respectively.

Included in other payables and accruals (*Note 29*), amounts due to associates (*Note 19*) and amounts due to JVs (*Note 20*) as at 31 December 2013, there were nil balance (2012: HK\$123,000), approximately HK\$17,304,000 (2012: HK\$18,090,000) and HK\$19,883,000 (2012: HK\$10,902,000) representing advance received from customers in respect of construction in progress, respectively.

Notes to the Consolidated Financial Statements

28. Trade and bill payables — Group

| | Group | |
|----------------|------------------|-----------------|
| | 2013 | 2012 |
| | HK\$'000 | <i>HK\$'000</i> |
| Trade payables | 1,304,735 | 698,856 |
| Bill payables | — | 308,935 |
| | 1,304,735 | 1,007,791 |

As at 31 December 2013, the ageing analysis of the trade payables, based on invoice date, was as follows:

| | Group | |
|-----------------|------------------|-----------------|
| | 2013 | 2012 |
| | HK\$'000 | <i>HK\$'000</i> |
| Within 3 months | 402,631 | 469,466 |
| 3 to 6 months | 323,216 | 62,995 |
| 6 to 12 months | 154,609 | 110,014 |
| Over 1 year | 407,481 | 37,620 |
| Over 2 years | 16,798 | 18,761 |
| | 1,304,735 | 698,856 |

The carrying amounts of trade and bill payables approximate their fair values and majority of trade and bill payables are denominated in RMB. As at 31 December 2013, no bill payables (2012: 99%) were secured by the corporate guarantee of one of the Group's subsidiaries.

Notes to the Consolidated Financial Statements

29. Other payables and accruals — Group and Company

| | Group | | Company | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
| Payables for construction in progress | 140,821 | 132,423 | — | — |
| Other payables and accruals | 136,447 | 153,913 | 19,822 | 19,599 |
| Receipt in advance | 520,519 | 57,489 | — | — |
| Amounts due to customers for contract work (<i>Note 27</i>) | 25,572 | 46,953 | — | — |
| | 823,359 | 390,778 | 19,822 | 19,599 |
| Denominated in: | | | | |
| — HK\$ | 48,289 | 23,714 | 5,535 | 5,180 |
| — RMB | 769,722 | 360,001 | 14,287 | 14,419 |
| — US\$ | 5,348 | 6,266 | — | — |
| — Others | — | 797 | — | — |
| | 823,359 | 390,778 | 19,822 | 19,599 |

The carrying amounts of the Group's and the Company's other payables and accruals approximate their fair values.

Notes to the Consolidated Financial Statements

30. Borrowings — Group and Company

| | Group | |
|--|------------------|-----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Non-current liabilities | | |
| Bank borrowings (<i>Note (i)</i>) | 1,262,479 | 382,846 |
| Guaranteed bond (<i>Note (iii)</i>) | — | 924,955 |
| | <hr/> | <hr/> |
| Total principal amount | 1,262,479 | 1,307,801 |
| Unamortised loan facilities fees relating to bank borrowings | — | (380) |
| Unamortised loan facilities fees relating to guaranteed bond | — | (9,203) |
| | <hr/> | <hr/> |
| | 1,262,479 | 1,298,218 |
| | <hr/> | <hr/> |
| Current liabilities | | |
| Bank borrowings (<i>Note (i)</i>) | 115,185 | 83,869 |
| Guaranteed bond (<i>Note (iii)</i>) | 953,919 | — |
| | <hr/> | <hr/> |
| Total principal amount | 1,069,104 | 83,869 |
| Unamortised loan facilities fee relating to guaranteed bond | (1,391) | — |
| | <hr/> | <hr/> |
| | 1,067,713 | 83,869 |
| | <hr/> | <hr/> |
| Total borrowings | 2,330,192 | 1,382,087 |

Notes to the Consolidated Financial Statements

30. Borrowings — Group and Company (Continued)

| | Company | |
|--|-----------------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Non-current liability | | |
| Guaranteed bond (Note (iii)) | — | 924,955 |
| Total principal amount | — | 924,955 |
| Unamortised loan facilities fees relating to guaranteed bond | — | (9,203) |
| | — | 915,752 |
| Current liability | | |
| Guaranteed bond (Note (iii)) | 953,919 | — |
| Total principal amount | 953,919 | — |
| Unamortised loan facilities fees | (1,391) | — |
| | 952,528 | — |
| Total borrowing | 952,528 | 915,752 |

Notes:

- (i) Approximately 99% (2012: 95%) of the total carrying amounts of bank borrowings are denominated in RMB and subject to floating interest rate while 1% (2012: 5%) of the total carrying amounts of bank borrowings are denominated in US\$ and subject to fixed interest rate.
- (ii) Total borrowings include secured liabilities of HK\$1,289,116,000, all of which are floating rate bank borrowings. HK\$1,262,479,000 of the secured liabilities are non-current, while HK\$26,637,000 are current. These liabilities are secured by the buildings and equipment under property, plant and equipment and the trade receivables of the Group.
- (iii) The Company issued RMB 750,000,000 (equivalent to approximately HK\$953,919,000) 6.375% guaranteed bond on 5 April 2011 listed on the Singapore Exchange Securities Trading Limited with maturity of 3 years. The interest is payable semi-annually in arrears on 4 April and 4 October each year. The carrying amount of the fixed rate guaranteed bond is denominated in RMB.

Notes to the Consolidated Financial Statements

30. Borrowings — Group and Company (Continued)

Borrowings at principal amount were repayable as follows:

| | Bank borrowings | | Guaranteed bond | | Total | |
|-----------------------|------------------|----------|-----------------|----------|------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Within 1 year | 115,185 | 83,869 | 953,919 | — | 1,069,104 | 83,869 |
| Between 1 and 2 years | 124,625 | 7,348 | — | 924,955 | 124,625 | 932,303 |
| Between 2 and 5 years | 293,570 | 49,610 | — | — | 293,570 | 49,610 |
| Over 5 years | 844,284 | 325,888 | — | — | 844,284 | 325,888 |
| | 1,377,664 | 466,715 | 953,919 | 924,955 | 2,331,583 | 1,391,670 |

| | Bank borrowings | | Guaranteed bond | | Total | |
|---------------------------------|------------------|----------|-----------------|----------|------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Wholly repayable within 5 years | 88,547 | 80,287 | 953,919 | 924,955 | 1,042,466 | 1,005,242 |
| Wholly repayable after 5 years | 1,289,117 | 386,428 | — | — | 1,289,117 | 386,428 |
| | 1,377,664 | 466,715 | 953,919 | 924,955 | 2,331,583 | 1,391,670 |

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the reporting date are as follows:

| | 2013 | 2012 |
|------------------|-----------|----------|
| | HK\$'000 | HK\$'000 |
| 6 months or less | 1,376,392 | 440,940 |

Notes to the Consolidated Financial Statements

30. Borrowings — Group and Company (Continued)

The carrying amounts and fair values of the non-current borrowings and bond are as follows:

| | Carrying amount | | Fair value | |
|-----------------|------------------|------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Bank borrowings | 1,262,479 | 382,466 | 1,262,479 | 382,846 |
| Guaranteed bond | — | 915,752 | — | 924,955 |
| | 1,262,479 | 1,298,218 | 1,262,479 | 1,307,801 |

The fair values of the non-current borrowings are estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued which is level 2 fair value. The carrying amounts of current portion of the borrowings approximate their fair values, as the impact of discounting is not significant.

The weighted effective interest rates at the reporting date were as follows:

| | 2013 | 2012 |
|-----------------|-------|-------|
| Bank borrowings | 6.73% | 7.05% |
| Guaranteed bond | 7.13% | 7.13% |

31. Share capital

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| Authorised: | | |
| 10,000,000,000 (2012: 10,000,000,000) ordinary shares of HK\$0.01 each | 100,000 | 100,000 |
| Issued and fully paid: | | |
| 8,018,744,965 (2012: 7,393,594,965) ordinary shares of HK\$0.01 each | 80,187 | 73,936 |

Notes to the Consolidated Financial Statements

31. Share capital *(Continued)*

A summary of the transactions during the year with reference to the movements of the Company's ordinary share capital is as follows:

| | No. of shares <i>000's</i> | Nominal value <i>HK\$'000</i> |
|--|--------------------------------------|---|
| Authorised: | | |
| As at 31 December 2013 and 2012: 10,000,000,000 ordinary shares of HK\$0.01 each | 10,000,000 | 100,000 |
| Issued and fully paid: | | |
| As at 1 January 2013 and 2012: 7,393,594,965 ordinary shares of HK\$0.01 each | 7,393,595 | 73,936 |
| Subscription of new ordinary shares of HK\$0.01 each <i>(Note)</i> | 600,000 | 6,000 |
| Issue of ordinary shares of HK\$0.01 each on exercise of share options <i>(Note 32)</i> | 25,150 | 251 |
| As at 31 December 2013: 8,018,744,965 ordinary shares of HK\$0.01 each | 8,018,745 | 80,187 |

Note:

Pursuant to a subscription agreement executed by the Company on 13 December 2013, a total of 600,000,000 ordinary shares with par value of HK\$0.01 each were issued at an issue price of HK\$0.44 per share, raising net proceeds of HK\$257,770,000.

Notes to the Consolidated Financial Statements

32. Share option schemes

The Company's share option scheme was adopted on 16 April 2007 as an incentive to the Group's employees and business associates ("Share Option Scheme"). This scheme shall be valid for a period of ten years ending on 15 April 2017.

The maximum number of shares in respect of which option may be granted under the Share Option Scheme of the Company may not exceed 10 percent of the issued share capital of the Company at the date of adoption of the Share Option Scheme. The maximum entitlement of each eligible participant in the total number of shares issued and to be issued upon exercise of options granted under the Share Option Scheme of the Company in any 12 month period shall not exceed 1% of the total number of shares in issue.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | 2013 | | 2012 | |
|--|--|------------------------|--|------------------------|
| | Average exercise price per share HK\$ | Options (thousands) | Average exercise price per share HK\$ | Options (thousands) |
| As at 1 January 2013 and 2012 | 0.694 | 413,500 | 0.697 | 435,300 |
| Granted | — | — | — | — |
| Expired | 0.570 | (44,030) | — | — |
| Forfeited | 0.570 | (29,710) | 0.755 | (21,800) |
| Exercised | 0.302 | (25,150) | — | — |
| As at 31 December 2013 and 2012 | 0.755 | 314,610 | 0.694 | 413,500 |

Out of the 314,610,000 (2012: 413,500,000) outstanding options, 208,420,000 (2012: 92,926,000) options were exercisable.

Options exercised during the year resulted in 25,150,000 ordinary shares being issued at weighted average exercise price of HK\$0.302 each. The related weighted average share price at the time of exercise was HK\$0.46 per option. There were no options exercised for the year ended 31 December 2012.

Notes to the Consolidated Financial Statements

32. Share option schemes (Continued)

Details of the movement in the number of share options are as follows:

| Name or category of participant | Date of grant of share options | Number of share options outstanding as at 1 January 2013 | Number of share options granted during the year | Number of share options exercised during the year | Number of share options forfeited during the year | Number of share options expired during the year | Number of share options outstanding as at 31 December 2013 | Market price per share at exercise date of share options HK\$ |
|---------------------------------|--------------------------------|--|---|---|---|---|--|--|
| Chairman | | | | | | | | |
| Liu Shunxing | 1 April 2008 | 5,000,000 | — | — | — | (5,000,000) | — | N/A |
| | 6 April 2009 | 6,000,000 | — | — | — | — | 6,000,000 | N/A |
| | 4 January 2010 | 10,000,000 | — | — | — | — | 10,000,000 | N/A |
| | 3 January 2011 | 15,000,000 | — | — | — | — | 15,000,000 | N/A |
| Executive directors | | | | | | | | |
| Ko Chun Shun, Johnson | 6 April 2009 | 6,000,000 | — | — | — | — | 6,000,000 | N/A |
| Yang Zhifeng | 1 April 2008 | 900,000 | — | — | — | (900,000) | — | N/A |
| | 6 April 2009 | 2,250,000 | — | — | — | — | 2,250,000 | N/A |
| | 4 January 2010 | 6,600,000 | — | — | — | — | 6,600,000 | N/A |
| | 3 January 2011 | 10,000,000 | — | — | — | — | 10,000,000 | N/A |
| Wang Xun | 1 April 2008 | 3,600,000 | — | — | — | (3,600,000) | — | N/A |
| | 6 April 2009 | 4,500,000 | — | — | — | — | 4,500,000 | N/A |
| | 4 January 2010 | 6,600,000 | — | — | — | — | 6,600,000 | N/A |
| | 3 January 2011 | 10,000,000 | — | — | — | — | 10,000,000 | N/A |
| Liu Jianhong | 1 April 2008 | 900,000 | — | — | — | (900,000) | — | N/A |
| | 6 April 2009 | 2,250,000 | — | — | — | — | 2,250,000 | N/A |
| | 4 January 2010 | 6,600,000 | — | — | — | — | 6,600,000 | N/A |
| | 3 January 2011 | 10,000,000 | — | — | — | — | 10,000,000 | N/A |
| Yu Weizhou | 6 April 2009 | 2,000,000 | — | — | — | — | 2,000,000 | N/A |
| | 4 January 2010 | 6,600,000 | — | — | — | — | 6,600,000 | N/A |
| | 3 January 2011 | 10,000,000 | — | — | — | — | 10,000,000 | N/A |
| Zhou Zhizhong | 4 January 2010 | 6,600,000 | — | — | — | — | 6,600,000 | N/A |
| | 3 January 2011 | 10,000,000 | — | — | — | — | 10,000,000 | N/A |
| Ko Wing Yan, Samantha | 4 January 2010 | 3,000,000 | — | — | — | — | 3,000,000 | N/A |
| | 3 January 2011 | 4,000,000 | — | — | — | — | 4,000,000 | N/A |
| Chan Kam Kwan, Jason | 1 April 2008 | 1,000,000 | — | — | — | (1,000,000) | — | N/A |
| | 6 April 2009 | 1,200,000 | — | — | — | — | 1,200,000 | N/A |
| | 4 January 2010 | 1,000,000 | — | — | — | — | 1,000,000 | N/A |
| | 3 January 2011 | 1,000,000 | — | — | — | — | 1,000,000 | N/A |
| Subtotal | | 152,600,000 | — | — | — | (11,400,000) | 141,200,000 | |

Notes to the Consolidated Financial Statements

32. Share option schemes (Continued)

Details of the movement in the number of share options are as follows: (Continued)

| Name or category of participant | Date of grant of share options | Number of share options outstanding as at 1 January 2013 | Number of share options granted during the year | Number of share options exercised during the year | Number of share options forfeited during the year | Number of share options expired during the year | Number of share options outstanding as at 31 December 2013 | Market price per share at exercise date of share options HK\$ |
|--|--------------------------------|--|---|---|---|---|--|--|
| Subtotal | | 152,600,000 | — | — | — | (11,400,000) | 141,200,000 | N/A |
| Non-executive director | | | | | | | | |
| Tsoi Tong Hoo, Tony | 1 April 2008 | 1,200,000 | — | — | — | (1,200,000) | — | N/A |
| | 6 April 2009 | 3,000,000 | — | — | — | — | 3,000,000 | N/A |
| | 4 January 2010 | 800,000 | — | — | — | — | 800,000 | N/A |
| | 3 January 2011 | 800,000 | — | — | — | — | 800,000 | N/A |
| Independent non-executive directors | | | | | | | | |
| Yap Fat Suan, Henry | 1 April 2008 | 600,000 | — | — | — | (600,000) | — | N/A |
| | 6 April 2009 | 800,000 | — | — | — | — | 800,000 | N/A |
| | 4 January 2010 | 800,000 | — | — | — | — | 800,000 | N/A |
| | 3 January 2011 | 800,000 | — | — | — | — | 800,000 | N/A |
| Wong Yau Kar, David, BBS, JP | 1 April 2008 | 400,000 | — | — | — | (400,000) | — | N/A |
| | 6 April 2009 | 600,000 | — | — | — | — | 600,000 | N/A |
| | 4 January 2010 | 800,000 | — | — | — | — | 800,000 | N/A |
| | 3 January 2011 | 800,000 | — | — | — | — | 800,000 | N/A |
| Zhou Dadi | 4 January 2010 | 1,000,000 | — | — | — | — | 1,000,000 | N/A |
| | 3 January 2011 | 1,000,000 | — | — | — | — | 1,000,000 | N/A |
| Other employees | | | | | | | | |
| In aggregate | 1 April 2008 | 30,430,000 | — | — | — | (30,430,000) | — | N/A |
| | 6 April 2009 | 49,310,000 | — | (25,150,000) | (4,890,000) | — | 19,270,000 | 0.48 |
| | 4 January 2010 | 65,100,000 | — | — | (6,780,000) | — | 58,320,000 | N/A |
| | 3 January 2011 | 102,660,000 | — | — | (18,040,000) | — | 84,620,000 | N/A |
| Total | | 413,500,000 | — | (25,150,000) | (29,710,000) | (44,030,000) | 314,610,000 | |

Notes to the Consolidated Financial Statements

32. Share option schemes *(Continued)*

These options were granted subject to the following vesting requirement:

| | |
|---|-----|
| On 1st anniversary of the date of grant | 25% |
| On 2nd anniversary of the date of grant | 25% |
| On 3rd anniversary of the date of grant | 25% |
| On 4th anniversary of the date of grant | 25% |

The Group recognised the total expense of HK\$15,023,000 (2012: HK\$30,229,000) for the year ended 31 December 2013 in relation to share options granted by the Company. Also, the Group reversed the total expense which provided in previous years of HK\$7,586,000 (2012: HK\$6,042,000) for the year ended 31 December 2013 in relation to the forfeiture of share options.

Details of share options outstanding at the end of the year are set out belows:

| Grant date | Exercise period | Exercise price HK\$ | Market price per share on date of grant of options HK\$ | Share option granted (thousands) | Share options outstanding (thousands) | |
|----------------|-------------------------------------|------------------------|---|-------------------------------------|--|------------------|
| | | | | | 31 December 2013 | 31 December 2012 |
| 1 April 2008 | 1 April 2009 to 31 March 2013 | 0.45 | 0.435 | 60,080 | — | 44,030 |
| 6 April 2009 | 6 April 2010 to 5 April 2014 | 0.302 | 0.295 | 100,000 | 47,870 | 77,910 |
| 4 January 2010 | 4 January 2012 to 3 January 2015 | 0.89 | 0.89 | 130,000 | 108,720 | 115,500 |
| 3 January 2011 | 3 January 2013 to 2 January 2016 | 0.80 | 0.80 | 200,000 | 158,020 | 176,060 |
| | | | | 490,080 | 314,610 | 413,500 |

Notes to the Consolidated Financial Statements

33. Reserves — Group and Company

The details of movements in the Group's reserves are set out in the consolidated statement of changes in equity on pages 42 and 43.

The details of the movements in the Company's reserves are set out as follows:

| | Share premium | Contributed surplus | Exchange reserve | Other reserves | Accumulated losses | Total |
|---|--------------------------|--------------------------------|-----------------------------|---------------------------|---------------------------------|-----------------|
| | <i>HK\$'000</i> | <i>(Note (i)) HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>(Note (ii)) HK\$'000</i> | <i>HK\$'000</i> |
| Balance at 1 January 2012 | 2,341 | 2,675,788 | 232,197 | 94,486 | (1,414,871) | 1,589,941 |
| Share-based compensation | — | — | — | 24,187 | — | 24,187 |
| Currency translation differences | — | — | (903) | — | — | (903) |
| Loss for the year | — | — | — | — | (75,473) | (75,473) |
| Dividend relating to the year ended 31 December 2011 | — | — | — | — | (73,936) | (73,936) |
| Balance at 31 December 2012 | 2,341 | 2,675,788 | 231,294 | 118,673 | (1,564,280) | 1,463,816 |
| Share-based compensation | — | — | — | 7,437 | — | 7,437 |
| Exercise of share option | 10,770 | — | — | (3,425) | — | 7,345 |
| Currency translation differences | — | — | 46,229 | — | — | 46,229 |
| Loss for the year | — | — | — | — | (135,581) | (135,581) |
| Subscription of ordinary share | 251,770 | — | — | — | — | 251,770 |
| Balance at 31 December 2013 | 264,881 | 2,675,788 | 277,523 | 122,685 | (1,699,861) | 1,641,016 |

Notes:

- (i) The Company's contributed surplus brought forward represented the excess of the fair value of the shares of the former holding company acquired pursuant to the group reorganisation in the prior year, over the nominal value of the Company's shares issued in exchange thereof.
- (ii) PRC companies are required to allocate 10% of the companies' net profit to the statutory reserves fund until such fund reaches 50% of the companies' registered capital. The statutory reserves fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capital. As at 31 December 2013, retained earnings of the Group comprised statutory reserves fund amounting to HK\$123,540,000 (2012: HK\$112,108,000).

Notes to the Consolidated Financial Statements

34. Deferred tax — Group

Deferred taxation is calculated in full on temporary differences under the liability method using the tax rate applicable to profits of the consolidated entities.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Deferred tax assets: | | |
| — Deferred tax asset to be recovered after more than 12 months | (15,168) | (14,669) |
| — Deferred tax asset to be recovered within 12 months | — | — |
| | (15,168) | (14,669) |
| Deferred tax liabilities: | | |
| — Deferred tax liability to be recovered after more than 12 months | 4,875 | 5,544 |
| — Deferred tax liability to be recovered within 12 months | — | — |
| | 4,875 | 5,544 |
| Deferred tax assets (net) | (10,293) | (9,125) |

Notes to the Consolidated Financial Statements

34. Deferred tax — Group (Continued)

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax assets

| | Group | | | | | | | |
|--|------------------|----------|------------------------|----------|--------------|----------|---------------|----------|
| | Unrealised gains | | Investment tax credits | | Tax losses | | Total | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Balance brought forward | 7,716 | 22,340 | 4,295 | 4,485 | 2,658 | — | 14,669 | 26,825 |
| Credited/ (debited) to the consolidated income statement | 840 | 4,017 | (188) | (189) | (613) | 2,649 | 39 | 6,477 |
| Reclassification | — | (17,953) | — | — | — | — | — | (17,953) |
| Loss of control over subsidiaries | — | (634) | — | — | — | — | — | (634) |
| Exchange differences | 254 | (54) | 132 | (1) | 74 | 9 | 460 | (46) |
| Balance carried forward | 8,810 | 7,716 | 4,239 | 4,295 | 2,119 | 2,658 | 15,168 | 14,669 |

During the year, the Group has recognised deferred tax assets for unrealised gains on transactions between subsidiaries of the Group and investment tax credits on government grant and tax losses of the Group's subsidiaries.

Deferred tax assets recognised are expected to be recovered after more than 12 months. The deferred tax assets recognised relate to temporary differences arising from transactions between subsidiaries of the Group regarding the construction of power plants. The credit to the consolidated income statement represents originating temporary differences arising from these transactions while the charge to the consolidated income statement represents the reversal of temporary differences as a result of the depreciation of power plants. The deferred tax assets recognised relate to investment tax credits arising from tax benefits received only for investment in specific assets. The credit to the consolidated income statement represents originating temporary differences arising from government grant recognition while the charge to the consolidated income statement represents the reversal of temporary differences as a result of the amortisation of deferred government grant.

Notes to the Consolidated Financial Statements

34. Deferred tax — Group *(Continued)*

Deferred tax assets *(Continued)*

Deferred tax assets are recognised for tax losses carry forward purposes only to the extent that realisation of the related tax benefits through future taxable profit is probable. The Group recognises deferred tax assets to the extent of recognised deferred tax liabilities and has unrecognised tax losses of HK\$128,693,000 (2012: HK\$119,728,000) to carry forward against future taxable profit. The tax losses afore-mentioned are subject to final approval by the Inland Revenue Department in Hong Kong and can be carried forward indefinitely.

Deferred tax liabilities

| | Group | |
|---|----------------------------|----------|
| | Unremitted earnings | |
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Balance brought forward | 5,544 | 2,511 |
| (Credited)/debited to the consolidated income statement | (830) | 3,110 |
| Loss of control over subsidiaries | — | (87) |
| Exchange differences | 161 | 10 |
| Balance carried forward | 4,875 | 5,544 |

The deferred tax liabilities recognised relate to temporary differences arising from the unremitted earnings of JVs. As at 31 December 2013, deferred tax liabilities of HK\$101,624,000 (2012: HK\$100,539,000) have not been recognised for the withholding tax and other taxes that would be payable on the undistributed retained earnings of subsidiaries of the Group.

35. Deferred government grant — Group

Government grants are received from the PRC government by the Group as financial subsidies for investments in the PRC. Government grants are recognised as income over the expected useful life of the relevant properties of 20 years.

The movement in deferred government grant during the year is as follows:

| | Group | |
|---|-----------------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Balance brought forward | 17,177 | 17,921 |
| Amortisation of deferred government grant | (751) | (737) |
| Exchange difference | 526 | (7) |
| Balance carried forward | 16,952 | 17,177 |

Notes to the Consolidated Financial Statements

36. Notes to the consolidated cash flow statement

(a) Cash generated from operations

| | Note | 2013 HK\$'000 | 2012 HK\$'000 |
|---|--------|------------------|------------------|
| Profit before income tax | | 193,094 | 113,072 |
| Adjustments for: | | | |
| Gain on change in fair value | | (5,699) | — |
| Finance costs | 9 | 103,496 | 85,985 |
| Interest income | 6 | (24,535) | (13,485) |
| Depreciation of property, plant and equipment | 15 | 59,811 | 43,910 |
| Amortisation of prepaid operating lease payment | 16 | 4,059 | 2,643 |
| Amortisation of other intangible asset | 17 | 121 | 119 |
| Amortisation of deferred government grants | 35 | (751) | (737) |
| Provision for obsolete inventory | 21 | 39,934 | — |
| Net realised gains on disposal of financial assets at fair value through profit or loss | 7 | (1,668) | (1,585) |
| Gain on disposal of available-for-sale financial assets | 7 | (458) | — |
| Share-based compensation | 8 | 7,437 | 24,187 |
| Share of results of associates | 19 | (3,272) | (7,278) |
| Share of results of JVs | 20 | (59,994) | (31,475) |
| Share of JVs and associates' provision for receivable | 19, 20 | 76,165 | 6,190 |
| Share of JVs' loss from discounting of receivables | | — | 31,408 |
| Gain on business or assets contribution to JVs | 7 | — | (127,132) |
| Gain on disposal and partial disposal of JVs | 7 | (137,881) | (51,330) |
| Gain on acquisition of subsidiaries | 7 | (46,439) | — |
| Loss/(gain) on disposal of subsidiaries, net | 7 | 9,310 | (26,549) |
| Gain on partial disposal of a subsidiary | 7 | (68) | — |
| Exchange gain, net | 7 | (10,538) | (38) |
| (Gain)/loss on disposal of property, plant and equipment | 36(g) | (431) | 451 |
| | | 201,693 | 48,356 |
| Operating profit before working capital changes: | | | |
| (Increase)/decrease in inventories | | (275,849) | 98,511 |
| (Increase)/decrease in trade and bill receivables | | (157,065) | 137,478 |
| Increase in prepayments, deposits and other receivables | | (324,771) | (715,212) |
| Increase in amounts due from associates | | (22,034) | (235) |
| Decrease in amounts due from JVs | | 357,271 | 17,172 |
| Increase in trade and bill payables | | 83,109 | 164,359 |
| Increase in other payables and accruals | | 439,673 | 714,150 |
| (Decrease)/increase in amounts due to associates | | (83,872) | 95,757 |
| Increase/(decrease) in amounts due to JVs | | 243,052 | (184,842) |
| Cash generated from operations | | 461,207 | 375,494 |

Notes to the Consolidated Financial Statements

36. Notes to the consolidated cash flow statement *(Continued)*

(b) Businesses or assets contribution to JVs

During the year of 2013 and 2012, the Group has disposed of its partial equity interests in subsidiaries with investments in wind power projects. Upon the completion of the disposals, these entities had not obtained the approval for the land use rights and licenses to operate the wind farms yet. After the disposals, these entities have become JVs of the Group. Therefore, these disposals represent the contribution of the Group's assets to the JVs. Details of the transactions are summarised as follows:

For the year ended 31 December 2013:

On 25 December 2013, the Group entered into a capital injection agreement with Shanghai Electric Power New Energy Development Co., Ltd. ("Shanghai New Energy"), pursuant to which the registered share capital of Yantai Yihao New Energy Development Co., Ltd. ("Yantai Yihao") was increased from RMB1,000,000 to RMB2,041,000 and Shanghai New Energy agreed to make a cash contribution of RMB1,041,000 into the registered share capital of Yantai Yihao. Upon the completion of this transaction, the Group's interest was reduced from 100% to 49% of issued share capital of Yantai Yihao and Yantai Yihao ceased to be a subsidiary of the Group. Yantai Yihao then becomes a JV of the Group and Shanghai New Energy. No gain on contribution of businesses or assets to the JV was recognised in the consolidated income statement.

For the year ended 31 December 2012:

On 27 February 2012, the Group entered into a capital injection agreement with Shanghai Electric Power Co., Ltd. ("Shanghai Electric"), pursuant to which the registered share capital of Suqian Century Concord New Energy Co., Ltd. ("Suqian") was increased from RMB30,000,000 to RMB61,230,000 and Shanghai Electric agreed to make a cash contribution of RMB31,230,000 into the registered share capital of Suqian. Upon the completion of this transaction, the Group's interest was reduced from 100% to 49% of issued share capital of Suqian and Suqian ceased to be a subsidiary of the Group. Suqian then becomes a JV of the Group and Shanghai Electric. A gain on contribution of businesses or assets to the JVs of HK\$13,965,000 was recognised in the consolidated income statement.

On 30 November 2012, the Group entered into capital injection agreements with Mengdong Century Concord New Energy Co., Ltd. ("Mengdong"), one of the Group's JV with 49% equity interest, pursuant to which the registered share capital of each of Jianghua Yao Autonomous County Century Concord Wind Power Co., Ltd. ("Jianghua"), Jingmen Century Concord Wind Power Co., Ltd. ("Jingmen") and Hebi Century Concord Junlong Wind Power Co., Ltd. ("Hebi") were increased from RMB5,000,000 to RMB12,500,000 and Mengdong agreed to make a cash contribution of RMB7,500,000 each into the registered share capital of Jianghua, Jingmen and Hebi. Upon the completion of these transactions, the Group's interests in the issued share capital of Jianghua, Jingmen and Hebi were reduced from 100% to 69.4% respectively. Jianghua, Jingmen and Hebi ceased to be subsidiaries of the Group and then become JVs of the Group and Mengdong. A gain on contribution of businesses or assets to the JVs of HK\$18,741,000 was recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements

36. Notes to the consolidated cash flow statement *(Continued)*

(b) Businesses or assets contribution to JVs *(Continued)*

On 5 December 2012, the Group entered into capital injection agreements with Shanghai Electric and Beijing Century Jinhua Investment Limited (“Beijing Century”), pursuant to which the registered share capital of Haian Century Concord Wind Power Co., Ltd. (“Haian”), Suzhou Century Concord Wind Power Co., Ltd. (“Suzhou”) and Xiaoxian Century Concord Wind Power Co., Ltd. (“Xiaoxian”) were increased from RMB17,000,000 to RMB34,690,000, RMB5,000,000 to RMB10,200,000, and RMB5,000,000 to RMB10,200,000, respectively, and Shanghai Electric and Beijing Century agreed to make a cash contribution of RMB17,690,000, RMB5,200,000 and RMB5,200,000 into the registered share capital of Haian, Suzhou and Xiaoxian, respectively. Upon the completion of these transactions, the Group’s interests were reduced from 100% to 49% of issued share capital of Haian, Suzhou and Xiaoxian. Haian, Suzhou and Xiaoxian ceased to be subsidiaries of the Group and then become JVs of the Group, Shanghai Electric and Beijing Century. A gain on contribution of businesses or assets to the JVs of HK\$25,474,000 was recognised in the consolidated income statement.

On 20 December 2012 and 27 December 2012, the Group entered into sales and purchase agreements (“JV-S&P Agreements”) with Tongtai New Energy Co., Ltd. (“Tongtai New Energy”), pursuant to which the Group disposed of 50% equity interests in Jinchang Century Concord New Energy Co., Ltd. (“Jinchang”), Yongchang Century Concord Solar Power Co., Ltd. (“Yongchang”), Shandan Century Concord Solar Power Co., Ltd. (“Shandan”), Fuchuan Century Concord Wind Power Co., Ltd. (“Fuchuan”) and Yongren Century Concord Solar Power Co., Ltd. (“Yongren”), for a consideration of RMB6,330,000 (equivalent to approximately HK\$7,780,000). Upon the completion of these transactions, Century Concord Wind Power Investment Co., Ltd. (“Century Concord”) in turn holds 50% of issued share capital of Jinchang, Yongchang, Shandan, Fuchuan and Yongren. Jinchang, Yongchang, Shandan, Fuchuan and Yongren ceased to be subsidiaries of the Group and then become JVs of the Group and Tongtai New Energy. The disposals represent the contribution of the Group’s assets of HK\$7,363,000 to the JVs. A gain on contribution of businesses or assets to the JVs of HK\$68,952,000 was recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements

36. Notes to the consolidated cash flow statement *(Continued)*

(b) Businesses or assets contribution to JVs *(Continued)*

The aggregated carrying amounts of the Group's net assets contributed to JVs as at their respective disposal dates were as follows:

| | 2013 | 2012 |
|---|-----------------|-----------|
| | HK\$'000 | HK\$'000 |
| <u>Assets</u> | | |
| Property, plant and equipment <i>(Note)</i> | 604 | 406,872 |
| Amounts due from subsidiaries of the Group | 2,594 | — |
| Deferred tax assets | — | 634 |
| Prepayments and other receivables | 37,403 | 68,067 |
| Cash and cash equivalents | — | 58,441 |
| | 40,601 | 534,014 |
| <u>Liabilities</u> | | |
| Other payables and accruals | (107) | (646,690) |
| Amounts due to subsidiaries of the Group | (39,241) | — |
| | (39,348) | (646,690) |
| Net assets contributed | 1,253 | (112,676) |

Note: The amounts of property, plant and equipment shown above are stated after adjusting the unrealised profits or losses on transactions between these companies and other group companies prior to the respective disposal dates.

Notes to the Consolidated Financial Statements

36. Notes to the consolidated cash flow statement *(Continued)*

(b) Businesses or assets contribution to JVs *(Continued)*

The gain on disposal of businesses or assets contributed to JVs as at their respective disposal dates were as follows:

| | 2013 HK\$'000 | 2012 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Fair value of retained interest as JV | 639 | 126,715 |
| Consideration received | — | 7,780 |
| | 639 | 134,495 |
| Carrying amount of businesses/assets contributed | (639) | (7,363) |
| Gain on businesses/assets contribution <i>(Note 7)</i> | — | 127,132 |

In the consolidated cash flow statement, net proceeds received from joint venture partners were comprised of:

| | 2013 HK\$'000 | 2012 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Consideration received | — | 7,780 |
| Cash and cash equivalents of the subsidiaries disposed of | — | (58,441) |
| Add: Consideration for prior year's disposal received in current year | — | 40,552 |
| Net cash disposed | — | (10,109) |

Notes to the Consolidated Financial Statements

36. Notes to the consolidated cash flow statement *(Continued)*

(c) Disposal and partial disposal of JVs

For the year ended 31 December 2013:

On 1 March 2013, the Group entered into four sales and purchase agreements with Guodian Northeast New Energy Developments Ltd., pursuant to which the Group disposed its entire 60% equity interest in Fuxin Julonghu Wind Power Co., Ltd. (“Julonghu”), Fuxin Qianfoshan Wind Power Co., Ltd. (“Qianfoshan”), Fuxin Juyuan Wind Power Co., Ltd. (“Juyuan”) and Fuxin Juhe Wind Power Co., Ltd. (“Juhe”) for a consideration of RMB 220,162,000 net with restoration cost (equivalent to approximately HK\$275,928,000). A disposal gain of HK\$51,856,000 was recognised in the consolidated income statement. Upon the completion of these transactions, Julonghu, Qianfoshan, Juyuan and Juhe ceased to be JVs of the Group.

On 30 September 2013, the Group entered into a sales and purchase agreement with Huaneng Renewables Corporation Limited, an independent third party incorporated in the People’s Republic of China, pursuant to which the Group disposed of its entire 50% equity interest in both Jinchang Century Concord New Energy Co., Ltd. (“Jinchang”) and Yongchang Century Concord Solar Power Co., Ltd. (“Yongchang”) for an aggregate consideration of RMB2,000,000 (equivalent to approximately HK\$2,506,000). A disposal gain of HK\$23,340,000 was recognised in the consolidated income statement. Upon the completion of these transactions, Jinchang and Yongchang ceased to be JVs of the Group.

On 10 October 2013, the Group entered into a sales and purchase agreement with Shanghai Electric Power Company Limited (“Shanghai Electric”), pursuant to which the Group disposed 6% of its equity interest in Suzhou Century Concord Wind Power Co., Ltd. (“Suzhou”), one of the Group’s JVs with 49% equity interest, for a consideration of RMB5,172,000 (equivalent to HK\$6,481,000). As a result of the transaction, the Group’s equity interest in Suzhou decreased from 49% to 43%, and Suzhou still remained as a JV of the Group. A gain of HK\$2,911,000 was recognised in the consolidated income statement.

On 11 November 2013, the Group de-registered Fuxin Huaxing Wind Power Co., Ltd. (“Fuxin Huaxing”), a JV of the Group with 48% equity interest. Upon the completion of de-registration, Fuxin Huaxing ceased to be a JV of the Group and collect cash and cash equivalents of RMB9,178,000 (equivalent to approximately HK\$11,503,000). A loss of disposal of HK\$10,000 was recognised in the consolidated income statement.

On 16 November 2013, the Group entered into a sales and purchase agreement with Hainan Tianju Solar Limited, an independent third party incorporated in the People’s Republic of China, pursuant to which the Group disposed of its entire 50% equity interest in Shandan Century Concord Solar Power Co., Ltd. (“Shandan Solar Power”) for a consideration of RMB1,000,000 (equivalent to approximately HK\$1,253,000). A disposal gain of HK\$11,361,000 was recognised in the consolidated income statement. Upon the completion of these transactions, Shandan Solar Power ceased to be JVs of the Group.

Notes to the Consolidated Financial Statements

36. Notes to the consolidated cash flow statement *(Continued)*

(c) Disposal and partial disposal of JVs *(Continued)*

For the year ended 31 December 2013: (Continued)

On 24 December 2013, the Group entered into a capital injection agreement with Inner Mongolia Xilinguole Baiyinhua Coal & Electricity Co., Ltd. (“Baiyinhua”), pursuant to which the registered share capital of Mengdong Century Concord New Energy Co., Ltd. (“Mengdong New Energy”) was increased from RMB532,200,000 to RMB810,940,000 by way of Baiyinhua making a cash contribution of RMB278,740,000 into the registered share capital of Mengdong New Energy. As a result of the transaction, the Group’s equity interest in Mengdong New Energy decreased from 49% to 32.16%, and Mengdong New Energy still remained as a JV of the Group. A gain of HK\$48,423,000 was recognised in the consolidated income statement.

For the year ended 31 December 2012:

On 25 June 2012, the Group entered into a sales and purchase agreement (“JV-S&P Agreement”) with Liaoning Energy, pursuant to which the Group disposed of 21% out of 51% equity interest in Fuxin Taihe, a JV of the Group and Liaoning Energy, for a consideration of RMB79,711,000 (equivalent to HK\$97,970,000). The Group in turn holds 30% of issued share capital of Fuxin Taihe upon the completion of the JV-S&P Agreement. As a result of the transaction, Fuxin Taihe ceased to be a JV of the Group and then become an associate of the Group. The carrying amount of the disposed interest was RMB 63,000,000 (equivalent to approximately HK\$77,431,000). A gain on disposal of HK\$31,475,000 was recognised in the consolidated income statement.

On 25 June 2012, the Group entered into a sales and purchase agreement (“JV-S&P Agreement”) with Liaoning Energy, pursuant to which the Group disposed of 25% out of 55% equity interest in Chaoyang Century Concord Wanjia Wind Power Co., Ltd. (“Chaoyang Wanjia”), a JV of the Group and Liaoning Energy, for a consideration of RMB47,138,000 (equivalent to HK\$57,935,000). The Group in turn holds 30% of issued share capital of Chaoyang Wanjia upon the completion of the JV-S&P Agreement. As a result of the transaction, Chaoyang Wanjia ceased to be a JV of the Group and then become an associate of the Group. The carrying amount of the disposed interest was RMB 40,500,000 (equivalent to approximately HK\$49,777,000). A gain on disposal of JV of HK\$19,855,000 was recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements

36. Notes to the consolidated cash flow statement *(Continued)*

(c) Disposal and partial disposal of JVs *(Continued)*

The gain on disposal and partial disposal of JVs as at their respective disposal dates were as follows:

| | 2013 | 2012 |
|--|------------------|-----------|
| | HK\$'000 | HK\$'000 |
| Consideration | 297,671 | 155,905 |
| Proportionate share of the Group's net assets of JVs effectively disposal and contributed to JVs | (309,355) | (127,208) |
| | (11,684) | 28,697 |
| Goodwill | (11,445) | (1,204) |
| Exchange gain realised from exchange reserve | 32,024 | 1,687 |
| Realised profits or losses on transactions between the Group and JVs | 128,986 | 22,150 |
| Gain on disposal and partial disposal of JVs (Note 7) | 137,881 | 51,330 |

In the consolidated cash flow statement, net proceeds received from JV partners were comprised of:

| | 2013 | 2012 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Total consideration | 297,671 | 155,905 |
| Consideration not received and recorded in other receivables | (30,555) | — |
| Cash and cash equivalents received upon disposal | 267,116 | 155,905 |

Notes to the Consolidated Financial Statements

36. Notes to the consolidated cash flow statement *(Continued)*

(d) Disposal of subsidiaries

For the year ended 31 December 2013:

On 3 June 2013, the Group entered into a sales and purchase agreement with an independent party, Suzhou Xierui Venture Capital Management Ltd., pursuant to which the Group disposed of its entire equity interest in Peixian Century Concord New Energy Co., Ltd. ("Peixian"), a wholly-owned subsidiary of the Group, for a consideration of RMB10,000,000 (equivalent to approximately HK\$12,532,000). No gain on disposal of the subsidiary was recognised in the consolidated income statement. Upon the completion of the transaction, Peixian ceased to be a subsidiary of the Group.

On 18 June 2013, the Group entered into a sales and purchase agreement with Guangdong MingYang Wind Power Industry Group co., Ltd. ("Guangdong MingYang"), pursuant to which the Group disposed of its entire equity interest in Gansu Shandan Century Concord Wind Power Co.,Ltd. ("Shandan Wind Power"), a wholly-owned subsidiary of the Group, for a consideration of RMB2,640,000 (equivalent to approximately HK\$3,309,000). A loss on disposal of the subsidiary of RMB2,360,000 (equivalent to HK\$2,958,000) was recognised in the consolidated income statement. Upon the completion of this transaction, Shandan Wind Power ceased to be a subsidiary of the Group.

On 31 August 2013, the Group entered into a sales and purchase agreement with Maple Solar Development Inc. ("Maple Solar"), pursuant to which the Group disposed of its entire equity interest in EG Solar Power Inc. ("EG Solar"), a subsidiary of the Group with 60% equity interest, for a consideration of RMB147,000 (equivalent to approximately HK\$184,000). A loss on disposal of the subsidiary of RMB81,000 (equivalent to HK\$101,000) was recognised in the consolidated income statement. Upon the completion of this transaction, EG Solar ceased to be a subsidiary of the Group.

On 31 December 2013, the Group entered into a sales and purchase agreement with Maofeng Luo and Nianxin Zhang separately, pursuant to which the Group disposed of its 50% equity interest in CWP Canada Inc. (Canada) ("CWP Canada") to each of Maofeng Luo and Nianxin Zhang. A loss of HK\$2,928,000 was recognised in the consolidated income statement. Upon the completion of the transaction, CWP Canada ceased to be a subsidiary of the Group.

Notes to the Consolidated Financial Statements

36. Notes to the consolidated cash flow statement *(Continued)*

(d) Disposal of subsidiaries *(Continued)*

For the year ended 31 December 2013: (Continued)

In addition, during the year, the Group de-registered Keyouqianqi Century Concord Wind Power Co., Ltd. (“Keyouqianqi”), Suiping Century Concord Wind Power Co.,Ltd. (“Suiping”), Shanxian Century Concord Solar Power Co.,Ltd. (“Shanxian”) and CWP Mongolia Ltd. (“CWP Mongolia”), which are wholly-owned subsidiaries of the Group. The Group received RMB12,189,000 (equivalent to approximately HK\$15,277,000) cash from the disposal of assets prior to de-registration. Upon the completion of respective de-registration, the net assets of HK\$3,323,000 had been de-registered from the Group and a loss on disposals of subsidiaries of HK\$3,323,000 was recognised in the consolidated income statement. As a result, these entities ceased to be subsidiaries of the Group.

For the year ended 31 December 2012:

On 27 December 2012, the Group entered into a sales and purchase agreement with Wealthy Land Enterprises Limited, an independent third party incorporated in the British Virgin Islands, pursuant to which the Group disposed of its entire equity interest in CWP Energy Investment Ltd. (“CWP Energy”), a wholly-owned subsidiary of the Group incorporated in Hong Kong, for a consideration of RMB42,300,000 (equivalent to approximately HK\$51,989,000), CWP Energy and Century Concord, a wholly-owned subsidiary of the Group, holds 49% and 1% of the issued share capital of Fuxin Huashun Wind Power Co., Ltd. (“Fuxin Huashun”), respectively, one of the Group’s JV incorporated in the PRC. The Group in turn holds 1% equity interest in Fuxin Huashun upon the completion date of 27 December 2012. As a result, CWP Energy ceased to be a subsidiary of the Group and Fuxin Huashun then accounted for at fair value as available-for-sale financial asset of the Group. A gain on disposal of the subsidiary of HK\$29,441,000 was recognised in the consolidated income statement.

In addition, during the year, the Group de-registered Qingyuan Century Concord Wind Power Co., Ltd. (“Qingyuan”), a wholly-owned subsidiary of the Group, with the issued share capital of RMB5,000,000 (equivalent to approximately HK\$6,145,000). Upon the completion date of deregistration on 31 December 2012, the net assets of HK\$2,892,000 had been derecognised from the Group. As a result, Qingyuan ceased to be a subsidiary of the Group. A loss on disposal of the subsidiary of HK\$2,892,000 was recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements

36. Notes to the consolidated cash flow statement *(Continued)*

(d) Disposal of subsidiaries *(Continued)*

The (loss)/gain on liquidation/disposal of subsidiaries, net was as follows:

| | 2013 | 2012 |
|---|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Consideration: | | |
| Net proceeds received from liquidation | 15,277 | 3,222 |
| Net proceeds from disposal of subsidiaries | 16,025 | 51,989 |
| | 31,302 | 55,211 |
| Carrying amount of net assets disposed of: | | |
| Property, plant and equipment | 14,648 | 2,816 |
| Interest in a JV | — | 120,125 |
| Goodwill | — | 1,846 |
| Inventories | 2,918 | — |
| Trade receivables | 87 | — |
| Prepayments and other receivables | 12,748 | 4,513 |
| Amounts due from JVs | 4,928 | 9,154 |
| Cash and cash equivalents | 10,106 | 2 |
| Trade payables | (789) | — |
| Other payables and accruals | (4,034) | (93,358) |
| Deferred tax liabilities | — | (87) |
| | 40,612 | 45,011 |
| Exchange gain realised from exchange reserve | — | 7,409 |
| Realised profits or losses on transactions between the Group and JVs | — | 6,165 |
| Available-for-sale financial assets | — | 2,775 |
| (Loss)/gain on disposal of subsidiaries, net <i>(Note 7)</i> | (9,310) | 26,549 |

Notes to the Consolidated Financial Statements

36. Notes to the consolidated cash flow statement *(Continued)*

(d) Disposal of subsidiaries *(Continued)*

In the consolidated cash flow statement, net proceeds from disposal of subsidiaries were comprised of:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|--------------------------------|------------------|
| Consideration | 16,025 | 51,989 |
| Cash and cash equivalents received upon liquidation of subsidiaries | 15,277 | 3,222 |
| Consideration not received and recorded in other receivables | — | (51,989) |
| Consideration for prior year's disposal received in current year | 51,989 | — |
| Cash and cash equivalents derecognised from the consolidated financial statements | (10,106) | (2) |
| | 73,185 | 3,220 |

(e) Acquisition of subsidiaries

For the year ended 31 December 2013

Kangbao Century Concord Wind Power Co., Ltd. ("Kangbao") was originally a JV of the Group, in which the Group held 51% equity interest, while Tianjin Deheng Investment Co., Ltd. ("Tianjin Deheng"), the former JV partner, held the remaining 49% equity interest. On 31 January 2013, the Group entered into a sales and purchase agreement with Tianjin Deheng, pursuant to which the Group acquired Tianjin Deheng's 49% equity interest in Kangbao, which became a wholly-owned subsidiary of the Group, for a consideration of RMB5,900,000 (equivalent to approximately HK\$7,394,000). As a result, a gain of RMB7,446,000 (equivalent to approximately HK\$9,332,000) was recognised when the Group re-measured its previously held equity interest in Kangbao to fair value at the acquisition date.

On 17 September 2013, the Group injected RMB81,000,000 (equivalent to approximately HK\$101,516,000) into Yongren Century Concord Solar Power Co., Ltd. ("Yongren"), the Group's JV with 50% equity interest. After the capital injection, the registered share capital of Yongren increased from RMB5,000,000 to RMB86,000,000, and the Group held 97.1% of the equity interest in Yongren, which became a subsidiary of the Group. As a result, a gain of RMB24,997,000 (equivalent to HK\$31,329,000) was recognised when the Group re-measured its previously held equity interest in Yongren to fair value at the acquisition date.

Notes to the Consolidated Financial Statements

36. Notes to the consolidated cash flow statement *(Continued)*

(e) Acquisition of subsidiaries *(Continued)*

On 6 November 2013, the Group entered into a share transfer agreement with Tianjin Deheng, pursuant to which the Group acquired 20.86% equity interest in Tieling Century Concord Xingda Wind Power Co.,Ltd. ("Tieling"), the Group's JV with 49% equity interest, for a consideration of RMB10,588,000 (equivalent to approximately HK\$13,270,000). After the transaction was completed, the Group held 69.86% equity interest of Tieling, which Tieling became a subsidiary of the Group. As a result, a gain of RMB4,610,000 (equivalent to approximately HK\$5,778,000) was recognised when the Group re-measured its previously held equity interest in Tieling to fair value at the acquisition date.

The following table summarises the consideration paid for the issued share capital of Kangbao, Yongren and Tieling and the fair value of assets acquired and liabilities assumed at the acquisition date.

| | Kangbao | Yongren | Tieling | Total |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Consideration paid by cash | 7,394 | 101,516 | 13,270 | 122,180 |
| Previously-held interests | | | | |
| re-measured at fair value | 6,123 | 3,125 | 31,141 | 40,389 |
| Amounts due from/(to) acquirer | | | | |
| before acquisition <i>(Note (i))</i> | 34,439 | 331,132 | (3,371) | 362,200 |
| Total consideration | 47,956 | 435,773 | 41,040 | 524,769 |

Note (i): After the acquirees become subsidiaries of the Group, the amounts due from/(to) acquirer become inter-company balances which are eliminated at the consolidation level.

Notes to the Consolidated Financial Statements

36. Notes to the consolidated cash flow statement *(Continued)*

(e) Acquisition of subsidiaries *(Continued)*

Recognised amounts of identifiable assets acquired and liabilities assumed

| | Kangbao <i>HK\$'000</i> | Yongren <i>HK\$'000</i> | Tieling <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| Property, plant and equipment | 46,227 | 404,340 | 18,786 | 469,353 |
| License (included in intangibles) | — | 5,569 | — | 5,569 |
| Prepayments and other receivables | 201 | 31,977 | 30,072 | 62,250 |
| Cash and cash equivalents | 63 | 3,307 | 10,234 | 13,604 |
| Trade payables | (15) | — | (125) | (140) |
| Other payables and accruals | (32) | (643) | — | (675) |
| Total identifiable net assets | 46,444 | 444,550 | 58,967 | 549,961 |
| Non-controlling interests | — | (3,162) | (17,927) | (21,089) |
| Goodwill | 1,512 | (5,615) | — | (4,103) |
| | 47,956 | 435,773 | 41,040 | 524,769 |

In the consolidated cash flow statement, the consideration paid for acquisition of subsidiaries, net of cash acquired was comprised of:

| | Kangbao <i>HK\$'000</i> | Yongren <i>HK\$'000</i> | Tieling <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| Consideration paid | 7,394 | 101,516 | 13,270 | 122,180 |
| Cash and cash equivalents acquired | (63) | (3,307) | (10,234) | (13,604) |
| Acquisition of subsidiaries, net of cash acquired | 7,331 | 98,209 | 3,036 | 108,576 |

Notes to the Consolidated Financial Statements

36. Notes to the consolidated cash flow statement *(Continued)*

(e) Acquisition of subsidiaries *(Continued)*

For the year ended 31 December 2012:

On 10 July 2012, the Group entered into a sales and purchase agreement with Liaoning Energy, pursuant to which the Group acquired 100% of the issued share capital of Liaoning Liaoneng, which is engaged in leasing machinery and equipment business through its subsidiaries, for a consideration of RMB18,337,800 (equivalent to approximately HK\$22,538,000).

On 18 December 2012, HSPI Acquisitions, LLC, a 80% owned subsidiary of the Group, acquired 100% of the equity interest of Hoku Solar Power I, LLC, (“Hoku”) which is a limited liability company and is engaged in the operation of solar power generating facilities in the State of Hawaii, for a consideration of US\$3,800,000 (equivalent to approximately HK\$29,107,000). As of the acquisition date, the fair value of identifiable assets and liabilities approximated the consideration, so no goodwill was recognised.

The following table summarises the consideration paid for the issued share capital of Liaoning Liaoneng and Hoku and the fair value of assets acquired and liabilities assumed at the acquisition date.

| | <i>HK\$'000</i> |
|---|-----------------|
| Consideration paid by cash | 51,645 |
| Recognised amounts of identifiable assets acquired and liabilities assumed | |
| Property, plant and equipment | 27,038 |
| Trade receivables | 4,506 |
| Prepayments and other receivables | 34,604 |
| Cash and cash equivalents | 3,340 |
| Other payables and accruals | (21,155) |
| Total identifiable net assets | 48,333 |
| Goodwill | 3,312 |
| | 51,645 |

Acquisition-related costs of HK\$535,000 have been charged to “other expenses” in the consolidated income statement for the year ended 31 December 2012.

Notes to the Consolidated Financial Statements

36. Notes to the consolidated cash flow statement *(Continued)*

(e) Acquisition of subsidiaries *(Continued)*

In the consolidated cash flow statement, the considerations paid for acquisition of subsidiaries, net of cash acquired were comprised of:

| | <i>HK\$'000</i> |
|---|-----------------|
| Consideration paid | 51,645 |
| Cash and cash equivalents acquired | (3,340) |
| | <hr/> |
| Acquisition of subsidiaries, net of cash acquired | 48,305 |

(f) Gain on disposal of a subsidiary to become an associate

On 30 September 2013, the Group entered into a capital injection agreement with Shenzhen Energy Group Co., Ltd. ("Shenzhen Energy"), pursuant to which the registered share capital of Sihong Century Concord Wind Power Co., Ltd. ("Sihong") was increased from RMB5,000,000 to RMB83,660,000 and Shenzhen Energy and the Group agreed to make an additional cash contribution of RMB58,562,000 and RMB20,098,000 into the registered share capital of Sihong, respectively. Upon the completion of this transaction, the Group's interest was reduced from 100% to 30% of issued share capital of Sihong and Sihong ceased to be a subsidiary of the Group and then became an associate of the Group. A gain on disposal of subsidiary of HK\$68,000 was recognised in the consolidated income statement.

The gain on disposal of a subsidiary to become an associate was as follows:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Fair value of retained interest as an associate | 31,455 | — |
| Consideration paid/capital injected | (25,189) | — |
| | <hr/> | <hr/> |
| <i>Less: carrying amount of net assets de-recognised</i> | 6,266 (6,266) | — |
| | <hr/> | <hr/> |
| Exchange gain realised from exchange reserve | — | — |
| Realised profit or losses on transactions between the Group and JVs | 68 | — |
| | <hr/> | <hr/> |
| Gain on disposal of a subsidiary to become an associate | 68 | — |

Notes to the Consolidated Financial Statements

36. Notes to the consolidated cash flow statement *(Continued)*

(g) Disposal of property, plant and equipment

In the consolidated cash flow statement, net proceeds from disposal of property, plant and equipment comprises:

| | 2013 | 2012 |
|---|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Net book amount <i>(Note 15)</i> | 1,393 | 913 |
| Gain/(loss) on disposal of property, plant and equipment | 431 | (451) |
| Consideration for disposal of property, plant and equipment | 1,824 | 462 |
| Less: Settled with payables | (663) | — |
| Net cash proceeds from disposal of property, plant and equipment | 1,161 | 462 |

37. Contingent liabilities

The Group, via its wholly-owned subsidiaries, had entered into joint venture (“JV”) agreements with JV partners in the PRC. Pursuant to the JV agreements, the Group was required to pledge its share of equity interests in these JVs as security for the bank borrowings of each of the respective JVs.

As at 31 December 2013, the Group has pledged its share of equity interests of one (2012: five) JVs, with total value of its share of registered capital held by the Group amounted to HK\$47,365,000 (2012: HK\$341,913,000) for bank borrowings by the Group’s JVs.

One of the Group’s JVs, Gansu Guazhou Century Concord Wind Power Co., Ltd., had entered into an agreement to borrow a loan with principal amount up to US\$140,000,000. As at 31 December 2013, the loan amounted to approximately US\$78,725,000 (2012: US\$99,556,000). The Group’s and the Company’s maximum exposure to the loan is equal to the drawn down amount. Besides, pursuant to the Limited Guarantee Agreement and the Equity Pledge Agreement signed between the Group and the borrower, the Group has provided the corporate guarantee with a pledge of 49% equity interest in the JV amounted to HK\$417,014,000 (2012: HK\$404,352,000).

Save as mentioned above, the Group did not have any significant contingent liabilities as at 31 December 2013 and 2012.

Notes to the Consolidated Financial Statements

38. Commitment

Operating lease commitments

As lessee

The Group leases certain of its offices and equipment under non-cancellable operating lease arrangements.

At the reporting date, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

| | Group | |
|---|-----------------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| No later than 1 year | 1,296 | 2,115 |
| Later than 1 year and no later than 5 years | — | 1,106 |
| | 1,296 | 3,221 |

Capital commitments

(a) At the reporting date, capital expenditure contracted for but not provided for is as follows:

| | Group | |
|-------------------------------|-----------------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Property, plant and equipment | | |
| No later than 1 year | 259,383 | 222,542 |

(b) The Group has entered into a number of arrangements to develop power projects in the PRC. As at 31 December 2013, total equity contributions contracted but not provided for were HK\$582,590,000 (2012: HK\$343,892,000).

Other commitments

As at 31 December 2013, the Group, via its wholly-owned subsidiaries, committed with JV partners to pledge its share of equity interests in Fuxin Century Concord-Shenhua Wind Power Co., Ltd., Fuxin Union Wind Power Co., Ltd., Taipusiqi Century Concord-Shenhua Wind Power Investment Co., Ltd. and Wuchuan County Yihe Wind Power Co., Ltd. as security for bank borrowings by the Group's JV.

Notes to the Consolidated Financial Statements

39. Related party transactions

- (a) Save as disclosed elsewhere in these consolidated financial statements, the following transactions were carried out by the Group with related parties:

| | Group | |
|---|-----------------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Sales of goods and services to associates and JVs (<i>Note (i)</i>) | 837,602 | 724,982 |
| Loan interest income (<i>Note (ii)</i>) | 20,517 | 8,863 |
| | 858,119 | 733,845 |

Notes:

- (i) The sales of goods and services were mutually agreed by both parties.
- (ii) The loans to JVs and related parties carry interest ranging from 5.3% to 10% per annum. The fair value and the effective interest rate of the loans to JVs and related parties are disclosed in Note 20 and 25.

(b) Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. It comprises nine (2012: nine) of the Executive Directors and four (2012: five) members of Senior Management Group. The total remuneration of the key management personnel is shown below:

| | Group | |
|---|-----------------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Salaries and other short-term employee benefits | 14,028 | 16,630 |
| Share-based compensation | 7,481 | 12,176 |
| | 21,509 | 28,806 |

The remuneration of the members of Senior Management Group by band is set out below:

| | 2013 | 2012 |
|-------------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| HK\$1 — HK\$1,000,000 | 2 | 3 |
| HK\$1,000,001 — HK\$2,000,000 | 2 | 2 |
| | 4 | 5 |

Notes to the Consolidated Financial Statements

40. Events after the balance sheet date

The Group has entered into a sales and purchase agreement with a joint venture partner of the Group, Tianjin Deheng Investment Co., Ltd. (“Tianjin Deheng”), pursuant to which the Group acquired 30.14% equity interest in Tieling Century Concord Xingda Wind Power Co. Ltd. (“Tieling”), for a consideration of RMB18,000,000 (equivalent to approximately HK\$22,880,000) on 15 January 2014. Upon the completion of the acquisition on 21 February 2014, Tieling became a wholly-owned subsidiary of the Group. As the transaction was just completed in 2014, management is still assessing its financial effect, and an estimate of the financial effect cannot be made.

The Group has completed the procedures for the de-registration of Fuxin Xieli Wind Power Co., Ltd (“Fuxin Xieli”) and Fuxin Gangneng Wind Power Co., Ltd (“Fuxin Gangneng”) on 13 January 2014. Upon the completion of the de-registration, Fuxin Xieli and Fuxin Gangneng ceased to be subsidiaries of the Group. Both entities were dormant prior to the de-registration, the financial impact of the de-registration to the Group was considered to be minimal.

The Group and Huadian Fuxin Energy Corporation Limited (“Huadian Fuxin”), a joint stock limited company incorporated in the PRC, has entered into a subscription and business co-operation agreement, on 18 December 2013, that Huadian Fuxin subscribed for 880,000,000 new ordinary shares of HK\$0.01 each in the issued share capital of the Company at a subscription price of HK\$0.43 per share. The subscription was completed on 19 March 2014.

Save as disclosed above, there were no significant subsequent events after the balance sheet date up to the date of approval of the consolidated financial statements.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and equities of the Group for the last five financial years/period, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out below.

RESULTS

| | For the year ended 31 December 2013 HK\$'000 | For the year ended 31 December 2012 HK\$'000 (Note) | For the year ended 31 December 2011 HK\$'000 (Note) | For the year ended 31 December 2010 HK\$'000 (Note) | For the nine months ended 31 December 2009 HK\$'000 (Note) |
|---|---|--|--|--|---|
| Revenue and other income | 1,929,011 | 1,124,640 | 977,139 | 1,243,349 | 566,509 |
| Other gains, net and exchange gains, net | 187,742 | 200,092 | 305,788 | 14,852 | 17,008 |
| Finance costs | (103,496) | (85,985) | (64,899) | (4,465) | (1,729) |
| Share of results | | | | | |
| — associates | 892 | 7,278 | 1,391 | 4,483 | 4,020 |
| — joint ventures | (13,791) | (6,123) | 169,646 | 192,464 | 31,700 |
| Expenses, net | (1,807,264) | (1,126,830) | (884,775) | (901,676) | (423,618) |
| Profit before income tax | 193,094 | 113,072 | 504,290 | 549,007 | 193,890 |
| Income tax expense | (41,967) | (72,160) | (132,081) | (121,784) | (12,654) |
| Non-controlling interests | 10 | (526) | — | — | — |
| Profit attributable to equity holders of the Company | 151,117 | 40,386 | 372,209 | 427,223 | 181,236 |

Five Year Financial Summary (Continued)

| ASSETS, LIABILITIES AND EQUITIES | As at 31 December 2013 HK\$'000 | As at 31 December 2012 HK\$'000 | As at 31 December 2011 HK\$'000 | As at 31 December 2010 HK\$'000 | As at 31 December 2009 HK\$'000 |
|---|--|--|--|--|--|
| Total assets | 9,851,199 | 7,508,026 | 7,501,493 | 5,425,244 | 3,505,805 |
| Total liabilities | (4,857,313) | (3,053,028) | (3,027,111) | (1,511,749) | (237,962) |
| Net assets | 4,993,886 | 4,454,998 | 4,474,382 | 3,913,495 | 3,267,843 |
| Equity attributable to owners of the Company | 4,971,451 | 4,454,006 | 4,474,382 | 3,913,495 | 3,267,843 |
| Non-controlling interests | 22,435 | 992 | — | — | — |
| Total equity | 4,993,886 | 4,454,998 | 4,474,382 | 3,913,495 | 3,267,843 |

Note: The comparative figures in this summary relating to the exchange gains, net which have been previously classified under 'expenses, net', is now reclassified and presented under 'other gains, net and exchange gains, net' in order to conform to the current year's presentation for a better understanding of the Group's activities. This reclassification has no effect on the Group's results, and the assets, liabilities and equities for the last five financial years/period.

