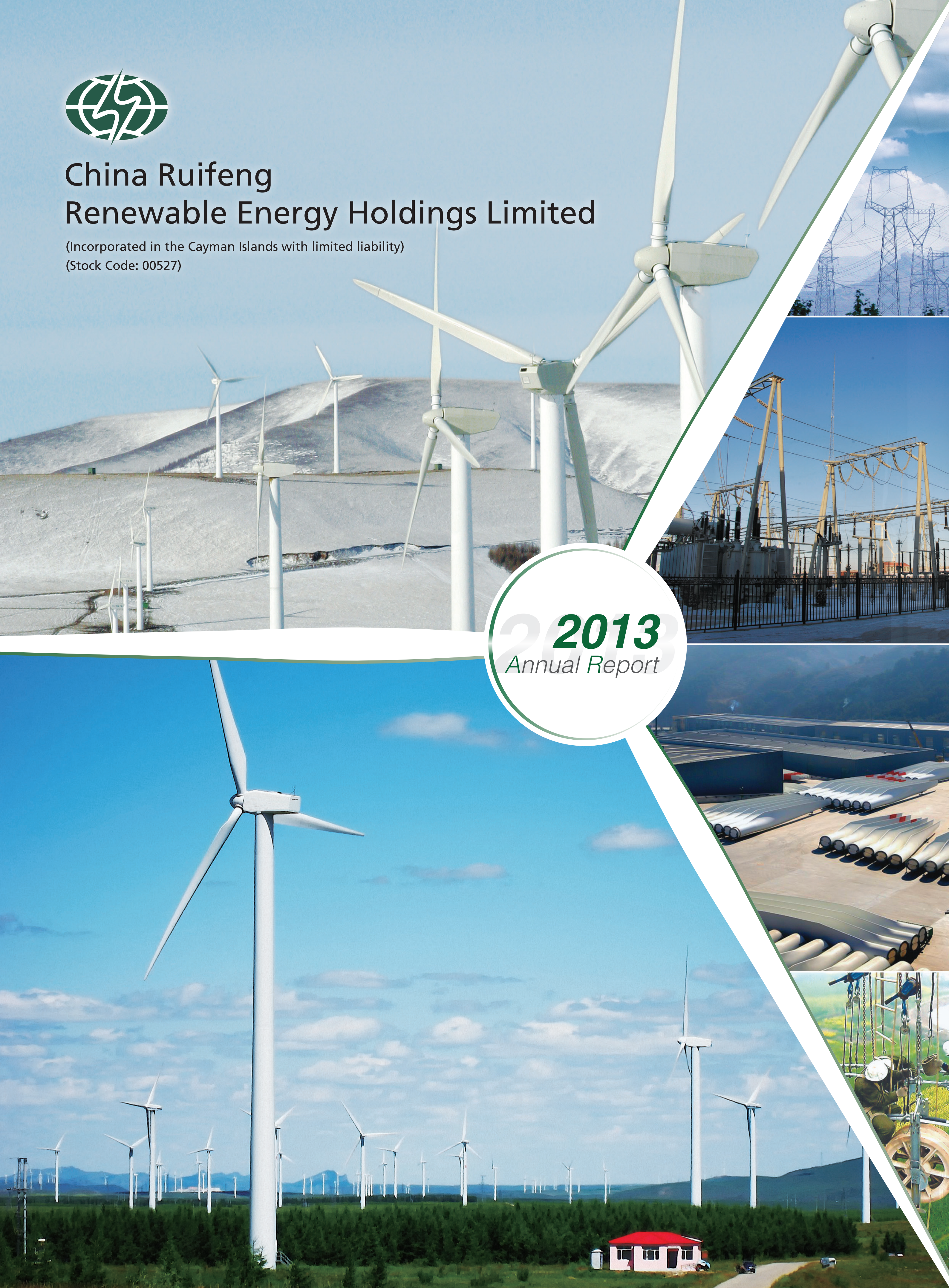
China Ruifeng Renewable Energy Holdings Limited

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



2013
Annual Report

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Company Information

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 00527

EXECUTIVE DIRECTORS

Mr. Li Baosheng *(Chairman)*
Mr. Zhang Zhixiang *(Chief Executive Officer)*
Mr. Xu Xiaoping *(resigned on 28 May 2013)*
Mr. Ning Zhongzhi *(appointed on 28 January 2013)*

NON-EXECUTIVE DIRECTOR

Mr. Zhang Yong *(resigned on 29 January 2013)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wong Wai Ling
Mr. Qu Weidong
Ms. Hu Xiaolin

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Cheng Koon Kau Alfred

AUTHORISED REPRESENTATIVES

Mr. Zhang Zhixiang
Mr. Cheng Koon Kau Alfred

PRINCIPAL BANKERS

In Hong Kong:

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
China Minsheng Banking Corporation Limited,
Hong Kong Branch

In the People's Republic of China (the "PRC"):

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY WEBSITE

www.c-ruifeng.com

LEGAL ADVISERS AS TO HONG KONG LAWS

Loong & Yeung
Suites 2001-2005
20th Floor, Jardine House
1 Connaught Place, Central
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Appleby Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

DATES OF TEMPORARY SUSPENSION OF REGISTRATION OF TRANSFER OF SHARES

The transfer books and register of members of the Company will be closed for the purpose of determining shareholders who are entitled to attend the 2013 Annual General Meeting of the Company to be held on 14 May 2014 (Wednesday) from 13 May 2014 (Tuesday) to 14 May 2014 (Wednesday) (both dates inclusive), when no transfer of shares will be registered. The Board has resolved not to recommend payment of final dividends for the year ended 31 December 2013.

In order to be eligible to attend and vote at the 2013 Annual General Meeting of the Company to be held on 14 May 2014 (Wednesday), all transfer documents, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on 12 May 2014 (Monday).

ANNUAL GENERAL MEETING

The 2013 Annual General Meeting will be held on 14 May 2014 (Wednesday). The Notice for the 2013 Annual General Meeting has been included in a circular distributed to the Shareholders together with this report.

Corporate Profile

As a renewable energy enterprise specialised in wind power operation, China Ruifeng Renewable Energy Holdings Limited ("Ruifeng Renew" or the "Company") together with its subsidiaries (collectively, the "Group") is engaged in the businesses of wind power generation, power grid construction and wind turbine blades manufacturing. The combination of different businesses can not only expand various income streams, but can also facilitate the development of, and complement with each other, for the continuous enhancement of the Company's industrial structure, and the establishment of a solid foundation for reinforcing the comprehensive development of its wind power operation.

On 6 January 2013, the capital injection of Hebei Hongsong Wind Power Co., Ltd. ("Hongsong") has been approved by and filed with all relevant governmental departments (including approvals for Hongsong to be changed into a sino-foreign equity joint venture). Pursuant to the Capital Increment Agreement, On Win Corporation Limited ("On Win"), our subsidiary, has paid to Hongsong approximately 40% of the consideration (RMB257,437,977 or its equivalent), and Hongsong has also allotted and issued to On Win 430,000,000 new shares in the share capital of Hongsong, representing approximately 47.3% of the enlarged share capital of Hongsong. Together with the approximately 5.77% share capital of Hongsong originally held by the Group, the Group held approximately 50.3% of the issued share capital of Hongsong at the relevant time following the completion of the transaction. On the other hand, the Group has acquired approximately 20.93% of the equity interest in Hebei Hongsong Renewable Energy Investment Co., Ltd. ("Hongsong Renewable Energy") and has entered into agreements dated 6 December 2013 and 18 March 2014 regarding proposed acquisition of an aggregate of a further of approximately 56.05% equity interests in Hongsong Renewable Energy to a total shareholding of 76.98%. As Hongsong Renewable Energy holds approximately 35.06% of the enlarged share capital of Hongsong, the Group will control 85.36% of the equity interest of Hongsong upon completion of the acquisitions.

Hongsong has an installation capacity of 398.4 megawatt (MW), and its maximum installable capacity is 596.4MW. Apart from Hongsong's wind farm, Hexigten Qi Langcheng Ruifeng Electric Development Co., Ltd. ("Langcheng"), a subsidiary of the Group is principally engaged in the operation of a wind farm that generates renewable energy in Hexigten Qi, Inner Mongolia Autonomous Region, where wind energy resources are abundant, making it an ideal location for wind farm operation. The maximum installable capacity of Langcheng's wind farm is 594MW. Hongsong's wind farm is located in the proximity of Langcheng's wind farm. Accordingly, the two wind farms provide the Group with better and larger wind farm assets for development in the future.

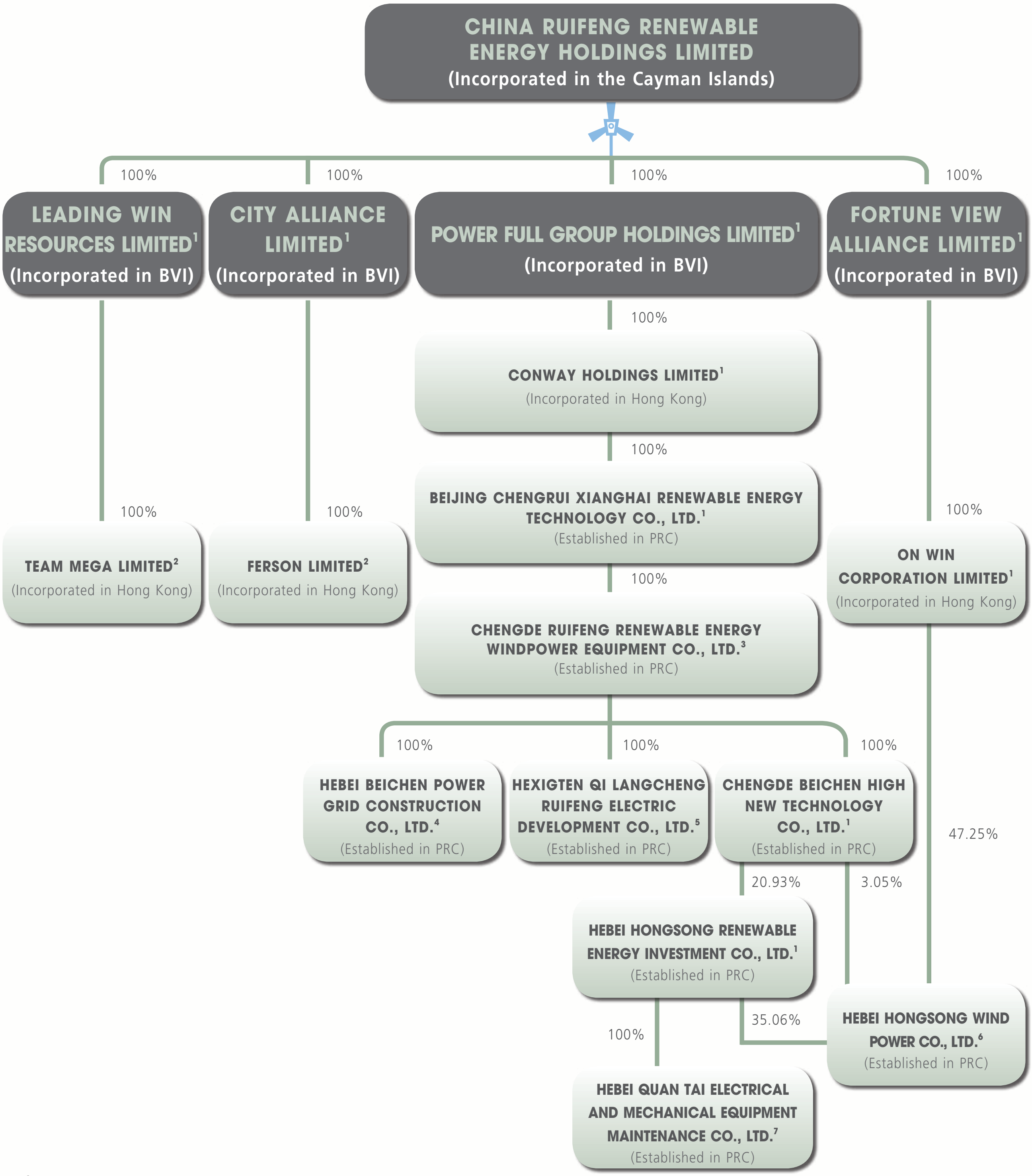
In addition, Hebei Beichen Power Grid Construction Co., Ltd. ("Beichen Power Grid") possesses the qualification of first grade licensed contractor regarding transmission and transformation of electricity issued by the Ministry of Housing and Urban-rural Development, as well as the first grade license to construct and install (repair and test) power facilities issued by the State Electricity Regulatory Commission. Having both first grade licenses, Beichen Power Grid is authorised to carry out contracting works of high voltage power transmission lines above 500 kilovolt and project works of regional subsidiaries of the State Grid Corporation of China. Beichen Power Grid also possesses international standard certifications such as GB/T19001:2000 idt ISO9001:2000, GB/T24001-2004 idt ISO14001:2004 and GB/T28001-2001.

Guided by the development strategy of exploring and utilising wind farm resources and realising integrated operation, the Company will relentlessly commit to developing and utilising renewable energy, whilst integrating the resources and edges of its own power grid business in the pursuit of new development opportunities.

Corporate Structure

Corporate Structure

Set out below is the structure of the Group as at 31 December 2013:



Definitions:

"BVI"	—	The British Virgin Islands
"PRC"	—	The People's Republic of China
"SPE Contracts"	—	The Exclusive Technical Consultation Agreement, the Floating Charge Agreement, the Share Charge Agreements, the Exclusive Option Agreements and the Beichen Powers of Attorney, details of which are set out in the circular of the Company dated 21 June 2010

Notes:

1. These companies are investment holding companies.

2. These companies did not have any substantial businesses as at the date of this report.

3. Chengde Ruifeng Renewable Energy Windpower Equipment Co., Ltd. (承德瑞風新能源風電設備有限公司) ("Ruifeng Windpower") is principally engaged in processing of wind turbine blades and components.

4. Hebei Beichen Power Grid Construction Co., Ltd. (河北北辰電網建設股份有限公司) ("Beichen Power Grid") is a first grade licensed contractor to transmit and transform electricity and is principally engaged in the construction, installation, repairing, and testing of power facilities and consultation.

5. Hexigten Qi Langcheng Ruifeng Electric Development Co., Ltd. (克什克騰旗朗誠瑞風電力發展有限公司) ("Langcheng") is principally engaged in wind power business, which holds Shangtoudi wind farm in Inner Mongolia.

6. Hebei Hongsong Wind Power Co., Ltd. (河北紅松風力發電股份有限公司) ("Hongsong") is principally engaged in wind farm operation in Hebei Province.

7. Hebei Quan Tai Electrical and Mechanical Equipment Maintenance Co., Ltd. (河北全泰機電設備維修有限公司) is principally engaged in construction of wind farms.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Ruifeng Renewable Energy Holdings Limited ("Ruifeng Renew" or the "Company", together with its subsidiaries referred to as the "Group"), I hereby present to the shareholders the results of the Group for the year ended 31 December 2013.

As a renewable energy enterprise specialised in wind power operation, Ruifeng Renew is engaged in the businesses of wind power generation, power grid construction and wind turbine blades manufacturing. The combination of different businesses not only can expand various income streams, but also can facilitate the development of, and complement with each other, for the continuous enhancement of the Company's industrial structure, and the establishment of a solid foundation for reinforcing the comprehensive development of wind power operation.

For the year ended 31 December 2013, the Group recorded a net profit/(loss) of approximately RMB37,584,000 (2012: approximately RMB(166,964,000)).

In 2013, the Group made a big leap in its business restructuring with the implementation of a number of crucial measures, including reinforcement of core business, streamlining of other businesses, lessening specific financial burdens and change of name, in order to reshape Ruifeng Renew into an enterprise built on the foundation of renewable energy.

2013 marked an important milestone for Ruifeng Renew to develop wind power business. During the year, Ruifeng Renew has increased its investment in Hongsong to significantly increase the weight of wind power business in the Company's business. Simultaneously, the management has decided to establish the wind power business as the principal business of the Company and looks to steer Ruifeng Renew into a new direction of development through the repositioning of the business of the Company.

The Group currently indirectly holds 100% equity interest in Hexigten Qi Langcheng Ruifeng Electric Development Co., Ltd. ("Langcheng"). The maximum installable capacity of Langcheng wind farm is 594 megawatt (MW). The maximum installable capacity of the wind farm operated by Hongsong is 596.4MW. The Group is arranging for the disposal of Langcheng to Hongsong in order to capitalise on the proficient resources of Hongsong in the wind power operation to develop the wind farm of Langcheng more effectively. The restructuring will unleash the full potential of the Group's wind power business.

In respect of the capital structure, the Group has repaid most of the convertible bonds and all promissory notes in 2013. Furthermore, all outstanding convertible notes have been converted into ordinary shares of the Company in early July 2013. As at the date of this report, convertible bonds have significantly decreased, and the Group had no promissory note and convertible note outstanding.

To underscore and align with the change in the business structure of the Company, the Company's name also changed from "China Ruifeng Galaxy Renewable Energy Holdings Limited" to "China Ruifeng Renewable Energy Holdings Limited" in the first half of 2013, with an aim to highlight the future principal business line of the Group.

2013 also marked a year of vital importance to the wind power industry. The PRC government continued the economic restructuring and maintained the macro-economic control policy during the year. The renewable energy industry epitomised by wind power is gaining increasing concern attributable to not only the strong incentives and support from the government, but also the increasing awareness towards the significance of environmental protection and pollution issues by the society and the government in the PRC. During the year, the PRC government has promulgated a number of stimulating policies in relation to the development of wind power and renewable energy, reflecting the emphasis on the wind power and renewable energy industry. As such, the development of the wind power industry flew off from the trough in 2012, taking wing into a year marked by agility. The profitability of wind power industry increased remarkably in 2013. It is expected that countries around the world will continue to motivate and support the application and development of renewable energies, providing a favourable macro and external environment for the business development of the Group, as well as an entry point for our move to proactively explore diversified financing channels for the development of the Group.

In the future, Ruifeng Renew will focus its resources on the accelerated development of its wind power business. By fully leveraged on the two major wind farms and integrating the resources and edges of its own construction contract business, the Company will continue its pursuit for growth and a solid foothold in the wind power industry in the future.

Last but not least, on behalf of the Board, I would like to express our sincere gratitude to our shareholders, partners and other groups in society for their trust and continued support. I would also like to thank our management team and all staffs for their professionalism and dedication. We will work together and commit our best. We believe we will not only attain positive momentum in 2014, but also achieve more tremendous accomplishments in the near future.

Chairman
Li Baosheng

Hong Kong, 31 March 2014

Management Discussion and Analysis

I OPERATING ENVIRONMENT

In 2013, the United States started tapering its quantitative easing policy. As a result of that, emerging markets suffered from significant capital outflow, leading to sluggish economic growth. On the other hand, the PRC government continued the economic restructuring and maintained the macro-economic control policy. In 2013, the PRC economy led a stable growth, with the gross domestic products ("GDP") recording a growth rate of approximately 7.7%. The PRC economy is expected to maintain at a comparable growth rate in 2014.

Owing to the widespread concern of environmental protection and pollution issues by society and the government of the PRC, the development of wind power has been gaining increasing attention in 2013. In February 2013, the *National Energy Administration issued the Notice regarding Wind Power Grid Connection and Utilisation in 2013* (《關於做好2013年風電並網和消納相關工作的通知》) requests the local energy administrative departments, wind power development corporations and grid companies to place higher emphases on wind power utilisation and on-grid connection in order to eradicate power curtailment as soon as possible. The notice also urged the various parties to soundly execute the grid connection of wind power, reflecting the great importance attached to the development of wind power by the State. During the year, the PRC government has promulgated the following stimulating policies to enhance the operation of the wind power industry through bolstering the financial position of companies in the industry, enhancing grid infrastructures, expanding the market and the delegation of the power of approval to lower government body level and others. The Group's wind power business also benefited therefrom as a result.

(1) Strengthening of grid construction: In 2013, the construction of power grids was accelerated. The power grid companies completed the construction of the main grid and distributed grid in Xinjiang Northwest, accelerated the construction of Hami-Zhengzhou 800kV DC project, accelerated the preliminary works of Jiuquan, Gansu wind power phase 2 power transmission project, accelerated the construction of the Kangbao, Shangyi and Zhangbei 500kV transmission and transformation project lately approved and so on, in order to fortify the capacity for transmission of renewable energy. In respect of Chengde, Hebei, in response to the large scale wind power development in Beishan, Chengde region and the expansion of channel for north-to-south power transmission, the 500kV Yudaokou transformer station, which was a key project of Hebei Province managed by Jibei Power Co., Ltd. of the State Grid, has completed construction at the end of 2013. In early January 2014, the transformer station officially commenced operation, bringing along an additional transformer capacity of 1.20 million kVA to resolve 1,200 MVA wind power transmission capacity in Beishan, Chengde region. Being the first 500kV transformer station under Jibei's direct management, the Yudaokou transformer station will significantly improve the on-grid connection of wind power in the Chengde region.

(2) Prioritization of the distribution of wind power: The *Notice regarding Stepping up Recent Market Supervision* (《關於做好近期市場監管工作的通知》) issued in August 2013 enhances and coordinates the proposal of balancing power capacity in a greater scope through flexible technical measures to optimise the transmission capacity of the power grids. It enhances the capacity for transmission of wind power through the inter-regional project of real-time adjustment of line connections at the regional level, joint coordination of distribution of wind power and water power, and installation of auto-control devices.

(3) Acceleration of payment of renewable energy subsidy: The State has also accelerated the payment of renewable energy subsidy in 2013 to enhance the cashflow of Hongsong and other wind power enterprises.

(4) Provision of heating by first batch of pilot wind power enterprises: In March 2013, the National Energy Administration issued the *Notice regarding Stepping up the Provision of Heating by Wind Power* (《關於做好風電供暖工作的通知》) that proposed the promotion of provision of heating by wind power in Northern China regions which meet the necessary conditions. Jilin and Inner Mongolia are selected as the testing points. The operation will enhance the ultilisation of wind power capacity in Northen China regions of which wind resources are abundant. In respect of Hebei, the first project for provision of heating by using surplus wind power was to be set up in Zhangbei Province, with a projected investment of RMB50 million. Provision of heating by wind power will be the breakthrough point for the ultilisation of wind power.

(5) Upward adjustment of electricity surcharge for renewable energy: In September 2013, the Ministry of Finance announced the *Notice regarding Adjustment of the Surcharge Standard for Electricity Tariff of Renewable Energy* (《關於調整可再生能源電價附加徵收標準的通知》) that raised the electricity surcharge for renewable energy from 0.8 cent/kWh to 1.5 cents/kWh, meaning an addition of RMB tens of billion per year to the renewable energy development fund to subsidise the electricity tariff of renewable energy.

As a result, the overall operating performance of the wind power industry improved significantly in 2013. The national on-grid wind power generated electricity in 2013 was approximately 137.1 billion kWh, representing a year-to-year approximately 36% increase.

The numerous stimulating measures of the PRC government have lifted the wind power industry from the trough. The reduction in power curtailment, the increase in operating hours of wind power and the acceleration of payment of renewable energy subsidy have all improved the financial and operating positions of the wind power industry. It is expected that the wind power industry is about to welcome years of prosperity and accordingly, the wind power business of the Group will continue to benefit from the policies.

The swift development of the wind power industry is fueled by the impetus provided by the PRC government through policy inclination, market expansion, technological innovations and tax concessions. Attributed to all those inputs, the wind power industry in the PRC continued on the track of high speed growth. During the "Twelfth Five-year Plan", it is expected that the development momentum of the wind power industry in China will be further enhanced.

II BUSINESS REVIEW

Results of the Group for the year ended 31 December 2013

For the year ended 31 December 2013, the Group's turnover from continuing operations amounted to approximately RMB603,341,000 (2012: approximately RMB271,267,000), representing a significant increase of approximately 122% over that of 2012. Gross profit from continuing operations increased significantly by approximately 229% to approximately RMB143,102,000 for the year ended 31 December 2013 (2012: approximately RMB43,473,000). The profit attributable to equity shareholders of the Company for the year ended 31 December 2013 was approximately RMB23,502,000 (2012: loss attributable to equity shareholders of the Company was approximately RMB166,964,000).

The financial results for the year ended 31 December 2013 improved significantly, which was mainly attributable to improved operating results of the wind farm operation after the acquisition of Hongsong.

During the year, the Group continued to step up the investment in the wind power projects. Through the acquisition of the controlling stake in Hongsong under the Capital Increment Agreement (please also refer to the paragraph headed "Acquisition of interest in Hongsong" for further details), the principal business of the Group was smoothly transited into wind power related business, laying a solid foundation for the Group.

Leveraging on the wind farms resources and power grid construction business, the Group aspires to be an efficient integrated wind power operator, focusing on developing and operating wind farms, providing maintenance services to wind farms and exploring clean energy, power saving and environmental protection related businesses.

(1) Wind farm operation

For the year ended 31 December 2013, the wind farm operation recorded a profit of approximately RMB89,777,000 (2012: approximately RMB451,000). The significant increase is due to the increase in investment in Hongsong.

1. Investment in Hongsong

After the Group's initial capital injection into Hongsong, the Company further exercised firmer control over Hongsong via the shareholders' meeting of Hongsong held in May 2013. The meeting further enhanced the Group's control over the corporate governance and effort to improve the management team of Hongsong. The newly installed capacity of 49.5MW from each phase of Hongsong's wind farm phase 8 and phase 9 in 2013 also lay a solid foundation for its sustainable development.

Hongsong's principal business is wind power generation. Hongsong derives its revenue mainly from selling electricity to the State Power Grid, with a small portion of revenue being derived from sub-contracting installation of wind turbine blades. In 2013, the on-grid tariff of Hongsong was approximately RMB0.5498/kWh (including value-added tax) (2012: approximately RMB0.5523/kWh).

2. Continuous development of Hexigten Qi Langcheng Ruifeng Electric Development Co, Ltd. ("Langcheng")'s wind farm

Langcheng is an indirect wholly-owned subsidiary of the Company which is located in Hexigten Qi, Inner Mongolia, the PRC. Langcheng is established in 2005 and is principally engaged in the operation of wind farm located in Hexigten Qi, Inner Mongolia. The maximum installable capacity of Langcheng is 594MW and construction of the wind farm is under progress. To date, approximately RMB100,000,000 has been invested in the project, with its major infrastructure works including road construction and base ring of phases 1 to 3 completed. On 30 September 2013, an agreement to transfer the entire equity interest of Langcheng from Chengde Ruifeng Renewable Energy Windpower Equipment Co., Ltd. ("Ruifeng Windpower") (an indirect wholly-owned subsidiary of the Company) to Hongsong was entered into, with an aim to manage the development of the wind farm of Langcheng more effectively.

(2) Construction contracts

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

In 2013, the construction contracts business operated by Beichen Power Grid recorded a loss of approximately RMB4,130,000 (2012: a profit of approximately RMB32,557,000). Leveraging on the sound corporate reputation of Beichen Power Grid in the industry and its ample number of projects, it is believed that the profitability from the business will recover soon.

(3) Production of wind turbine blades

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

(4) Production of diodes (discontinued operation)

With focusing of the Group's development on wind power business being an important step of the Group's business restructuring, the Group completed the disposal of its production of diodes business on 22 May 2013. The production of diodes business of the Group was mainly run by Sun Light, a then direct wholly-owned subsidiary of the Company. The Group disposed all its shareholdings in Sun Light for a consideration of HKD220 million in the first half of 2013. Upon completion of the disposal, the Group recorded a gain on the disposal of approximately RMB9.08 million.

III PROSPECTS

Looking into the future, the swift development of the Group's principal business, wind farm business, will provide persistent momentum for the Group's development in the forthcoming years. Apart from the emphases placed on renewable energy by the "Twelfth Five-Year Plan" in China, the future development of wind power and renewable energy also received increasing attention due to the increasing awareness of society and the government of the PRC towards the significance of environmental protection and pollution issues. The development of the Group will also benefit from the relevant policies and the changes in its own structure.

Businesses of the Group

Capital injection into Hongsong: In 2013, Ruifeng Renew has increased its investment in Hongsong, leading to a significant increase in the weighing of wind power business in the Group. The Group will continue to fortify the integration of Hongsong with the Group and enhance its interaction with other businesses of the Group. In the future, the Group will continue to seek opportunities to increase its investments in Hongsong and at the same time will consider other possible opportunities of mergers and acquisitions.

Construction contracts business: The Company has adopted effective measures to tune the operation of the construction contracts business in 2014. Under the premise of ensuring a steady growth of the market share of the business, the Company has carried out proactive and effective measures in operation style and the structure of construction team. It is expected that the profitability will improve in the coming year.

Business integration: In the future, the Group will concentrate its efforts on developing the wind farms of Langcheng and Hongsong into one large scale wind farm with a total capacity of over 1,000 MW, with the target of fortifying the Group's position in the renewable energy industry. On the other hand, the Group is reorganizing its business structure and will dispose the equity interests in Langcheng to Hongsong in order to focus the Group's wind power resources to more effectively develop Langcheng. During the restructuring of business and resources, the Group will proactively explore the synergistic opportunities between different businesses, which will in turn expand and reinforce the revenue and profits from different businesses and establish the advantages of the Group as an integrated wind power operator.

Favourable tax policy: Starting from the commencement date of operation of phase 8 and phase 9 of Hongsong, Hongsong is entitled to a tax concession period of enterprise income tax for the profit contributed by the newly installed capacity with full tax exemption for the first three years commencing from its operation and 50% reduction in the next three years. As such, the profit contribution by the new phases is expected higher than those by previous phases.

Improvement in financial structure: In 2013, the Group has also adjusted its capital structure. The Group has redeemed most convertible bonds and all promissory note, and all outstanding convertible notes have been converted into ordinary shares of the Company as at the date of this report.

Government Policies

Environmental protection and pollution issues gaining increasing awareness: It is expected that the PRC government will continue its policies of economic restructuring and macro-economic control in 2014. At the beginning of 2014, various PRC local government bureaus have downward adjusted their GDP growth targets respectively. In response to the issues of smog and other air pollution, the Ministry of Environmental Protection has signed responsibility pledges with numerous provinces on the reduction targets of annual concentration of PM2.5. Mr. Li Keqiang, Premier of the State Council also proposed stepping up the administration of smog and other air pollution issues at the State Council executive meeting chaired by him in February 2014. It is expected that Hongsong and the wind power industry will continue to benefit from the policies.

Grid infrastructure: Against the backdrop of increasing awareness towards environmental protection and pollution issues by the government and society of the PRC, it is expected that the State Grid will further accelerate the grid construction. At the working conference in 2014, the State Grid has proposed accelerating the construction of ultra-high voltage projects and cross-region grids. Moreover, the anticipated growth rate of grid construction budget for 2014 prescribed by the State Grid is higher than that of 2013. The accelerated construction of ultra-high voltage grid by the State Grid will greatly enhance the capability of transmitting renewable energy power from the remote electricity generation regions to provinces and cities with strong demand for power in order to enhance the cross-province transmission of electricity, which will in turn stimulate the demand for renewable energy in the PRC.

In respect of Hebei, the power grid company also expedited the construction of grid infrastructures, which would significantly benefit the development of Hongsong for 2014 and afterwards. The 500kV Yudaokou transformer station in Chengde region commenced official operation at the beginning of January 2014 as the first 500kV transformer station under the direct management of Jibei's Power Company to significantly increase the ultilisation of wind power in the Chengde region. Since Hongsong is located in the region and it is definitely a beneficiary. In addition, Jibei Power Company has a number of power transmission and transformation projects under intense pre-construction works, which are expected to continuously enhance the resilience of Jibei grids' capability against catastrophes and capability of enhanced resource allocation. Jibei Power Company also plans to complete the construction of Zhangbei-Nanchang ultra-high voltage power lines by 2015. Upon completion of the power lines, wind power from Hebei will be transmitted to the south of Yangtze River, effectively increasing the demand for clean energy of Hongsong and other renewable energy power companies at Hebei Province.

Business opportunity from Chengde: In March 2014, the PRC government affirmed a strategic roadmap of integrated development of Beijing, Tianjin and Hebei. The construction of Beijing-Chengde high speed railway has already started. According to the roadmap, Chengde will be developed into a clean and renowned ecotourism city. The development of Chengde will bring to the Company with a huge business opportunity for the renewable energy business's development.

Financial position: In 2013, the Ministry of Finance of the PRC government has gradually expedited the payment of renewable energy subsidy, with a target of shortening the payment time to approximately 90 days. It is expected that this will significantly enhance the cashflow of Hongsong and other wind power operators.

Market demand: Market research also anticipates the promulgation of Renewable Portfolio Standards ("RPS") by the PRC government in the future to encourage raising the mix of renewable energy generated power in power supply of local power supplier, with the aim of increasing the application of renewable energy in different provinces and promoting the cross-regional transmission of renewable energy. Once promulgated, the related system will more effectively promote the application of renewable energy power in the PRC and facilitate the future development of Hongsong.

Strengthening the core business, streamlining other businesses, relieving specific financial burden and changing the Company's name to refresh the corporate image were the four important measures implemented by the Group in 2013, with an aim to focus its principal activities on renewable energy business. In the future, the Group will continuously focus its resources on the development of wind farm operation and endeavor to become one of the pillars of renewable energy industry in the northern region of the PRC.

Looking ahead, by capitalising on its existing wind farm resources and led by tactic to transform businesses into integrated wind power operation, the Company will relentlessly commit to developing renewable energy and exploring renewable energy's application. By integrating the resources of wind farm business with construction contract business, the Company will continue its pursuit of new business development opportunity. Notwithstanding to that, we will continue to strive under the support of the government for excellence in the development of the existing and potential wind farm projects in an effort to build a solid and extensive foundation for its long-term development, and to create values for society and strive for higher return for the shareholders and investors of the Company.

FINANCIAL REVIEW

After acquiring Hongsong in January 2013, and disposing an operating segment, namely, production of diodes, in May 2013, the Group currently engages in wind farm operation, construction and consultation of power grid and transformer projects, processing of wind turbine blades through its wholly-owned subsidiaries including Beichen Power Grid, Ruifeng Windpower, Chengde Beichen High New Technology Co., Ltd. ("Beichen Hightech"), Langcheng, and a non wholly-owned subsidiary, namely, Hongsong.

For the year ended 31 December 2013, the Group's turnover from continuing operations amounted to approximately RMB603,341,000 (2012: approximately RMB271,267,000), representing a significant increase of approximately 122% over that of 2012. Gross profit from continuing operations increased significantly by approximately 229% to approximately RMB143,102,000 for the year ended 31 December 2013 (2012: approximately RMB43,473,000). Profit/(loss) for the year ended 31 December 2013 from continuing operations was approximately RMB24,815,000 (2012: approximately RMB(123,258,000)) while that from discontinued operation was approximately RMB12,769,000 (2012: RMB(43,706,000)). The profit/(loss) attributable to equity shareholders of the Company was approximately RMB23,502,000 (2012: approximately RMB(166,964,000)). The increase in turnover and most of the expenses for the year ended 31 December 2013 was mainly due to the acquisition of Hongsong which engaged in wind farm operation.

Operating results for the year ended 31 December 2013 were as follows:

	Year ended 31 December 2013 *RMB'000*	2012 *RMB'000*	Increase *RMB'000*	Approximate change in percentage %
Continuing operations				
Turnover	**603,341**	271,267	332,074	122.42
Gross profit	**143,102**	43,473	99,629	229.17
Profit/(loss) from operations	**167,577**	(46,592)	214,169	N/A
Profit/(loss) before taxation	**24,976**	(121,257)	146,233	N/A
Profit/(loss) for the year	**24,815**	(123,258)	148,073	N/A
Discontinued operation				
Profit/(loss) for the year	**12,769**	(43,706)	56,475	N/A
Attributable to:				
Equity shareholders of the Company	**23,502**	(166,964)	190,466	N/A
Non-controlling interests	**14,082**	—	14,082	N/A
Profit/(loss) for the year	**37,584**	(166,964)	204,548	N/A

	Note	Year ended 31 December 2013	2012
Net cash *(RMB'000)*	*1*	**(1,572,476)**	(472,523)
Net assets *(RMB'000)*	*2*	**888,566**	340,261
Liquidity ratio	*3*	**101%**	117%
Inventories turnover (number of days)	*4*	**319**	46
Trade receivable turnover (number of days)	*5*	**89**	161
Trade payable turnover (number of days)	*6*	**122**	64
Earning interest multiple	*7*	**1.18**	(1.07)
Net debt to capital ratio	*8*	**177%**	140%

Notes:

1. Cash at bank and on hand — Borrowings

2. Total assets — Total liabilities

3. Current assets/Current liabilities x 100%

4. Inventories/Cost of inventories x 365 days

5. (Trade receivables + Note receivables)/Turnover x 365 days

6. Trade payables/Cost of sales x 365 days

7. Profit/(loss) before interest and taxation/Finance cost

8. Net debt/Equity x 100%

Turnover

During the year under review, after the disposal of the diodes manufacturing business in May 2013, the Group's turnover was mainly derived from the power-related business. The power-related business recorded a turnover of approximately RMB603,341,000, representing an increase by approximately 122%. After the acquisition of Hongsong in January 2013, a new source of income, wind power generation, resulted in a turnover of approximately RMB272,640,000 under the power-related business. A turnover of approximately RMB330,701,000 was attributed to the power grid construction contracts and consultation business and processing of wind turbine blades. The Group's operating bases for the power-related business are mainly located in Chengde City of Hebei Province.

Analysis of the Group's turnover from continuing operations by its businesses for the year ended 31 December 2013 is set out below:

Turnover by business

	Year ended 31 December			Approximate Change in
	2013	2012	**Increase**	**percentage**
	RMB million	*RMB million*	*RMB million*	*(%)*
Power-related business				
Wind power generation	**272.64**	—	272.64	N/A
Power grid construction and consultation	**326.31**	269.35	56.96	21.15
Processing of wind turbine blades	**4.39**	1.92	2.47	128.65
Total	**603.34**	271.27	332.07	122.41

Cost of Sales

Cost of sales from continuing operations mainly includes the cost of raw materials, staff costs, depreciation, cost for usage of machineries, water, electricity, gas and other ancillary materials. Cost of sales for the year ended 31 December 2013 accounted for approximately RMB460,239,000, which represented approximately 76% of the Group's turnover, showing a decrease from that of approximately 84% for the year ended 31 December 2012. The decrease was mainly attributed to the acquisition of Hongsong in the wind power generation business which was of higher gross profit margin.

Gross Profit

Gross profit from continuing operations increased by approximately 229% to approximately RMB143,102,000 (2012: approximately RMB43,473,000) which was primarily derived from the operating result of the Group's power-related business. The gross profit margin has also increased from approximately 16% to approximately 24% for the year ended 31 December 2013 since the acquisition of Hongsong in January 2013.

Other Revenue and Net Income

Other revenue and net income from continuing operations mainly comprised of gain on a bargain purchase arising from the acquisition of Hongsong (2013: approximately RMB82,805,000; 2012: Nil), rental income from operating leases related to plant and machinery (2013: approximately RMB20,314,000; 2012: approximately RMB22,903,000), dividend income from available-for-sale investments (2013: approximately RMB5,916,000; 2012: approximately RMB4,087,000), government subsidy income (2013: approximately RMB1,693,000; 2012: Nil), and compensation income on prepayment on acquisition of land use rights (2013: approximately RMB3,799,000; 2012: approximately RMB4,201,000). The significant increase in other revenue and net income by approximately RMB81,423,000 was mainly due to the gain on a bargain purchase from the acquisition of Hongsong.

Distribution Costs

Distribution costs from continuing operations mainly include transportation costs, depreciation expenses, staff costs and entertainment expenses. Distribution costs for the year ended 31 December 2013 represented approximately 1% of the Group's total turnover, which is similar to that of approximately 2% for the corresponding year in 2012.

Administration Expenses

Administration expenses from continuing operations mainly include wages, salaries and welfare expenses, professional fees, rental expenses, entertainment expenses, travelling expenses, office expenses, other taxation expenses, exchange gain and allowance of doubtful debts for trade receivables. It increased by approximately 47% to approximately RMB55,431,000 for the year ended 31 December 2013 when compared with that of approximately RMB37,823,000 for the year ended 31 December 2012. The increase was mainly derived from the expenses of the newly acquired Hongsong for the year ended 31 December 2013.

Other Operating Expenses

Other operating expenses from continuing operations for the year ended 31 December 2013 comprised of impairment of goodwill, loss on redemption of convertible bonds and loss on deemed disposal of investment with the total amount of approximately RMB28,662,000 (2012: approximately RMB78,946,000).

Finance Costs

Finance costs from continuing operations mainly refer to interest expenses and bank charges on bank loans obtained, promissory note and convertible bonds/note issued by the Group. It amounted to approximately RMB142,601,000 for the year ended 31 December 2013 while it amounted to approximately RMB74,665,000 in the corresponding period of 2012. The significant increase was mainly derived from interest expenses of bank loans from the newly acquired Hongsong. As convertible bonds issued in December 2010 and promissory note were both settled in May 2013, and all outstanding convertible notes were converted in July 2013, no such interest expenses were incurred for those instruments afterwards.

Taxation

Taxation expenses from continuing operations decreased to approximately RMB161,000 for the year ended 31 December 2013 (2012: approximately RMB2,001,000). Such a significant decrease was mainly derived from the deferred tax income of newly acquired Hongsong which reduced the taxation expenses.

Profit/(Loss) for the Year

Profit/(loss) for the year ended 31 December 2013 from continuing operations was approximately RMB24,815,000 (2012: approximately RMB(123,258,000)). The significant increase mainly arose from the acquisition of Hongsong.

Profit/(loss) attributable to equity shareholders of the Company was approximately RMB23,502,000 (2012: approximately RMB(166,964,000)).

Profit/(loss) for the year from discontinued operation was approximately RMB12,769,000 (2012: approximately RMB43,706,000).

Net Current Assets

Net current assets of the Group as at 31 December 2013 decreased significantly to approximately RMB5,753,000 when compared with that of approximately RMB126,443,000 as at 31 December 2012. The decrease in net current assets was mainly due to the increase in payables for procurement of wind farm equipment.

Liquidity and Financing

The cash and bank balances (including pledged bank deposits) as at 31 December 2013 and 31 December 2012 amounted to approximately RMB135,716,000 (mainly denominated in Renminbi ("RMB"), United States dollar ("USD") and Hong Kong dollar ("HKD"), which comprised approximately RMB75,595,000, USD8,612,000 and HKD8,679,000), and approximately RMB164,531,000, respectively.

Total borrowings of the Group as at 31 December 2013 amounted to approximately RMB1,708,192,000, representing a significant increase of approximately RMB1,071,138,000 when compared with approximately RMB637,054,000 as at 31 December 2012. The significant increase was mainly due to the newly acquired Hongsong, of which the balance of borrowings amounted to approximately RMB1,179,500,000 as at 31 December 2013.

The Group repaid its debts mainly through the steady recurrent cash-flows generated by its operations and by other financing. The Group's gearing ratio slightly increased to approximately 72% as at 31 December 2013 from approximately 69% as at 31 December 2012. That ratio was calculated by dividing the Group's total liabilities by its total assets. During 2013, all of the Group's borrowings were settled in RMB, USD and HKD. Approximately 100% of the Group's income was denominated in RMB. Other interest free borrowings and interest bearing borrowings were approximately RMB41,945,000 and approximately RMB1,666,247,000 respectively as at 31 December 2013. Among the interest bearing borrowings of the Group, approximately RMB31,145,000 were fixed rate loans, while RMB1,635,102,000 were variable rate loans. The Group had not engaged in any currency hedging facility for the year ended 31 December 2013 and up to the date of this report, as the Board considered that the cost of any hedging facility would be higher than the potential risk of the costs incurred from currency fluctuations and interest rate fluctuations in individual transactions.

Redemption of Convertible Bonds

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

In May 2013, the Company has redeemed all the outstanding convertible bonds with the principal amount of USD12,580,000.

Conversion of Convertible Note

Pursuant to the conditional agreement dated 1 April 2010 between the Company (as purchaser), Brown Beauty Business Limited (as vendor) and Mr. Riley M Chung (as guarantor), the Company acquired from Brown Beauty Business Limited the entire issued share capital of Power Full Group Holdings Limited ("Power Full") for a total consideration of HKD830 million settled by, amongst others, issuance of convertible note in the principal amount of HKD155 million to Diamond Era Holdings Limited ("Diamond Era") upon completion of the acquisition on 7 July 2010). Based on the initial conversion price of HKD1 per share to be allotted and issued upon exercise of the conversion rights attached to the said convertible note, a maximum number of 155,000,000 ordinary shares may be allotted and issued.

In July 2013, the conversion rights attached to the convertible note from all the then outstanding principal amount of HKD58,700,000 have been exercised, and accordingly, 58,700,000 ordinary shares of the Company were issued.

Issuance of Convertible Bonds

On 12 December 2013, the Company entered into the subscription agreement with Investec Bank Limited (the "Subscriber"), to which the Company agreed to issue and the Subscriber agreed to subscribe for the zero coupon unsecured convertible bonds in the principal amount of HKD30,000,000. Under the conditions, the conversion price will be reset each day and, in respect of each day, be an amount equal to the higher of: (a) 95% of the closing price of the shares on the immediately preceding trading day; and (b) the minimum conversion price which cannot be lower than HKD1.59. Based on the initial conversion price of HKD1.85, a maximum number of 16,216,000 ordinary shares (with an aggregate nominal value of HK$162,160.00 and market value of HK$31,459,040.00, based on the closing price of the Shares as quoted on the Stock Exchange on 19 December 2013 (being the date of issue of the convertible bonds)) may be allotted and issued upon exercise of the conversion rights in full. Meanwhile, based on the minimum conversion price of HKD1.59, a maximum number of 18,864,000 new ordinary shares (with an aggregate nominal value of HK$188,640.00 and market value of HK$36,596,160.00, based on the closing price of the Shares as quoted on the Stock Exchange on 19 December 2013 (being the date of issue of the convertible bonds)) may be allotted and issued upon exercise of the conversion rights in full.

In December 2013, 772,000 ordinary shares representing the commission shares have been issued to the subscriber at a price of HKD1.9531 per share. No conversion right attached to said convertible bonds have been exercised as at 31 December 2013.

In February and March 2014, conversion rights attached to the convertible bonds in an aggregate amount of HKD1,500,000, HKD1,500,000, HKD2,500,000, HKD1,500,000, HKD4,000,000 and HKD1,500,000 were exercised at conversion price of HKD1.89, HKD1.88, HKD1.87, HKD1.85 HKD1.80 and HKD1.79 respectively, resulting in an issue of total 6,780,000 ordinary shares of the Company. The outstanding principal amount of the convertible bonds was HKD17,500,000 as at the date of this report.

The gross proceeds from the issue of the convertible bonds was approximately HK$30,000,000, and the net proceeds is approximately HK$29,000,000, representing approximately HK$1.79 per conversion share based on the maximum number of conversion shares that can be issued and allotted pursuant to the conversion price as at 19 December 2013 (being the date of issue of such convertible bonds) of HK$1.85. The closing price for each Share as quoted on the Stock Exchange on 12 December 2013 (being the date of the subscription agreement), was HK$1.96. The Group intends to use the net proceeds as general working capital of the Group.

The Directors consider that the issue of the Convertible Bonds represents an opportunity to raise capital for the Company while broadening its shareholder and capital base.

Details of the subscription are set out in the announcements of the Company dated 12 December 2013 and 20 December 2013 respectively.

Termination of Connected Transactions in relation to Acquisition of Land Use Rights and Properties involving Issue of Convertible Note and Promissory Note

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

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

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

As the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the acquisition are higher than 25% but below 100%, the acquisition constitutes a major transaction of the Company pursuant to Chapter 14 of the Listing Rules. Mr. Li Baosheng, is an executive Director, the Chairman and a substantial shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. The acquisition constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules and is subject to, among other things, independent shareholders' approval, reporting and announcement requirements under Chapter 14A of the Listing Rules.

On 11 December 2013, Beichen Power Grid and Mr. Li entered into the termination agreement, pursuant to which both parties have unconditionally agreed that the above agreements shall be terminated.

Further details of the aforesaid acquisition and its termination are set out in the announcements of the Company dated 14 November 2012, 5 December 2012, 31 January 2013 and 11 December 2013, respectively.

Transfer of Langcheng

On 30 September 2013, an indirect wholly-owned subsidiary of the Company, Ruifeng Windpower, entered into the agreement with an indirect non-wholly-owned subsidiary of the Company, Hongsong, pursuant to which Ruifeng Windpower conditionally agreed to transfer the entire equity interests in Langcheng to Hongsong at a consideration of RMB130,000,000. Upon completion of the aforesaid transfer, Langcheng will become a wholly-owned subsidiary of Hongsong, and remain an indirect subsidiary of the Company.

As some of the relevant percentage ratios (as defined in the Listing Rules) exceeds 5% but none of them is greater than 25%, the said transfer constitute a discloseable transaction for the Company pursuant to Chapter 14 of the Listing Rules.

As at the date of this report, the aforesaid transfer has not yet completed. Further details of the aforesaid transfer are set out in the announcement of the Company dated 30 September 2013.

Acquisitions and Disposal

Acquisition of interest in Hongsong

On 24 October 2012, the indirectly wholly owned subsidiary of the Company, On Win Corporation Limited ("On Win"), entered into a Capital Increment Agreement with Hongsong and existing shareholders of Hongsong pursuant to which certain terms of the original subscription were amended. Pursuant to the Capital Increment Agreement, On Win has conditionally agreed to subscribe from Hongsong, and Hongsong has conditionally agreed to issue to On Win, the subscription shares comprising 430,000,000 shares in the share capital of Hongsong at RMB1.50 per subscription share. The subscription shares, representing approximately 47.3% of the enlarged share capital of Hongsong, will be paid in cash by On Win at a total consideration of RMB645,000,000 or equivalent in foreign currencies.

Upon completion of the subscription, together with the 27,727,754 shares of Hongsong owned by Chengde Beichen High New Technology Co., Ltd. ("Beichen Hightech"), the Company, through its wholly owned subsidiaries, holds in aggregate 457,727,754 shares in the total issued share capital of Hongsong, which represents approximately 50.30% share capital of Hongsong.

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

Upon the date of this report, RMB129,000,000 and RMB128,437,977 were paid for the paid up capital of Hongsong in January 2013 and December 2013 respectively which was equivalent to a total of approximately 40% of the consideration.

Further details of the aforesaid acquisition are set out in the announcements of the Company dated 21 September 2012, 24 October 2012, 31 October 2012, 12 November 2012, 27 November 2012, 9 January 2013 and 7 January 2014 and the circular of the Company dated 12 November 2012.

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

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

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

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

Further to the above acquisition, on 3 December 2013, Beichen Hightech entered into an acquisition agreement with the vendors (namely, Xu Liancun, Yu Haichun, Ma Jianwei and Jin Chao), to purchase in aggregate approximately 17.80% of the equity interests in Hongsong Renewable Energy at the total consideration of RMB91,374,400. In addition, on 11 December 2013, Beichen Hightech further entered into another acquisition agreement with other vendors (namely, Wang Zhicheng, Wang Shulong, Zhu Haitao, Ding Zhiqiang, Liu Lei and Li Peng), to purchase in aggregate approximately 12.25% of the equity interests in Hongsong Renewable Energy at the total consideration of RMB62,879,700.

On 18 March 2014, Beichen Hightech further entered into an acquisition agreement with other vendors (namely Zhang Huiqiang, Jin Yanfei, Zhang Rui and Li Yu), pursuant to which the vendors conditionally agreed to purchase approximately 26.00% of the equity interest of Hongsong Renewable Energy at a total consideration of RMB147,298,000.

Upon completion of the aforesaid acquisitions of approximately 17.80%, 12.25% and 26.00% equity interest of Hongsong Renewable Energy, Beichen Hightech will control approximately 76.98% equity interest in Hongsong Renewable Energy, and hence will control approximately 35.06% shareholdings in Hongsong. In addition to approximately 50.30% shareholdings in Hongsong that the Group currently controls, the aggregate shareholdings in Hongsong will increase to approximately 85.36%.

Since the highest of the applicable percentage ratios (as defined in the Listing Rules) for the acquisition pursuant to the acquisition agreement dated 3 December 2013, and 11 December 2013, and for the acquisition agreement dated 18 March 2014 as aggregated with the previous acquisition(s) exceeds 25% but is less than 100%, the acquisitions constituted a major transaction of the Company pursuant to Chapter 14 of the Listing Rules and is subject to the approval of shareholders of the Company.

Upon the date of this report, the aforesaid acquisitions for approximately 17.80%, 12.25% and 26.00% of the equity interest in Hongsong Renewable Energy have not yet completed. Further details of the aforesaid acquisitions are set out in the announcements of the Company dated 15 November 2013, 3 December 2013, 11 December 2013 and 18 March 2014, respectively.

Disposal of Sun Light Planet Limited

On 8 April 2013, the Company (as vendor), Cheerful Heart Holdings Limited ("Cheerful Heart", as purchaser) and Ms. Shu Gaiin (Ms. Zhou Kaiying, as guarantor) entered into a disposal agreement, pursuant to which the Company conditionally agreed to dispose the entire issued share capital of Sun Light and all the interests in the subsidiaries held by Sun Light for a total consideration of HKD220 million.

Prior to the disposal, the entire issued share capital of Sun Light was pledged to Cheerful Heart to secure the Company's payment obligation under the promissory note with a initial principal amount of HKD330 million issued by the Company to Cheerful Heart on 7 July 2012. The consideration of the Disposal Agreement was satisfied by Cheerful Heart discharging the Company's payment obligation as to an amount equivalent to approximately HKD218 million outstanding under the promissory note and approximately HKD2 million in cash as at the date of completion on 22 May 2013.

As some of the relevant percentage ratios (as defined under the Listing Rules) exceeded 25% but none of them was greater then 75%, the disposal constituted a major transaction of the Company pursuant to Chapter 14 of the Listing Rules and was subject to the approval of shareholders of the Company. The disposal and the transactions contemplated under the disposal agreement were approved at the extraordinary general meeting of the Company held on 22 May 2013 and the completion took place on the same date.

Details of the said disposal are set out in the announcements of the Company dated 8 April 2013, 29 April 2013 and 22 May 2013, respectively, and the circular of the Company dated 6 May 2013.

Apart from the transactions disclosed above and as set out in this report, there were no other material acquisition and disposal of subsidiaries and associated companies by the Group from 1 January 2013 to the date of this report.

Pledge of Assets

As at 31 December 2013, the Group had pledged leasehold land and buildings with net book values of approximately RMB2,538,000 (2012: approximately RMB7,595,000), trade receivables with a carrying value of approximately RMB9,359,000 (31 December 2012: Nil), and certain property, plant and equipment (excluding leasehold land and buildings) with a carrying value of approximately RMB963,916,000 (2012: Nil) as security for the borrowings obtained by the Group.

As at 31 December 2013 and 31 December 2012, the entire issued share capital of certain subsidiaries of the Company were pledged for borrowings obtained by the Group.

Contingent Liabilities

As at 31 December 2013 and as at 31 December 2012, the Group had no material contingent liabilities.

Employees

As at 31 December 2013, the Group had approximately 600 full-time employees (2012: approximately 800 employees) in Hong Kong and the PRC in respect of the Group's continuing operations. For the year ended 31 December 2013, the relevant staff costs (including Directors' remuneration) were approximately RMB48,977,000 (2012: approximately RMB35,834,000). The Group's remuneration and bonus packages were given based on performance of employees in accordance with the general standards of the Group's salary policies.

DIRECTORS

As at the date of this report, the Board comprises six Directors, among whom three are executive Directors and the remaining three are independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Li Baosheng（李保勝）, aged 49, is the chairman of the Company and an executive Director. He is also the chairman of the nomination committee of the Company. He joined Beichen Power Grid (then known as Chengde Beichen Electricity Transmission and Transformation Co., Ltd.（承德北辰送變電工程有限公司）), a wholly-owned subsidiary of the Company, as the chairman of the board of directors and legal representative since 2001. He was appointed as an executive Director on 7 July 2010.

He has been a director and the legal representative of Beijing Chengrui Xianghai Renewable Energy Technology Co., Ltd.（北京承瑞翔海新能源科技有限公司）("Chengrui Xianghai") since December 2009. He has been appointed as the director and the legal representative of Langcheng and Ruifeng Windpower in December 2005 and in December 2009 respectively. He is also a legal representative and director of Beichen Hightech. Each of Chengrui Xianghai, Ruifeng Windpower, Langcheng, Beichen Hightech and Beichen Power Grid are wholly-owned subsidiaries of the Company. He has been appointed as the director of Hongsong since May 2013 which is an indirect non-wholly owned subsidiary of the Company.

Mr. Li is a director of, and a beneficial owner of 77.78% of the share capital in, Diamond Era, a substantial shareholder of the Company interested in 308,867,000 shares, representing approximately 29.88% of the issued share capital of the Company as at 31 December 2013.

Mr. Li is a cousin of Mr. Li Baomin, senior management of the Group whose details are set out below.

Mr. Zhang Zhixiang（張志祥）, aged 46, is the chief executive officer of the Company and an executive Director. He is also an authorised representative of the Company, a member of each of the remuneration committee and nomination committee of the Company. He was appointed as an executive Director on 7 July 2010.

He graduated from the School of Taxation of the Central Institute of Finance（中央財政金融學院）(now known as the Central University of Finance and Economics（中央財經大學）) in 1991 and received a bachelor's degree in economics. He joined Langcheng as the vice general manager in December 2005 and he is a director of Beichen Power Grid. He was appointed as a director and the chairman of the board of Hongsong in May 2013.

Mr. Zhang is a director of, and a beneficial owner of 22.22% of the share capital in, Diamond Era, a substantial shareholder of the Company interested in 308,867,000 shares, representing approximately 29.88% of the issued share capital of the Company as at 31 December 2013.

Mr. Ning Zhongzhi（寧忠志）, aged 50, was appointed as an executive Director on 28 January 2013.

Mr. Ning was graduated from Huabei Electric Workers Intermediate Specialized College（華北電業職工中等專業學校）and Hebei Radio and TV University（河北廣播電視大學）in labour and remuneration in October 1984 and in human relation management in July 1988 respectively. Mr. Ning was qualified as a senior economist by the Senior Specialty and Technology Qualification Judging Committee of the State Power Corporation of China（國家電力公司高級專業技術資格評審委員會）in April 2001. Mr. Ning was the head of employment and human relation department of Chengde Power Supply Company（承德供電公司）and he has then become the head of human resources department since March 2006. Mr. Ning was the director of Hongsong from May 2010 to May 2013. He has been appointed as the legal representative of Beichen Power Grid since March 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wong Wai Ling（黃慧玲）, aged 52, is an independent non-executive Director, the chairman to the audit committee of the Company and a member of each of the remuneration committee and nomination committee of the Company. Ms. Wong was appointed as an independent non-executive Director on 16 May 2006.

Ms. Wong obtained a Bachelor of Arts degree from the University of Hong Kong and a diploma in Accounting and Finance from the London School of Economics and Political Science, the United Kingdom. Ms. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. She has over 20 years of extensive experience in accounting, taxation and auditing. She had worked for more than 7 years in international accounting firms and local accounting firms before she set up her own accounting firm W.L. Wong & Co. in Hong Kong in 1994. Since then, she has been practising as a Certified Public Accountant. Ms. Wong is also an independent non-executive Director of three Hong Kong listed companies — Overseas Chinese Town (Asia) Holdings Limited (stock code: 03366), AVIC International Holdings Limited (stock code: 00161) and Yongsheng Advanced Materials Company Limited (stock code: 03608). Besides, Ms. Wong is an executive Director of JC Group Holdings Limited (stock code: 08326), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Qu Weidong（屈衛東）, aged 47, is an independent non-executive Director and a member of each of the audit committee, remuneration committee and nomination committee of the Company. Mr. Qu was appointed as an independent non-executive Director on 11 December 2010.

He graduated from the Tsing Hua University（清華大學）in the People's Republic of China in 1990 with a bachelor's degree in engineering. He obtained a master degree in international business at the University of Auckland in 1999. Mr. Qu is now a director and general manager of Beijing Zero2IPO Venture Investment Management Centre（北京清科創業投資管理中心）. Mr. Qu has over 8 years experience in the field of investment. He was the investment director of Bluerun Investment Consulting (Beijing) Co., Ltd. from June 2007 to September 2010, and Capinfo Company Limited（首都信息發展股份有限公司）from April 2005 to July 2007. He worked at the headquarters of the investment bank of China Galaxy Securities Co., Limited（中國銀河證券股份有限公司投資銀行總部）from March 2003 to July 2005.

Ms. Hu Xiaolin（胡曉琳）, aged 45, is an independent non-executive Director, the chairman to the remuneration committee and a member of each of the audit committee and nomination committee of the Company. Ms. Hu was appointed as an independent non-executive Director on 9 May 2011.

She was graduated from Northwest University（西北大學）, the People's Republic of China with a bachelor's degree in literature in July 1990. She obtained a master of literature from Capital Normal University（首都師範大學）, the People's Republic of China in July 1995. Ms. Hu worked in the news commentary department and sports centre of Beijing Television（北京電視台）from 1995 to 2005. She had worked as a producer and a general director（總導演）of a section in Shanghai China Business Network Co. Ltd.（上海第一財經傳媒有限公司）from January 2005 to March 2008. She has been a director and a general manager of Shanghai Shile Yongdao Culture Communication Co., Ltd.（上海世樂永道文化傳播有限公司）since March 2008.

SENIOR MANAGEMENT

Mr. Cheng Koon Kau Alfred（鄭冠球）, aged 39, is an authorised representative and the company secretary of the Company, and has over 15 years of experience in the fields of auditing and accounting. Mr. Cheng joined the Group on 22 January 2008. He is a full-time chief financial officer of the Company. He has been appointed as the director of Hongsong since May 2013.

He graduated from the Hong Kong University of Science and Technology with a bachelor's degree in Business Administration (Financial Accounting) degree in 1997 and a master degree in financial analysis in 2010. Mr. Cheng is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He is responsible for the financial strategy, accounting and financial reporting of the Group. Prior to joining the Group, he had served in an international accounting firm and a number of multi-national corporations.

Ms. Li Juan（李娟）, aged 50, is the deputy general manager of the Company, responsible for internal audit, accounting and financial management. Ms. Li was graduated in 1989 from Chengde Broadcast and Television University（承德廣播電視大學）majoring in diploma of Business Management. Ms. Li obtained title of senior accountants in 2009 from International Profession Certification Association and obtained the title of top ten best chief accountants from Finance Ministry of Chengde City. She was the director of Hongsong from May 2013 to July 2013. She has been appointed as the member of Board of Supervisor in Hongsong since August 2013. Ms. Li has joined the current member of the Group since 1997 and has over 15 years working experience in the industry of power grid.

Mr. Li Baomin（李寶民）, aged 44, is a deputy general manager of the Company, responsible for new business exploration. He was graduated from Beijing Liangxiang Electricity Institute majoring at electricity transmission and distribution engineering. He obtained a bachelor's degree in business administration at the University of Nan Kai in 1996. He also obtained a master degree of industrial engineering at the University of Hua Bei Electricity. He had worked in Chengde Electricity Transmission and Distribution Engineering Company and Chengde General Electricity Company Limited. He has 16 years of experience in the industry of electricity transmission and distribution. He joined the Group in 2000. Mr. Li is a cousin of Mr. Li Baosheng.

Mr. Lu Qiang（盧強）, aged 35, is the general manager of Beichen Power Grid. He graduated in 2005 from Hebei University Of Economics And Business（河北經貿大學）and obtained a bachelor's degree majoring in business administration. He has worked at Chengde Agricultural Development Office（承德市農業開發辦公室）and Ministry of Finance of Chengde city before joining the current member of the Group since 2005.

Mr. Cui Yi（崔毅）, aged 47, is a general manager of the Shuangluan branch of Ruifeng Windpower and is responsible for the design and sales of wind turbine blade operation. He graduated in 1989 from University of South-west Technology（西南科技大學）with a bachelor's degree in mechanical art and design. He was an engineering manager and a project manager of Chengde Xiangye Automatic Automobile Parking Company Limited（承德祥業自動化停車設備有限公司）and Jiangsu Shuangliang Automatic Automobile Parking Company Limited（江蘇雙良停車設備有限公司）respectively. He joined the current member of the Group in 2007.

Mr. Zhang Pengfei（張鵬飛）, aged 47, is the general manager of Langcheng responsible for the operation of wind farm of Shangtoudi. He was graduated in 1993 from Beijing Forestry Management Government Officer Institute（北京林業管理幹部學院企業管理專業）majoring at enterprise management. He was township secretary and chairman. He joined the current member of the Group in 2006.

Mr. Wang Jian（王劍）, aged 45, is the director and general manager of Hongsong, responsible for the daily operation of Hongsong. Mr. Wang was graduated in 2004 from China Agricultural University（中國農業大學）majoring at economic management professional. He obtained senior operating qualification in 2005 and obtained advanced project management qualification in 2006. Mr. Wang joined the current member of the Group since 1999. He was the director and general manager of Hongsong since 2001, and he has over 13 years working experience in wind farm operation and management.

Mr. Zhang Chunguo（張春國）, aged 43, is the vice deputy general manager and financial controller of Hongsong, responsible for the daily operating management and financial management of Hongsong. He has been appointed as the Director of Hongsong since May 2013. Mr. Zhang was graduated in 2004 from China Agricultural University（中國農業大學）majoring at economic management professional and obtained a bachelor's degree majoring in management. Mr. Zhang joined the current member of the Group since 2003 and he has over 11 years working experience in wind farm operation and financial management.

COMPANY SECRETARY

Mr. Cheng Koon Kau Alfred（鄭冠球）, is the full-time chief financial officer, authorised representative and company secretary of the Company. Personal details of Mr. Cheng are included in the paragraph headed "Senior Management" above.

The Directors present this report and the audited consolidated financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the principal activities of the Group are wind farm operation, power grid construction and consultation, and processing of wind turbine blades. The activities of its principal subsidiaries are set out in note 18 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss on page 63 of this report.

PROPOSED FINAL DIVIDEND

The Directors did not recommend the payment of dividends for the year ended 31 December 2013.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 174 of this report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment in the amount of approximately RMB313,082,000 (2012: approximately RMB14,794,000) and had provision of impairment of nil (2012: approximately RMB36,351,000). Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

REDEMPTION OF CONVERTIBLE BONDS

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

In May 2013, the Company has redeemed all the outstanding convertible bonds with the principal amount of USD12,580,000.

CONVERSION OF CONVERTIBLE NOTE

Pursuant to the conditional agreement dated 1 April 2010 between the Company (as purchaser), Brown Beauty Business Limited (as vendor) and Mr. Riley M Chung (as guarantor), the Company agreed to acquire, and Brown Beauty Business Limited agreed to dispose the entire issued share capital of Power Full Group Holdings Limited ("Power Full") for a total consideration of HKD830 million, which including issuance of convertible note in the principal amount of HKD155 million to Diamond Era Holdings Limited ("Diamond Era") upon completion of the acquisition on 7 July 2010. Based on the initial conversion price of HKD1 per share to be allotted and issued upon exercise of the conversion rights attached to the said convertible note, a maximum number of 155,000,000 ordinary shares may be allotted and issued.

In July 2013, the conversion rights attached to the convertible note from all the outstanding principal amount of HKD58,700,000 have been exercised. Accordingly, 58,700,000 ordinary shares have been issued.

ISSUANCE OF CONVERTIBLE BONDS

On 12 December 2013, the Company entered into the subscription agreement with Investec Bank Limited (the "Subscriber"), to which the Company agreed to issue and the Subscriber agreed to subscribe for the convertible bonds in the principal amount of HKD30,000,000. Under the conditions, the conversion price will be reset each day and, in respect of each day, be an amount equal to the higher of: (a) 95% of the closing price of the shares on the immediately preceding trading day; and (b) the minimum conversion price which cannot be lower than HKD1.59. Based on the initial conversion price of HKD1.85, a maximum number of 16,216,000 ordinary shares may be allotted and issued upon exercise of the conversion rights in full. Meanwhile, based on the minimum conversion price of HKD1.59, a maximum number of 18,864,000 new ordinary shares may be allotted and issued upon exercise of the conversion rights in full.

In December 2013, 772,000 ordinary shares which representing the commission shares have been issued at a price of HKD1.9531 per share. No conversion right attached to said convertible bonds have been exercised as at 31 December 2013.

Details of the subscription are set out in the announcement of the Company dated 12 December 2013 and 20 December 2013 respectively.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 34 to the consolidated financial statements.

DONATIONS

No charitable or other donations were made by the Group during the year.

RESERVES

Movements in the reserves of the Company during the year are set out in note 34 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Pursuant to the relevant rules of the Cayman Islands, the Company's reserves available for distribution to Shareholders as at 31 December 2013 amounted to approximately RMB360,394,000.

DIRECTORS

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

Executive Directors

Mr. Li Baosheng
Mr. Zhang Zhixiang
Mr. Xu Xiaoping (resigned on 28 May 2013)
Mr. Ning Zhongzhi (appointed on 28 January 2013)

Non-executive Director

Mr. Zhang Yong (resigned on 29 January 2013)

Independent non-executive Directors

Ms. Wong Wai Ling
Mr. Qu Weidong
Ms. Hu Xiaolin

Mr. Ning Zhongzhi has been appointed as an executive Director with effect from 28 January 2013, Mr. Zhang Yong has tendered his resignation as a non-executive Director with effect from 29 January 2013, and Mr. Xu Xiaoping has tendered his resignation as an executive Director with effect from 28 May 2013.

In accordance with Article 108(a) of the Company's Articles of Association, Mr. Zhang Zhixiang, Ms. Wong Wai Ling and Ms. Hu Xiaolin shall retire by rotation at the forthcoming annual general meeting of the Company.

All the retiring Directors, being eligible, offer themselves for re-election at the said annual general meeting.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into a service agreement with each of Mr. Li Baosheng and Mr. Zhang Zhixiang, both an executive Director, for a term of three years commencing from July 2013, subject to the termination provisions therein. Mr. Ning Zhongzhi was appointed as an executive Director and has entered into service agreement with the Company with a term of three years commencing from January 2013, subject to the termination provisions therein.

Each of Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin, being all the independent non-executive Directors, has entered into a service agreement with the Company for a term of two years from May 2012, December 2012 and May 2013 respectively, which is determinable by either party by giving one month's written notice.

None of the Directors being proposed for re-election at the forthcoming annual general meeting of the Company has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors, namely, Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin, an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules, and as at the date of this report, the Company still considers all the independent non-executive Directors to be independent.

SHARE OPTIONS

A share option scheme (the "Share Option Scheme") was adopted pursuant to a written resolution of all the shareholders of the Company passed on 17 May 2006.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participant as incentives or rewards for their contributions to the Group. All full time or part time employees, directors, consultants, advisers, substantial shareholders, distributors, contractors, suppliers, agents, customers, business partners or service providers of any member of the Group, to be determined absolutely by the Board are eligible to participate in the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years after the date on which Share Option Scheme is adopted.

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares in issue at the date of approval of the share option scheme ("General Scheme Limit"), i.e. 40,000,000 shares, which represented approximately 4.1% of the issued share capital of the Company as at the date of this report. The Company may refresh the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the shareholders' approval.

The maximum numbers of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

Unless approved by Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

An option may be accepted by a participant within 7 days inclusive of the day on which such offer was made. A nominal consideration of HKD1 is payable on acceptance of the grant of an option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Directors may determine which shall not exceed 10 years from the date of grant subject to the provision of early termination thereof.

The subscription price of a share under the Share Option Scheme will be at a price solely determined by the Board and shall be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

No option has been granted under the Share Option Scheme from the date of adoption of the Share Option Scheme up to 31 December 2013.

Particulars of the Company's Share Option Scheme are set out in note 32 to the consolidated financial statements.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MATERIAL CONTRACTS

Save as disclosed in this report, no contract of significance has been entered into during the reporting period between the Company or any of its subsidiaries and the controlling shareholder (if any) or any of its subsidiaries.

DISCLOSURE OF INTEREST

(a) Interests of Directors and chief executives of the Company

As at 31 December 2013, save as disclosed below, none of the Directors or chief executives of the Company had any interest or short position in the Shares, underlying Shares and/or debentures (as the case may be) of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors or chief executives of the Company is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules:

Name of Director	Number of Shares held/ interested	Nature of interest	Approximate percentage of shareholdings
Li Baosheng	308,867,000	Interest of controlled corporation *(Note)*	29.88%
Zhang Zhixiang	68,630,247	Others *(Note)*	6.64%

Note:

Mr. Li Baosheng and Mr. Zhang Zhixiang are the beneficial owners of 77.78% and 22.22%, respectively, of the issued shares of Diamond Era Holdings Limited ("Diamond Era"). As at 31 December 2013, 308,867,000 shares held by Diamond Era were pledged to a commercial bank in relation to a borrowing by the bank to the Group.

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

(b) Interests of substantial Shareholders and other persons

As at 31 December 2013, save as disclosed below, the Directors were not aware of any person (other than the Directors or chief executives of the Company) who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Number of Shares held/ interested	Nature of interest	Position	Approximate percentage of shareholdings
Diamond Era Holdings Limited *(Note 1)*	308,867,000	Beneficial owner	Long	29.88%
ARDON Maroon Asia Master Fund	78,728,000	Beneficial owner	Long	7.62%
	80,000,000	Beneficial owner	Short	7.74%
	19,722,000	Person having security interest	Long	1.91%
Ardon Maroon Asia Dragon Feeder Fund	98,450,000	Interest of controlled corporation	Long	9.52%
	80,000,000	Interest of controlled corporation	Short	7.74%
Ardon Maroon Fund Management Limited	98,450,000	Interest of controlled corporation	Long	9.52%
	80,000,000	Interest of controlled corporation	Short	7.74%

Note:

1. Diamond Era is owned as to 77.78% by Mr. Li Baosheng and 22.22% by Mr. Zhang Zhixiang, each an executive Director.

CONNECTED TRANSACTIONS

Termination of connected transactions in relation to acquisition of land use rights and properties involving issue of convertible note and promissory note

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

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

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

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

Mr. Li Baosheng, is an executive Director, the Chairman and a substantial shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. The acquisition constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules and is subject to, among other things, independent shareholders' approval, reporting and announcement requirements under Chapter 14A of the Listing Rules.

On 11 December 2013, Beichen Power Grid and Mr. Li entered into the termination agreement, pursuant to which both parties have unconditionally agreed that the above agreements shall be terminated.

Further details of the aforesaid acquisition and its termination are set out in the announcements of the Company dated 14 November 2012, 5 December 2012, 31 January 2013 and 11 December 2013, respectively.

Save as otherwise disclosed in this report, all the related party transactions in 2013 as disclosed in notes 23 and 39 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with the relevant reporting, announcement or independent shareholders' approval requirements. In particular, the transaction under note 23 was conducted on normal commercial terms where all of the percentage ratios (other than the profit ratio) were less than 5% and the total annual consideration was less than HK$1,000,000. The related party under category (a) of note 39 is not a connected person (as defined under the Listing Rules) while the transaction under category (b) of note 39 were provided under the service contracts. The Company confirms that it has complies with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's largest and five largest customers and suppliers, respectively, were as follow:

— the largest customer	36.84%
— five largest customers	63.41%
— the largest supplier	19.08%
— five largest suppliers	41.83%

To the knowledge of the Directors, none of the Directors, their associates or any Shareholders owning more than 5% of the Company's issued share capital, had any interest in any of the five largest customers or suppliers of the Group.

BANK LOANS

Particulars of bank loans are set out in note 30 to the consolidated financial statements.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the remuneration committee on the basis of the merit, qualifications and level of competence of the employees.

The emoluments of the Directors are decided by the remuneration committee, having regard to the Company's operating results, their individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees. Details of the Share Option Scheme are set out in note 32 to the consolidated financial statements and the paragraph headed "Share Options" in this Directors' Report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

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 a sufficient public float of the Shares as prescribed under the Listing Rules.

ACQUISITIONS AND DISPOSALS

Acquisition of interest in Hongsong

On 24 October 2012, the indirectly wholly owned subsidiary of the Company, On Win Corporation Limited ("On Win"), entered into a Capital Increment Agreement with Hongsong and existing shareholders of Hongsong pursuant to which certain terms of the original subscription were amended. Pursuant to the Capital Increment Agreement, On Win has conditionally agreed to subscribe from Hongsong, and Hongsong has conditionally agreed to issue to On Win, the subscription shares comprising 430,000,000 shares in the share capital of Hongsong at RMB1.50 per subscription share. The subscription shares, representing approximately 47.3% of the enlarged share capital of Hongsong, will be paid in cash by On Win at a total consideration of RMB645,000,000 or equivalent in foreign currencies.

Upon completion of the subscription, together with the 27,727,754 shares of Hongsong owned by Chengde Beichen High New Technology Co., Ltd. ("Beichen Hightech"), the Company, through its wholly owned subsidiaries, holds in aggregate 457,727,754 shares in the total issued share capital of Hongsong, which represents approximately 50.30% share capital of Hongsong.

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

Upon the date of this report, RMB129,000,000 and RMB128,437,977 were paid for the paid up capital of Hongsong in January 2013 and December 2013 respectively which was equivalent to a total of approximately 40% of the consideration.

Further details of the aforesaid acquisition are set out in the announcements of the Company dated 21 September 2012, 24 October 2012, 31 October 2012, 12 November 2012, 27 November 2012, 9 January 2013 and 7 January 2014 and the circular of the Company dated 12 November 2012.

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

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

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

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

Further to the above acquisition, on 3 December 2013, Beichen Hightech entered into an acquisition agreement with the vendors (namely, Xu Liancun, Yu Haichun, Ma Jianwei and Jin Chao), to purchase in aggregate approximately 17.80% of the equity interests in Hongsong Renewable Energy at the total consideration of RMB91,374,400. In addition, on 11 December 2013, Beichen Hightech further entered into another acquisition agreement with other vendors (namely, Wang Zhicheng, Wang Shulong, Zhu Haitao, Ding Zhiqiang, Liu Lei and Li Peng), to purchase in aggregate approximately 12.25% of the equity interests in Hongsong Renewable Energy at the total consideration of RMB62,879,700.

On 18 March 2014, Beichen Hightech further entered into an acquisition agreement with other vendors (namely Zhang Huiqiang, Jin Yanfei, Zhang Rui and Li Yu), pursuant to which the vendors conditionally agreed to purchase approximately 26.00% of the equity interest of Hongsong Renewable Energy at a total consideration of RMB147,298,000.

Upon completion of the aforesaid acquisitions of approximately 17.80%, 12.25% and 26.00% equity interest of Hongsong Renewable Energy, Beichen Hightech will control approximately 76.98% equity interest in Hongsong Renewable Energy, and hence will control approximately 35.06% shareholdings in Hongsong. In addition to approximately 50.30% shareholdings in Hongsong that the Group currently controls, the aggregate shareholdings in Hongsong will increase to approximately 85.36%.

Since the highest of the applicable percentage ratios (as defined in the Listing Rules) for the acquisition pursuant to the acquisition agreement dated 3 December 2013, and 11 December 2013, and for the acquisition agreement dated 18 March 2014 as aggregated with the previous acquisition(s) exceeds 25% but is less than 100%, the acquisitions constituted a major transaction of the Company pursuant to Chapter 14 of the Listing Rules and is subject to the approval of shareholders of the Company.

As at the date of this report, the aforesaid acquisitions for approximately 17.80%, 12.25% and 26.00% of the equity interest in Hongsong Renewable Energy have not yet completed. Further details of the aforesaid acquisitions are set out in the announcements of the Company dated 15 November 2013, 3 December 2013, 11 December 2013 and 18 March 2014, respectively.

Disposal of Sun Light Planet Limited

On 8 April 2013, the Company (as vendor), Cheerful Heart Holdings Limited ("Cheerful Heart", as purchaser) and Ms. Shu Gaiin (Ms. Zhou Kaiying, as guarantor) entered into a disposal agreement, pursuant to which the Company conditionally agreed to dispose the entire issued share capital of Sun Light and all the interests in the subsidiaries held by Sun Light for a total consideration of HKD220 million.

Prior to the disposal, the entire issued share capital of Sun Light was pledged to Cheerful Heart to secure the Company's payment obligation under the promissory note with a initial principal amount of HKD330 million issued by the Company to Cheerful Heart on 7 July 2012. The consideration of the Disposal Agreement was satisfied by Cheerful Heart discharging the Company's payment obligation as to an amount equivalent to approximately HKD218 million outstanding under the promissory note and approximately HKD2 million in cash as at the date of completion on 22 May 2013.

As some of the relevant percentage ratios (as defined under the Listing Rules) exceeded 25% but none of them was greater then 75%, the disposal constituted a major transaction of the Company pursuant to Chapter 14 of the Listing Rules and was subject to the approval of shareholders of the Company. The disposal and the transactions contemplated under the disposal agreement were approved at the extraordinary general meeting of the Company held on 22 May 2013 and the completion took place on the same date.

Details of the said disposal are set out in the announcements of the Company dated 8 April 2013, 29 April 2013 and 22 May 2013, respectively, and the circular of the Company dated 6 May 2013.

Apart from the transactions disclosed above and as set out in this report, there was no other material acquisition and disposal of subsidiaries and associated companies by the Group from 1 January 2013 to the date of this report.

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.

AUDITORS

The accounts for the years ended 31 December 2013 and 2012 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

The accounts for the year ended 31 December 2011 were audited by HLB Hodgson Impey Cheng. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. Save for the above, there has been no other change in the auditors of the Company in any of the preceding three years.

EVENTS AFTER THE REPORTING PERIOD

Conversion of convertible bonds

In February and March 2014, conversion rights attached to the convertible bonds in an aggregate amount of HKD12,500,000 were exercised resulting in an issue of total 6,780,000 ordinary shares of the Company. The outstanding principal amount of the convertible bonds was HKD17,500,000 as at the date of this report. Further details of the convertible bonds are also set out in the paragraph headed "Issuance of Convertible bonds" above.

Proposed acquisition of further 26.00% equity interest of Hongsong Renewable Energy

On 18 March 2014, Beichen Hightech entered into an acquisition agreement with Zhang Huiqiang, Jin Yanfei, Zhang Rui and Li Yu (as vendors), pursuant to which the vendors conditionally agreed to dispose of, and Beichen Hightech conditionally agreed to purchase an aggregate of approximately 26.00% equity interest of Hongsong Renewable Energy at a total consideration of RMB147,298,000. As the highest of the applicable percentage ratios (as defined in the Listing Rules) for the acquisition of approximately 26.00% equity interests in Hongsong Renewable Energy, when aggregated with the acquisition of approximately 20.93% equity interests in Hongsong Renewable Energy pursuant to the acquisition agreement dated 15 November 2013, and the acquisition of an aggregate of 30.05% equity interests in Hongsong Renewable Energy pursuant to the acquisition agreements dated 3 December 2013 and 11 December 2013, exceeds 25% but is less than 100% as calculated in accordance with Rule 14.07 of the Listing Rules, such acquisition constitutes a major transaction for the Company and is subject to, amongst others, reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Further details of the acquisitions are also set out in the paragraph headed "Acquisition of interest in Hongsong Renewable Energy" above.

Please also refer to the announcement of the Company dated 18 March 2014.

CHANGE OF STOCK SHORT NAME

The Company's English stock short name for trading in the shares of the Company on the Stock Exchange was changed from "CHINA RUIFENG" to "RUIFENG RENEW", and the Chinese stock short name from "中國瑞風" to "瑞風新能源" with effect from 19 March 2014. The stock code of the Company remains as "00527".

Details of the change of stock short name are set out in the announcement of the Company dated 12 March 2014.

On behalf of the Board

Li Baosheng
Chairman

Hong Kong

31 March 2014

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance in order to raise the quality of management and protect the interests of shareholders of the Company as a whole. To honor these commitments, the Group believes that good corporate governance reflects that a responsible enterprise must be credit worthy and transparent and abide by a high level of code of practice. Accordingly, the Company has adopted and applied corporate governance principles that emphasise a quality Board, effective internal controls, stringent disclosure practices, transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

Corporate Governance Practices

The Board considered that the Company had fully complied throughout the year ended 31 December 2013 with the applicable code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules. The Company had made specific enquiries with all the Directors and all the Directors confirmed that they had complied with the practice as contained in the Model Code and the aforesaid code of conduct adopted by the Company for the year ended 31 December 2013.

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

THE BOARD OF DIRECTORS

Board Responsibility and Delegation

The Board is collectively responsible for the formulation of all commercial policies and strategies in relation to business operation of the Group to ensure that there are ample resources and effective internal controls (including financial controls) are in place. The Board has the responsibility to establish the enterprise's policies and overall strategy of the Group, and provides effective supervision for the management of the Group's affairs. The Board also supervises the financial performance of the Group's business operations and internal controls. All the Directors are able to obtain information on the Group's business on a timely basis and to make further inquiries if needed.

The Board oversees the Group's overall strategic plans, approves major funding and investment proposals and reviews the financial performance of the Group. The Board supervises the management of the business and affairs of the group.

The management, consisting of executive Directors along with other senior management of the Group, is delegated with the responsibilities to carry out policies set by the Board from time to time and supervises the day-to-day management of the Group. The management of the Group meet regularly to review the business performance of the Group as a whole, co-ordinate overall resources and make financial and operational decisions.

The Board has delegated some of its functions to the board committees, details of which are set out below. Matters specifically reserved for the Board include but not limited to approval of financial statements, dividend policy, significant changes in accounting policies, material contracts or transactions, significant appointments such as Company Secretary and external auditor, terms of reference of board committees, as well as major corporate policies such as code of conduct and whistle-blowing policy.

The Company has arranged directors and officers liability and company reimbursement insurances for its directors and officers in accordance with code provision A.1.8 of the Code.

The Board is responsible for performing the corporate governance functions set out in code provision D.3.1 of the Code. As at the date of this report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the Code disclosures requirements.

COMPOSITION AND APPOINTMENT

Composition

As at 31 December 2013, the Board comprises six Directors, of whom three are executive Directors and three are independent non-executive Directors. The composition of the Board during the year ended 31 December 2013 was as follows:

Executive Directors

Mr. Li Baosheng *(Chairman)*
Mr. Zhang Zhixiang *(Chief Executive Officer)*
Mr. Xu Xiaoping *(resigned on 28 May 2013)*
Mr. Ning Zhongzhi *(appointed on 28 January 2013)*

Non-executive Director

Mr. Zhang Yong *(resigned on 29 January 2013)*

Independent Non-executive Directors

Ms. Wong Wai Ling
Mr. Qu Weidong
Ms. Hu Xiaolin

The details of the biographies of the existing Directors are set out in the section headed "Biographies of Directors and Senior Management" on page 30 to page 33 of this report.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, during the year ended 31 December 2013, there were three independent non-executive Directors in the Board and the number of independent non-executive Directors represents at least one-third of the Board, among the three independent non-executive Directors, Ms. Wong Wai Ling, possesses appropriate professional qualification in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Board considers that the independent non-executive Directors are all independent persons with appropriate qualifications or expertise and the Company has complied with the relevant requirements of the Listing Rules.

The Company has received from each of its independent non-executive Directors an annual confirmation of their independence pursuant to the requirements under the Listing Rules. The Company, based on such confirmations, considers all independent non-executive Directors, namely Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin have satisfied the independence requirement under Rule 3.13 of the Listing Rules.

As at 31 December 2013, Mr. Li Baosheng and Mr. Zhang Zhixiang holds 77.78% and 22.22% respectively, of the issued share capital of Diamond Era Holdings Limited ("Diamond Era") which is a substantial shareholder of the Company, holding approximately 29.88% of the issued share capital of the Company.

Save as disclosed above, the Directors confirmed that there was no relationship (including financial, business, family or other material/relevant relationship) between the Board members or other major events or relevant matters that were required to be disclosed.

Board meetings

The Board has supervised and controlled the Company's affairs effectively, and relevant decisions were made in the Company's best interests. For the year ended 31 December 2013, the Board had held 18 Board meetings to consider (of which included) the Company's transactions, financial affairs and other matters under the articles of associations to carry out its duties. The Board has adopted a telephone-conference system to raise the attendance rates, the average rate of attendance was between 50% and 100%.

For the year ended 31 December 2013, the Board has complied the following statistics:

Director's name	**Attendance rate for Board meetings** *(Note 4)*		**Attendance rate for general meetings** *(Note 4)*	
	Attendance/ Number of meeting	**Percentage (%)**	**Attendance/ Number of meeting**	**Percentage (%)**
Mr. Li Baosheng	17/17	100	0/2	0
Mr. Zhang Zhixiang	18/18	100	2/2	100
Mr. Xu Xiaoping *(Note 1)*	4/8	50	0/2	0
Mr. Ning Zhongzhi *(Note 2)*	17/17	100	0/2	0
Mr. Zhang Yong *(Note 3)*	1/1	100	0/0	N/A
Ms. Wong Wai Ling	17/18	94	1/2	50
Mr. Qu Weidong	16/18	89	0/2	0
Ms. Hu Xiaolin	17/18	94	0/2	0

Notes:

1. Mr. Xu Xiaoping resigned on 28 May 2013.
2. Mr. Ning Zhongzhi was appointed on 28 January 2013.
3. Mr. Zhang Yong resigned on 29 January 2013.
4. By reference to the number of meetings held during his/her tenure.

During the year ended 31 December 2013, the term of appointment of the independent non-executive Directors is 2 years.

PROCEDURES OF BOARD MEETINGS

The Board has established meeting procedures and has complied with the code provisions of the Code.

The procedures of board meetings provide that the Board shall meet at least four times each year and can convene additional meeting when necessary. Directors can express different opinions at board meetings. Important decisions will be made only after detailed discussions by the Board. Directors who have conflict of interest or material interests in the relevant transactions will not be counted in the quorum of the meeting and shall abstain from voting on the relevant resolutions. Minutes of board meetings and other committee meeting will be drafted by the company secretary and will be sent to all members for their comments and records respectively. Directors are entitled to inspect the minutes at any time.

INDUCTION AND PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he or she has a proper understanding of the Company's operations and businesses as well as his or her responsibilities under the relevant statutes, laws, rules and regulations.

During the year under review, Directors are provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all directors are encouraged to participate in continuous professional development. The Company updates directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. In particular, training sessions covering topics including the Corporate Governance Code and the disclosure of inside information had been held during the year.

According to the records provided by the Directors, a summary of training received by the Directors since 1 January 2013 up to 31 December 2013 is as follows:

Name of Directors	Reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements/attending briefing sessions
Executive Directors	
Mr. Li Baosheng	✓
Mr. Zhang Zhixiang	✓
Mr. Xu Xiaoping *(resigned on 28 May 2013)*	✓
Mr. Ning Zhongzhi *(appointed on 28 January 2013)*	✓
Non-executive Director	
Mr. Zhang Yong *(resigned on 29 January 2013)*	✓
Independent non-executive Directors	
Ms. Wong Wai Ling	✓
Mr. Qu Weidong	✓
Ms. Hu Xiaolin	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year under review, the positions of the Chairman and the Chief Executive Officer were held separately in compliance with Code provision A.2.1.

Mr. Li Baosheng is the chairman of the Company and an executive Director. Mr. Zhang Zhixiang is the chief executive officer of the Company and an executive Director. Mr. Zhang Zhixiang is responsible for the daily operations of the Group and reports to the chairman of the Company. Mr. Li Baosheng and Mr. Zhang Zhixiang are, respectively, beneficial owner of 77.78% and 22.22% of the issued shares of Diamond Era, a substantial shareholder of the Company.

AUDITOR'S REMUNERATION

During the year ended 31 December 2013, the amount of fee paid or payable to the auditors of the Group was as follows:

Type of service	**Auditors** **HLB Hodgson Impey Cheng Limited**
Audit services	HKD1,280,000

No non-audit service has been provided by the auditors to the Group.

ACCOUNTABILITIES AND AUDIT

The Directors understand their responsibility to prepare the Group's financial statements according to relevant legal provisions and the Hong Kong GAAP to ensure that the financial reports present a true and fair view of the Group's financial conditions. In the preparation of the Group's financial reports for the year ended 31 December 2013, the Directors had adopted and implemented the appropriate accounting policies, made prudent and reasonable judgments and projections and prepared the financial statements on a going concern basis.

The Board had presented information on the Group's developments and various corporate information which aimed to be comprehensive, balanced and easily understood, including but not limited to the interim and yearly financial reports as stipulated in the Listing Rules, disclosure of and public announcement of information which influence the Shares and submitted reports to the regulatory authorities and made other disclosures pursuant to regulatory provisions.

The auditors' responsibilities are set out in the Independent Auditors' Report on pages 61 to 62 of this report.

The accounts for the year ended 31 December 2013 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. The audit committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be re-appointed as the auditors of the Company at the forthcoming annual general meeting.

Through the audit committee, the Board has reviewed the internal control system in respect of finance, operations and compliance of the Company and its subsidiaries. The audit committee considers that the Group has established all necessary mechanisms. The above control mechanism has ensured compliance in respect on the Group's operations. The Board considers that the Company has complied with the code provisions on internal control of the Code.

AUDIT COMMITTEE

During the year ended 31 December 2013, the audit committee comprised all the three independent non-executive Directors, namely Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin, and Ms. Wong Wai Ling is the chairman of the audit committee.

The primary responsibilities of the audit committee include, inter alia, making recommendation to the Board on the appointment, reappointment and removal of external auditor, reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, developing and implementing policy on the engagement of an external auditor to supply non-audit services and monitoring integrity of financial statements of the Company and the Company's annual report and accounts, interim report and significant financial reporting judgments contained in them. The terms of reference of the Audit Committee are available on the website of the Stock Exchange and the Company.

The audit committee has held 3 meetings for the year ended 31 December 2013 The attendance rates of every member of the audit committee were as follows:

	Attendance rate for audit committee meetings		
Name of member	**Attendance/ Number of meetings**	**Percentage (%)**	**Title**
Ms. Wong Wai Ling *(Chairman)*	3/3	100	Independent non-executive Director
Mr. Qu Weidong	2/3	67	Independent non-executive Director
Ms. Hu Xiaolin	2/3	67	Independent non-executive Director

The audit committee has reviewed the audit performance, the internal controls and risk management and the interim and audited accounts for the year ended 31 December 2013. In performing its duties, the audit committee has overseen the Company's relationship with the auditors, the nature and scope of the audit, reviewed of the process by which the Company evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It also reported to the Board on the proceedings and deliberations of the audit committee. The audit committee has also reviewed this report and confirmed that is complete and accurate and complies with the Listing Rules.

REMUNERATION COMMITTEE

The remuneration committee shall meet at least once a year to decide on the Director's emoluments. During the year ended 31 December 2013, the remuneration committee comprised one executive Director, namely, Mr. Zhang Zhixiang and all the three independent non-executive Directors. Ms. Hu Xiaolin currently serves as the chairman of the Remuneration Committee.

The role and function of the remuneration committee include, inter alia, making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing policy on such remuneration, reviewing and determining the remuneration packages for all executive Directors and senior management, making recommendations to the Board of the remuneration of non-executive Directors, reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time and reviewing and approving the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment. The terms of reference of the remuneration committee are available on the website of the Stock Exchange and the Company to comply with the Code.

The remuneration committee held 2 meetings for the year ended 31 December 2013, at which the remuneration committee reviewed, discussed and determined the remuneration policy and the remuneration of the Directors and the senior management during the year. The attendances of the meetings of the remuneration committee are as follows:

	Attendance rate for remuneration committee meetings		
Name of member	**Attendance/ Number of meetings**	**Percentage (%)**	**Title**
Ms. Hu Xiaolin *(Chairman)*	2/2	100	Independent non-executive Director
Mr. Zhang Zhixiang	2/2	100	Executive Director and chief executive officer
Ms. Wong Wai Ling	2/2	100	Independent non-executive Director
Mr. Qu Weidong	1/2	50	Independent non-executive Director

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Group paid or accrued total Directors' remuneration amounts of approximately RMB1,305,000, RMB1,333,000, RMB300,000, RMB626,000, nil, RMB96,000, RMB81,000 and RMB81,000 to Mr. Li Baosheng, Mr. Zhang Zhixiang, Mr. Xu Xiaoping, Mr. Ning Zhongzhi, Mr. Zhang Yong, Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin respectively, for the year ended 31 December 2013.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. As at 31 December 2013, there was no arrangement in which the Directors waived their remuneration.

Senior management's remuneration payment of the Group in the year ended 31 December 2013 falls within the following bands:

	Number of Individuals
RMB500,000 or below	5
RMB500,001 to RMB1,000,000	2
RMB1,000,001 to RMB1,500,000	1

NOMINATION COMMITTEE

During the year ended 31 December 2013, the nomination committee comprised two executive Directors, namely Mr. Li Baosheng and Mr. Zhang Zhixiang and all the three independent non-executive Directors namely, Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin. Mr. Li Baosheng currently serves as the chairman of the Nomination Committee.

The role and function of the nomination committee include, inter alia, reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board, identifying individuals suitably qualified to become Directors, assessing the independence of the independent non-executive directors, making recommendations to the Board on the appointment or re-appointment of directors and succession planning of directors, determining the policy for nomination of directors and reviewing its own performance, constitution and terms of reference. The terms of reference of the nomination committee are available on the website of the Stock Exchange and the Company.

The nomination committee held 3 meetings in the year ended 31 December 2013. The attendances of the meeting of the nomination committee are as follows:

	Attendance rate for nomination committee meeting		
Name of member	**Attendance/ Number of meeting**	**Percentage (%)**	**Title**
Mr. Li Baosheng *(Chairman)*	3/3	100	Chairman of the Board and executive Director
Mr. Zhang Zhixiang	3/3	100	Executive Director and chief executive officer
Ms. Wong Wai Ling	3/3	100	Independent non-executive Director
Mr. Qu Weidong	2/3	67	Independent non-executive Director
Ms. Hu Xiaolin	2/3	67	Independent non-executive Director

During the year, the nomination committee adopted a diversity policy setting out the approach to diversity of members of the Board. The Company recognizes and embraces the benefits of having a diverse Board. The nomination committee works to ensure a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and objectives. All Board appointments will continue to be made based on meritocracy. Selection of candidates will be based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

CHIEF FINANCIAL OFFICER

The chief financial officer of the Company (the "Chief Financial Officer") is responsible for preparing interim and annual financial statements based on accounting principles generally accepted in Hong Kong and ensures that the financial statements truly reflect the Group's results and financial position as well as in compliance with the Companies Ordinance, the Listing Rules and other relevant laws and regulations. The Chief Financial Officer reports directly to the Chairman of the audit committee and co-ordinates with external auditors on a regular basis. In addition, the Chief Financial Officer will review the control of financial risks of the Group and provide advices thereon to the Board.

COMPANY SECRETARY

Mr. Cheng Koon Kau, Alfred, has been appointed as the company secretary of the Company (the "Company Secretary") with effect from 22 January 2008. The Company Secretary reports directly to the Board. All the Directors have easy access to the Company Secretary and responsibility of the Company Secretary is to ensure the Board meetings are properly held and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for giving advices with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of disclosable transactions, connected transactions and inside information.

The Company Secretary shall provide advices to the Board with respect to strict compliance with the laws, requirements and the Company's articles of association at appropriate times. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance code so as to bring the best long term value to shareholders. In addition, the Company Secretary also provides relevant information updates and continuous professional development to the Directors with respect to legal, supervisory and other continuous obligations for being a director of a listed company at appropriate times. The Company Secretary is also responsible for supervising and managing the Group's investors relationship.

The Company Secretary has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements.

INVESTORS RELATIONSHIP

The Board recognise the importance of maintaining clear, timely and effective communication with Shareholders and investors. The Board also recognise that effective communication with investors is the key to establish investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors and the Shareholders receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate correspondence on the Company's website. The Board continues to maintain regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. The Directors and the members of the Board committees would attend and are available to answer questions at annual general meetings of the Company. Separate resolutions would be proposed at general meetings of the Company on each substantially separate issue.

During the year ended 31 December 2013, the Company did not make any significant changes in its memorandum and articles of association.

COMMUNICATION WITH SHAREHOLDERS

The Board and senior management recognise the responsibility of safeguarding the interest of Shareholders. The Company reports its financial and operating performance to Shareholders through annual reports and interim reports. Shareholders can also obtain information of the Group in time through annual reports, interim reports, announcements, circulars, press releases and the Group's company websites. Shareholders can raise questions directly to the Board in respect of the performance and future development of the Group at annual general meetings.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time put forward their proposals or inquiries to the Board in writing through the Company Secretary whose contact details are as follows:

China Ruifeng Renewable Energy Holdings Limited
Unit 2607, 26th Floor, China Merchants Tower,
Shun Tak Centre, 168-200 Connaught Road Central,
Hong Kong
Email: ir@c-ruifeng.com
Tel No.: +852 2598 5188
Fax No.: +852 2598 5288

Procedures for putting forward proposals at general meetings by Shareholders

Pursuant to Article 64 of the Articles of Association, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transactions of any business specified in such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) may do so in the same manner.

Pursuant to Article 113 of the Articles of Association, no person (other than a retiring Director), shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office. The period for lodgment of the notices required under the Articles of Association will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
CHINA RUIFENG RENEWABLE ENERGY HOLDINGS LIMITED
(FORMERLY KNOWN AS CHINA RUIFENG GALAXY RENEWABLE ENERGY HOLDINGS LIMITED)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Ruifeng Renewable Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 173, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, 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.

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 auditors' 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 auditors consider 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.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 31 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Continuing operations			
Turnover	4	**603,341**	271,267
Cost of sales		**(460,239)**	(227,794)
Gross profit		**143,102**	43,473
Other revenue and net income	5	**113,329**	31,906
Distribution costs		**(4,761)**	(5,202)
Administrative expenses		**(55,431)**	(37,823)
Other operating expenses		**(28,662)**	(78,946)
Profit/(Loss) from operations		**167,577**	(46,592)
Finance costs	6(i)(a)	**(142,601)**	(74,665)
Profit/(Loss) before taxation	6	**24,976**	(121,257)
Income tax	7	**(161)**	(2,001)
Profit/(Loss) for the year from continuing operations		**24,815**	(123,258)
Discontinued operation			
Profit/(Loss) for the year from discontinued operation	13	**12,769**	(43,706)
Profit/(Loss) for the year		**37,584**	(166,964)
Attributable to:			
Equity shareholders of the Company	10	**23,502**	(166,964)
Non-controlling interests		**14,082**	—
Profit/(Loss) for the year		**37,584**	(166,964)
Earnings/(Loss) per share attributable to the owners of the Company during the year			
Basic and diluted			
— Continuing operations (RMB)	11	**0.011**	(0.135)
— Discontinued operation (RMB)	11	**0.013**	(0.048)
		0.024	(0.183)

The notes on pages 71 to 173 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	2013 *RMB'000*	2012 *RMB'000*
Profit/(Loss) for the year	**37,584**	(166,964)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside the PRC	**(426)**	(792)
Other comprehensive income for the year (net of tax)	**(426)**	(792)
Total comprehensive income for the year	**37,158**	(167,756)
Total comprehensive income attributable to:		
Equity shareholders of the Company	**23,076**	(167,756)
Non-controlling interests	**14,082**	—
Profit/(Loss) for the year	**37,158**	(167,756)

Details of the dividends for the year are disclosed in note 12 to the consolidated financial statements.

The notes on pages 71 to 173 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	15	**2,345,202**	182,340
Lease prepayments	17	**14,477**	10,866
Goodwill	16	**—**	4,060
Investment in an associate	19	**11,435**	5,103
Available-for-sale investments	20	**—**	46,184
Deferred tax assets	33(b)	**1,935**	3,379
		2,373,049	251,932
Current assets			
Inventories	21	**1,089**	30,328
Trade and other receivables	22	**614,541**	667,720
Lease prepayments	17	**446**	249
Pledged bank deposits	25	**701**	4,151
Tax recoverable	33(a)	**9,540**	—
Cash and cash equivalents	26	**135,015**	160,380
		761,332	862,828
Current liabilities			
Trade and other payables	28	**456,840**	112,532
Derivative financial instruments	27	**4,948**	1,528
Borrowings	29	**287,695**	614,054
Current taxation	33(a)	**6,096**	8,271
		755,579	736,385
Net current assets		**5,753**	126,443
Total assets less current liabilities		**2,378,802**	378,375
Non-current liabilities			
Other payables	28	**20,552**	—
Borrowings	29	**1,420,497**	23,000
Deferred tax liabilities	33(b)	**49,187**	15,114
		1,490,236	38,114
Net assets		**888,566**	340,261

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Capital and reserves	*34*		
Share capital		**9,476**	9,002
Reserves		**373,574**	331,259
Total equity attributable to equity shareholders of the Company		**383,050**	340,261
Non-controlling interests		**505,516**	—
Total equity		**888,566**	340,261

Approved and authorised for issue by the board of Directors on 31 March 2014.

Li Baosheng
Director

Zhang Zhixiang
Director

The notes on pages 71 to 173 form part of these financial statements.

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Investments in subsidiaries	18	**263,370**	415,289
Current assets			
Other receivables	22	**6**	24,337
Amounts due from subsidiaries	18	**265,353**	251,022
Cash and cash equivalents	26	**5,168**	11,714
		270,527	287,073
Current liabilities			
Other payables	28	**4,296**	1,564
Amount due to a subsidiary	18	**—**	39
Derivative financial instruments	27	**4,948**	1,528
Borrowings	29	**46,195**	378,654
		55,439	381,785
Net current assets/(liabilities)		**215,088**	(94,712)
Total assets less current liabilities		**478,458**	320,577
Non-current liabilities			
Borrowings	29	**144,462**	—
Deferred tax liabilities	33(b)	**—**	932
		144,462	932
Net assets		**333,996**	319,645
Capital and reserves	34		
Share capital		**9,476**	9,002
Reserves		**324,520**	310,643
Total equity		**333,996**	319,645

Approved and authorised for issue by the board of Directors on 31 March 2014.

Li Baosheng
Director

Zhang Zhixiang
Director

The notes on pages 71 to 173 form part of these financial statements.

		Attributable to equity shareholders of the Company											
		Share capital	Share premium	Special reserve	Statutory reserves	Other reserve	Translation reserve	Warrants reserve	Convertible note reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2012		7,740	700,328	(91,284)	13,118	31,477	(771)	3,558	37,683	(352,433)	349,416	–	349,416
Changes in equity for 2012:													
Transfer to statutory reserves		–	–	–	4,142	–	–	–	–	(4,142)	–	–	–
Conversion of the convertible bonds	29	251	27,474	–	–	–	–	–	–	–	27,725	–	27,725
Exercise of warrants		616	99,670	–	–	–	–	(1,800)	–	–	98,486	–	98,486
Conversion of the convertible note	29	395	47,613	–	–	–	–	–	(17,010)	–	30,998	–	30,998
Lapse of warrants		–	–	–	–	–	–	(1,758)	–	1,758	–	–	–
Realisation of deferred tax liabilities in respect of conversion of the convertible note	33	–	–	–	–	–	–	–	1,392	–	1,392	–	1,392
Total comprehensive income for the year		–	–	–	–	–	(792)	–	–	(166,964)	(167,756)	–	(167,756)
Balance at 31 December 2012 and 1 January 2013		9,002	875,085	(91,284)	17,260	31,477	(1,563)	–	22,065	(521,781)	340,261	–	340,261
Changes in equity for 2013:													
Transfer to statutory reserves		–	–	–	4,226	–	–	–	–	(4,226)	–	–	–
Realisation of deferred tax liabilities in respect of conversion of the convertible note	33	–	–	–	–	–	–	–	9	–	9	–	9
Conversion of the convertible note	29	468	68,134	–	–	–	–	–	(22,074)	–	46,528	–	46,528
Disposal of subsidiaries	36	–	–	91,284	(12,062)	(31,477)	(10,515)	–	–	(37,230)	–	–	–
Acquisition of a subsidiary	36	–	–	–	–	–	482	–	–	–	482	559,000	559,482
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	(28,489)	(28,489)	(67,566)	(96,055)
Issue of commission shares	34	6	1,177	–	–	–	–	–	–	–	1,183	–	1,183
Total comprehensive income for the year		–	–	–	–	–	(426)	–	–	23,502	23,076	14,082	37,158
Balance at 31 December 2013		**9,476**	**944,396**	**–**	**9,424**	**–**	**(12,022)**	**–**	**–**	**(568,224)**	**383,050**	**505,516**	**888,566**

The notes on page 71 to 173 form part of these financial statements.

	Note	2013 RMB'000	2012 RMB'000
Operating activities			
Profit/(Loss) before taxation including discontinued operation			
— continuing operations		**24,976**	(121,257)
— discontinued operation		**12,600**	(34,287)
Adjustments for:			
Depreciation		**145,878**	17,860
Loss/(Gain) on disposal of property, plant and equipment		**151**	(127)
Impairment loss on property, plant and equipment		**—**	36,351
Impairment loss on lease prepayments		**—**	6,684
Impairment loss on trade and other receivables		**11,133**	218
Impairment of goodwill		**4,060**	78,946
Amortisation of lease prepayments		**503**	402
Interest income		**(971)**	(539)
Share of profits less losses of associates		**—**	3
Interest expenses		**142,710**	75,014
Fair value loss/(gain) on derivative financial instruments		**827**	(701)
Dividend income received from available-for-sale investments		**(5,916)**	(4,087)
Gain on disposal of subsidiaries		**(9,084)**	—
Loss on deemed disposal of available-for-sale investments		**12,184**	—
Gain on a bargain purchase		**(82,805)**	—
Operating profit before changes in working capital		**256,246**	54,480
Decrease in inventories		**16,964**	17,706
Decrease/(Increase) in trade and other receivables		**188,295**	(31,786)
Decrease/(Increase) in amount due from a Director		**725**	(725)
Increase/(Decrease) in trade and other payables		**19,784**	(52,550)
Increase in amounts due to Directors		**9,409**	2,002
Increase in amount due to an associate		**2,000**	—
Cash generated from/(used in) operations		**493,423**	(10,873)
PRC Enterprise Income Tax paid		**(4,221)**	(10,274)
Interest paid		**(120,692)**	(17,089)
Net cash generated from/(used in) operating activities		**368,510**	(38,236)

	Note	2013 RMB'000	2012 RMB'000
Investing activities			
Payments for the purchase of property, plant and equipment		**(216,803)**	(14,794)
Payments for the purchase of lease prepayments		**—**	(50)
Payments for deposit for acquisition of a subsidiary		**—**	(129,000)
Payments for acquisition of non-controlling interests		**(3,503)**	—
Payments for acquisition of an associate		**(11,435)**	—
Payments for professional fees incurred for disposal of subsidiaries		**(743)**	—
Cash outflows from disposal of subsidiaries		**(61,308)**	—
Cash inflows from acquisition of a subsidiary		**71,184**	—
Dividend received from available-for-sale investments		**5,916**	4,087
Interest received		**971**	539
Proceeds from disposal of property, plant and equipment		**114**	2,251
Net cash used in investing activities		**(215,607)**	(136,967)
Financing activities			
Proceeds from new bank and other loans		**457,747**	294,080
Proceeds from issue of shares upon exercise of warrants		**—**	98,486
Proceeds from issue of convertible bonds		**23,099**	—
Repayment of bank and other loans		**(520,080)**	(115,900)
Repayment of convertible bonds		**(90,049)**	—
Increase in loan receivables		**(47,720)**	—
Interest expense of promissory note		**—**	(16,200)
Interest expense of convertible bonds		**—**	(6,324)
Decrease/(Increase) in pledged bank deposits		**3,450**	(524)
Net cash (used in)/generated from financing activities		**(173,553)**	253,618
Net (decrease)/increase in cash and cash equivalents		**(20,650)**	78,415
Cash and cash equivalents at 1 January		**160,380**	82,656
Effect of foreign exchange rate changes		**(4,715)**	(691)
Cash and cash equivalents at 31 December	*26*	**135,015**	160,380

The notes on page 71 to 173 form part of these financial statements.

1 GENERAL INFORMATION

China Ruifeng Renewable Energy Holdings Limited (the "Company") (formerly known as China Ruifeng Galaxy Renewable Energy Holdings Limited) was incorporated in the Cayman Islands on 23 June 2005 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 June 2006. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Company information" in the annual report.

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in note 18. During the year, the Group discontinued the production of diodes business upon disposal of Sun Light Planet Limited ("Sun Light"), its subsidiaries and its associated company ("Sun Light Group"), which are disclosed in note 13.

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"), the Company's functional currency is Hong Kong dollars ("HKD"). The functional currency of the Group's major subsidiaries is Renminbi ("RMB"). The consolidated financial statements are presented in RMB. All financial information in RMB has been rounded to the nearest thousand.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements

The Company changed its name from China Ruifeng Galaxy Renewable Energy Holdings Limited（中國瑞風銀河新能源控股有限公司）to China Ruifeng Renewable Energy Holdings Limited（中國瑞風新能源控股有限公司）on 8 May 2013. The consolidated financial statements for the year ended 31 December 2013 comprise the Group and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— financial instruments classified as available-for-sale (see note 2(f)); and

— derivative financial instruments (see note 2(g)).

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 41.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Subsidiaries and non-controlling interests *(continued)*

Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(p), (q), or (r) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(e) and (l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 2(l)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(l)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(w)(v) and (iv).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Other investments in equity securities *(continued)*

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 2(l)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted market price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(l)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 2(w)(v) and 2(w)(iv), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 2(l)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised or derecognised on the date the group commits to purchase or sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Property, plant and equipment

The following items of property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(l)(ii)).

— buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 2(k)); and

— other items of plant and equipment.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Property, plant and equipment *(continued)*

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(y)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

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

	Useful lives	Residual value
— Buildings	10-30 years	3% to 10%
— Leasehold improvement	5 years	—
— Plant and machinery	3-10 years	3% to 10%
— Generators and related equipment	5-25 years	5%
— Equipment, furniture and fixtures	3-10 years	0% to 10%
— Motor vehicles	4-8 years	3% to 10%

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

(i) Lease prepayments

Lease prepayments represent cost of land use rights paid to the People's Republic of China (the "PRC") Land Bureau. Land use rights are carried at cost less amortisation and impairment losses (see note 2(l)(ii)). Amortisation is charged to profit or loss on a straight line basis over the term of the respective leases.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Intangible assets (other goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(l)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The software applications with finite useful lives are amortised from the date they are available for use and their estimated useful lives are ten years. Both the period and method of amortisation are reviewed annually.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets

(i) Impairment of investments in equity securities and trade and other receivables

Investments in equity securities and trade and other receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

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

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

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

— For investments in associates accounted for under the equity method in the consolidated financial statements (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade and other receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets *(continued)*

(i) Impairment of investments in equity securities and trade and other receivables (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets *(continued)*

(ii) Impairment of other assets

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

— property, plant and equipment;
— lease prepayments;
— intangible assets;
— investments in subsidiaries in the Company's statement of financial position; and
— goodwill.

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets *(continued)*

(ii) Impairment of other assets *(continued)*

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, "Interim financial reporting", in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories

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

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

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

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

(n) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(w)(ii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. 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 costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade receivables". Amounts received before the related work is performed are presented as "Advance from customers" under "Trade and other payables".

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(l)(i)).

(p) Convertible notes

(i) Convertible notes that contain an equity component

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the convertible note reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible note reserve is released directly to retained profits.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Convertible notes *(continued)*

(ii) Other convertible notes

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments (see note 2(g)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 2(g). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(q) Borrowings

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

(r) Trade and other payables

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Cash and cash equivalents

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

(t) Employee benefits

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

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

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised in profit or loss as incurred. Employees of the subsidiaries established in the PRC participate in defined contribution retirement plans managed by the local government authorities whereby the subsidiaries are required to contribute to the plans at fixed rates of the relevant employees' salary costs.

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

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Income tax

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Income tax *(continued)*

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

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

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

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

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

  — the same taxable entity; or

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

(v) Provisions and contingent liabilities

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Revenue recognition

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

(i) Sale of electricity, goods and processing income

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

(ii) Contract revenue

When the outcome of a construction contract can be estimated reliably:

— revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and

— revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Revenue recognition *(continued)*

(iv) Interest income

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

(v) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(vi) Government grants

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

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

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

— the sales prices have been agreed; and

— relevant electricity has been generated.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Translation of foreign currencies

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

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

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

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

(y) Borrowing costs

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(aa) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Related parties *(continued)*

(b) *(continued)*

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(bb) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12, *Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- HKAS 19 (2011), *Employee benefits*
- HKAS 27 (2011), *Separate financial statements*
- HKAS 28 (2011), *Investments in associates and joint ventures*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7, Financial instruments: *Disclosures — Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Other than as further explained below, the impact of the adoption of new or amended HKFRSs does not have any significant financial effect on the consolidated financial statement.

Amendments to HKAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 18 and 19.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 35. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the group's assets and liabilities.

4 TURNOVER

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

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

	2013	2012
	RMB'000	*RMB'000*
Continuing operations		
Sales of electricity	**272,640**	—
Revenue from construction contracts and consultations	**326,310**	269,352
Processing income	**4,391**	1,915
	603,341	271,267
Discontinued operation		
Sales of goods	**131,904**	311,720
	735,245	582,987

5 OTHER REVENUE AND NET INCOME

	2013	2012
	RMB'000	*RMB'000*
Continuing operations		
Interest income on financial assets not at fair value through profit or loss	**564**	57
Government subsidy income	**1,693**	—
Sales of scrap	**—**	(43)
Dividend income from available-for-sale investments	**5,916**	4,087
Compensation income on prepayment on acquisition of land use rights	**3,799**	4,201
Fair value (loss)/gain on derivative financial instruments	**(827)**	701
Rental income from operating leases related to plant and machinery	**20,314**	22,903
Gain on a bargain purchase *(Note 36)*	**82,805**	—
Others	**(935)**	—
	113,329	31,906
Discontinued operation		
Interest income on financial assets not at fair value through profit or loss	**407**	482
Government subsidy income	**—**	666
Sales of scrap	**978**	2,625
Rental income from operating leases related to plant and machinery	**14**	27
Others	**35**	364
	1,434	4,164
	114,763	36,070

6 PROFIT/(LOSS) BEFORE TAXATION

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

		2013 RMB'000	2012 RMB'000
(a)	**Finance costs:**		
	Interest on bank and other loans wholly repayable within five years	**76,252**	17,028
	Interest on bank loans repayable more than five years	**44,331**	—
	Interest expenses on convertible bonds *(note 29)*	**11,701**	30,611
	Interest expenses on convertible note *(note 29)*	**5,353**	12,914
	Interest expenses on promissory note *(note 29)*	**4,964**	14,112
	Interest expenses on financial liabilities not at fair value through profit or loss	**142,601**	74,665
(b)	**Staff costs (including Directors' remuneration)#:**		
	Contributions to defined contribution retirement plans	**3,228**	1,330
	Salaries, wages and other benefits	**45,749**	34,504
		48,977	35,834
(c)	**Other items:**		
	Amortisation of lease prepayments	**446**	109
	Impairment losses:		
	— trade and other receivables *(note 22)* (included in administrative expenses)	**7,628**	111
	— goodwill *(note 16)*△	**4,060**	78,946
	Loss on redemption of convertible bonds△	**12,418**	—
	Loss on deemed disposal of available-for-sale investment△	**12,184**	—
	Depreciation for property, plant and equipment#	**143,473**	5,958
	Net foreign exchange (gain)/loss	**(9,643)**	1,623
	Auditors' remuneration		
	— audit services	**1,013**	1,014
	Operating lease charges		
	— minimum lease payments in respect of property rentals#	**7,696**	1,305
	Cost of inventories# *(note 21)*	**2,985**	1,862
	Loss on disposal of property, plant and equipment	**157**	274

Cost of inventories includes approximately RMB2,163,000 (2012: approximately RMB1,485,000) relating to staff costs, depreciation and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 6(i)(b) for each of these types of expenses.

△ Included in other operating expenses.

6 PROFIT/(LOSS) BEFORE TAXATION *(continued)*

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

		2013	2012
		RMB'000	*RMB'000*
(a)	**Finance costs:**		
	Interest on bank and other loans wholly repayable within five years	**109**	349
	Interest expenses on financial liabilities not at fair value through profit or loss	**109**	349
(b)	**Staff costs (including Directors' remuneration)#:**		
	Contributions to defined contribution retirement plans	**1,668**	3,680
	Salaries, wages and other benefits	**24,642**	56,957
		26,310	60,637
(c)	**Other items:**		
	Amortisation of lease prepayments	**57**	293
	Impairment losses:		
	— trade and other receivables *(note 22)* (included in administrative expenses)	**3,505**	107
	— property, plant and equipment *(note 15)* (included in cost of sales)	**—**	36,351
	— lease prepayments *(note 17)* (included in other operating expenses)	**—**	6,684
	Depreciation for property, plant and equipment#	**2,405**	11,902
	Net foreign exchange loss	**431**	183
	Auditors' remuneration		
	— audit services	**—**	243
	Operating lease charges		
	— minimum lease payments in respect of property rentals#	**53**	225
	Cost of inventories# *(note 21)*	**111,402**	306,596
	Gain on disposal of property, plant and equipment	**(6)**	(401)

Cost of inventories includes approximately RMB20,339,000 (2012: approximately RMB51,365,000) relating to staff costs, depreciation and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 6(ii)(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2013 RMB'000	2012 RMB'000
Continuing operations		
Current tax — PRC Enterprise Income Tax		
Provision for the year	**6,155**	3,477
Under-provision in respect of prior years	**226**	683
Deferred tax		
Origination and reversal of temporary differences	**(6,220)**	(2,159)
	161	2,001
Discontinued operation		
Current tax — PRC Enterprise Income Tax		
Provision for the year	**243**	4,391
Over-provision in respect of prior years	**(412)**	(1,196)
Deferred tax		
Origination and reversal of temporary differences	**—**	6,224
	(169)	9,419
	(8)	11,420

No provision of Hong Kong Profits Tax had been made as the Group's profit neither arises in, nor is derived from Hong Kong during the year (2012: Nil).

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

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

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(a) Income tax in the consolidated statement of profit or loss represents: *(continued)*

In addition, pursuant to Caishui [2012] No. 10 Notice on the Implementation of Public infrastructure Projects and Projects of Environmental Protection, Energy Saving and Water Conservation Entitled for Preferential Tax Treatment, certain wind power projects of Hongsong, which are approved before 31 December 2007, are also entitled to the 3+3 tax holiday commencing from the year in which the first operating income was derived but could only enjoy those tax benefit subsequent to 1 January 2008. In this connection, Hongsong has obtained the approval from the relevant tax authority to reduce its future income tax liabilities. Accordingly, a tax recoverable was recognised with respect to relevant tax paid during 2008 to 2012 and the unused tax recoverable amounting approximately RMB9,540,000 was recognised in the consolidated statement of financial position as at 31 December 2013.

Except for mentioned as above, the applicable income tax rate to the Group's PRC subsidiaries from continuing operations is 25% in 2013.

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

Galaxy Electrical and Galaxy Semiconductor are recognised as high-technology enterprises. According to the PRC tax regulations, Galaxy Electrical and Galaxy Semiconductor are entitled to a preferential tax rate of 15% in 2012.

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

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

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

	2013	2012
	RMB'000	*RMB'000*
Profit/(Loss) before taxation	**37,576**	(155,544)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in PRC of 25%	**9,394**	(38,886)
Tax effect of non-deductible expenses	**16,534**	31,664
Tax effect of non-taxable income	**(16,969)**	(7,423)
Tax effect of tax loss not recognised	**1,128**	20,395
Tax effect of tax concessions in the PRC	**(3,689)**	(649)
Tax effect on withholding tax of retained earnings in the PRC subsidiaries	**—**	2,767
Over-provision in prior years	**(186)**	(513)
Others	**(6,220)**	4,065
Actual tax (credit)/expense	**(8)**	11,420

8 DIRECTORS' REMUNERATION

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

Year ended 31 December 2013

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	2013 Total *RMB'000*
Executive Directors					
Li Baosheng *(Chairman)*	—	1,197	108	—	1,305
Zhang Zhixiang *(Chief Executive Officer)*	—	1,321	—	12	1,333
Ning Zhongzhi *(appointed on 28 January 2013)*	—	513	—	113	626
Xu Xiaoping *(resigned on 28 May 2013)*	—	280	—	20	300
Non-executive Director					
Zhang Yong *(resigned on 29 January 2013)*	—	—	—	—	—
Independent non-executive Directors					
Wong Wai Ling	95	1	—	—	96
Qu Weidong	80	1	—	—	81
Hu Xiaolin	80	1	—	—	81
	255	3,314	108	145	3,822

8 DIRECTORS' REMUNERATION *(continued)*

Year ended 31 December 2012

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	2012 Total *RMB'000*
Executive Directors					
Li Baosheng *(Chairman)*	—	1,220	108	—	1,328
Zhang Zhixiang *(Chief Executive Officer)*	—	1,347	—	11	1,358
Xu Xiaoping	—	800	—	44	844
Non-executive Director					
Zhang Yong *(resigned on 29 January 2013)*	—	500	—	—	500
Independent non-executive Directors					
Wong Wai Ling	97	1	—	—	98
Qu Weidong	80	—	—	—	80
Hu Xiaolin	80	1	—	—	81
	257	3,869	108	55	4,289

Notes:

(i) The Company did not grant any share options during the current and the previous year. At the end of the reporting period, no share options were held by Directors of the Company. The details of the share option scheme are set out in note 32 to the consolidated financial statements.

(ii) During the year, no emolument or incentive payments were paid to the Directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2012: Nil). There was no arrangement under which a Director waived or agreed to waive any remuneration during the year ended 31 December 2013 (2012: Nil).

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2012: four) were Directors of the Company whose emoluments are disclosed in note 8 above. The aggregate of the emoluments in respect of the remaining two (2012: one) individuals are as follows:

	2013	2012
	RMB'000	*RMB'000*
Salaries and other benefits	**1,537**	740
Retirement scheme contributions	**12**	11
	1,549	751

The emoluments of the two (2012: one) individuals with the highest emoluments are within the following bands:

	2013	2012
	Number of individuals	*Number of individuals*
HKD		
Nil — 1,000,000	**1**	1
1,000,001 — 1,500,000	**1**	—

During the year, no emolument or incentive payments were paid to the Directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2012: Nil).

10 PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit/(loss) attributable to equity shareholders of the Company includes a loss of approximately RMB12,455,000 (2012: approximately RMB37,950,000) which has been dealt with in the financial statements of the Company.

11 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company from continuing operations of approximately RMB10,733,000 (2012: approximately RMB(123,258,000)).

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company from discontinued operation of approximately RMB12,769,000 (2012: approximately RMB(43,706,000)).

The weighted average of approximately 1,003,123,000 ordinary shares (2012: approximately 912,114,000 ordinary shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2013	2012
	'000	*'000*
Issued ordinary shares at 1 January	**974,300**	819,000
Effect of exercise of warrants	**—**	45,044
Effect of conversion of convertible note	**28,804**	22,830
Effect of conversion of convertible bonds	**—**	25,240
Effect of issue of commission shares	**19**	—
Weighted average number of ordinary shares at 31 December	**1,003,123**	912,114

11 EARNINGS/(LOSS) PER SHARE *(continued)*

(b) Diluted earnings/(loss) per share

For the year ended 31 December 2013, the computation of diluted earnings per share does not assume the conversion of the Group's outstanding convertible bonds since their exercise would result an increase in earnings per share.

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

12 DIVIDENDS

No dividend has been declared or paid by the Company for the year ended 31 December 2013 (2012: Nil).

13 DISCONTINUED OPERATION

On 22 May 2013, the Group disposed its entire equity interest in Sun Light. The results of the production of diodes business carried out by the Group up to the date of disposal is presented in the consolidated financial statements of the Group as discontinued operation. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the production of diodes business as a discontinued operation.

	Note	**2013** **RMB'000**	2012 RMB'000
Turnover	*4*	**131,904**	311,720
Cost of sales		**(111,401)**	(306,597)
Gross profit		**20,503**	5,123
Other revenue and net income	*5*	**1,434**	4,164
Distribution costs		**(2,649)**	(7,622)
Administrative expenses		**(15,663)**	(28,916)
Other operating expenses		**—**	(6,684)
Profit/(Loss) from operations		**3,625**	(33,935)
Finance costs	*6(ii)(a)*	**(109)**	(349)
Share of profits less losses of associates		**—**	(3)
Profit/(Loss) before taxation	*6*	**3,516**	(34,287)
Income tax	*7*	**169**	(9,419)
		3,685	(43,706)
Gain on disposal of subsidiaries		**9,084**	—
Profit /(Loss) for the year from discontinued operation		**12,769**	(43,706)
Net cash generated from operating activities		**14,302**	59,085
Net cash used in investing activities		**(330)**	(1,665)
Net cash used in financing activities		**(30,000)**	(7,480)
Net cash (used in)/generated from discontinued operation		**(16,028)**	49,940

14 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's chief executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments that one of the segments was disposed in May 2013. No operating segments have been aggregated to form the following reportable segments.

Continuing operations:

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

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

— Processing of wind turbine blades: this segment primarily derives its revenue from the processing of wind turbine blades in the Group's manufacturing facilities located primarily in the PRC.

Discontinued operation:

— Production of diodes: this segment designs, develops, manufactures and sells diodes and related products in the PRC.

(a) Segment results, assets and liabilities

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

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

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

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

14 SEGMENT REPORTING *(continued)*

(a) Segment results, assets and liabilities *(continued)*

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

Information regarding the Group's reportable segments as provided to the Group's chief executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2013 and 2012 is set out below.

For the year ended 31 December 2013:

	Continuing operations					Discontinued operation	
	Wind farm operations *RMB'000*	Construction contracts *RMB'000*	Processing of wind turbine blades *RMB'000*	Un-allocated *RMB'000*	Sub-total *RMB'000*	Production of diodes *RMB'000*	Total *RMB'000*
Reportable segment revenue	272,640	326,310	4,391	–	603,341	131,904	735,245
Reportable segment profit/ (loss)	89,777	(4,130)	(176)	(13,179)	72,292	12,600	84,892
Impairment loss on goodwill	(4,060)	–	–	–	(4,060)	–	(4,060)
Central administrative costs	–	–	–	(4,651)	(4,651)	–	(4,651)
Finance costs	–	–	–	(38,605)	(38,605)	–	(38,605)
Profit before taxation							37,576
Income tax							8
Profit for the year							37,584

14 SEGMENT REPORTING *(continued)*

(a) Segment results, assets and liabilities *(continued)*

For the year ended 31 December 2012:

	Continuing operations					Discontinued operation	
	Wind farm operations *RMB'000*	Construction contracts *RMB'000*	Processing of wind turbine blades *RMB'000*	Un-allocated *RMB'000*	Sub-total *RMB'000*	Production of diodes *RMB'000*	Total *RMB'000*
Reportable segment revenue	–	269,352	1,915	–	271,267	311,720	582,987
Reportable segment profit/ (loss)	451	32,557	(3,201)	704	30,511	8,750	39,261
Impairment loss on goodwill	–	–	–	(78,946)	(78,946)	–	(78,946)
Impairment loss on property, plant and equipment	–	–	–	–	–	(36,351)	(36,351)
Impairment on lease prepayments	–	–	–	–	–	(6,684)	(6,684)
Central administrative costs	–	–	–	(14,899)	(14,899)	–	(14,899)
Finance costs	–	–	–	(57,925)	(57,925)	–	(57,925)
Loss before taxation							(155,544)
Income tax							(11,420)
Loss for the year							(166,964)

14 SEGMENT REPORTING *(continued)*

(a) Segment results, assets and liabilities *(continued)*

Other segment items included in the consolidated statement of profit or loss are as follows:

For the year ended 31 December 2013:

	Continuing operations					Discontinued operation	
	Wind farm operations *RMB'000*	Construction contracts *RMB'000*	Processing of wind turbine blades *RMB'000*	Un-allocated *RMB'000*	Sub-total *RMB'000*	Production of diodes *RMB'000*	Total *RMB'000*
Depreciation and amortisation for the year	137,596	5,236	885	202	143,919	2,462	146,381
Interest income	491	43	2	28	564	407	971
Assets	2,592,616	500,930	21,356	8,044	3,122,946	—	3,122,946
Associate	11,435	—	—	—	11,435	—	11,435
Reportable segment assets	2,604,051	500,930	21,356	8,044	3,134,381	—	3,134,381
Additions to non-current segment assets during the year	309,946	2,294	—	41	312,281	801	313,082
Reportable segment liabilities	(1,629,347)	(278,769)	(9,561)	(328,138)	(2,245,815)	—	(2,245,815)

14 SEGMENT REPORTING *(continued)*

(a) Segment results, assets and liabilities *(continued)*

For the year ended 31 December 2012:

	Continuing operations					Discontinued operation	
	Wind farm operations *RMB'000*	Construction contracts *RMB'000*	Processing of wind turbine blades *RMB'000*	Un-allocated *RMB'000*	Sub-total *RMB'000*	Production of diodes *RMB'000*	Total *RMB'000*
Depreciation and amortisation for the year	111	4,875	860	221	6,067	12,195	18,262
Interest income	12	38	4	3	57	482	539
Share of profit less losses of associates	—	—	—	—	—	(3)	(3)
Assets	394,609	402,985	20,675	39,816	858,085	251,572	1,109,657
Associate	—	—	—	—	—	5,103	5,103
Reportable segment assets	394,609	402,985	20,675	39,816	858,085	256,675	1,114,760
Additions to non-current segment assets during the year	50	9,626	—	849	10,525	4,319	14,844
Reportable segment liabilities	(102,644)	(185,009)	(9,106)	(382,303)	(679,062)	(95,437)	(774,499)

14 SEGMENT REPORTING *(continued)*

(b) Geographic information

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

(c) Information about major customers

For the year ended 31 December 2013, revenue of approximately RMB103,243,000 (2012: approximately RMB135,691,000) was made to a single customer attributable to the construction contracts segment comprising approximately 14% (2012: approximately 23%) of the total revenue of the Group.

For the year ended 31 December 2013, revenue of approximately RMB272,640,000 (2012: Nil) was made to a single customer attributable to the wind farm operation segment comprising approximately 37% (2012: Nil) of the total revenue of the Group.

15 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Leasehold improvement RMB'000	Generators and related equipment RMB'000	Plant and machinery RMB'000	Equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At 1 January 2012	36,787	381	—	111,082	31,895	13,000	115,426	308,571
Additions	26	42	—	11,938	2,093	695	—	14,794
Exchange adjustments	—	3	—	—	1	—	—	4
Transfer	—	—	—	136	—	—	(136)	—
Disposals	—	(384)	—	(4,367)	(3,444)	(334)	—	(8,529)
At 31 December 2012 and 1 January 2013	36,813	42	—	118,789	30,545	13,361	115,290	314,840
Acquisition of a subsidiary	46,529	—	1,735,892	—	4,609	364	242,372	2,029,766
Additions	—	26	8,202	1,640	1,865	402	300,947	313,082
Exchange adjustments	—	—	—	—	(21)	—	—	(21)
Transfer	—	—	286,036	—	—	—	(286,036)	—
Disposals	—	—	—	(807)	(171)	(663)	—	(1,641)
Disposal of subsidiaries	(34,886)	—	—	(87,866)	(26,839)	(4,505)	(170)	(154,266)
At 31 December 2013	48,456	68	2,030,130	31,756	9,988	8,959	372,403	2,501,760
Accumulated depreciation and impairment:								
At 1 January 2012	8,459	95	—	49,773	20,603	5,763	—	84,693
Impairment loss	10,659	—	—	22,675	3,013	4	—	36,351
Charge for the year	1,619	43	—	10,274	3,826	2,098	—	17,860
Exchange adjustments	—	1	—	—	—	—	—	1
Written back on disposal	—	(134)	—	(3,098)	(2,873)	(300)	—	(6,405)
At 31 December 2012 and 1 January 2013	20,737	5	—	79,624	24,569	7,565	—	132,500
Charge for the year	2,833	8	134,047	5,627	1,750	1,613	—	145,878
Exchange adjustments	—	—	—	—	(11)	—	—	(11)
Written back on disposal	—	—	—	(726)	(162)	(488)	—	(1,376)
Disposal of subsidiaries	(20,887)	—	—	(72,175)	(23,994)	(3,377)	—	(120,433)
At 31 December 2013	2,683	13	134,047	12,350	2,152	5,313	—	156,558
Net book value:								
At 31 December 2013	**45,773**	**55**	**1,896,083**	**19,406**	**7,836**	**3,646**	**372,403**	**2,345,202**
At 31 December 2012	16,076	37	—	39,165	5,976	5,796	115,290	182,340

15 PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 December 2013, the Group has pledged its certain property, plant and equipment with carrying values of approximately RMB966,454,000 (2012: approximately RMB4,345,000) to secure its bank loans (note 30).

The Group's buildings held for own use are located in the PRC and on land with medium term lease.

Impairment loss

During the year ended 31 December 2012, the Group experienced a significant drop in demand for its diodes and related products under the prevailing market environment. The Directors considered that the existence of the above conditions indicated that non-current assets of Galaxy Electrical, Galaxy Semiconductor, Changzhou Galaxy Hi-New Electric Parts Co., Ltd. ("Galaxy Hi-New") and Taizhou Galaxy Huan Yu Semiconductor Co., Ltd. ("Galaxy Huan Yu") may be impaired. In view of this, the Directors prepared a cash flow projection to estimate the recoverable amounts of these assets and recognised an impairment loss of approximately RMB33,420,000 (included in "cost of sales") against the property, plant and equipment for the year ended 31 December 2012.

During the year ended 31 December 2012, a number of items of plant and machinery in the production of diodes segment were determined to be obsoleted. The Group assessed the recoverable amounts of those items of plant and machinery and as a result their carrying amounts were written down by approximately RMB2,931,000 (included in "cost of sales") at 31 December 2012. The estimates of recoverable amounts were based on the assets' fair values less costs to sell, determined by reference to the recent observable market prices for similar assets within the same industry.

16 GOODWILL

	The Group RMB'000
Cost:	
At 1 January 2012, at 31 December 2012 and at 31 December 2013	730,006
Accumulated impairment losses:	
At 1 January 2012	647,000
Impairment loss	78,946
At 31 December 2012 and at 1 January 2013	725,946
Impairment loss	4,060
At 31 December 2013	730,006
Carrying amount:	
At 31 December 2013	—
At 31 December 2012	4,060

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating unit ("CGU") identified according to operating segment as follows:

	2013 ***RMB'000***	2012 *RMB'000*
Wind farm operation in the PRC	—	4,060

Wind farm operation in the PRC

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated zero growth rate (2012: 3%). The growth rate used does not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of approximately 13.46% (2012: approximately 20.72%). The discount rate used is pre-tax and reflect specific risks relating to the industry.

16 GOODWILL *(continued)*

Impairment tests for cash-generating units containing goodwill *(continued)*

Wind farm operation in the PRC *(continued)*

The recoverable amounts of the CGU (including goodwill) based on the estimated value-in-use calculations were lower than their carrying amounts at 30 June 2013. Accordingly, impairment loss of approximately RMB4,060,000 was recognised during the year ended 31 December 2013.

17 LEASE PREPAYMENTS

The Group's lease prepayments comprise:

	2013	2012
	RMB'000	*RMB'000*
Land in PRC:		
Medium term lease	**14,923**	17,799
Less: Impairment loss	**—**	(6,684)
	14,923	11,115
Analysed for reporting purpose as:		
Current assets	**446**	249
Non-current assets	**14,477**	10,866
	14,923	11,115

The amortisation charge for the year is included in administrative expenses in the consolidated statement of profit or loss.

At 31 December 2013, the Group has not pledged any lease prepayments (2012: approximately RMB3,250,000) to secure its bank loans (note 30).

During the year ended 31 December 2012, the Group experienced a significant drop in demand for its diodes and related products under the prevailing market environment. The Directors considered that the existence of the above conditions indicated that non-current assets of Galaxy Electrical, Galaxy Semiconductor, Galaxy Hi-New and Galaxy Huan Yu may be impaired. In view of this, the Directors prepared a cash flow projection to estimate the recoverable amounts of these assets and recognised an impairment loss of approximately RMB6,684,000 (included in "other operating expenses") against the lease prepayments for the year ended 31 December 2012.

18 INTEREST IN SUBSIDIARIES

	2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	**866,370**	1,018,289
Less: Impairment loss	**(603,000)**	(603,000)
	263,370	415,289
Amounts due from subsidiaries	**265,353**	251,022
Amount due to a subsidiary	**—**	(39)
	528,723	666,272

Notes:

(a) The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group under the Group reorganisation in 2006.

(b) Amounts due from/(to) subsidiaries are unsecured, interest free and are repayable on demand.

(c) Details of subsidiaries at 31 December 2013 are as follows. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment	Place of operations	Particulars of issued and fully paid share capital/ registered capital	Proportion of issued/registered capital held by the Company Directly	Indirectly	Principal activities
City Alliance Limited	BVI	HK	Ordinary share USD1	100%	—	Investment holding
Power Full Group Holdings Limited^ 富力集團控股有限公司	BVI	HK	Ordinary shares USD2	100%	—	Investment holding
Ferson Limited 緯建有限公司	HK	HK	Ordinary share HKD1	—	100%	Inactive
Conway Holdings Limited^ 康威集團有限公司	HK	HK	Ordinary share HKD1	—	100%	Investment holding
Beijing Chengrui Xianghai Renewable Energy Technology Co.,Ltd.[1] 北京承瑞翔海新能源科技有限公司	PRC	PRC	Registered capital RMB100,000	—	100%	Investment holding

18 INTEREST IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation/ establishment	Place of operations	Particulars of issued and fully paid share capital/ registered capital	Proportion of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Chengde Ruifeng Renewable Energy Windpower Equipment Co., Ltd.[3^] 承德瑞風新能源風電設備有限公司	PRC	PRC	Registered capital RMB30,000,000	—	100%	Processing of wind turbine blades and components
Hebei Beichen Power Grid Construction Co., Ltd.[2] 河北北辰電網建設股份有限公司	PRC	PRC	Registered capital RMB70,500,000	—	100%	Construction, installation, repairing and testing of power facilities, and consultation
Chengde Beichen High New Technology Co., Ltd. [3^] 承德北辰高新科技有限公司	PRC	PRC	Registered capital RMB46,900,000	—	100%	Investment holding
Hexigten Qi Langcheng Ruifeng Electric Development Co., Ltd.[3] 克什克騰旗朗誠瑞風電力發展有限公司	PRC	PRC	Registered capital RMB39,500,000	—	100%	Wind farm operation (under construction)
Leading Win Resources Limited 領達資源有限公司	BVI	HK	Ordinary share USD1	100%	—	Investment holding
Fortune View Alliance Limited[^]	BVI	HK	Ordinary share USD1	100%	—	Investment holding
Team Mega Limited 集泓有限公司	HK	HK	Ordinary share HKD1	—	100%	Inactive
On Win Corporation Limited[^] 進盈有限公司	HK	HK	Ordinary share HKD1	—	100%	Investment holding
Hebei Hongsong Wind Power Co., Ltd.[4] 河北紅松風力發電股份有限公司	PRC	PRC	Registered capital RMB910,000,000	—	50.30%	Wind farm operation

1 wholly-owned foreign enterprise
2 special purpose entity ("SPE") controlled by SPE agreement
3 private limited liability company
4 sino-foreign equity joint venture company
^ At 31 December 2013, the issued shares/registered capital of these companies were pledged under shares charges to secure certain bank loans of the Group (note 30)

18 INTEREST IN SUBSIDIARIES *(continued)*

The following table lists out the information relating to Hongsong, a subsidiary of the Group which has material non-controlling interests ("NCI"). The Group obtained the control of Hongsong during the year ended 31 December 2013 and the summarised financial information for the year ended 31 December 2013 presented below represents the post-acquisition amounts before any inter-company elimination.

	At 31 December 2013
Proportion of registered capital (or voting right) held by the Group	50.30%
Proportion of ownership interests held by the Group	40.87%
Proportion of registered capital (or voting right) held by NCI	49.70%
Proportion of ownership interests held by NCI	59.13%

	2013 *RMB'000*
Current assets	217,677
Non-current assets	2,208,474
Current liabilities	383,426
Non-current liabilities	1,091,370
Net assets	951,355
Carrying amount of NCI	505,516
Revenue	272,640
Profit for the year	17,631
Total comprehensive income	17,631
Profit allocated to NCI	14,082
Dividend paid to NCI	—
Cash flows generated from operating activities	398,339
Cash flows used in investing activities	(209,860)
Cash flows used in financing activities	(151,731)

19 INTEREST IN AN ASSOCIATE

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Share of net assets	**11,435**	5,103

Details of the associate as at 31 December 2013 are as follow:

Name of associate	Place of establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Hebei Hongsong Renewable Energy Investment Co., Ltd.* 河北紅松新能源投資有限公司 *(note i)*	PRC	Registered capital RMB171,720,000	20.93%	—	20.93%	Investment holding

Details of the associate as at 31 December 2012 are as follow:

Name of associate	Place of establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Dongguan Ginkgo Hardware Electronics Products Co., Ltd.* 東莞市精谷五金電子制品有限公司 *(note ii)*	PRC	Registered capital RMB12,500,000	40%	—	40%	Production of diodes components

* private limited liability company

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Notes:

(i) This associate acquired in December 2013.

(ii) This associate disposed of during the year ended 31 December 2013 (note 36(b)).

19 INTEREST IN AN ASSOCIATE *(continued)*

Summary of financial information on the associate which is not individually material:

	Assets	**Liabilities**	**Equity**	**Revenue**	**Profit**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
2013					
100 per cent	**54,635**	**—**	**54,635**	**—**	**68,184**
The Group's effective interest	**11,435**	**—**	**11,435**	**—**	**—**

	Assets	Liabilities	Equity	Revenue	Loss
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2012					
100 per cent	26,765	14,008	12,757	27,332	(7)
The Group's effective interest	10,706	5,603	5,103	10,933	(3)

20 AVAILABLE-FOR-SALE INVESTMENTS

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Unlisted equity securities, at cost	—	46,184

The unlisted equity securities do not have quoted market price in active market and were stated at cost less impairment and the particulars at 31 December 2012 are as follows:

Name of company	**Place of establishment and operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Principal activity**
Hebei Hongsong Wind Power Co., Ltd. 河北紅松風力發電股份有限公司	PRC	Registered capital RMB480,000,000	5.77%	Wind farm operation in the PRC

During the year ended 31 December 2013, the Group acquired the control in Hongsong. Thereafter, the investment in Hongsong is consolidated into the consolidated financial statements of the Group (see note 36(a)).

21 INVENTORIES

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Raw materials	—	6,661
Work in progress	—	10,347
Finished goods	**1,089**	13,320
	1,089	30,328

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2013	2012
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**114,387**	308,458
	114,387	308,458

22 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**161,635**	216,527	**—**	—
Less: allowance for doubtful debts	**(7,739)**	(19,615)	**—**	—
	153,896	196,912	**—**	—
Other receivables	**74,579**	76,966	**—**	23,529
Loan receivables	**47,720**	—	**—**	—
Note receivables	**14,750**	22,718	**—**	—
Amount due from a Director *(note 23)*	**—**	725	**—**	649
Loans and receivables	**290,945**	297,321	**—**	24,178
Prepayments and deposits	**208,667**	163,936	**6**	159
Deposit for acquisition of a subsidiary	**—**	129,000	**—**	—
Gross amount due from customers for contract work *(note 24)*	**114,929**	77,463	**—**	—
	614,541	667,720	**6**	24,337

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

As at 31 December 2013, the loan receivables from independent third parties of approximately RMB47,720,000 were unsecured, interest free and fully settled in March 2014.

As at 31 December 2013, the Group has pledged its certain trade receivables with carrying values of approximately RMB9,359,000 (2012: Nil) to secure its bank loan (note 30).

22 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Ageing analysis

Trade receivables are net of allowance for doubtful debts of approximately RMB7,739,000 (2012: approximately RMB19,615,000) with the following ageing analysis as of the end of the reporting period:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Within three months	**34,813**	130,077
More than three months but within one year	**57,986**	41,718
More than one year	**61,097**	25,117
At 31 December	**153,896**	196,912

Trade receivables are due within 5-90 days from the date of billing.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(l)(i)).

The movement in the allowance for doubtful debts during the year is as follow:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
At 1 January	**19,615**	19,397
Impairment loss recognised	**11,133**	218
Disposal of subsidiaries	**(23,009)**	—
At 31 December	**7,739**	19,615

At 31 December 2013, trade receivables of the Group amounting to approximately RMB7,739,000 (2012: approximately RMB19,615,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables were outstanding for over 90 days as at the end of the reporting period or related to customers that were in financial difficulties. The Group does not hold any collateral over these balances.

22 TRADE AND OTHER RECEIVABLES *(continued)*

(c) Trade receivables that are not impaired

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

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired	**34,847**	120,944
Past due but not impaired		
— Less than three months past due	**31,475**	34,292
— More than three months but within one year past due	**51,111**	32,297
— More than one year past due	**36,463**	9,379
	153,896	196,912

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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

23 AMOUNT DUE FROM A DIRECTOR

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mr. Zhang Zhixiang *(note i)*	**—**	725	**—**	649

The maximum amount outstanding during the year was as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mr. Zhang Zhixiang	**725**	725	**649**	649

Note:

(i) The amount was unsecured, bore interest at 5% per annum and fully settled during the year ended 31 December 2013.

24 CONSTRUCTION CONTRACTS

The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from/to customers for contract work at 31 December 2013 is approximately RMB721,333,000 (2012: approximately RMB553,291,000).

In respect of construction contracts in progress at the end of the reporting period, the amount of retentions receivable from customers, recorded within "Trade receivables" at 31 December 2013 is approximately RMB13,104,000 (2012: approximately RMB5,783,000).

25 PLEDGED BANK DEPOSITS

The amounts are pledged to banks as securities for certain bank guarantees issued to independent third parties.

26 CASH AND CASH EQUIVALENTS

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

	The Group		**The Company**	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and in hand	**135,015**	129,380	**5,168**	11,714
Time deposits	**—**	31,000	**—**	—
Cash and cash equivalents in the statements of financial position and the consolidated statement of cash flows	**135,015**	160,380	**5,168**	11,714

27 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group and the Company	
	2013	2012
	RMB'000	*RMB'000*
Derivative financial liabilities:		
Derivative component of convertible bonds *(note 29(b)(ii) & (iii))*	**4,948**	1,528

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

The fair value of derivative component of convertible bonds is determined by an independent valuer, RHL Appraisal Limited ("RHL"), using the binomial option pricing model.

28 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**268,945**	76,297	**—**	—
Other payables *(note i)*	**112,273**	20,080	**3,785**	1,564
Amounts due to Directors *(note ii)*	**12,231**	2,722	**511**	—
Amounts due to non-controlling interests *(note ii)*	**13,570**	—	**—**	—
Amount due to an associate *(note ii)*	**34,921**	—	**—**	—
Financial liabilities measured at amortised cost	**441,940**	99,099	**4,296**	1,564
Gross amount due to customers for contract work *(note 24)*	**20,440**	2,993	**—**	—
Advance from customers	**15,012**	10,440	**—**	—
	477,392	112,532	**4,296**	1,564
Less: non-current portion of other payables *(note i)*	**(20,552)**	—	**—**	—
	456,840	112,532	**4,296**	1,564

Notes:

(i) As at 31 December 2013, the balance included in the other payables amounting of approximately RMB92,533,000 represented the outstanding payable to the vendors for the acquisition of approximately 20.93% equity interest in Hebei Hongsong Renewable Energy Investment Co., Ltd. ("Hongsong Renewable Energy") by the Group during the year.

(ii) The amounts were unsecured, interest free and repayable on demand.

28 TRADE AND OTHER PAYABLES *(continued)*

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

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Within three months	**175,880**	51,408
More than three months but within one year	**72,189**	17,799
More than one year	**20,876**	7,090
	268,945	76,297

All of the trade and other payables (including amounts due to Directors, non-controlling interests and an associate) are expected to be settled or recognised as income within one year, except for the non-current portion of other payables.

29 BORROWINGS

(a) The analysis of the carrying amount of borrowings is as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans *(note 30)*	**1,653,102**	185,000	**169,567**	—
Convertible bonds *(note 29(b)(ii) & (iii))*	**17,945**	78,125	**17,945**	78,125
Convertible note *(note 29(b)(i))*	**—**	41,954	**—**	41,954
Promissory note *(note 29(b)(iv))*	**—**	171,395	**—**	171,395
Other loans *(note 29(b)(v))*	**37,145**	160,580	**3,145**	87,180
	1,708,192	637,054	**190,657**	378,654
Analysis as:				
Current	**287,695**	614,054	**46,195**	378,654
Non-current	**1,420,497**	23,000	**144,462**	—
	1,708,192	637,054	**190,657**	378,654

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

29 BORROWINGS *(continued)*

(b) Significant terms and repayment schedule of non-bank borrowings:

(i) Convertible note issued in July 2010 in respect of acquisition of equity interest in Power Full Group Holdings Limited ("Power Full") and its subsidiaries (the "Acquisition")

On 7 July 2010, the Company issued a zero coupon convertible note with a principal amount of HKD155,000,000 to Diamond Era Holdings Limited ("Diamond Era") as part of the consideration for the Acquisition of the entire equity interest in Power Full. The note is convertible at the option of the note holder into ordinary shares of the Company on or before 6 July 2013 at a price of HKD1.00 per share. If the conversion right is not exercised by the note holder, the note not converted will be redeemed on 6 July 2013 at 100% of the principal amount of the note. The note is unsecured.

The fair value of the liability portion of the convertible note was estimated at the issuance date using the Group's prevailing borrowing rate and an equivalent market interest rate for a similar note without a conversion option, and has been ascertained by RHL. The residual amount was assigned as the equity component and included in shareholders' equity.

In September 2010, convertible note in aggregate amounts of HKD48,000,000 was converted into ordinary shares, creating a total of 48,000,000 new ordinary shares of the Company at a conversion price of HKD1.00 per share.

In July 2012, convertible note in aggregate amounts of HKD48,300,000 was converted into ordinary shares, creating a total of 48,300,000 new ordinary shares of the Company at a conversion price of HKD1.00 per share.

In July 2013, convertible note in aggregate amounts of HKD58,700,000 was converted into ordinary shares, creating a total of 58,700,000 new ordinary shares of the Company at a conversion price of HKD1.00 per share.

Interest expense on the convertible note is calculated using the effective interest method by applying the effective interest rate of approximately 9.49% to the liability component.

The net proceeds received from the issuance of the convertible note have been split between the liability and equity components, as follows:

29 BORROWINGS *(continued)*

(b) Significant terms and repayment schedule of non-bank borrowings: *(continued)*

(i) Convertible note issued in July 2010 in respect of acquisition of equity interest in Power Full Group Holdings Limited ("Power Full") and its subsidiaries (the "Acquisition") (continued)

	The Group and the Company		
	Liability component	**Equity component**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012	59,845	37,683	97,528
Interest expenses *(note 6(i)(a))*	12,914	—	12,914
Conversion of convertible note	(30,998)	(17,010)	(48,008)
Realisation of deferred tax liabilities in respect of conversion of convertible note	—	1,392	1,392
Exchange adjustment	193	—	193
At 31 December 2012	41,954	22,065	64,019
Interest expenses *(note 6(i)(a))*	5,353	—	5,353
Conversion of convertible note	(46,528)	(22,074)	(68,602)
Realisation of deferred tax liabilities in respect of conversion of convertible note	—	9	9
Exchange adjustment	(779)	—	(779)
At 31 December 2013	**—**	**—**	**—**

	2013	2012
	RMB'000	*RMB'000*
Liabilities component analysed for reporting purposes:		
Convertible note		
— non-current liabilities	**—**	—
— current liabilities	**—**	41,954
	—	41,954

29 BORROWINGS *(continued)*

(b) Significant terms and repayment schedule of non-bank borrowings: *(continued)*

(ii) Convertible bonds issued in December 2010

On 31 December 2010, the Company issued convertible bonds with principal amount of USD18,580,000 and a maturity date of 30 June 2013.

The convertible bonds bear interest at a rate of 8% per annum, payable annually commencing from the issue date. The convertible bonds are secured by a share charge (the "Share Charge") dated 21 December 2010 and executed by Diamond Era Holdings Limited ("Diamond Era") over certain number of shares of the Company, a share charge (the "Power Full Share Charge") dated 21 December 2010 and executed by the Company over the entire issued shares of Power Full Group Holdings Limited, a deed of charge dated 21 December 2010 and executed by Diamond Era in respect of charge of the convertible bonds due 6 July 2013 in the principal amount of HKD40,000,000 issued by the Company and a deed of guarantee (the "Deed of Guarantee") dated 21 December 2010 and executed by Mr. Zhang Zhixiang and Mr. Li Baosheng and constitute direct, unsubordinated, unconditional and secured obligations of the Company and shall at times rank pari passu and without any preference or priority among themselves.

The convertible bonds can be redeemed when the following situations are met:

— At anytime after the 12 months of the issue date but before anytime after one month of the date of release of audited consolidated financial statements of the Group for the year ending 31 December 2011 and having given not less than seven days' notice to the bondholders. Redeem an amount equivalent to 50% of the subscription amount together with a premium interest of 3% per annum calculated and based on the redemption amount of the bonds from the issue date up to the date fixed for redemption, a gross yield to maturity of 18% per annum, all interest paid thereon on or prior to such date of determination, services fees and all prepaid interest payment made by the Company.

— At anytime after one month of the date of release of audited consolidated financial statements of the Group for the year ending 31 December 2011, having given not less than seven days' notice to the bondholders. Redeem an amount equivalent to 50% of the subscription amount together with a premium interest of 2% per annum calculated and based on the redemption amount of the bonds from the issue date up to the date fixed for redemption, a gross yield to maturity of 18% per annum, all interest paid thereon on or prior to such date of determination, services fees and all prepaid interest payment made by the Company.

29 BORROWINGS *(continued)*

(b) Significant terms and repayment schedule of non-bank borrowings: *(continued)*

(ii) Convertible bonds issued in December 2010 (continued)

— Following the occurrence of a change of control or senior management, each bondholder will have the right to require the Company to redeem all or some only of the bond held by it plus any accrued but unpaid interest thereon.

The convertible bonds are convertible into the Company's ordinary shares, in an integral multiple of USD1,000,000, at any time after the issue date up to the ten business days prior to the maturity date at a conversion price of HKD1.50 per share (subject to reset, adjustment and a maximum cap of 96,000,000 ordinary shares). The convertible bonds contain liability component stated at amortised cost and conversion option, and holders' redemption option and issuer's redemption option (collectively the "derivative component") stated at fair value. The derivative component is presented on a net basis as the terms and conditions of options under the derivative component are inter-related. Issue costs of approximately HKD11,049,000 are apportioned between the liability component and derivative component based on their relative fair values at the date of issue. An issue cost of approximately HKD7,562,000 relating to liability component is included into the fair value of liability component at the date of issue. The effective interest rate of the liability component is approximately 50.53%.

In March 2012, convertible bonds in aggregate amounts of USD6,000,000 was converted into ordinary shares, creating a total of 31,000,000 new ordinary shares of the Company at a conversion price of HKD1.50 per share.

29 BORROWINGS *(continued)*

(b) Significant terms and repayment schedule of non-bank borrowings: *(continued)*

(ii) Convertible bonds issued in December 2010 (continued)

The net proceeds received from the issuance of the convertible bonds have been split between the liability and derivative components, as follows:

	The Group and the Company		
	Liability component *RMB'000*	**Derivative component** *RMB'000*	**Total** *RMB'000*
At 1 January 2012	82,843	1,027	83,870
Change in fair value	—	(701)	(701)
Conversion of convertible bonds	(28,930)	1,205	(27,725)
Cash settled	(6,324)	—	(6,324)
Interest expenses *(note 6(i)(a))*	30,611	—	30,611
Exchange adjustment	(75)	(3)	(78)
At 31 December 2012	78,125	1,528	79,653
Cash settled	(88,541)	(1,508)	(90,049)
Interest expenses *(note 6(i)(a))*	11,551	—	11,551
Exchange adjustment	(1,135)	(20)	(1,155)
At 31 December 2013	**—**	**—**	**—**

	2013 *RMB'000*	2012 *RMB'000*
Liabilities component analysed for reporting purposes:		
Convertible bonds		
— non-current liabilities	**—**	—
— current liabilities	**—**	78,125
	—	78,125

29 BORROWINGS *(continued)*

(b) Significant terms and repayment schedule of non-bank borrowings: *(continued)*

(iii) Convertible bonds issued in December 2013

On 19 December 2013, the Company issued the zero coupon unsecured convertible bonds with principal amount of HKD30,000,000 and a maturity date of 19 December 2014 to Investec Bank Limited.

The convertible bonds can be redeemed by the bondholders at 102% of their principal amount when the following events have occured:

— the share issuance cap being exceeded upon the exercise of a conversion right;

— the Company conducts any debt or convertible bonds issuance where the maturity date for such debt or convertible bonds is less than one month after the maturity date, or issues or repurchases any debt without the consent of the majority bondholder;

— a change of control of the Company or an acquisition of all or substantially all of the assets or property of the Group;

— suspension of trading of the shares for more than five trading days in any 30 calendar day period or revocation or withdrawal of listing of the shares on the Stock Exchange; and

— the conversion price falling below the minimum conversion price (subject to the right of the Company to issue replacement bonds)

In addition, the Company may (on giving not less than 10 business days' notice to the bondholders, the "Optional Redemption Notice") redeem all (but not some only) of the convertible bonds then outstanding at 102% of their principal amount on the date specified in the Optional Redemption Notice.

The convertible bonds are convertible into the Company's ordinary shares at any time during the period commencing from the date of issue up to the close of business on the second business day prior to the maturity date, both dates inclusive. The conversion price (subject to adjustment) will be reset each day and, in respect of each day, is an amount equal to the higher of (a) 95% of the closing price of the shares, as quoted on the Stock Exchange, on the immediately preceding trading day; and (b) the minimum conversion price of HKD1.59.

29 BORROWINGS *(continued)*

(b) Significant terms and repayment schedule of non-bank borrowings: *(continued)*

(iii) Convertible bonds issued in December 2013 *(continued)*

The convertible bonds contain liability component stated at amortised cost and conversion option, and holders' redemption option and issuer's redemption option (collectively the "derivative component") stated at fair value. The derivative component is presented on a net basis as the terms and conditions of options under the derivative component are inter-related. Issue costs of approximately HKD2,570,000 are apportioned between the liability component and derivative component based on their relative fair values at the date of issue. An issue cost of approximately HKD2,121,000 relating to liability component is included into the fair value of liability component at the date of issue. The effective interest rate of the liability component is approximately 32.52%.

During the year ended 31 December 2013, there was no conversion of convertible bonds.

	The Group and the Company		
	Liability component	**Derivative component**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2013	—	—	—
Issued during the year	17,795	4,121	21,916
Change in fair value	—	827	827
Interest expenses *(note 6(i)(a))*	150	—	150
At 31 December 2013	**17,945**	**4,948**	**22,893**

	2013	2012
	RMB'000	*RMB'000*
Liabilities component analysed for reporting purposes:		
Convertible bonds		
— non-current liabilities	**—**	—
— current liabilities	**17,945**	—
	17,945	—

29 BORROWINGS *(continued)*

(b) Significant terms and repayment schedule of non-bank borrowings: *(continued)*

(iv) Promissory note issued in July 2010 in respect of the Acquisition

On 7 July 2010, the Company issued promissory note with a principal amount of HKD330,000,000 to Cheerful Heart Holdings Limited as part of the consideration for the Acquisition of the entire equity interests in Power Full.

Under the terms of the promissory note, the promissory note with principal amount of HKD330,000,000 is secured by a charge on all the issued shares of Sun Light dated 7 July 2010, interest bearing at 10% per annum and have a maturity period of 3 years from the date of issue. For the six-month period after the date of issue, no interest is chargeable on the outstanding amount under the terms of the promissory note. The promissory note was issued as part of the consideration in connection with the acquisition and was fair valued at initial recognition with an effective interest rate of approximately 8.49% per annum.

During the year ended 31 December 2010, the Company early redeemed part of the promissory note with a principal amount of HKD130,000,000 (equivalent to approximately RMB111,774,000) and incurred an early redemption gains of approximately HKD2,618,000 (equivalent to approximately RMB2,251,000).

Interest expense on the promissory note is calculated using the effective interest method by applying the effective interest rate of 8.49% to the liability component.

	The Group and the Company	
	2013	2012
	RMB'000	*RMB'000*
At 1 January	**171,395**	173,510
Interest expenses *(note 6(i)(a))*	**4,964**	14,112
Settlement during the year	**(173,512)**	(16,200)
Exchange adjustment	**(2,847)**	(27)
At 31 December	**—**	171,395

29 BORROWINGS *(continued)*

(b) Significant terms and repayment schedule of non-bank borrowings: *(continued)*

(v) Other loans

As 31 December 2013, the other loans were guaranteed as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Secured *(note a)*	**—**	62,855	**—**	62,855
Guaranteed *(note b)*	**10,000**	26,725	**—**	24,325
Unsecured				
— Interest-bearing loan *(note c)*	**3,145**	1,000	**3,145**	—
— Interest-free loans *(note d)*	**24,000**	70,000	**—**	—
	37,145	160,580	**3,145**	87,180

Notes:

(a) At 31 December 2012, the Group and the Company had the other loan of USD10 million (equivalent to approximately RMB62,855,000) was guaranteed by Mr. Li Baosheng ("Mr. Li"), an executive Director of the Company and key management of the Group, and secured by 153,300,000 issued ordinary shares of the Company held by Diamond Era Holdings Limited ("Diamond Era"); and the zero coupon convertible note due 6 July 2013 issued by the Company to Diamond Era on 7 July 2010 with the outstanding principal amount of HKD18.7 million. The loan bore interest at 18% per annum and was fully settled during the year ended 31 December 2013.

(b) At 31 December 2013, the Group had the other loan of RMB10 million was guaranteed by Mr. Li, bore interest at 10% per annum and was repayable on 19 February 2015.

At 31 December 2012, the Group and the Company had the other loan of HKD30 million (equivalent to approximately RMB24,325,000) was guaranteed by Mr. Zhang Zhixiang ("Mr. Zhang"), an executive Director of the Company and key management of the Group, bore interest at 6% per annum and was fully settled during the year ended 31 December 2013.

At 31 December 2012, the Group had the other loan of RMB2,400,000 was guaranteed by Mr. Zhang Yong, a non-executive Director of the Company, bore interest at 14.4% per annum and was fully settled during the year ended 31 December 2013.

(c) At 31 December 2013, the unsecured other loan of HKD4 million (equivalent to approximately RMB3,145,000) was borrowed from Mr. Cheng Koon Kau Alfred, the senior management of the Company, bore interest at 12% per annum and was repayable on 31 October 2015.

At 31 December 2012, the unsecured other loan of RMB1,000,000 bore interest at 24% per annum and was fully settled during the year ended 31 December 2013.

(d) At 31 December 2013, the unsecured other loans of RMB20,000,000 and RMB4,000,000 were interest free and repayable on 30 April 2014 and 31 December 2014 respectively.

At 31 December 2012, the unsecured other loans of RMB70,000,000 were interest free and repayable on demand.

30 BANK LOANS

At 31 December 2013, the bank loans were repayable as follows:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Within 1 year or on demand	**245,750**	162,000
After 1 year but within 2 years	**321,161**	—
After 2 years but within 5 years	**823,691**	23,000
More than 5 years	**262,500**	—
	1,653,102	185,000

At 31 December 2013, the bank loans were secured and guaranteed as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans				
— secured *(note a)*	**1,571,102**	160,000	**169,567**	—
— guaranteed *(note b)*	**82,000**	25,000	**—**	—
	1,653,102	185,000	**169,567**	—

Notes:

(a) At 31 December 2013, the Group's secured bank loans were secured by the following:

- the Group's certain property, plant and equipment with carrying values of approximately RMB966,454,000 (2012: approximately RMB4,345,000);
- the Group's certain trade receivables with carrying values of approximately RMB9,359,000 (2012: Nil);
- certain properties owned by Mr. Li;
- 308,867,000 ordinary shares and 41,133,000 ordinary shares of the Company owned by Diamond Era and an independent third party respectively;
- the shares charges over the issued shares/registered capital of certain subsidiaries of the Company, and 7 ordinary shares and 2 ordinary shares of Diamond Era owned by Mr. Li and Mr. Zhang respectively; and
- personal guarantee provided by Mr. Li and his spouse, Mr. Zhang and his spouse to the extent of the indebtedness of certain bank loans.

At 31 December 2012, the Group had pledged certain lease prepayments with carrying values of approximately RMB3,250,000 to secure the Group's bank loans.

30 BANK LOANS *(continued)*

Notes: (continued)

At 31 December 2013, the Company's secured bank loans secured by the following:

— 308,867,000 ordinary shares and 41,133,000 ordinary shares of the Company owned by Diamond Era and an independent third party respectively;

— the shares charges over the issued shares/registered capital of certain subsidiaries of the Company, and 7 ordinary shares and 2 ordinary shares of Diamond Era owned by Mr. Li and Mr. Zhang respectively; and

— personal guarantee provided by Mr. Li and his spouse, Mr. Zhang and his spouse to the extent of the indebtedness of certain bank loans.

The average effective interest rate on secured bank loans approximated 6.41% (2012: approximated 8.47%) per annum.

(b) At 31 December 2013, the unsecured bank loan of RMB30,000,000 (2012: RMB25,000,000) was guaranteed by a wholly-owned subsidiary, namely Chengde Beichen High New Technology Co., Ltd. ("Beichen Hightech") (承德北辰高新科技有限公司).

At 31 December 2013, the unsecured bank loan of RMB52,000,000 was guaranteed by former shareholders of a subsidiary of the Group.

The average effective interest rate on unsecured, guaranteed bank loans approximated 7.82% (2012: approximated 11.48%) per annum.

(c) At 31 December 2013, except for the secured bank loan of approximately RMB297,602,000 which is denominated in United States dollars ("USD"), all bank loans are denominated in RMB.

31 EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD25,000 (HKD20,000 prior to June 2012). Contributions to the plan vest immediately.

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 charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

The total expenses recognised in the consolidated statement of profit or loss for the year of approximately RMB4,896,000 (2012: approximately RMB5,010,000) represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

32 SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted pursuant to a written resolution of all the shareholders of the Company passed on 17 May 2006.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participant as incentives or rewards for their contributions to the Group. All full time or part time employees, directors, consultants, advisers, substantial shareholders, distributors, contractors, suppliers, agents, customers, business partners or service providers of any member of the Group, to be determined absolutely by the Board are eligible to participate in the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years after the date on which Share Option Scheme is adopted.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the shares of the Company in issue at the date of approval of the Share Option Scheme ("General Scheme Limit"). The Company may renew the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholders' approval.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

An option may be accepted by a participant within 7 days inclusive of the day on which such offer was made. A nominal consideration of HKD1 is payable on acceptance of the grant of an option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant subject to the provision of early termination thereof.

The subscription price of a Share under the Share Option Scheme will be a price solely determined by the Board and shall be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

No option has been granted under the Share Option Scheme from the date of adoption of the scheme up to 31 December 2013.

33 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

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

	The Group	
	2013	2012
	RMB'000	*RMB'000*
At 1 January	**8,271**	11,190
Acquisition of a subsidiary	**(13,795)**	—
Disposal of subsidiaries	**89**	—
Provision for PRC Enterprise Income Tax for the year	**6,398**	7,868
Over provision in respect of prior years	**(186)**	(513)
PRC Enterprise Income Tax paid	**(4,221)**	(10,274)
At 31 December	**(3,444)**	8,271

(b) Deferred tax assets and liabilities recognised:

(i) The Group

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Allowable for doubtful debts	Revaluation of property	Provision for unrealised profits	Convertible note	Withholding tax on future dividend income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:						
At 1 January 2012	3,030	(7,808)	171	(4,439)	—	(9,046)
Credited/(Charged) to						
— income statement	64	—	114	2,131	(6,374)	(4,065)
— reserve	—	—	—	1,392	—	1,392
Exchange adjustment	—	—	—	(16)	—	(16)
At 31 December 2012	3,094	(7,808)	285	(932)	(6,374)	(11,735)
Credited to						
— income statement	1,907	3,390	—	923	—	6,220
— reserve	—	—	—	9	—	9
Acquisition of a subsidiary	—	(44,769)	—	—	—	(44,769)
Disposal of subsidiaries	(3,066)	—	(285)	—	6,374	3,023
At 31 December 2013	**1,935**	**(49,187)**	**—**	**—**	**—**	**(47,252)**

33 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION *(continued)*

(b) Deferred tax assets and liabilities recognised: *(continued)*

(ii) The Company

The deferred tax liabilities recognised in the Company's statement of financial position and the movements during the year are as follows:

	Convertible note
	RMB'000
Deferred tax arising from:	
At 1 January 2012	4,439
Credited to income statement	(2,131)
Credited to reserve	(1,392)
Exchange adjustment	16
At 31 December 2012 and at 1 January 2013	932
Credited to income statement	**(923)**
Credited to reserve	**(9)**
At 31 December 2013	**—**

(iii) Reconciliation to the consolidated statement of financial position

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**1,935**	3,379
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(49,187)**	(15,114)
	(47,252)	(11,735)

33 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION *(continued)*

(c) Deferred tax assets not recognised

At the end of the reporting period, the Group has unused tax losses of approximately RMB12,150,000 (2012: approximately RMB9,435,000) available for offset against future profits that may be carried forward five years after they are incurred. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profits streams.

(d) Deferred tax liabilities not recognised

Under the New Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards.

At 31 December 2013, deferred tax liabilities of approximately RMB6,106,000 (2012: approximately RMB4,362,000) has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed profits of other PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 December 2013, no deferred tax liabilities (2012: approximately RMB6,374,000) has been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed profits of certain PRC subsidiaries.

34 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital	Share premium	Translation reserve	Convertible note reserve	Warrants reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	7,740	700,328	(15,115)	37,683	3,558	(535,355)	198,839
Conversion of the convertible bonds *(note 34(b))*	251	27,474	—	—	—	—	27,725
Exercise of warrants *(note 34(b))*	616	99,670	—	—	(1,800)	—	98,486
Conversion of the convertible note *(note 34(b))*	395	47,613	—	(17,010)	—	—	30,998
Lapse of warrants	—	—	—	—	(1,758)	1,758	—
Realisation of deferred tax liabilities in respect of conversion of the convertible note *(note 33(b)(i))*	—	—	—	1,392	—	—	1,392
Total comprehensive income for the year	—	—	155	—	—	(37,950)	(37,795)
At 31 December 2012 and 1 January 2013	9,002	875,085	(14,960)	22,065	—	(571,547)	319,645
Issue of commission shares *(note 34(b))*	6	1,177	—	—	—	—	1,183
Conversion of the convertible note *(note 29(b))*	468	68,134	—	(22,074)	—	—	46,528
Realisation of deferred tax liabilities in respect of conversion of the convertible note *(note 29(b))*	—	—	—	9	—	—	9
Total comprehensive income for the year	—	—	(20,914)	—	—	(12,455)	(33,369)
At 31 December 2013	**9,476**	**944,396**	**(35,874)**	**—**	**—**	**(584,002)**	**333,996**

34 CAPITAL AND RESERVES *(continued)*

(b) Share capital

	2013		2012	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***RMB'000***	*'000*	*RMB'000*
Authorised:				
Ordinary shares of HKD0.01 each	**2,000,000**	**20,400**	2,000,000	20,400
Ordinary shares, issued and fully paid:				
At 1 January	**974,300**	**9,002**	819,000	7,740
Conversion of the convertible bonds in March 2012 *(note i)*	—	—	31,000	251
Exercise of warrants during the year *(note ii)*	—	—	76,000	616
Conversion of the convertible note				
— in July 2012 *(note iii)*	—	—	48,300	395
— in July 2013 *(note iv)*	**58,700**	**468**	—	—
Commission shares issued *(note v)*	**772**	**6**	—	—
At 31 December	**1,033,772**	**9,476**	974,300	9,002

Notes:

(i) In March 2012, convertible bonds with aggregate principal amount of USD6,000,000 were converted at the conversion price of HKD1.50 per share, resulting in the issue of 31,000,000 ordinary shares of HKD0.01 each.

(ii) During the year ended 31 December 2012, 76,000,000 warrants were exercised at the subscription price of HKD1.60 per share, resulting in the issue of 76,000,000 ordinary shares of HKD0.01 each.

(iii) In July 2012, convertible note with aggregate principal amount of HKD48,300,000 was converted at the conversion price of HKD1.00 per share, resulting in the issue of 48,300,000 ordinary shares of HKD0.01 each.

(iv) In July 2013, convertible note with aggregate principal amount of HKD58,700,000 were converted at the conversion price of HKD1.00 per share, resulting in the issue of 58,700,000 ordinary shares of HKD0.01 each.

(v) In December 2013, 772,000 ordinary shares of the Company were issued to a subscriber as commission shares in relation to the issue of and subscription for convertible bonds during the year ended 31 December 2013.

(vi) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

34 CAPITAL AND RESERVES *(continued)*

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. The Companies Law of the Cayman Islands, permits, subject to a solvency test and the provision, if any, of the Company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account.

(ii) Special reserve

The special reserve represented:

— The differences between the aggregate nominal value of the registered capital of Galaxy Electrical and Galaxy Semiconductor, other than those contributed by minority shareholders prior to the Group reorganisation, and the aggregate nominal value of the shares of the three existing immediate holding companies of Galaxy Electrical and Galaxy Semiconductor issued in 2005.

— The difference between the net assets value of the acquired subsidiaries and the nominal value of the shares issued by the Company at the time of Group reorganisation.

(iii) Statutory reserves

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

(iv) Other reserve

Other reserve represents the net assets contributed by the then shareholders upon the acquisition of the entire interest in two subsidiaries of the Company on 19 April 2003.

34 CAPITAL AND RESERVES *(continued)*

(c) Nature and purpose of reserves *(continued)*

(v) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC. The reserve is dealt with in accordance with the accounting policy set out in note 2(x).

(vi) Convertible note reserve

The convertible note reserve comprises the amount allocated to the unexercised equity component of convertible note issued by the Company recognised in accordance with the accounting policy adopted for convertible note in note 2(p).

(vii) Warrants reserve

The Company subscribed 150,000,000 warrants at an issue price of HKD0.03 per warrant with subscription price of HKD1.60 per share on 20 May 2011. The total consideration of approximately RMB3,558,000 received are recognised directly to the warrants reserve in equity. During the year ended 31 December 2012, 76,000,000 warrants were exercised at the subscription price of HKD1.60 per share, resulting in the issue of 76,000,000 ordinary shares of HKD0.01 each. In addition, 74,000,000 warrants were lapsed during the year ended 31 December 2012 and the relevant warrants reserve was transferred to accumulated losses.

(d) Distributability of reserves

As at 31 December 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately RMB360,394,000 (2012: approximately RMB325,603,000).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate. During the year ended 31 December 2013, the Group's strategy remained unchanged from 2012.

34 CAPITAL AND RESERVES *(continued)*

(e) Capital management *(continued)*

The Group monitors its capital structure by reviewing its net debt-to-equity ratio and cash flow requirements, taking into account its future financial obligations and commitments. The gearing ratios at 31 December 2013 and 2012 were as follows:

	2013	2012
	RMB'000	*RMB'000*
Borrowings:		
Current portion	**287,695**	614,054
Non-current portion	**1,420,497**	23,000
Total borrowings *(note 29)*	**1,708,192**	637,054
Less: Cash and cash equivalents *(note 26)*	**(135,015)**	(160,380)
Net debt	**1,573,177**	476,674
Total equity	**888,566**	340,261
Gearing ratio	**177%**	140%

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

(i) The Group's credit risk is primarily attributable to trade and other receivables.

(ii) The receivables from sales of electricity mainly represent receivables from the provincial power grid companies. The Group have no significant credit risk with any of these power grid companies as the Group and its subsidiaries maintain long-term and stable business relationships with these companies. The receivables from the provincial power grid companies accounted for approximately 6% of the Group's total trade debtors as at 31 December 2013.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

(iii) In respect of other trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within 5 to 90 days from the date of billing.

(iv) In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group had a certain concentration of credit risk as 15% (2012: 12%) and 51% (2012: 28%) of the total trade receivables were due from the Group's largest debtor and the five largest debtors as at 31 December 2013 respectively. The Group does not hold any collateral over these balances.

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

(vi) Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

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

The Group

2013

	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
Convertible bonds	24,059	—	—	—	24,059	17,945
Bank loans	348,799	405,880	947,377	286,444	1,988,500	1,653,102
Other loans	25,000	14,900	—	—	39,900	37,145
Trade and other payables (excluding advance from customers)	441,828	20,552	—	—	462,380	462,380
	839,686	441,332	947,377	286,444	2,514,839	2,170,572

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

The Group *(continued)*

2012

	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
Convertible bonds	95,808	—	—	95,808	78,125
Convertible note	47,597	—	—	47,597	41,954
Promissory note	178,387	—	—	178,387	171,395
Bank loans	173,530	2,263	24,201	199,994	185,000
Other loans	163,463	—	—	163,463	160,580
Trade and other payables (excluding advance from customers)	102,092	—	—	102,092	102,092
	760,877	2,263	24,201	787,341	739,146

The Company

2013

	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
Convertible bonds	**24,059**	**—**	**—**	**24,059**	**17,945**
Bank loan	**41,270**	**67,058**	**92,934**	**201,262**	**169,567**
Other payables	**4,296**	**—**	**—**	**4,296**	**4,296**
Other loan	**—**	**3,900**	**—**	**3,900**	**3,145**
	69,625	**70,958**	**92,934**	**233,517**	**194,953**

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

The Company *(continued)*

2012

	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
Convertible bonds	95,808	—	—	95,808	78,125
Convertible note	47,597	—	—	47,597	41,954
Promissory note	178,387	—	—	178,387	171,395
Other payables	1,564	—	—	1,564	1,564
Amount due to subsidiary	39	—	—	39	39
Other loans	89,814	—	—	89,814	87,180
	413,209	—	—	413,209	380,257

(c) Interest rate risk

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

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk *(continued)*

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings at the end of the reporting period:

	The Group				The Company			
	2013		2012		**2013**		2012	
	Effective interest rates		Effective interest rates		**Effective interest rates**		Effective interest rates	
	%	***RMB'000***	%	*RMB'000*	**%**	***RMB'000***	%	*RMB'000*
Fixed rate borrowings:								
Convertible bonds	**32.52**	**17,945**	50.53	78,125	**32.52**	**17,945**	50.53	78,125
Convertible note	**—**	**—**	9.49	41,954	**—**	**—**	9.49	41,954
Promissory note	**—**	**—**	8.49	171,395	**—**	**—**	8.49	171,395
Other loans	**3.71**	**37,145**	8.32	160,580	**12.00**	**3,145**	14.65	87,180
Bank loans								
Short term loans	**9.50**	**18,000**	5.04	30,000	**—**	**—**	—	—
		73,090		482,054		**21,090**		378,654
Variable rate borrowings:								
Bank loans								
Long term loans	**6.37**	**1,565,102**	9.84	23,000	**7.00**	**169,567**	—	—
Short term loans	**8.14**	**70,000**	9.58	132,000	**—**	**—**	—	—
		1,635,102		155,000		**169,567**		—
Total net borrowings		**1,708,192**		637,054		**190,657**		378,654
Net fixed rate borrowings as a percentage of total net borrowings		**4%**		76%		**11%**		100%

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk *(continued)*

(ii) Sensitivity analysis

At 31 December 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and increased/decreased accumulated losses by approximately RMB12,263,000 (2012: increased/decreased the Group's loss after taxation and accumulated losses by approximately RMB1,163,000).

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

(d) Currency risk

Presently, there is no hedging policy with respect to the foreign exchange exposure. The Group's transactional currency is RMB as substantially all the turnover are in RMB. The Group's transactional foreign exchange exposure was insignificant.

(i) Exposure to currency risk

The Group is exposed to currency risk primarily through sales which give rise to receivables and bank balances that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk is primarily USD and HKD.

The Group ensures that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Management does not enter into currency hedging transactions since it considers that the cost of such instruments outweighs the potential risk of exchange rate fluctuations.

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(i) ***Exposure to currency risk*** *(continued)*

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with governmental approval.

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2013	2012	**2013**	2012
	USD'000	*USD'000*	***HKD'000***	*HKD'000*
The Group				
Trade and other receivables	**—**	1,971	**564**	908
Amounts due from Directors	**—**	—	**—**	1,500
Cash and cash equivalents	**8,612**	773	**8,679**	17,454
Trade and other payables	**—**	(111)	**(5,330)**	(1,886)
Convertible bonds	**—**	(12,672)	**(22,828)**	—
Convertible note	**—**	—	**—**	(51,740)
Promissory note	**—**	—	**—**	(211,377)
Bank loans	**(49,988)**	—	**—**	—
Other loans	**—**	(10,000)	**(4,000)**	(30,000)
Overall exposure arising from recognised assets and liabilities	**(41,376)**	(20,039)	**(22,915)**	(275,141)
The Company				
Amounts due from Directors	**—**	—	**—**	1,500
Amounts due from subsidiaries	**—**	—	**196,217**	184,680
Cash and cash equivalents	**2**	—	**6,555**	14,444
Other payables	**—**	(39)	**(4,814)**	(1,411)
Convertible bonds	**—**	(12,672)	**(22,828)**	—
Convertible note	**—**	—	**—**	(51,740)
Promissory note	**—**	—	**—**	(211,377)
Bank loan	**(28,988)**	—	**—**	—
Other loans	**—**	(10,000)	**(4,000)**	(30,000)
Overall exposure arising from recognised assets and liabilities	**(28,986)**	(22,711)	**171,130**	(93,904)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit/(loss) after taxation (and accumulated losses) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

The Group

	2013			2012		
	Increase/ (Decrease) in foreign exchange rates	Effect on profit after taxation *RMB'000*	Effect on accumulated losses *RMB'000*	Increase/ (Decrease) in foreign exchange rates	Effect on loss after taxation *RMB'000*	Effect on accumulated losses *RMB'000*
UNITED STATES DOLLARS	5%/(5%)	(12,613)/12,613	12,613/(12,613)	5%/(5%)	6,298/(6,298)	6,298/(6,298)
HONG KONG DOLLARS	5%/(5%)	(901)/901	901/(901)	5%/(5%)	11,155/(11,155)	11,155/(11,155)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting period. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities profit after taxation and equity measured in the respective functional currencies translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2012.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

Fair value measurement has been categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair values measurement *(continued)*

(i) ***Financial assets and liabilities measured at fair value*** *(continued)*

Recurring fair value measurements

2013

	The Group and the Company			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Liabilities				
— Derivative option embedded in convertible bonds	**—**	**4,948**	**—**	**4,948**

2012

	The Group and the Company			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
— Derivative option embedded in convertible bonds	—	1,528	—	1,528

During the year there were no significant transfer between instruments in Level 1 and Level 2 and no transfer into or out of Level 3 (2012: Nil).

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values because of their immediate or short term maturity as at 31 December 2013 and 2012.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair values measurement *(continued)*

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 2012 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amounts	Fair value	Fair value measurements as at 31 December 2013 categorised into			
			Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group						
— Non-current borrowings	**1,420,497**	**1,017,958**	**—**	**1,017,958**	**—**	**1,017,958**

	Carrying amounts	Fair value	Fair value measurements as at 31 December 2013 categorised into			
			Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Company						
— Non-current borrowings	**144,462**	**139,282**	**—**	**139,282**	**—**	**139,282**

Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of the non-current borrowings are estimated as being the present values of future cash flows, discounted at interest rates based on observable yield curves as at 31 December 2013 taking into account the credit spread of the Group as appropriate.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

(i) Derivative financial instruments

The estimate of the fair value of the conversion option and redemption option embedded in the convertible bonds are measured using a binomial option pricing model.

	At date of issue on 19 December 2013	**At 31 December 2013**
Fair value of conversion options and assumptions		
Share price	**HKD1.94**	**HKD2.06**
Conversion price	**HKD1.85**	**HKD1.84**
Expected volatility	**32.570%**	**32.064%**
Option life	**1 year**	**0.97 year**
Risk-free interest rate	**0.200%**	**0.186%**

	At date of issue on 19 December 2013	At 31 December 2013
Fair value of redemption options and assumptions		
	Early redemption price	Early redemption price
Exercise price	**HKD1.85**	**HKD1.84**
Option life	**1 year**	**0.97 year**
Risk-free interest rate	**0.200%**	**0.186%**

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(f) Estimation of fair values *(continued)*

(i) ***Derivative financial instruments*** *(continued)*

	At 31 December 2011	At date of conversion on 9 March 2012	At 31 December 2012
Fair value of conversion options and assumptions			
Share price	**HKD1.58**	**HKD1.90**	**HKD1.60**
Initial conversion price	**HKD1.50**	**HKD1.50**	**HKD1.50**
Expected volatility	**44.075%**	**44.327%**	**33.190%**
Option life	**1.5 years**	**1.31 years**	**0.5 year**
Risk-free interest rate	**0.20%**	**0.26%**	**0.14%**

	At 31 December 2011	At date of conversion on 9 March 2012	At 31 December 2012
Fair value of redemption options and assumptions			
	Early redemption price	Early redemption price	Early redemption price
Exercise price	**HKD1.50**	**HKD1.50**	**HKD1.50**
Option life	**1.5 years**	**1.31 years**	**0.5 year**
Risk-free interest rate	**0.20%**	**0.26%**	**0.14%**

36 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Pre-acquisition carrying amounts were determined based on applicable HKFRS immediately before the acquisition. The value of assets and liabilities recognised on acquisition are their fair values measured as follows: for the identifiable assets with an active market, the fair value was measured according to its market price; for the identifiable assets without an active market, the fair value was measured based on the market price of the same or similar kind of assets; if no active market exists for the same or similar assets, the fair value was measured by appraisal technique.

Goodwill is generated as a result of difference between the fair value of the net assets acquired and consideration.

(a) Acquisition of Hongsong

On 24 October 2012, On Win, a wholly-owned subsidiary of the Company, entered into a capital increment agreement with Hongsong to subscribe 430,000,000 shares in the registered capital of Hongsong (the "Subscription Shares"), which representing approximately 47.3% of the enlarged registered capital of Hongsong, for a total consideration of RMB645,000,000 in cash.

Pursuant to the capital increment agreement, On Win paid 20% of the consideration to Hongsong, and Hongsong allotted and issued 430,000,000 new shares in the registered capital of Hongsong to On Win.

Upon the approval of the capital increment of Hongsong was obtained and filed on record from all relevant governmental departments (including approvals for Hongsong to become a sino-foreign equity joint venture company) in January 2013, together with 27,727,754 shares of Hongsong owned by Beichen Hightech, the Company through its wholly own subsidiaries, hold 457,727,754 shares in the enlarged registered capital of Hongsong, which represents the voting right of approximately 50.3%.

The fair value was determined by the Directors with reference to professional valuations performed by RHL Appraisal Limited ("RHL") and BMI Appraisals Limited ("BMI"), both of them are independent professional qualified valuers.

36 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(continued)*

(a) Acquisition of Hongsong *(continued)*

Identifiable assets acquired and liabilities assumed:

	Recognised values on acquisition ***RMB'000***
Property, plant and equipment	2,029,766
Lease prepayments	10,088
Trade and other receivables	245,372
Tax recoverable	13,795
Cash and cash equivalents	71,184
Trade and other payables	(113,631)
Borrowings	(1,407,000)
Deferred tax liabilities	(44,769)
Total identifiable net assets	804,805
Cash consideration	129,000
Add: Fair value of previously held equity interest in Hongsong	34,000
Add: Non-controlling interests	559,000
Less: Net identifiable assets acquired and liabilities assumed	(804,805)
Gain on a bargain purchase	(82,805)
Cash consideration	129,000
Deposit paid	(129,000)
Cash and cash equivalents acquired	71,184
Net cash inflow for the year	71,184

As a result of remeasuring fair value of the equity interest in Hongsong held by the Group before the acquisition, a loss of approximately RMB12,184,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2013.

36 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(continued)*

(b) Disposal of subsidiaries

Details of the subsidiaries disposed of during the year ended 31 December 2013 are set out below:

	The Group
	RMB'000
Property, plant and equipment	33,833
Lease prepayments	5,777
Investment in an associate	5,103
Deferred tax assets	3,351
Inventories	12,275
Trade and other receivables	102,229
Tax recoverable	89
Cash and cash equivalents	63,275
Trade and other payables	(53,906)
Deferred tax liabilities	(6,374)
Gain on disposal of subsidiaries	9,827
Less: Professional fees incurred for disposal of subsidiaries	(743)
Net gain on disposal of subsidiaries	9,084
Total consideration received	175,479
Net cash outflow arising on disposal:	
Cash consideration	1,967
Cash and cash equivalents disposed of	(63,275)
	(61,308)

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

37 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2013 not provided for in the financial statements were as follows:

The Group

	2013	2012
	RMB'000	*RMB'000*
Capital injection		
— Contracted for	**387,562**	—
Acquisition of a subsidiary		
— Contracted for	**154,254**	516,000
Acquisition of property, plant and equipment and land use rights		
— Contracted for	**163,309**	453,678
	705,125	969,678

(b) At 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

The Group

	2013	2012
	RMB'000	*RMB'000*
Within 1 year	**684**	1,631
After 1 year but within 5 years	**196**	1,085
More than 5 years	**—**	828
	880	3,544

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

38 SIGNIFICANT NON-CASH TRANSACTIONS

Other than the consideration was satisfied by the Company's outstanding promissory note for the disposal of subsidiaries, the Group issued 772,000 ordinary shares of the Company to a subscriber as commission shares in relation to the issue of and subscription for convertible bonds during the year ended 31 December 2013.

39 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group did not enter into any other material related party transaction.

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's Directors as disclosed in note 8 and certain of the highest paid to employees as disclosed in note 9, is as follows:

	2013	2012
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**5,214**	4,974
Post-employment benefits	**157**	66
Salaries and other emoluments	**5,371**	5,040

Total remuneration is included in "staff costs" (see note 6(b)).

40 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Conversion of convertible bonds

In February and March 2014, after the communication with the Group, the holder of the convertible bonds elected to exercise its conversion rights, by converting a principal of HKD12,500,000 to the ordinary share at the averaged conversion price of approximately HKD1.84 per share. Consequently, the number of ordinary share of the Company increased by 6,780,000. The remaining outstanding principal of convertible bonds was HKD17,500,000.

(b) Proposed acquisition of further approximately 26% equity interest in Hongsong Renewable Energy

In March 2014, Beichen Hightech, a wholly-owned subsidiary of the Group, entered into an acquisition agreement, pursuant to which Beichen Hightech has conditionally agreed to further acquire approximately 26% equity interest in Hongsong Renewable Energy at an aggregate cash consideration of RMB147,298,000.

Together with the two acquisition agreements signed in December 2013, pursuant to which Beichen Hightech has conditionally agreed to further acquire approximately 30.05% equity interest in Hongsong Renewable Energy at an aggregate cash consideration of RMB154,254,100, the Group's equity interest in Hongsong Renewable Energy will increase from approximately 20.93% to approximately 76.98% after the proposed acquisitions. These acquisitions have not been completed as of the date of approval of these financial statements.

41 ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

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

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

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

(ii) Impairment of receivables

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

(iii) Depreciation

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

41 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(a) Key sources of estimation uncertainty *(continued)*

(iv) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. These could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market condition. Management reassesses the estimations at the end of each reporting period.

(v) Construction contracts

As explained in policy notes 2(n) and (w)(ii) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 24 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(vi) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in notes 2(e) and 2(l)(ii). The recoverable amounts of the CGU have been determined based on value-in-use calculations. These calculations require the use of estimates.

(vii) Fair value of derivative financial instruments

The fair value of derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

41 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(a) Key sources of estimation uncertainty *(continued)*

(viii) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the Directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(ix) Recognition of deferred tax liabilities

As at 31 December 2013, deferred tax liabilities of approximately RMB6,106,000 (2012: approximately RMB4,362,000) have not been recognised on the distributable profits of certain group companies in the PRC as the Group plans to retain those profits in the respective entities for their daily operations and future developments. In case there is distribution of profits, additional tax liabilities will arise, which will be recognised in the profit or loss for the period in which such profits are declared or the future development plan of the Group amends, whichever is earlier.

(b) Critical accounting judgements in applying the Group's accounting policies

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

(i) Going concern basis of preparation

The consolidated financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into consideration all relevant available information about the future of the Group, including business forecasts and cash flow projections for the year ending 31 December 2014. Such forecasts and projections about the future inherently involve uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis not appropriate.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10, HKFRS 12 and HKAS27 (2011), Investment Entities	1 January 2014
Amendments to HKAS 32, Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets	1 January 2014
Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting	1 January 2014
HK(IFRIC) — Int 21, Levies	1 January 2014
Amendments to HKAS 19 (2011), Defined benefit plans: employee contributions	1 July 2014
Annual Improvements Project, Annual improvement 2010-2012 Cycle	1 July 2014
Annual Improvements Project, Annual improvement 2011-2013 Cycle	1 July 2014
HKFRS 14, Regulatory deferral accounts	1 January 2016
HKFRS 9, Financial instruments	To be determined
Amendments to HKFRS 9 and HKFRS 7, Mandatory effective date of HKFRS 9 and transition disclosures	To be determined

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

	Year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Turnover	**735,245**	582,987	750,328	804,183	425,742
Profit/(Loss) from operations	**180,286**	(80,527)	182,875	(532,765)	16,527
Profit/(Loss) before taxation	**37,576**	(155,544)	100,088	(558,124)	11,314
Profit/(Loss) for the year	**37,584**	(166,694)	91,518	(573,750)	12,577
Attributable to:					
Equity holders of the Company	**23,502**	(166,694)	91,518	(573,750)	12,577
Non-controlling interests	**14,082**	—	—	—	—
	37,584	(166,694)	91,518	(573,750)	12,577
Assets and liabilities					
Total assets	**3,134,381**	1,114,760	1,020,270	973,433	550,592
Total liabilities	**(2,245,815)**	(774,499)	(670,854)	(717,700)	(238,441)
Net assets	**888,566**	340,261	349,416	255,733	312,151
Equity					
Share capital	**9,476**	9,002	7,740	7,740	4,785
Reserves	**373,574**	331,259	341,676	247,993	307,366
Total equity attributable to equity shareholders of the Company	**383,050**	340,261	349,416	255,733	312,151
Non-controlling interests	**505,516**	—	—	—	—
Total equity	**888,566**	340,261	349,416	255,733	312,151

Note:

1 The results for the year ended 31 December 2013, and the assets and liabilities as at 31 December 2013 have been extracted from the consolidated statement of profit or loss and consolidated statement of financial position as set out on pages 63 to 66 respectively, of the consolidated financial statements.