格菱控股有限公司*

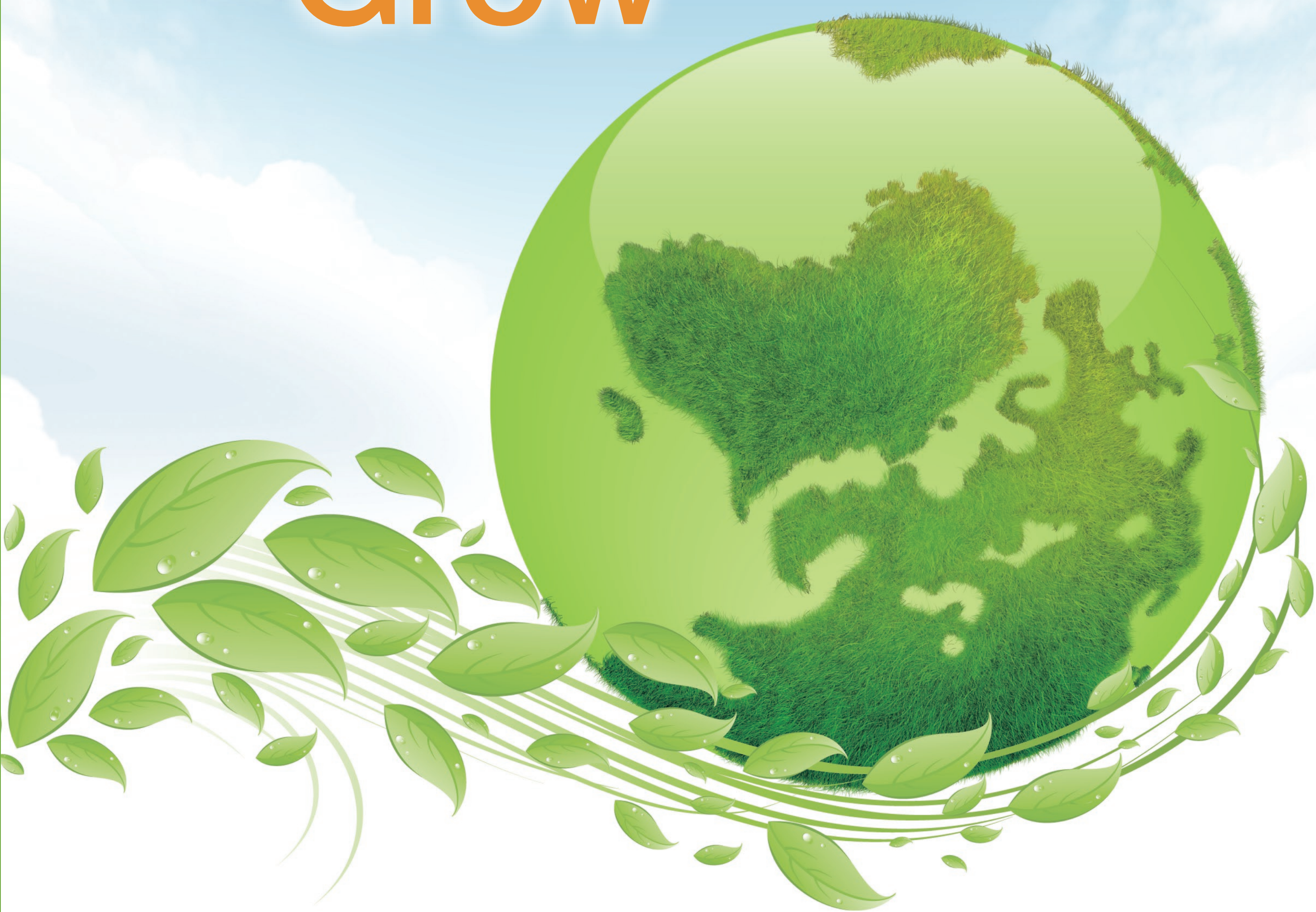
GREENS HOLDINGS LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1318

Annual Report 2013

Together We Grow



*For identification purposes only

BOARD

Executive directors:
Mr. Frank Ellis *(Chairman and Chief Executive Officer)*
Mr. Xie Zhiqing
Ms. Chen Tianyi

Non-executive director:
Mr. Zhu Keming

Independent non-executive Directors:
Mr. Jack Michael Biddison
Mr. Yim Kai Pung
Mr. Ling Xiang

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit P, 14/F., International Industrial Centre,
2-8 Kwei Tei Street, Fotan, New Territories, Hong Kong

COMPANY SECRETARY

Mr. Ho Kin Cheong Kelvin

AUTHORIZED REPRESENTATIVES

Mr. Frank Ellis
Ms. Chen Tianyi

AUDIT COMMITTEE

Mr. Yim Kai Pung *(Chairman)*
Mr. Jack Michael Biddison
Mr. Ling Xiang

REMUNERATION COMMITTEE

Mr. Jack Michael Biddison *(Chairman)*
Mr. Yim Kai Pung
Mr. Frank Ellis

NOMINATION COMMITTEE

Mr. Ling Xiang *(Chairman)*
Ms. Chen Tianyi
Mr. Yim Kai Pung

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
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AUDITORS

Ernst & Young
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

PRINCIPAL BANKER

Bank of China Limited, Jingjiang Branch
Bank of Communications, Hong Kong Branch
Bank of JiangSu Co. Ltd., Shanghai Branch

WEBSITE

www.greensholdings.com

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
(Stock Code: 1318)

PERFORMANCE HIGHLIGHTS

Revenue for 2013 was approximately RMB374.6 million, representing a decrease of 1.3% as compared with last year due to challenging trading conditions during the year 2013.

Loss attributable to owners of the Company for 2013 was approximately RMB203.1 million, representing a significant decrease as compared with last year.

Basic loss per share for 2013 amounted to RMB0.16, representing a decrease of approximately 59.0% as compared with last year.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013.

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**"), I hereby present the consolidated annual results of GREENS HOLDINGS LTD ("**GREENS**" or the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31 December 2013.

In recent years most of Industrial output has moved to Asia and mid-Asia and with ever increasing growth in population. Countries in these regions, including China and India, are suffering from severe air pollution, "Smog", that has now reached levels where pressures are placed on the respective governments to take action to protect public at large. Pressures have intensified during year 2013.

The latest development in China includes the State Council's view on "Accelerating the development of energy-saving environmental protection industry" Guo [2013] No.30《國務院關於加快發展節能環保產業的意見(國發[2013]30)號》issued on 11 August 2013 (the "**View**"). In an attempt to tackle its worsening pollution problems, the State Council of China announced plans to make the energy saving sector a "pillar" of the Chinese economy by 2015 and projected the environmental protection sector in the country will grow by 15% on average annually, reaching an output of RMB4.5 trillion. Subsequent to the issue of the View, the State Council has issued the "Action Plan on Prevention and Control of Air Pollution"《大氣污染防治行動計畫》in September 2013 (the "**Action Plan**") and introduced ten measures to achieve such objectives. Most recently, in March 2014 during the annual session of China's National People's Congress, the prime minister, Li Keqiang, in his maiden speech, said that the country must "declare war" on pollution.

For some time major economies like China and USA have invested in markets requiring support to increase power capacity and cleaner forms of energy whilst their domestic markets became lesser priority. Companies who have the track records, reputation and capability to trade in overseas markets therefore have an advantage and more Chinese companies exporting overseas are seeking an international brandname and references to allow them to offer their products and services at competitive rates.

Globally, there is increasing intensity to improve thermal efficiency and reduce emissions in order to meet promised targets of various governments. Severe penalties are already in place for counties that are of non-compliant. In most of the Group's established markets, there is an acceleration of commitment to reduce dependency on fossil fuels with clean energy projects being installed. Some of these projects involve modification to existing power plant and others being larger scale waste to energy and biomass plants that have been planned for some time. Nuclear power generation, wind power and solar power projects that rely on much stronger commitments from governments still take much longer time to materialize because of the subsidies required to encourage investment.

So new opportunities are being created where skills and track record are required and GREENS already have a strong reputation developed over many years. The Group maintains its focus on projects that have approval to proceed requiring skills and technology that are proven where their competitive edge in design and manufacturing can be applied.

Advancements in technology and economical pressures have now resulted in significant progress in the extraction of fuels from difficult locations and also make the burning of domestic waste and lower calorific value fuels with less sulphur content commercially viable. The exploration of shale gas in particular is expected to reduce the cost of energy changing the face of industry with much less dependence on the Middle East. This is already presenting opportunities for the supply of conventional power generating equipment around which the Group has built its reputation in recent years. The ever increasing volumes of domestic refuse and the restrictions on land fill sites has required many local authorities in developed countries to invest in waste to energy projects. Coal plants are being converted to biomass and this requires skills and experience that GREENS provides. Likewise continents where deeper offshore exploration has been successful present other opportunities for equipment and services that the Group supplies. All this policy change is requiring urgent investment and this is creating opportunities for companies in the power generation, energy efficiency and environmental protection segments.

Shorter term solutions such as diesel engine power projects are being installed in more remote areas where access to prime fuels is restricted and particularly in developing countries such as Bangladesh and also in parts of the Middle East. Typically such projects involve a number of the Group's exhaust gas economisers and boilers and the Group supplied several projects these last few years around which the Group's track record has been developed. The project value is often five to ten times that of some of the Group's standard economizer contracts and need to be delivered in less than 12 months. When the competition is less intense that means margins can be better.

CHINA AND MID ASIA

Basic national targets for China and mid Asia, including India, are still unchanged. According to the View, environmental protection industries will receive funding from the Chinese government in an effort to stimulate technological innovation. The funding will cover a wide range of technologies that address air, water and soil pollution including energy saving products, waste disposal, electric vehicles and pollution monitoring. The Group's competitive advantage consists of its international reputation and its well-established exposure to the market in China where success has already been attained through efficiency improvements by addition of its low temperature economizers on several coal fired power stations. There is much more potential for the Group to join the "Coming In" target plans as stipulated in the View including to take an active role with state owned corporations, utilities and petro chemical companies in the development of and upgrading of existing steam generating and process plant as well as supplying waste heat boilers and supplying waste to energy plants all of which are related to energy efficiency solutions, high efficiency combustion, optimization of heat transfer performance, reduction in emissions and disposal of wastes.

During early 2014, major cities in China such as Beijing and Shanghai have announced their respective plans to pursue the Action Plan. The ten measures of the Action Plan has already been made public including the rectification of small coal-fired boilers and upgrade of facilities of coal-fired steel mills, cement plants and power plants.

Meanwhile, markets like India, Bangladesh and Pakistan and some African countries are very active because of their targets to respond to power demands and development of the infrastructure. It is the parliament election year in India, the possible change in government in India is expected to enable many suspended projects to be sanctioned to proceed and investment funds allocated made available. Whilst prospects in India have started to build up again, Bangladesh and parts of the Middle East are already showing great potential and the Group has already supplied equipment and developed relationships with customers who are very active main contractors in these markets. Whilst most boiler companies have suffered delays to projects in India the twelfth five years plan of India has set a target of constructing approximately 100GW of thermal power capacity from 2012 to 2017 as reported by the local media. The preferred solutions, that are also beneficial to the environment, are gas fired co-generation projects and India already invested in a national grid pipeline and several LNG terminals that were part of the long term plan to reduce dependence on coal. However, the final delivered price of gas and electricity price are key factors that encourage or discourage independent power developers that has affected the rate of progress and at the moment such investment is stalled until such time as government takes action through incentives or subsidies. A number of private developers placed their plans on hold suspending construction and these projects can be fast tracked for completion if a new government in India addresses the problem as part of the solution to improve the environment. In the meantime the country continues to try to meet demand by operating its coal fired power stations that are a major contributor to the environmental problems of India and many need upgrading and conversion to meet legislation. New projects in developing markets like India and Bangladesh are higher risk because of such indecision and rely on funding or overseas investment and based on the experience of the last few years suppliers are more careful requiring secure terms and guaranteed letters of credits that will dictate which projects are targeted and most likely to proceed.

Given the above, the slow-down of major markets in the last few years like China and India, has had an effect on the Global power generating industry, but, as a result of increased environmental pressures, China is already picking up and India is expected to follow both markets then accelerating in the short and medium term. A number of orders for gas and coal-fired power plant retrofitting have been attained by the Group and it is now targeting the size and frequency of orders from major customers in China in the remaining part of the year. The availability of shale gas in China will also have a significant impact.

In the past three years, the Group has established solid reference in China of its capabilities to design and manufacture of power facilities fueled by renewable energy, namely, waste-to-energy and biomass fuel. New orders have been placed by the Group's strategic business partner who is the leading biomass power plant subcontractor around the globe. More extensive cooperation between the two parties is expected to crystallize in the time to come. More attention about the environmental contribution of waste-to-energy and biomass power generation has been aroused among South Asian countries. The international brand name of the Group would actively focus on such new potential markets.

The management has decided to enrich the production capability of its production plant in Inner Mongolia to include pressurized vessels and boilers components. Application for the necessary technical licenses and accreditation from the Chinese government has been attained and the Company expects to secure orders for other types of clean energy projects being developed in that region. Being part of the sustainable development directives of the Group, the management has been carefully looking for other alternative opportunities to revitalize the Group's investment in Inner Mongolia.

OTHER INTERNATIONAL MARKETS

Although the Group's markets in America and Europe had not fully recovered during 2013, there was already signs of turnaround and the momentum of such improvement in various segments, including but not least, the more active heat transfer products market in South Asia and the Middle East and the solid infrastructure upgrading plans in the USA market.

The international group office in Singapore is now in full operations and has successfully secured certain major FPSO projects and now targets more orders from FPSO markets in South Asia as well as assisting to promote the Group's experience to Chinese shipyards now focusing on larger marine and offshore projects.

Through direct promotion by the Group's agent in Japan several key projects are being pursued to build on prior experience and references and even though the Japan domestic market is still quieter than required the Japanese customers the Group support are very active in overseas markets and it is expected that the Group will attain new orders in 2014.

After a slow-down of orders from USA customers from 2013, the USA subsidiary of the Group is still confident that sizable jobs could be attained soon. The subsidiary company in the US has taken a very proactive role that is preferred by customers. To continue the success and the positive response from the market, the Group would further enhance the sales and technical skills with priority on support of USA customers. Much focus has been placed on supporting key customers in USA who are confident of securing orders for major co-generation plant in 2014 as gas prices have tumbled. Besides, the onset of shale gas production and power plants fueled by such new fuel supply this is expected to produce many more opportunities for the power industry. To facilitate such new potential of the USA market, the Group has strengthened the management skills in its core manufacturing plant in Jing Jiang, China to satisfy end user requirements with good products delivered on time so as to match with competitors in other established but less competitive locations such as Korea.

The original development plans for markets in Brazil are still under detailed consideration by the management and will be covered from the USA subsidiary as part of their future strategy.

For the European markets, the Group's subsidiaries in Wakefield, UK have already re-engineered their business plan and market strategies in order to enhance its efficiency and profitability under the prevailing changing market requirements caused by the slowdown of investment due to the economic situation in the area. A considerable amount of sales effort has been expended on larger turnkey projects in UK, Singapore and parts of the Middle East. After rounds of hard work and efforts, as second preferred supplier on some projects has brought about disappointment while, on the other hand, there is a over RMB300 million projects that was being secured involving traditional oil and gas fired boilers to be installed onto a sizable oil refinery in the Middle East. The project was now finalised as the Group has received a satisfactory letter of credit from the customer in Middle East. This project demonstrates the need for skills GREENS have available and opens a market that the Group targets for. Several major projects are targeted as a result of the focus on active markets using our UK heritage and skills in China. Singapore and India and domestically in the UK, the market is still focusing on waste to energy or retrofit and targets are to support the conversion of UK Power stations that are being converted to Biomass. All potential orders are being negotiated under secure contract terms that reduce commercial risk to a minimum.

As mentioned in the previous paragraph the Group has invested in a combustion company to complement many of the products already supplied and to enhance the technical skills. The main target is the international petro-chemical market as well as China and the core skills have been located in the South England, near London, where the requisite skills and core competences are readily available. The new venture has already had good successes and is on track against its business plan having developed a range of combustion products around the Group's prior product experience in industrial and marine markets. This will therefore form an upstream expansion of the Group's core operation and it is expected that GREENS combustion will have synergistic effect to the further development of the Group and will provide support to the other core segments.

IT'S THE WORST OF TIMES, IT'S THE BEST OF TIMES

The order book level as of 31 December 2013 has reached a level of approximately RMB500 million orders being secured for the next two years. The order backlog explains the fact that the Group still maintained its business potential under the prevailing harsh market sentiments. The management has already formulated the necessary strategies to tackle such challenges including to diversify its target markets to other countries and to strengthen its upstream development to new products and new markets.

The management will continue to implement more stringent cost efficiency control of the Group during 2014 while from time to time conducting reviews of production process, possible acquisition of efficiency enhancing equipments and more advanced engineering know-how.

The management remains cautious and careful with corporate strategies during current turbulent market conditions, whilst keeping track of the overall investment environment and will continue to consider relevant investment opportunities as they arise. If any further part of the original capital expenditure (CAPEX) plan becomes unattainable or less profitable, management may, taking into account the then conditions and the interests of the Group and its shareholders as a whole and subject to the Listing Rules, reallocate the relevant capital to other parts of the CAPEX plan and/or new projects and/or place such capital as short-term deposits. Under such circumstances, the Group will make necessary disclosure in due course and comply with the relevant disclosure requirements under the Listing Rules.

Having a solid presence in the international capital market for years, the management would consider to take a more pro-active position in 2014. Not only for the sake of improving its existing financial position, the Group would consider any opportunities to widen its shareholder's base and to expand the size of equity financing of the Company. At the same time, the Group would also consider other forms of financial resources available in the capital market so as to strengthen the medium to long run financing structure of the Group. Given there are signs of significant rebound in the worldwide markets for GREENS's products, it is in the best interest of the Group to prepare for the upcoming growth in financing needs.

Being a multinational corporation with a long history and proven capabilities in heat transfer engineering, I am proud of a dedicated work force which shares the same vision as the Group. These provide a sound basis for the creation of core and lasting values for GREENS. The Group owes a debt of gratitude to its management team, which is comprised of international and domestic industry experts, top professionals and skilled people of different nationalities and backgrounds. GREENS also warmly thank its customers for their loyalty and long-term support in choosing its products to help keep the environment clean. GREENS is fully committed to creating a greener and cleaner world. On behalf of the Group, I sincerely look forward to the continued support of its shareholders in helping GREENS to fulfill its mission as it shares the fruits of success in its investments and creates a better world for the next generation of mankind.

Frank Ellis
Chairman

28 March 2014

BUSINESS REVIEW AND ANALYSIS

During the year, the business development of the Group can be summarized as follows:

Overall operations

2013 has continued to be a year of significant challenge for the Group. Demand from traditional markets remains to be weak and quite a number of major projects are either on hold or being suspended. Participants in the industry are eager to win tenders even it is not in their familiar business area. Keen competition has imposed significant pressure to gross margin and also causing more demand for operating cash flow to facilitate shorter production and delivery time for those rush orders. Consequently, it causes the Group's production facilities to operate at a level below its breakeven operation volume throughout the year.

Markets around Europe are still being sluggish which has continued to hinder the business of the Group in its home countries as being one of the leading European brandname in the industry. On the other hand, the Group has attained bundles of inquiries from the USA market where the booming shale gas power industry has brought about lots of opportunities for the Heat Recovery Steam Generators (HRSGs) and similar power equipment products of the Group which are principal equipment for gas-fired power plant.

International business platform

The Group's fully integrated international business platform has successfully widened the customer base of the Group. Firstly, the newly established sales team in Singapore has successfully entered the equipment supply and engineering service markets for Floating Production Storage and Offloading ("**FPSO**") of the oil exploration industry. It is the Group's on-going target to enter the FPSO market and to become a qualified supplier. Secondly, the newly formed combustion equipment team in Southern England has built a solid foundation in the markets of combustion related equipment. GREENS is now a qualified supplier to the industrial combustion equipment industry. Thirdly, the Group's subsidiary in USA located in Minnesota has now becoming a full range qualified supplier of heat transfer solutions to customers in the country both including HRSGs and economisers. Fourthly, the international sales team of the Group has successfully opened up the southern Asia market including Bangladesh and has attained a number of orders for power plant projects in the region. Fifthly, the Group has successfully defeated a number of international competitors and won the Engineering Procurement and Construction (EPC) contract with a state-owned enterprises in the Middle East amounted to over RMB300.0 million for the design, production, procurement and erection of a series of equipment in an oil refinery. Finally, the India subsidiary has continued to be an active player in India to offer total solutions to main contractors and infrastructure developers in relation to boilers and other heat transfer products. In addition, in order to meet the more advanced quality requirement in international markets, the Group has engaged a group of boilers manufacturing experts from Korea to provide comprehensive production management services to its core production bases.

Economisers

Since Economiser, the historical and traditional product of the Group, is a product that enhances efficiency of coal-fired power stations and industrial power plants and reducing emissions thereof, the Group's Steel-H extended surface solution has been well known for its durability and effectiveness. The market for Economisers has become very competitive during the year. Especially in China, where customers for economizers are mainly main contractors of coal-fired power plants construction projects, the number and scale of project bidding in the market has substantially decreased. Price competition, on the other hand, has almost become the dominant factor in the market at the expense of quality products and services. Small scale producers of economisers have become more aggressive and distorted the healthy order in the China market.

The Group's sales of economisers in the year increased by 53.5% to approximately RMB119.9 million (for the year ended 31 December 2012: approximately RMB78.1 million) as compared with last year. Upgrading of coal-fired power plants in China has brought about strong rebound in market demand of economisers, however, part of GREENS's market share with major customers has gone to low cost supply that may not be as technically advanced as the Group's European design products. During the year, as emission reduction government legislation has been advanced to lower temperature facilities, GREENS's new series of economizers with the capability to work under lower temperature environment have established a firm market foundation.

Waste heat recovery products and boiler components

Waste heat recovery products cover a number of applications such as HRSGs, systems applied in gas-fired and oil-fired power plants, waste heat boilers and other waste heat recovery products which are primarily used in clean fuel and Waste-to-Energy power industry projects. Waste heat boilers are also used in industrial applications such as cement plants, coking plants and oil refineries to recover waste heat from daily operations and to reduce emissions. During the year, a majority of these products were supplied to customers in China, India, Bangladesh and Europe. Turnover of waste heat recovery products recorded a decrease in sales of 35.9% as compared with 2012 to approximately RMB142.0 million for the year (for the year ended 31 December 2012: approximately RMB221.5 million) as a result of weak market demand. In order to extend the markets of the Group's waste heat boilers and boilers related products under the prevailing sluggish market environment worldwide, the Group has managed to attain new orders from new markets such as USA, Middle East and other southern Asian countries and for new applications of the Group's products.

Marine products

Marine products are generally waste heat boilers, economisers, composite boilers and fired boilers for shipping applications. Many of the Group's customers in China and Singapore for marine products are shipyards located in mainland China. In order to diversify the segment into offshore oil exploration business, the Group has successfully attained orders for marine boilers installed onto FPSO through the Group's newly formed sales team in Singapore. During the year, sales of Marine products increased by 0.9% to approximately RMB47.3 million (for the year ended 31 December 2012: approximately RMB46.9 million).

Waste heat power generation

Baicheng Greens, a wholly owned subsidiary of the Company was being forced to discontinue its electricity generation. Waste heat supplied and produced by Xinjiang Coke from their coking plant has been stopped as the coking plant ceased operations in November 2013. The original project structure is based on the build-operate-transfer ("**BOT**") model and the contract period is from May 2008 to July 2015 whereas Baicheng Greens is entitled to the revenue from selling the electricity so generated to the power grid in China.

Owing to the unfavourable factors disclosed in the annual reports of the past few years, the electricity sales of Baicheng Greens has been affected by the domestic government's regional administrative policies with respect to the consolidation of coal resources and the operational volume of coal mines. Full impairment provision was provided for the project as at 31 December 2012.

The Group's second waste heat power generation project in Kunming city, Yunnan province, China (the "**Yunnan Project**") is related to a cooperative agreement between Greens Kunming and Malong Chemical. The Yunnan Project comprises the technological upgrade of the waste heat power generation system of a chemical factory in consideration of the electricity and steam sales revenue for six years. The waste heat power generation facilities of the Yunnan Project are operational during late 2011. The operation rights of the Yunnan Project have been recorded as a financial asset and an intangible asset in the consolidated financial statements of the Group for the year. Part of the accompanying guaranteed revenue to be paid by the chemical factory to the Group has been recorded as a financial asset for the year. Except for the guaranteed revenue mentioned above, the Yunnan Project is recorded on a similar basis to that of the Group's existing Baicheng project. No revenue has been generated from the Yunnan Project during the year (for the year ended 31 December 2012: Nil). The chemical factory failed to provide any waste heat to the Group's power generation facilities installed into the chemical factory's premises and at the same time refused to pay to the Group the related monthly minimum payment specified by the contract. The Group has managed to take appropriate actions to safeguard its rights under such disputes. Full impairment provision was provided for the project as at 31 December 2012.

Wind turbine towers

Subject to the contractionary policy towards wind power of the central government in China, the Group has suffered from significant reduction in demand for its products. Wind farms and developers for wind power and related investments is being more difficult in raising finance for new wind power projects. As a result, the demand for wind turbine towers produced by Tongliao Greens has dropped significantly. Moreover, most offers in the market are became more cash flow negative to the sellers. Given such unfavourable change in the wind turbine tower market, the Group has adopted a more conservative posture in accepting new orders after completing more than 150 sets of wind turbine towers from 2010 to 2011. For that reason, the plant in Tongliao, Inner Mongolia ran by Tongliao Greens has been practically suspended operations for substantial period of time in year 2012 and 2013. On the other hand, the Group has initiated a diversification of production capability of the plant in Tongliao to include the production of pressurized vessels. The plant has been awarded the Manufacture License of Special Equipment (Pressurized Vessels) in late 2012 which enable the plant in Tongliao to become qualified supplier of the new energy development projects in Inner Mongolia, including coal gasification projects. Turnover of RMB2.1 million was recorded in 2013 for additional billing on projects completed in previous years. (for the year ended 31 December 2012: Nil).

Service and repairs

These include boiler conversions, upgrades, general maintenance services on marine or land boilers, installations, testing and repairs. The Group's service and repair business has capitalised on its significant experience and expertise in heat transfer engineering. Revenue from services and repairs of approximately RMB24.8 million increased by approximately 21.0% as compared to last year (for the year ended 31 December 2012: approximately RMB20.5 million).

Alluvial-gold mining

Following two successful biddings during mid 2012, Kezhou Greens Mining Co. Ltd. ("**Kezhou Greens**") the Group's 51% owned subsidiary in XinJiang has acquired five mining rights on several plots of land in Aketao county, Kirzlesu Kerkirz city, Xinjiang Uygur Autonomous Region with possible alluvial gold deposit. All five mining rights have an operating term of two years after attaining all the necessary environmental approval from local government. Kezhou Greens has then invested in the basic infrastructure of the mine sites and has recruited a team of mining staff in the local area. After spending prolonged period in constructing the mining facilities on site, operations have been started during year 2013. However, Kezhou Greens recorded unsatisfactory results during its first year of operations and was suffered from losses during the year owing to a combination of unfavourable reasons including the drop in market price of gold in China, inefficiency in operations and unstable level of water supply.

FINANCIAL REVIEW

A. Turnover and gross margin

As discussed above the Group's revenue for the year has decreased to approximately RMB374.6 million, representing a decrease of approximately 1.3% (for the year ended 31 December 2012: approximately RMB379.5 million).

Meanwhile, the Group recorded a gross profit of approximately RMB35.4 million during the year (for the year ended 31 December 2012: gross loss of approximately RMB53.0 million). Though it is significant improvement in gross margin as compared with year 2012, the level for year 2013 is still unsatisfactory. This is mainly attributable to the significant drop in business volume whereas indirect costs such as factory overheads and engineering costs has increased the overall cost absorption of each project, the added costs on a number of delayed unfinished projects brought forward from previous year (increased design costs, materials costs and labour costs), the Group's entrance strategies into new markets and relationship building with new customers by undertaking lower margin projects, significantly increased competitive pricing pressures and a number of projects that needs to be reworked and leads to negative margins. In addition, the unsatisfactory performance of the alluvial gold mining project in XinJiang has brought negative impact on overall margins.

A breakdown of sales and the gross margins of the Group's operating segments (as adjusted by various forms of compensation received from the waste heat power generation segment) is as follows:

Revenue by operating segment

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	RMB'000	**As a % of total revenue**	RMB'000	As a % of total revenue
Economisers	**119,899**	**32.0**	78,096	20.6
Waste heat recovery products and boiler components	**142,009**	**37.9**	221,477	58.4
Wind turbine towers	**2,054**	**0.6**	–	–
Marine products	**47,262**	**12.6**	46,913	12.3
Services and repairs	**24,789**	**6.6**	20,490	5.4
Waste heat power generation	**10,968**	**2.9**	12,494	3.3
Alluvial gold-mining	**27,647**	**7.4**	–	–
Total revenue	**374,628**	**100**	379,470	100

Gross margin by operating segment

	For the year ended 31 December 2013	For the year ended 31 December 2012
Economisers	**11.6%**	(5.1%)
Waste heat recovery products and boiler components	**13.0%**	(15.8%)
Wind turbine towers#	**100.0%**	–
Marine products	**26.0%**	5.9%
Services and repairs	**47.1%**	24.8%
Waste heat power generation*	**28.7%**	(110.7%)
Alluvial gold-mining	**(94.2%)**	–
Total gross margin	**9.5%**	(11.9%)

Being additional billing for wind turbine towers completed in previous years

* Investment costs of waste heat power generation projects of the Group has been fully impaired in year 2012

A table showing revenue breakdown by geographical location of the Group's customers for the years is set out on Note 4 of the notes to financial statements.

B. Overheads

Overhead levels (including sales and distribution expenses together with administrative expenses) dropped during the year as compared with the previous year. These costs are primarily to support daily operations in the China business (mainly staff costs, transportation and travelling expenses), group costs (staff costs and bidding costs for new projects for each product segments) and new business initiatives. As a result of the effective costs control measures in 2013, overheads of the Group is now kept under control while various business units of the Group has adopted stringent control measures including reducing new recruitments, cutting benefits, changing the organizational structure to reduce executive positions, and implementing lay off plan in some subsidiaries of the Group in order to streamline workforce.

C. Other income and other gains and losses

The Group recorded other gains of approximately RMB8.5 million for the year (for the year ended 31 December 2012: approximately RMB17.8 million). The amount mainly represented the subsidy income of RMB5.2 million in Tongliao Greens in respect of amounts received from the local government previously and to be amortised over the licence period together with the bank interest income of the year.

D. Other expenses

During the year, the Group has reported significant decrease in other expenses totaled to approximately RMB58.9 million (for the year ended 31 December 2012: approximately RMB240.1 million). It mainly comprises of the following non-recurring items:

i) Impairment of construction contracts amounted to approximately RMB14.1 million (for the year ended 31 December 2012: approximately RMB85.5 million) in relation to a number of prolonged incomplete projects including one for a customer in China related to economisers products. Reasons causing the suspension of such projects are mainly related to the financial problem of respective customer and overall project suspension as a result of external market factors.

ii) Impairment of trade receivable amounted to approximately RMB36.4 million (for the year ended 31 December 2012: approximately RMB46.6 million). Details of the impairment has been set out on Note 19 of the notes to financial statements.

iii) Impairment of non-current assets amounted to approximately RMB3.7 million (for the year ended 31 December 2012: Nil) in relation to the wind turbine tower factory in Inner Mongolia.

E. Net loss attributable to owners of the Company

The Group's net loss attributable to equity holders for the year amounted to approximately RMB203.1 million (for the year ended 31 December 2012: approximately RMB487.5 million). Such decrease was primarily attributable to the non-recurring impairment losses recorded in 2012.

F. Liquidity, financial resources and capital structure

To date, the Group's operations have been primarily financed by cash generated from its operating activities and bank borrowings. During the year, the Group has put extensive control on its capital expenditure (CAPEX) in order to preserve cash resources for its daily operations. The Group's cash expenditures primarily consist of the purchase of raw materials and components from its suppliers, payments on manufacturing overheads and expenses on wages and salaries. As at 31 December 2013, the Group had approximately RMB32.6 million in cash and cash equivalents (excluding pledged balances), compared to approximately RMB23.9 million as at 31 December 2012 (excluding pledged balances). The increase in cash and cash equivalents in the year was a combined result of increase in bank borrowings and cash losses in operating activities.

G. Capital expenditure

The Group's capital expenditures amounted to approximately RMB24.6 million during the year (for the year ended 31 December 2012: approximately RMB21.6 million). The capital expenditure in the year was primarily attributable to acquisition of mining rights, devices and equipment for the mining projects in XinJiang and the additions of equipment to the core production base in JingJiang city.

H. Key financial ratios

The following table sets out the key financial ratios of the Group as at the end of the year with comparative figures as of 31 December 2012 as reference:

	As at 31 December 2013	As at 31 December 2012
Current ratio	**0.60**	0.81
Net debt to equity	**875.6%**	114.9%
Gearing ratio	**1,362.3%**	174.0%

Current ratio	=	Balance of current assets at the end of the year/balance of current liabilities at the end of the year
Net debt to equity	=	(balance of total bank borrowings at the end of the year — balance of bank balances, cash and pledged bank deposits at the end of the year)/balance of equity attributable to owners of the Company at the end of the year
Gearing ratio	=	Total debt at the end of the year/balance of equity attributable to owners of the Company at the end of the year

I. Use of proceeds from the Company's initial public offering

The net proceeds from the issue of new shares upon the listing of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 6 November 2009 amounted to approximately RMB437.0 million, after deducting the related expenses. By the end of September 2010, the Company has applied part of those proceeds in the ways as described in the prospectus of the Company dated 23 October 2009. In December 2010, the Company announced that it planned to reallocate the remaining balance of such proceeds as of 30 September 2010 of approximately RMB349 million to other intended applications. Later in June 2011, the Company further announced that it planned to reallocate and revise the use of the remaining balance of such proceeds as of 31 May 2011 of RMB194.0 million to other intended applications. As of 31 December 2013, approximately RMB14.0 million were still untilized and the Group is intended to apply such remaining balance in accordance with proposed uses as set out in the annual report 2011 of the Company.

The Company will continue to closely monitor the general investment environment so that if any part of the intended use of the proceeds from initial public offering becomes unavailable or less profitable, the management may take into account all current conditions and in the best interests of the Group and its shareholders, subject to relevant Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), reallocate the funding to other parts of the Group and/or new projects. In the event of such a circumstance, the Group will make all necessary disclosures in due course and comply with all relevant disclosure requirements under the applicable Listing Rules.

J. Capital structure

The capital structure of the Group consists of net debt (which includes bank borrowings), cash and cash equivalents and equity attributable to owners of the Company, comprising issued and paid-up share capital, reserves and retained profits. The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

During the year, there has been no change in the share capital of the Company.

K. Contingent liabilities

As at 31 December 2013, there were not any contingent liabilities incurred by the Group (as at 31 December 2012: Nil).

L. Pledge of assets

As at 31 December 2013, the Group had pledged cash and bank deposits of approximately RMB160.0 million (as at 31 December 2012: approximately RMB121.9 million) to secure certain bank borrowings, bank drafts and letters of credit of the Group.

M. Foreign exchange risk

As at 31 December 2013, the balance of the bank balances and cash maintained and recorded by the Group (including pledged bank deposits) consisted of HK dollars, Renminbi, US dollars and others in the respective proportions of approximately 0.1%, 49.2%, 35.6% and 15.1% (as at 31 December 2012, HK dollars, Renminbi, US dollars and others accounted for approximately 0.1%, 29.7%, 62.4% and 7.8% respectively of the bank balance of the Group).

The sales, purchases and bank borrowings of the Group during the year and in 2012 were made mainly in Renminbi, US dollars and Euro and it is expected that the majority of future development and transactions carried out by the Group will be made mainly in Renminbi, US dollars and Euro. To reduce its foreign currency exchange exposure, the Group enters into forward transactions on, among other currencies, the Renminbi, US dollars and Euro from time to time.

N. Interest rate risks

As at 31 December 2013, the majority of the bank borrowings of the Group are floating rate borrowings with interest ranging from 2% to 9% per annum. The interest rate of loans which carries floating interest rates is calculated by reference to the benchmark interest rate prescribed by the People's Bank of China and are denominated in Renminbi. The Group currently does not use any derivative instruments to hedge its interest rate risks.

O. Significant investments held

During the year, the Group did not make any significant investment.

P. Major acquisition and disposal

The Group did not make any major acquisition or disposal during the year.

Q. Human resources

As at 31 December 2013, the Group employed a total of 816 staff (as of 31 December 2012: 1,087 staff). During the year, the staff costs (excluding the directors) of the Group were approximately RMB82.4 million (for the year ended 31 December 2012: approximately RMB79.9 million). The staff costs include basic salary, performance salary and welfare expenses, whereby employees' welfare includes medical insurance plan, pension plan, public house reserves, unemployment insurance plan, and pregnancy insurance plan. The Group's employees are engaged according to the terms and provisions of their employment contracts and the Group normally conducts reviews over the remuneration packages and performance appraisal once every year for its employees, the results of which will be applied in the annual salary review for considering a grant of an annual bonus or not and in promotion assessment. The Group also studies and compares its remuneration packages with that of its peers and competitors and will make adjustments whenever necessary so as to maintain its competitiveness in the human resources market.

R. Pension scheme

The Group maintains different pension schemes and retirement schemes for its employees in different locations in accordance with the applicable laws and regulations of different jurisdictions.

In relation to its employees in the PRC, the PRC government also imposes compulsory requirements for all PRC business enterprises to participate in the state-managed retirement benefit scheme. The employees of the PRC subsidiaries of the Group are members of the state-managed retirement benefit scheme, and these PRC subsidiaries are obligated to contribute a certain percentage of payroll costs to the state-managed retirement benefit scheme. There was no forfeited contribution under the scheme available for deduction of future contribution to be made by the Group.

The Group's employees in UK are covered by a defined contribution pension scheme whereas its staff in Hong Kong and Singapore have joined the respective local provident fund schemes.

During the year, the contribution to the above retirement benefit scheme made by the Group providing to the employees (excluding the directors) amounted to approximately RMB5.0 million (2012: approximately RMB5.5 million).

S. Order backlog

The Group generally recognises revenue on a stage of completion basis. The Group's order backlog represents that portion of the contract value as of a specified date which has not been recognised as revenue. Based on supply contracts entered into on or prior to 31 December 2013, the total order backlog as at 31 December 2013 was approximately RMB505 million (as at 31 December 2012: RMB231 million). The following table sets forth, by business segment, the Group's order backlog as of 31 December 2013 and 31 December 2012.

	As at 31 December 2013		As at 31 December 2012	
	To be delivered in		To be delivered in	
	2014	**2015**	2013	2014
	RMB million	**RMB million**	RMB million	RMB million
Economisers	**55**	**–**	77	–
Waste heat recovery systems and boiler components	**189**	**201**	72	–
Marine products	**36**	**3**	55	5
Wind turbine towers	**–**	**–**	–	–
Service and repairs	**21**	**–**	22	–
Total	**301**	**204**	226	5

During late 2012, the Group had entered into a new three years Engineering Procurement and Construction (EPC) contract with a state-owned enterprises in the Middle East amounted to approximately RMB300 million for the design, production, procurement and erection of a series of equipment in an oil refinery. The contract became effective when the Group secured the necessary bank finance to facilitate its cash requirement in 2013. Owing to its pre-matured nature in late 2012, it had not been included in the 2012 order backlog figures shown above.

T. Events after the reporting period

No significant event took place subsequent to 31 December 2013.

The Biographical details of the Directors and the senior management as of 31 December 2013 is as follows,

EXECUTIVE DIRECTORS

Mr. Frank ELLIS, aged 66, is an executive Director appointed on 9 April 2008. Mr. Ellis is our Chairman of the Board of Directors and chief executive officer. Mr. Ellis has more than 45 years experience in heat transfer and boiler industry and is primarily responsible for overall business strategy and overall management of the operational activities of our Group. Mr. Ellis acquired a significant portion of heat transfer products business of Thermal Engineering International Limited ("**TEiL**") in 2004 and 2005. He worked with TEiL and served as Sales & Business Development Director from 1998 to 2002, and then as Managing Director from 2002 to 2004. From 1995 to 1998, Mr. Ellis worked with Nooter/Eriksen Ltd and served as General Manager responsible for UK Operations and Development of European business for large steam generators for cogeneration.. From 1978 to 1988, Mr. Ellis worked with Gibson Wells Ltd & Foster Wheeler Power Products and served as engineering manager, engineering director and then general manager and director of industrial boiler division. Mr. Ellis then joined Senior Thermal Engineering Ltd in 1989 after the acquisition of Foster Wheeler Power Products Limited and served as Managing Director of industrial boiler division and also as a Group Director of the Thermal Engineering Division. Mr. Ellis joined E Green & Son Ltd in 1964 and served as design engineer and then Chief Proposals Design Engineer. Mr. Ellis held a national certificate in mechanical engineering issued by Association of Mechanical Engineering and City & Guilds National Certificate in advanced fuel technology and heat transfer in the United Kingdom.

Mr. XIE Zhiqing, aged 57, is an executive Director of our Company appointed on 9 April 2008 and our chief technology officer. Mr. Xie has more than 30 years of experience in heat transfer and boiler industry, and is primarily responsible for overseeing our manufacturing operations in China. Mr. Xie has served as the general manager of Greens Power Equipment (China) Co. Ltd. ("**GPEL**") since 2007, and the general manager of Shanghai Greens Thermal Equipment Ltd ("**SGTE**") since 2003. From 1998 to 2003, he joined Shanghai Kaiyuan Boiler Engineering Co., Ltd. (上海開源鍋爐工程有限公司) as an engineer. From 1975 to 1998, he worked with Shanghai Boiler Works, Ltd. (上海鍋爐廠有限公司) as a designing engineer. Mr. Xie graduated from Shanghai Boiler Works Professional College (上海鍋爐廠工人大學) with a diploma in boiler design in 1982.

Ms. CHEN Tianyi, aged 50, is an executive Director of our Company appointed on 9 April 2008 and our chief operating officer. With over 15 years of experience in the sales and marketing industry, Ms. Chen is primarily responsible for business strategy and management of the operational activities of our Group in China. Ms. Chen has served as the executive director of GPEL since 2007 and the deputy general manager of SGTE and general manager of Shanghai Greens Marine Engineering Limited (上海格林船務工程有限公司) since 2003. From 2002, she worked as the chief representative of the Shanghai Representative Office of TEiL. From 2000 to 2001, Ms. Chen worked as a director in charge of sales and marketing for Pacific International Logistic (China) Co., Ltd. (太平洋國際物流(中國)有限公司). From 1996 to 1998, she worked as senior manager in charge of sales and marketing of Shanghai Pan Ocean Intermodal Transportation Consulting Services Co., Ltd. (上海泛洋多式聯運諮詢服務有限公司). She graduated from department of electrical engineering (applied computer science) from Shanghai Workers' University of Mechanical and Electrical Industry (上海機電工業職工大學) in 1988 and attended a master's of business administration program at the University of Buckingham in 1999.

NON-EXECUTIVE DIRECTOR

Mr. ZHU Keming, aged 33, is a non-executive Director nominated by China Fund Limited and appointed on 1 August 2008. Mr. Zhu has worked with Shanghai Xingyuan Investment and Management Co., Ltd. (上海興元投資管理有限公司) as chairman and general manager since 2007. From 2007 to 2008, he also served as director of China High Speed Transmission Equipment Group Co., Ltd. (中國高速傳動設備集團有限公司) (Stock Code: 658). Mr. Zhu has also worked with Jiangsu Zhongtai Group Co., Ltd. (江蘇中泰集團有限公司) and served as the secretary of the board of directors since 2002. Mr. Zhu graduated from Nanjing University (南京大學) with a bachelor's degree in finance in 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jack Michael BIDDISON, aged 59, is an independent non-executive Director of the Company appointed on 19 October 2009. Mr. Biddison's entire career has focused on electric power, oil and gas, utility and natural monopoly, mining, and water resources operations management, spending most of the last 18 years as a director of international programs in more than 20 different countries. For over the past year, Mr. Biddison has been director of USAID-funded and UK DFID-funded energy and regulatory reform programs to the governments of Kenya, Pakistan, Jordan and Bangladesh. From 2011 to 2012, he was appointed as deputy director of resources conservation for the Ohio Department of Natural Resources. From 2008 to 2011, Mr. Biddison served as vice president for energy & environment of The Pragma Corporation. From 2007 to 2008, he was director of advisory services of PricewaterhouseCoopers, Tax & Advisory, LLP.. From 2006 to 2007, Mr. Biddison served as an independent consultant and principal associate of Segura/IP3 Partners, LLC.. From 2000 to 2006, he was managing consultant of PA Government Services, Inc.. From 1995 to 2000, he was principal of Hagler Bailly Consulting, Inc.. From 1990 to 1995, he served as commissioner and member of the Public Utilities Commission of Ohio. From 1987 to 1990, Mr. Biddison served as chief of the division of oil and gas of the Ohio Department of Natural Resources. From 1982 to 1987, he was manager of petroleum engineering and geological services of General Electric Company, Lighting Business Group. From 1981 to 1982, he worked with CER Corporation. After he graduated from The Ohio State University, he was employed by the consortium of Buckeye Petroleum Company Inc./Inland Field Services Inc./Gasearch, Inc.. Mr. Biddison obtained his bachelor of science degree in geology and mineralogy from The Ohio State University in 1977, and his master of business administration degree in management and international business from Kent State University in 1985. He is a member of the American Association of Petroleum Geologists, American Institute of Professional Geologists, National Association of Regulatory Utility Commissioners (member emeritus), and Interstate Oil and Gas Compact Commission (member emeritus).

Mr. YIM Kai Pung, aged 49, is an independent non-executive Director of the Company appointed on 19 October 2009. Mr. Yim has more than 22 years of experience in auditing, taxation and provision of finance consultancy services for companies in Hong Kong and the PRC. He is currently a managing director of CCTH CPA Limited. He served as an executive director of Sanyuan Group Limited (三元集團有限公司) (Stock Code: 140) since 2009, and an independent non-executive director of Success Universe Group Limited (實德環球有限公司) (Formerly known as Macau Success Limited) (Stock Code: 487) from 2004 to 2012. From 2006 to 2007, Mr. Yim served as an executive director of Heng Xin China Holdings Limited (恒芯中國控股有限公司) (Formerly Known as Tiger Tech Holdings Limited) (Stock Code: 8046). From 2005 to 2006, Mr. Yim served as an independent non-executive director of Magician Industries (Holdings) Limited (通達工業(集團)有限公司) (Stock Code: 526). Mr. Yim graduated from the City Polytechnic of Hong Kong with a bachelor's degree of accountancy. He is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom.

Mr. LING Xiang, aged 46 is an independent non-executive Director of the Company appointed on 19 October 2009. He joined Nanjing University of Technology in 1991 and currently is the dean of the School of Mechanical and Power Engineering. Mr. Ling served as the deputy dean of the School of Mechanical and Power Engineering since 2006, and was appointed as a doctor supervisor since 2004. Mr. Ling became a professor in 2003 and was appointed as an associate professor in 1998. Mr. Ling obtained a bachelor's degree and a master's degree in chemical machinery from Nanjing Institute of Chemical Technology in 1988 and 1991, respectively, and a doctor's degree in chemical machinery from Nanjing University of Technology in 2002. Mr. Ling is a member of the American Society of Mechanical Engineers.

SENIOR MANAGEMENT

Mr. Michael Frederick WIGNALL, aged 55, is the Group Overseas Operations Director. He joined the Company in October 2011. He has extensive international experience in the energy, petrochemical and marine industries, with proven successful experience in leading and managing similar sized businesses in aligned markets to those of the Group, through a growth transition phase. Mr. Wignall completed a graduate apprenticeship with British Oxygen Company, then joining Foster Wheeler Power Products and latterly Rolls Royce Power and Process, achieving senior technical and commercial roles in both organizations, before becoming a main board Director in Sheffield Forge Masters, responsible for sales and marketing. For the last 17 years before joining the Company, Mr. Wignall was a Group Executive Director for the Hamworthy Combustion Group of Companies, and has been a major driver of the growth and success of this business in the international energy, marine and petrochemical markets for sales of capital goods products and services, achieving double digit growth of the profit over 7 years period of time. Mr. Wignall graduated from Sussex University in 1976, with a Bachelor of Science (Hons) degree in Engineering and Applied Science.

Mr. HO Kin-cheong, Kelvin, aged 46, is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants and holds a bachelor degree in business administration from Hong Kong Baptist College (now known as Hong Kong Baptist University). Mr. Ho has over 22 years of experience in finance and accounting. Prior to joining the Company, Mr. Ho was responsible for accounting, finance and company secretarial matters for several listed companies in Hong Kong. Mr. Ho was responsible for its investor relations since April 2010 and is being re-designated as company secretary and group financial controller of the Company on 25 August 2010. The Company terminated the employment with Mr. Ho with effect from 7 March 2012. This was due to the Company's focus on reducing head office costs, part of our overall cost and efficiency savings measures across the Group. Later in the year, the Company appointed Mr. Ho again on 7 May 2012 as the Chief Financial Officer of the Company and subsequently also appointed Mr. Ho as the Company Secretary and alternate authorized representative pursuant to the Listing Rules, For the period from the date of appointment on 7 May 2012 to the end of December 2013, Mr. Ho is interested in 2,000 shares in the share capital of the Company.

The Directors of the Company are pleased to present the Directors' report and the audited financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and the Group is principally engaged in production and sale of heat transfer products, wind turbine towers, mining and trading of alluvial gold and the services of waste heat power generation.

Details of the principal activities of the subsidiaries of the Company are set out in note 16 to the consolidated financial statements.

OPERATION RESULTS

The operation results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss on page 38 of the annual report.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

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

The register of members of the Company will be closed from Tuesday, 13 May 2014 to Friday, 16 May 2014, both days inclusive, during which period no transfer of shares will be effected. In order to qualify to attend the forthcoming annual general meeting to be held on 16 May 2014, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 12 May 2014.

RESERVES

Movements in the reserves of the Company and the Group for the year ended 31 December 2013 are set out in note 29 to consolidated financial statements.

DISTRIBUTABLE RESERVE

The distributable reserve of the Company as at 31 December 2013 was approximately RMB451.8 million (as stated 2012: RMB457.0 million).

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year ended 31 December 2013 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the registered and issued share capital of the Company are set out in note 28 to the consolidated financial statements.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not make any major acquisition or disposal during the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

As at 31 December 2013, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities (2012:Nil).

SHARE OPTION SCHEME

The Company adopted a share option scheme on 19 October 2009 pursuant to the written resolutions of all shareholders of the Company. As at 31 December 2013, no option has been granted under the Share Option Scheme by the Company. A summary of the principal terms of the Share Option Scheme is set out below.

Purpose of the Share Option Scheme

To recognize and acknowledge eligible participants who have contributed to the Group and to motivate the eligible participants to optimize their performance efficiency for the benefit of the Group and to attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

Participants of the Share Option Scheme

Any Directors (including non-executive Directors and independent non-executive Directors) and any full-time or part-time employees, executives or officers of the Group and any advisors, consultants, suppliers, customers and agents to the Group and such other persons who in the sole opinion of the Board will contribute or have contributed to the Group.

Total number of shares available for issue under the Share Option Scheme and percentage of issued share capital as at 31 December 2013

120,000,000 shares (9.67%)

Maximum entitlement of each participant under the Share Option Scheme

In any 12-month period, in aggregate not exceed 1% of the issued share capital and any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company containing details of such issue such as the identity of the eligible participant and the numbers and terms of the options to be granted and the approval of shareholders of the Company in general meeting and/or other requirements prescribed under the Listing Rules, with such eligible participant and his associates abstaining from voting.

The period within which the shares must be taken up under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The amount payable on application or acceptance of the option

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

The basis of determining the exercise price

The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day of the Stock Exchange;

(b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of the Shares.

The remaining life of the scheme

Up to 19 October 2019

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2013, the purchase amount of the Group's five major suppliers and the largest supplier were approximately RMB122.3 million and RMB31.2 million, representing approximately 36.4% and 9.3% of the total purchase amounts respectively. Besides, the revenue amount of the Group's five major customers and the largest customer for the year were approximately RMB139.4 million and RMB56.4 million, representing approximately 37.2% and 15.1% of the total revenue amounts respectively. All transactions between the Group and relevant suppliers and customers were carried out on normal commercial terms.

To the best knowledge of the Directors, none of the Directors and any shareholders holding over 5% of the Company's shares or their associates (within the meanings of the Listing Rules) had any interests in the above five major suppliers and/or customers for 2013.

DIRECTORS' SERVICE CONTRACTS

All Directors have entered into another service contracts with the Company with a term of three years starting from the 6 November 2012.

Under the Cayman Companies Law, at every annual general meeting of the Company no less than one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years and eligible to offer themselves for re-election.

None of the Directors or Directors intending to seek re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTOR'S REMUNERATION

For the year ended 31 December 2013, the total directors' emoluments were RMB4.0 million (for the year ended 31 December 2012: approximately RMB4.5 million, details of which are disclosed at the note 8 to the consolidated financial statements. The Directors' fees and other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group and market rate of a director of other Hong Kong listed companies.

DIRECTORS AND THEIR TERMS

Directors in office and their terms for the year and up to the date of this report were:

Executive Directors:

Mr. Frank Ellis	Three years from 6 November 2012
Mr. Xie Zhiqing	Three years from 6 November 2012
Ms. Chen Tianyi	Three years from 6 November 2012

Non-executive Directors:

Mr. Zhu Keming	Three years from 6 November 2012

Independent non-executive Directors:

Mr. Jack Michael Biddison	Three years from 6 November 2012
Mr. Yim Kai Pung	Three years from 6 November 2012
Mr. Ling Xiang	Three years from 6 November 2012

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the reporting date or at any time during the year.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE COMPANY'S ISSUED SHARES

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

Name	**Nature of interests**	**Number of securities held**[1]	**Approximate percentage to the equity** (%)
Mr. Frank Ellis	Beneficial owner	347,250,000	27.89
Mr. Xie Zhiqing	Controlled corporation [2]	185,566,250	14.90
Ms. Chen Tianyi	Controlled corporation [3]	149,183,750	11.98

Notes:

(1) All interests in Ordinary shares of the Company ("**Shares**") are long positions.

(2) The interest disclosed represents the interest in the Company held by Union Rise International Limited ("**Union Rise**"), a company which is directly held and wholly-owned by Mr. Xie Zhiqing.

(3) The interest disclosed represents the interest in the Company held by Crown Max Investments Limited ("**Crown Max**"), a company which is directly held and wholly-owned by Ms. Chen Tianyi.

As at 31 December 2013, save for the Directors of the Company mentioned above, none of the other Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange, pursuant to the Model Code contained in the Listing Rules.

During the year, save as disclosed above, none of the Directors and chief executives of the Company or any of their associates had any interests in any securities of the Company or any of its associated corporations (as defined in the SFO). None of the Directors and chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right.

At no time during the year was the Company or its holding companies or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE COMPANY'S ISSUED SHARES

As at 31 December 2013, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Name of shareholders	Nature of interests	Number of shares of interest[1]	Approximate percentage of shareholdings (%)
Substantial shareholders			
Ms Ann Elizabeth Ellis[2]	Family	347,250,000	27.89
Crown Max[3]	Beneficial owner	149,183,750	11.98
Union Rise[4]	Beneficial owner	185,566,250	14.90
Ms Dai Yaping[4]	Family	185,566,250	14.90
China Fund Limited[5]	Beneficial owner	192,124,000	15.43
Luckever Holdings Limited[5]	Controlled corporation	194,476,000	15.62
Mr Liu Xuezhong[5]	Beneficial owner	194,476,000	15.62
Ms.Li Yuelan[5]	Family	194,476,000	15.62

Notes:

(1) All interests in Ordinary shares of the Company ("**Shares**") are long positions.

(2) Ann Elizabeth Ellis is the spouse of Mr. Frank Ellis. Therefore, she is deemed, or taken to be, interested in the 347,250,000 Shares which Mr. Frank Ellis is interested for the purpose of the SFO.

(3) The interest disclosed represents the interest in the Company held by Crown Max, a company which is directly held and wholly-owned by Ms. Chen Tianyi. Ms. Chen Tianyi is sole director of Crown Max.

(4) The interest disclosed represents the interest in the Company held by Union Rise, a company which is directly held and wholly-owned by Mr. Xie Zhiqing. Ms Dai Yaping is the spouse of Mr. Xie Zhiqing. Therefore Ms Dai Yaping is deemed, or taken to be, interested in the 185,566,250 Shares which Mr. Xie Zhiqing is interested for the purpose of the SFO. Mr. Xie Zhiqing is sole director of Union Rise.

(5) China Fund Limited is beneficially owned by Luckever Holdings Limited as to 100%. Luckever Holdings Limited is regarded as interested in 100% of the 192,124,000 Shares owned by China Fund Limited. Luckever Holdings Limited is beneficially owned by Mr Liu Xuezhong as to 60.87% and Ms Li Yuelan as to 39.13% respectively. Therefore, they are deemed, or taken to be, interested in the 194,476,000 Shares which Luckever Holdings Limited is interested in for the purpose of the SFO. Mr Liu Xuezhong beneficially owns 194,476,000 Shares and is also the spouse of Ms Li Yuelan. Ms Li Yuelan is deemed, or taken to be, interested in the 194,476,000 Shares which Mr Liu Xuezhong is interested for the purpose of the SFO.

INTERESTS OF CONTROLLING SHAREHOLDERS IN CONTRACTS

No contracts of significance had been entered into by the Company or its subsidiaries with the controlling shareholders and their subsidiaries as at the end of the reporting date or at any time during the year.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2013 are set out in note 33 to the consolidated financial statements. The Directors of the Company (including our independent non-executive Directors) believe that the related party transactions set out in note 33 to the consolidated financial statements are carried out in the ordinary course of business and on normal commercial terms.

For the purpose of the related party transactions set out in note 33 to the consolidated financial statements, the Board of the Company confirms that, none of them constituted non-exempt continuing connected transactions under the Listing Rules.

The related party transactions listed in note 33 to the consolidated financial statements do not constitute discloseable connected transactions under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

As at 31 December 2013, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

PRE-EMPTION RIGHT

There is no restriction on the pre-emption right under the Cayman Laws.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the amount of sufficient public float as required under the Listing Rules during the year.

AUDITOR

A resolution to re-appoint the retiring auditor, Ernst & Young, will be put forward at the forthcoming annual general meeting of the Company.

SUBSIDIARIES

Details of the subsidiaries of the Company are set out in note 16 to the consolidated financial statements.

BANK BORROWINGS

Details of the bank borrowings of the Group are set out in note 24 to the consolidated financial statements. During the year under review, bank borrowings of the Group were denominated in Renminbi and US dollars.

TAXATION

Details of the taxation of the Group are set out in note 10 to the consolidated financial statements.

There are no concessionary taxation measures granted by government to shareholders of the Company by reason of their holding of the listed shares of the company.

MATERIAL LITIGATIONS AND ARBITRATIONS

During the year, the Group had no material litigations and arbitrations except the trading arm of the Group namely Greens Power Equipment (China) Co. Ltd. is currently taking legal and arbitration actions against some of its former customers and business partners for compensation against over-dued accounts receivables, compensation for breach of contracts and other claims. No judgement or arbitral awards has been obtained as of 31 December 2013.

EVENTS AFTER THE REPORTING PERIOD

No significant event took place subsequent to 31 December 2013.

By order of the Board
Frank Ellis
Chairman

Shanghai, 28 March 2014

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of corporate governance practice to the success of a listed company. The Company is committed to achieving high standard of corporate governance in the interest of the shareholders of the Company.

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "**Code**") contained in Appendix 14 to the Listing Rules during the period from the date of Listing to 31 December 2013 except for the deviation from Code provision A.2.1 which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Frank Ellis is the Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person is beneficial to the business development and management of the Group. The Board considers that the balance of power and authority under the present arrangement will not be impaired and this arrangement will enable the Company to make and implement decisions promptly and efficiently.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors and the staff. Having made specific enquiries of all directors by the Company, all directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2013.

COMPOSITION AND PRACTICES OF THE BOARD

The Board collectively takes responsibility to all the shareholders in respect of managing and supervising the business of the Group so as to enhance value for our shareholders.

The Board comprises seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. The Board held eight (8) meetings for the year ended 31 December 2013. The attendance of the Directors at Board meetings during the year is as follows:

	Attendance during the year
Mr. Frank Ellis *(Chairman and Executive Director)*	8/8
Mr. Xie Zhiqing *(Executive Director)*	8/8
Ms. Chen Tianyi *(Executive Director)*	8/8
Mr. Zhu Keming *(Non-Executive Director)*	5/8
Mr. Jack Michael Biddison *(Independent Non-Executive Director)*	5/8
Mr. Yim Kai Pung *(Independent Non-Executive Director)*	6/8
Mr. Ling Xiang *(Independent Non-Executive Director)*	4/8

The Board is responsible for the management and control of the Company as well as supervision of the business, decision and performance of the Group. The Board has respectively granted and delegated the power and responsibility to the management for the management of the daily operations of the Group. The Directors have also specifically granted the management the general authorization to handle major corporate matters, including the preparation of interim reports, annual reports and announcements for the approval by the Board before publishing, execution of business strategies and measures adopted by the Board, implementation of proper internal control and risk management procedures and compliance with relevant statutory and regulatory requirements, rules and laws. There is no financial, business, family or other major/related relationships among the members of the Board.

Pursuant to Rule 3.13 of the Listing Rules, each of the independent non-executive Directors has confirmed his independence to the Company. Therefore, the Company considers that all independent non-executive Directors are independent parties. The Company has also complied with the requirements in respect of independent non-executive directors under the Rule 3.10 of the Listing Rules. To encourage every Director's active participation in the management decision-making process and the effective contribution to the Board, the Company has purchased appropriate liability insurance for every Director.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Frank Ellis is the Chairman and Chief Executive Officer of the Company. He is responsible for formulating the overall strategies and policies of the Company for the smooth operation and performance of duties of the Board. The Board believes that appointing the same person as the Chairman and the Chief Executive Officer, particularly in view of the expertise, experience, leadership and a long history and record of service in the relevant industry of Mr. Frank Ellis, is favorable to the development and management of the business of the Group and the Board believes that it enables the Company to formulate and implement decisions in a rapid and efficient manner.

NON-EXECUTIVE DIRECTOR

The non-executive Director of the Company has entered into a service contract for a term of three years provided that the non-executive Director shall be subject to retirement by rotation at least once every three years and eligible to offer themselves for re-election and in any event, subject to earlier determination in accordance with the Articles of Association of the Company and/or applicable laws and regulations.

REMUNERATION COMMITTEE

The Company established the remuneration committee on 19 October 2009. The remuneration committee comprises Mr. Jack Michael Biddison, Mr. Yim Kai Pung and Mr. Frank Ellis, among which two of them are independent non-executive Directors. Mr. Jack Michael Biddison is the chairman of the remuneration committee.

The primary duties of the remuneration committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and determine the specific remuneration packages of all executive Directors and senior management. The Directors' fees and other emoluments shall be determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group and market rate of a director of other Hong Kong listed companies. The remuneration committee shall consider various factors, such as the fee payable by the comparable companies, the time devoted, the experience and the duties of the directors, other terms of appointment offered by the Group and whether the remuneration shall be determined by performance.

During the year, the remuneration committee held one (1) meeting to review the policy for the remuneration of executive directors, assessing performance of executive directors and their respective service contracts. The attendance of the members of the remuneration committee at the meeting is as follows:

Member	Attendance
Mr. Jack Michael Biddison	1/1
Mr. Yim Kai Pung	1/1
Mr. Frank Ellis	1/1

NOMINATION COMMITTEE

The nomination committee of the Company is empowered to nominate, consider and make recommendations to the Board on the appointment of Directors, with the aim of appointing proper individuals with relevant professional expertise and experience into the Board to enhance the constitution of a strong and diverse Board and to contribute to the functioning of the Board through their continuous participation.

The Company established the nomination committee on 19 October 2009 with written terms of reference in compliance with the Code. The primary duties of the nomination committee include but not limited to reviewing the Board structure, size and composition, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment of Directors. The nomination committee comprises one executive Director, namely Ms. Chen Tianyi, and two independent non-executive Directors, namely Mr. Ling Xiang and Mr. Yim Kai Pung. Mr. Ling Xiang is the chairman of the nomination committee.

The Company has not appointed any new Director during the year.

The attendance of the members of the nomination committee at the meeting is as follows:

Member	Attendance
Mr. Ling Xiang	1/1
Mr. Yim Kai Pung	1/1
Ms. Chen Tianyi	1/1

AUDIT COMMITTEE

The Company established the audit committee on 19 October 2009 with written terms of reference which have been adopted for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Company as well as nominating and supervising external auditor and offering advices and recommendations to the Board of the Company.

The audit committee comprises three members, namely Mr. Yim Kai Pung, Mr. Jack Michael Biddison and Mr. Ling Xiang, and all of them are independent non-executive Directors. Mr. Yim Kai Pung is the chairman of the audit committee.

During the year, the audit committee held two (2) meetings to review the 2013 interim report, 2012 annual report and review and approve relevant accounting policy and related process of internal control. Subsequent to the Year end, the Audit Committee reviewed the annual report and annual results announcement for the year ended 31 December 2013 for the recommendation to the Board for approval. The attendance of members of the audit committee at the meetings is as follows:

Member	Attendance
Mr. Yim Kai Pung	2/2
Mr. Jack Michael Biddison	2/2
Mr. Ling Xiang	2/2

REMUNERATION OF AUDITOR

For the year ended 31 December 2013, the Group is required to pay approximately RMB1.6 million (for the year ended 31 December 2012: approximately RMB2.0 Million) to the external auditor Ernst & Young for the audit services and no payment to the external auditor for non- audit services (for the year ended 31 December 2012: approximately RMB0.5 Million).

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORTS

All Directors of the Company acknowledge their responsibility for the preparation of the financial reports of the Group. They also ensure the preparation is in compliance with the relevant laws, regulations and accounting principles and its publication are made in due course.

Reporting responsibility statement with respect to the financial reports of the Group made by the auditor of the Company is set out in the Independent Auditors' Report on pages 36 and 37.

INTERNAL CONTROL

The Board takes full responsibility to maintain a sound and efficient internal control system for the Group to protect the shareholders' investment and the Group's assets, which is in the interests of the shareholders.

For the year 2013, the Company has conducted comprehensive internal control over the Group, including:

(1) Environment of Control

We ensured that an active and devoted Board, effective human resource policies and a well-established organisational structure and management system are in place in the Company, laying a solid foundation to create an environment of control of the Group.

(2) Risk Assessment

We fully analysed business risks, financial risks, non-compliance risks and operation and other risks in the course of our operation, based on the development strategies and corporate goals of the Group.

(3) Control Activities

The Company implemented various policies and procedures, including the formulation of appropriate management process, regular review on transaction data, undertaking physical controls and segregation of duties among staff. The Company has continuously assessed its performance to ensure the effective running of the internal control system.

(4) Financial Management Mechanism

We have reviewed the financial structure, management reports, disclosure procedures and the preparation of budget of the Group to effectively understand and monitor the financial and trading conditions of the Group.

(5) Compliance Control

The Company has set up an internal procedure of information disclosure and has designated personnel to be responsible for the compliance with the Listing Rules. Meanwhile, the Company also engages external professional advisors to provide sustainable and professional services to the Company. In 2013, the audit committee of the Company has reviewed the internal control system of the Group. Such review covered all critical aspects of the control, including financial control, operational control, compliance control and risk management functions. The Board confirmed that existing internal control system was efficient.

COMPLIANCE AND ENFORCEMENT OF THE NON-COMPETE UNDERTAKING

To protect the Company from any potential or actual conflict of interests, Mr. Frank Ellis, being an executive director of the Company and a Shareholder holding approximately 27.89% interest of the Company's issued share capital as of 31 December 2013, has given a deed of non-competition undertaking (the "**Non-compete Undertaking**") in favour of the Company on 19 October 2009, pursuant to which Mr. Ellis has undertaken, subject to the exceptions mentioned in the Prospectus, that he would not, and would procure that neither he nor his associate and/or companies controlled by him (other than the Company and the Group) would not directly or indirectly be interested in or engaged in any business which competes or is likely to compete directly or indirectly with the Group's business as set out in the Prospectus, in the PRC and any other area in which the Group carries on business. Details of the Non-compete Undertaking have been set out in the paragraph headed "Non-Compete Undertaking" of the section headed "Relationship With The Controlling Shareholder" of the Prospectus.

Mr. Frank Ellis has confirmed in respect of his compliance with the terms of the Non-compete Undertaking. Each of the independent non-executive directors of the Company has reviewed the compliance with and enforcement of the terms of the Non-compete Undertaking, and based on the confirmation of Mr. Frank Ellis, is of the view that the terms of the Non-compete Undertaking have been complied with and enforced.

TO THE SHAREHOLDERS OF GREENS HOLDINGS LTD

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Greens Holdings Ltd (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 38 to 113, 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 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 CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (the "IASB") 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. Our 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 loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2.1 to the financial statements which indicates that the Group incurred a net loss of RMB203,088,000 during the year ended 31 December 2013, and as of that date, the Group's current liabilities exceeded its current assets by RMB342,636,000. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Ernst & Young
Certified Public Accountants

22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
28 March 2014

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	5	**374,628**	379,470
Cost of sales		**(339,190)**	(432,460)
Gross profit/(loss)		**35,438**	(52,990)
Other income and gains	5	**8,466**	17,810
Selling and distribution expenses		**(22,864)**	(44,030)
Administrative expenses		**(132,540)**	(145,866)
Other expenses		**(58,935)**	(240,056)
Finance costs	7	**(35,817)**	(35,228)
LOSS BEFORE TAX	6	**(206,252)**	(500,360)
Income tax credit	10	**3,164**	11,270
LOSS FOR THE YEAR		**(203,088)**	(489,090)
Attributable to:			
Owners of the parent	11	**(203,072)**	(487,536)
Non-controlling interests		**(16)**	(1,554)
		(203,088)	(489,090)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
– For loss for the year		**(RMB0.16)**	(RMB0.39)

	2013 RMB'000	2012 RMB'000
LOSS FOR THE YEAR	**(203,088)**	(489,090)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(4,010)**	1,550
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(207,098)**	(487,540)
Attributable to:		
Owners of the parent	**(207,082)**	(485,986)
Non-controlling interests	**(16)**	(1,554)
	(207,098)	(487,540)

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**282,423**	309,241
Prepaid land lease payments	14	**84,812**	86,688
Other intangible assets	15	**46,761**	40,006
Deferred tax assets	26	**2,839**	3,355
Total non-current assets		**416,835**	439,290
CURRENT ASSETS			
Inventories	17	**46,652**	49,608
Construction contracts	18	**59,900**	111,381
Trade and bills receivables	19	**167,215**	232,237
Prepayments, deposits and other receivables	20	**56,393**	95,546
Pledged deposits	21	**159,963**	121,921
Cash and cash equivalents	21	**32,580**	23,905
Total current assets		**522,703**	634,598
CURRENT LIABILITIES			
Trade and bills payables	22	**178,541**	271,284
Other payables and accruals	23	**98,283**	69,044
Interest-bearing bank and other borrowings	24	**538,939**	429,213
Due to directors	25	**36,947**	–
Tax payable		**12,629**	12,606
Total current liabilities		**865,339**	782,147
NET CURRENT LIABILITIES		**(342,636)**	(147,549)
TOTAL ASSETS LESS CURRENT LIABILITIES		**74,199**	291,741

31 December 2013

	Notes	**31 December 2013 RMB'000**	31 December 2012 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	26	**6,247**	11,530
Deferred income	27	**28,390**	33,551
Total non-current liabilities		**34,637**	45,081
Net assets		**39,562**	246,660
EQUITY			
Equity attributable to owners of the parent			
Issued capital	28	**85,004**	85,004
Reserves	29 (a)	**(45,442)**	161,640
		39,562	246,644
Non-controlling interests		**–**	16
Total equity		**39,562**	246,660

Frank Ellis
Director

Chen Tianyi
Director

	Attributable to owners of the parent								
	Issued capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Reserve funds RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non–controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	85,004	459,124	137,935	(25,553)	24,664	50,707	731,881	–	731,881
Loss for the year	–	–	–	–	–	(487,536)	(487,536)	(1,554)	(489,090)
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	1,550	–	–	1,550	–	1,550
Total comprehensive income for the year	–	–	–	1,550	–	(487,536)	(485,986)	(1,554)	(487,540)
Contribution from non-controlling interests	–	–	749	–	–	–	749	1,570	2,319
At 31 December 2012	85,004	459,124*	138,684*	(24,003)*	24,664*	(436,829)*	246,644	16	246,660

Year ended 31 December 2013

	Attributable to owners of the parent								
	Issued capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Reserve funds RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	85,004	459,124	138,684	(24,003)	24,664	(436,829)	246,644	16	246,660
Loss for the year	-	-	-	-	-	(203,072)	(203,072)	(16)	(203,088)
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	(4,010)	-	-	(4,010)	-	(4,010)
Total comprehensive income for the year	-	-	-	(4,010)	-	(203,072)	(207,082)	(16)	(207,098)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-
At 31 December 2013	85,004	459,124*	138,684*	(28,013)*	24,664*	(639,901) *	39,562	-	39,562

* These reserve accounts comprise the consolidated reserves of RMB45,442,000 in deficit (2012: RMB161,640,000) in the consolidated statement of financial position.

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(206,252)**	(500,360)
Adjustments for:			
Finance costs	7	**35,817**	35,228
Interest income	5	**(2,358)**	(2,488)
Depreciation	13	**29,316**	31,130
Recognition of prepaid land lease payments	14	**1,876**	1,877
Amortisation of other intangible assets	15	**11,076**	27,431
Recognition of amortised investment-related subsidy income	27	**(5,161)**	(5,161)
Provision for impairment of receivables and construction contracts		**49,505**	138,584
Impairment of inventory	17	**303**	–
Impairment of property,plant and equipment	13	**3,690**	–
Impairment of intangible assets	15	**–**	74,241
Impairment of financial assets-amount due from a grantor		**–**	25,006
		(82,188)	(174,512)
Decrease in inventories		**2,653**	11,436
Decrease in construction contracts		**37,390**	90,150
Decrease in trade and bills receivables		**28,646**	28,459
Decrease in prepayments		**14,335**	14,309
(Increase)/decrease in deposits and other receivables		**26,789**	(14,068)
Increase/(decrease) in trade and bills payables		**(92,743)**	3,589
Increase in other payables		**27,982**	25,138
Increase in accruals		**5,570**	5,801
Cash used in operations		**(31,566)**	(9,698)
Income taxes paid		**(1,580)**	(1,552)
Net cash flows used in operating activities		**(33,146)**	(11,250)

Year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
Net cash flows used in operating activities	**(33,146)**	(11,250)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**2,358**	2,488
Purchase of items of property, plant and equipment	**(11,701)**	(33,747)
Proceeds from disposal of items of property, plant and equipment	**40**	128
Additions to other intangible assets	**(18,240)**	(411)
Increase in pledged time deposits	**(38,042)**	(38,775)
Net cash flows used in investing activities	**(65,585)**	(70,317)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**750,153**	659,194
Repayment of bank loans	**(640,427)**	(582,481)
Increase in amount due to directors	**36,947**	–
Contribution from non-controlling interests	**–**	2,319
Interest paid	**(35,817)**	(35,228)
Net cash flows from financing activities	**110,856**	43,804
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**12,125**	(37,763)
Cash and cash equivalents at beginning of year	**23,905**	60,238
Effect of foreign exchange rate changes, net	**(3,450)**	1,430
CASH AND CASH EQUIVALENTS AT END OF YEAR	**32,580**	23,905
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**32,580**	23,905
Cash and cash equivalents as stated in the statement of financial position	**32,580**	23,905
Cash and cash equivalents as stated in the statement of cash flows	**32,580**	23,905

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**9,242**	9,242
Total non-current assets		**9,242**	9,242
CURRENT ASSETS			
Prepayments, deposits and other receivables	20	**173**	9
Due from subsidiaries	16	**586,297**	582,500
Cash and cash equivalents	21	**173**	476
Total current assets		**586,643**	582,985
CURRENT LIABILITIES			
Other payables and accruals	23	**137**	142
Due to subsidiaries	16	**58,924**	50,130
Total current liabilities		**59,061**	50,272
NET CURRENT ASSETS		**527,582**	532,713
TOTAL ASSETS LESS CURRENT LIABILITIES		**536,824**	541,955
NET ASSETS		**536,824**	541,955
EQUITY			
Issued capital	28	**85,004**	85,004
Reserves	29 (b)	**451,820**	456,951
Total equity		**536,824**	541,955

Frank Ellis	**Chen Tianyi**
Director	*Director*

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 27 February 2008. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 6 November 2009. The registered office of the Company is Appleby Trust (Cayman) Limited, Clifton House, 75 Fort Street, P.O. Box 1350, George Town, Grand Cayman KY1-1108, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of the Group are the manufacture and supply of heat transfer products and solutions, including economisers, waste heat recovery products, marine products and boiler components as well as related services and repairs and waste heat power generation.

In the opinion of the directors, the ultimate controlling shareholders of the Company are Frank Ellis, Xie Zhiqing and Chen Tianyi.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"), and International Accounting Standards ("**IASs**") and International Financial Reporting Interpretations Committee ("**IFRIC**") interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

For the year ended 31 December 2013, the Group had reported a net loss of RMB203,088,000 (2012: net loss of RMB489,090,000). As at 31 December 2013, the Group had net current liabilities of RMB342,636,000 (31 December 2012: net current liabilities of RMB147,549,000) and outstanding bank loans of RMB538,939,000 (31 December 2012: 429,213,000) which were due for repayment within the next twelve months.

On 4 November 2013, the Group obtained a new bank facility of RMB110 million with due date on 31 December 2014, under which RMB20 million was withdrawn at end of 2013. On 19 December 2013, the Group renewed a bank facility of RMB70 million for one year, under which RMB68.5 million was withdrawn at the end of 2013. On 10 January 2014, the Group obtained another bank facility of RMB20 million with due date on 9 January 2015. On 20 March 2014, the Group renewed another bank facility of RMB30 million with due date on 4 December 2014, under which RMB30 million was withdrawn at the end of 2013. In March 2014, the Group also renewed another bank facility of RMB30 million with due date on 18 December 2014, under which RMB30 million was withdrawn at the end of 2013. Management of the Group considers they can borrow or renew the bank loans within the total facility limit of RMB260 million to repay the due debts in 2014 at least.

On 10 January 2014, the Group has successfully renewed a short-term bank loan of RMB40 million which was not under the above mentioned bank facilities for a further year to the end of December 2014.

In March 2014, the Group also has successfully extended the due date of amounts due to the directors with a total amount of approximately RMB37 million to year 2015.

2.1 BASIS OF PREPARATION (Continued)

In addition, the Group continues its efforts to obtain short-term bank loans and bank facility, minimise capital expenditures, rationalise costs and enhance operating results. In the opinion of the directors, the measures have improved and will continue to improve the Group's working capital and debt maturity profile. Furthermore, the directors consider that the Group will be able to obtain ongoing support from its bankers and generate sufficient cashflows from future operations to cover its operating costs and to meet its financing commitments. Therefore the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the twelve months from 31 December 2013. Accordingly, assuming the performance of the business is in line with the directors' expectations, the directors are satisfied that it is appropriate to prepare the accounts on a going concern basis. The accounts do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 19 (2011)	*Employee Benefits*
IAS 27 (2011)	*Separate Financial Statements*
IAS 28 (2011)	*Investments in Associates and Joint Ventures*
IFRIC-Interpretation 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012

Other than as further explained below regarding the impact of IFRS 13 and Amendments to IAS 1, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. IFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in IFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by IFRS 13 for the fair value measurements of financial instruments are included in notes 36 to the financial statements.

The IAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments* [4]
IFRS 14	Regulatory Deferral Accounts [3]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39* [4]
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – *Investment Entities* [1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions* [2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets: – Recoverable Amount Disclosures for Non-Financial Assets* [1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* [1]
IFRIC-Interpretation 21	*Levies* [1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

Further information about those IFRSs that are expected to significantly affect the Group is as follows:

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The amendments have had no impact on the financial position or performance of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and construction contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

  or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(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).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost (or valuation) less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Buildings	4.5%
Plant and machinery	9%-18%
Computer and office equipment	18%
Motor vehicles	18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Service concession arrangements

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost (which equals to fair value at initial recognition) less accumulated amortisation and any accumulated impairment losses. Amortisation commences when the intangible asset is available for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

The Group has the following intangible assets that are amortised on the straight-line basis over their estimated useful lives. The principal annual amortisation rates used are as follows:

Software	20%
Trade name	5%-10%
Customer relationships	7%-14%
Technology	5%-10%
Service concession arrangement	16.4%
Alluvial-gold mining rights	50%

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group may elect to reclassify these financial assets due to inactive markets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss.Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss (Continued)

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

(c) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 22% of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss.Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the items whose fair value gain or loss are recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Going concern consideration

The assessment of the going concern assumption involves making a judgement by the directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in note 2.1 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2013 was nil (2012: Nil). The amount of unrecognised tax losses at 31 December 2013 was RMB115,926,000 (2012: RMB82,376,000). Further details are contained in note 26 to the financial statements.

Outcome of construction contracts

When a contract for the sale of goods upon completion of construction is judged to be a construction contract, revenue is recognised using the percentage of completion method as construction progresses. The percentage of completion is made by reference to the stage of completion of projects and contracts determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and contract cost and the recoverability of the contract costs. In making the judgement, the Group evaluates total estimated contract costs by relying on past experience and the work of the project management team. Revenue from construction contracts is disclosed in note 5 to the financial statements. The stage of completion of each construction contract is assessed on a cumulative basis in each accounting period. Changes in estimates of contract revenue or contract costs, or changes in the estimated outcome of a contract could impact the amounts of revenue and expenses recognised in the consolidated statement of profit or loss in the period in which the change is made and in subsequent periods. This impact could potentially be significant.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has seven reportable operating segments as follows:

(a) Economisers – key heat transfer equipment typically installed in boiler systems for power plants;

(b) Waste heat recovery products and boiler components – systems that extract thermal energy contained in the waste gases emitted from various industrial utilisations and utilise the recovered thermal energy in another process of further utilisations, air-preheaters, superheaters, and other components such as power station steel structures and finned tubes;

(c) Marine products – packaged marine boiler products generally categorised into fired boilers and other marine boilers;

(d) Waste heat power generation – construction and operation of waste heat power generation facilities;

4. OPERATING SEGMENT INFORMATION (Continued)

(e) Wind turbine towers – tubular steel structures which hold the nacelles that include the generators;

(f) Services and repairs – boiler conversions and upgrades, general maintenance services on marine or land boilers, provision of installations and testing and repairs services; and

(g) Alluvial-gold mining – alluvial-gold mining and sales of refined alluvial gold.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that interest income, finance costs, fair value losses from the Group's financial instruments as well as head office and corporate expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2013	Economisers RMB'000	Waste heat recovery products and boiler components RMB'000	Marine products RMB'000	Waste heat power generation RMB'000	Wind turbine towers RMB'000	Services and repairs RMB'000	Alluvial-gold mining RMB'000	Total RMB'000
Segment revenue:								
Sales to external customers	119,899	142,009	47,262	10,968	2,054	24,789	27,647	374,628
Intersegment sales	-	-	-	-	-	-	-	-
	119,899	142,009	47,262	10,968	2,054	24,789	27,647	374,628
Reconciliation:								
Elimination of intersegment sales								-
Revenue								374,628
Segment results	(29,425)	14,830	12,906	(743)	(7,102)	11,012	(38,328)	(36,850)
Reconciliation:								
Elimination of intersegment results								-
Interest income								2,358
Unallocated gains								745
Corporate and other unallocated expenses								(136,688)
Finance costs								(35,817)
Loss before tax								(206,252)
Segment assets	21,631	143,526	16,624	406	113,367	3,111	19,303	317,968
Reconciliation:								
Elimination of intersegment receivables								-
Corporate and other unallocated assets								621,570
Total assets								939,538
Segment liabilities	103,673	485	-	19,573	33,472	1,695	58,914	217,812
Reconciliation:								
Elimination of intersegment payables								-
Corporate and other unallocated liabilities								682,164
Total liabilities								899,976
Other segment information:								
Impairment losses recognised in the statement of profit or loss	49,741	2,834	198	-	3,993	-	-	56,766
Impairment losses reversed in the statement of profit or loss	(62)	(3,156)	-	-	-	(50)	-	(3,268)
Depreciation and amortisation	11,247	13,441	1,080	16	6,580	1,917	7,987	42,268
Capital expenditure*	345	1,758	16	-	-	328	22,172	24,619

* Capital expenditure consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payments.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2012	Economisers RMB'000	Waste heat recovery products and boiler components RMB'000	Marine products RMB'000	Waste heat power generation RMB'000	Wind turbine towers RMB'000	Services and repairs RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	78,096	221,477	46,913	12,494	–	20,490	379,470
Intersegment sales	–	–	–	–	–	–	–
	78,096	221,477	46,913	12,494	–	20,490	379,470
Reconciliation:							
Elimination of intersegment sales							–
Revenue							379,470
Segment results	(51,131)	(124,228)	(1,139)	(95,361)	(18,993)	3,004	(287,848)
Reconciliation:							
Elimination of intersegment results							–
Interest income							2,488
Unallocated gains							2,350
Corporate and other unallocated expenses							(182,122)
Finance costs							(35,228)
Loss before tax							(500,360)
Segment assets	78,785	163,051	12,023	2,291	123,877	3,221	383,248
Reconciliation:							
Elimination of intersegment receivables							–
Corporate and other unallocated assets							690,640
Total assets							1,073,888
Segment liabilities	109,584	188	–	17,522	39,926	1,886	169,106
Reconciliation:							
Elimination of intersegment payables							–
Corporate and other unallocated liabilities							658,122
Total liabilities							827,228
Other segment information:							
Impairment losses recognised in the statement of profit or loss	27,603	129,444	–	80,318	–	1,308	238,673
Impairment losses reversed in the statement of profit or loss	–	–	–	–	–	(842)	(842)
Depreciation and amortisation	9,216	17,894	1,620	21,606	8,134	1,968	60,438
Capital expenditure*	4,843	14,726	1,067	–	–	918	21,554

* Capital expenditure consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payments.

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2013	2012
	RMB'000	RMB'000
The PRC	**266,767**	227,651
European Union	**48,452**	65,307
United States of America	**12,781**	52,015
India	**3,284**	24,638
Other countries	**43,344**	9,859
	374,628	379,470

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2013	2012
	RMB'000	RMB'000
The PRC	**383,622**	402,368
The United Kingdom	**29,612**	32,592
Other countries	**762**	975
	413,996	435,935

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

Revenues from major customers in the corresponding years contributing to more than 10% of the total revenue of the Group are as follows:

Revenue of approximately RMB56,395,000 (2012: RMB26,201,000) was derived from sales by the economisers, waste heat recovery products and boiler components segments to customer A, including sales to a group of entities which are known to be under common control with that customer.

Revenue of approximately RMB3,225,000 (2012: RMB46,593,000) was derived from sales by the waste heat recovery products and boiler components segment to customer B, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; and the value of services rendered.

An analysis of revenue, other income and gains is as follows:

	Notes	2013 RMB'000	2012 RMB'000
Revenue			
Construction contracts		**311,224**	346,486
Sale of goods		**38,615**	12,494
Rendering of services		**24,789**	20,490
		374,628	379,470
Other income and gains			
Bank interest income		**2,358**	2,488
Release of investment-related subsidy income	i	**5,161**	5,161
Subsidy income		**51**	165
Income from transfer agreements	ii	**–**	8,000
Foreign exchange differences, net		**–**	1,349
Others		**896**	647
		8,466	17,810

Notes:

i. In July 2011, Greens New Energy Limited, a wholly-owned subsidiary of the Company was granted a further subsidy of approximately RMB31,136,600 as a further reward for its investment in the wind turbine tower business in Tongliao of Inner Mongolia through its subsidiary, Tongliao Greens Wind Power Equipment Company Limited ("Tongliao Greens"). The directors consider the subsidy to be related to the investment in Tongliao Greens and therefore deferred and recognised it in the statement of profit or loss on the straight-line basis over the approved tenure of Tongliao Greens.

ii. In June 2010, in order to stabilise the revenue from electricity sales of Baicheng Greens Waste Heat Power Generation Co., Ltd. ("Baicheng Greens"), the Group began negotiations with an independent third party to seek to guarantee Baicheng Greens' annual revenue of RMB60 million for the five year period starting on 22 June 2010. On 30 December 2010, Baicheng Greens and the independent third party entered into various trust agreements through Shanghai AJ Trust & Investment Co., Ltd. ("AJ Trust"). These trust agreements provide that, for each of the six month periods starting from 22 June 2010 until 21 June 2015, if the revenue from electricity sales of Baicheng Greens is less than RMB30 million, the independent third party will compensate Baicheng Greens for the shortfall up to RMB4 million. If the revenue exceeds RMB30 million in any six month period, Baicheng Greens will pay the independent third party the excess of the revenue above RMB30 million. It is agreed that both Baicheng Greens and the independent third party have the option to terminate the trust agreements at the start of each six month period.

Baicheng Greens' revenue during the periods from mid-December 2010 to mid-June 2011 and from mid-June 2011 to mid-December 2011 were both lower than the target of RMB30 million, and thus Baicheng Greens had the right to collect RMB8 million from the third party in total and had no obligation due to this third party, so it recorded RMB8 million in other income in 2011, which was paid in full by the third party through AJ Trust in February 2011 and July 2011, respectively.

Baicheng Greens' revenue during the periods from mid-December 2011 to mid-June 2012 and from mid-June 2012 to mid-December 2012 were both lower than the target of RMB30 million, and thus Baicheng Greens had the right to collect RMB8 million from the third party in total and had no obligation due to this third party, so it recorded RMB8 million in other income in 2012, which was paid in full by the third party through AJ Trust in January 2012 and July 2012, respectively.

Baicheng Greens' revenue during the periods from mid-December 2012 to mid-June 2013 and from mid-June 2013 to mid-December 2013 were both lower than the target of RMB30 million. However, the independent third party did not pay to Baicheng Greens, thus the trust agreements was automatically terminated in line with the agreement clause, and Baicheng Greens did not record other income in 2013.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2013 RMB'000	2012 RMB'000
Cost of inventories sold		**326,074**	417,046
Cost of services provided		**13,116**	15,414
Depreciation	13	**29,316**	31,130
Amortisation of other intangible assets	15	**11,076**	27,431
Minimum lease payments under operating leases:			
Land and buildings		**8,963**	8,110
Amortisation of land lease payments	14	**1,876**	1,877
Auditors' remuneration		**1,550**	2,531
Employee benefit expense (excluding directors' and chief Executive's remuneration (note 8)):			
Wages and salaries		**77,390**	74,475
Pension scheme contributions		**4,974**	5,461
		82,364	79,936
Foreign exchange differences, net		**720**	(1,349)
Impairment of accounts receivable		**36,376**	46,560
Impairment of construction contracts		**14,091**	85,471
Impairment of prepayments, deposits and other receivables		**(962)**	6,553
Impairment of inventory	17	**303**	–
Impairment of property, plant and equipment	13	**3,690**	–
Impairment of other intangible assets	15	**–**	74,241
Impairment of financial assets – amount due from a grantor		**–**	25,006
Fair value losses, net:			
Derivative financial instruments at fair value through profit or loss		**–**	–
Bank interest income	5	**(2,358)**	(2,488)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**31,529**	33,867
Other finance costs:		
Interest on the discounting of bank accepted notes	**4,288**	1,361
	35,817	35,228

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Fees	**339**	344
Other emoluments:		
Salaries, allowances and benefits in kind	**3,573**	4,061
Pension scheme contributions	**128**	138
	3,701	4,199
	4,040	4,543

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2013	2012
	RMB'000	RMB'000
Mr. Jack Michael Biddison	**120**	122
Mr. Yim Kai Pung	**120**	122
Mr. Ling Xiang	**50**	50
	290	294

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors and a non-executive director

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2013				
Executive directors:				
Mr. Frank Ellis	**–**	**1,521**	**56**	**1,577**
Mr. Xie Zhiqing	**–**	**1,026**	**36**	**1,062**
Ms. Chen Tianyi	**–**	**1,026**	**36**	**1,062**
	–	**3,573**	**128**	**3,701**
Non-executive director:				
Mr. Zhu Keming	**49**	**–**	**–**	**49**
	49	**3,573**	**128**	**3,750**
2012				
Executive directors:				
Mr. Frank Ellis	–	1,603	72	1,675
Mr. Xie Zhiqing	–	1,229	33	1,262
Ms. Chen Tianyi	–	1,229	33	1,262
	–	4,061	138	4,199
Non-executive director:				
Mr. Zhu Keming	50	–	–	50
	50	4,061	138	4,249

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2012: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2012: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2012: two) highest paid employees who are neither directors nor the chief executive of the Company are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**3,385**	3,370
Pension scheme contributions	**35**	35
	3,420	3,405

The number of non-director and non-chief executive, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2013	2012
HK$1,500,001 to HK$2,000,000	**1**	2
HK$2,000,001 to HK$2,500,000	**1**	–

10. INCOME TAX

The Company is incorporated in the Cayman Islands and is not subject to any income tax.

Group entities incorporated in the British Virgin Islands (the "**BVI**") are not subject to any income tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year ended 31 December 2013 (2012: Nil).

Greens Power Limited (UK), Greens Power Equipment (UK) Limited and Greens Combustion Limited are incorporated in the United Kingdom and are subject to UK corporation tax at a statutory tax rate of 28% for the year ended 31 December 2013 (2012: 28%).

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Group's entities registered in the PRC is 25% from 1 January 2008 onwards.

10. INCOME TAX (Continued)

Greens Power Equipment (China) Co., Ltd. ("**GPEL**"), being a foreign investment enterprise registered in the Jingjiang Economic Development Zone, Jiangsu, the PRC, was entitled to an exemption from EIT for two years starting from its first profit-making year, followed by a 50% tax relief for the following three years. GPEL's first profit making year was 2007 and it was entitled to and enjoyed tax exemption in 2007 and 2008 and a 50% tax relief from 2009 to 2011. On 6 August 2012, GPEL received approval as a high and new-tech enterprise effective for three years by the relevant authorities. Therefore, the applicable income tax rate of GPEL for the years ending 31 December 2014 was 15%.

Baicheng Greens Waste-heat Power Generation Co., Ltd., being a foreign investment enterprise registered in Xinjiang Uygur Autonomous Region, the PRC, was certified as the corporation of comprehensive utilisation of resources from July 2010 to July 2014. Thus, Baicheng Greens can be entitled to a preferential tax rate of 15% in 2013 and 2012, which is subject to annual approval by the relevant authorities.

	2013 **RMB'000**	2012 RMB'000
Group:		
Current – Mainland China		
Underprovision in prior years	**1,603**	799
Deferred (note 26)	**(4,767)**	(12,069)
Total tax credit for the year	**(3,164)**	(11,270)

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

10. INCOME TAX (Continued)

Group – 2013

	Mainland China RMB'000	%	The UK RMB'000	%	Hong Kong RMB'000	%	Other countries RMB'000	%	Total RMB'000	%
Loss before tax	**(171,859)**		**(25,391)**		**(18)**		**(8,984)**		**(206,252)**	
Tax at the statutory tax rate	**(42,965)**	**25.0**	**(7,109)**	**28.0**	**(3)**	**16.5**	**(96)**	**1.1**	**(50,173)**	**24.3**
Lower tax rate enacted by local authority	**8,424**	**(4.9)**	**–**	**–**	**–**	**–**	**–**	**–**	**8,424**	**(4.1)**
Adjustments in respect of current tax of previous periods	**1,453**	**(0.8)**	**–**	**–**	**–**	**–**	**–**	**–**	**1,453**	**(0.7)**
Income not subject to tax	**(165)**	**0.1**	**–**	**–**	**–**	**–**	**–**	**–**	**(165)**	**0.1**
Expenses not deductible for tax	**3,747**	**(2.2)**	**–**	**–**	**–**	**–**	**–**	**–**	**3,747**	**(1.8)**
Tax losses not recognised	**26,342**	**(15.3)**	**7,109**	**(28.0)**	**3**	**(16.5)**	**96**	**(1.1)**	**33,550**	**(16.3)**
Tax credit at the Group's effective rate	**(3,164)**	**1.8**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,164)**	**1.5**

Group – 2012

	Mainland China RMB'000	%	The UK RMB'000	%	Hong Kong RMB'000	%	Other countries RMB'000	%	Total RMB'000	%
Loss before tax	(448,091)		(36,934)		(4,525)		(10,810)		(500,360)	
Tax at the statutory tax rate	(112,023)	25.0	(10,342)	28.0	(747)	16.5	(55)	0.5	(123,167)	24.6
Lower tax rate enacted by local authority	31,191	(7.0)	–	–	–	–	–	–	31,191	(6.2)
Adjustments in respect of current tax of previous periods	799	(0.2)	–	–	–	–	–	–	799	(0.2)
Income not subject to tax	(187)	0.1	–	–	–	–	–	–	(187)	0.1
Expenses not deductible for tax	13,281	(3.0)	–	–	–	–	–	–	13,281	(2.7)
Tax losses not recognised	55,669	(12.4)	10,342	(28.0)	747	(16.5)	55	(0.5)	66,813	(13.4)
Tax credit at the Group's effective rate	(11,270)	2.5	–	–	–	–	–	–	(11,270)	2.3

11. LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year ended 31 December 2013 includes a loss of RMB5,131,000 (2012: RMB6,765,000) which has been dealt with in the financial statements of the Company (note 29(b)).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,245,000,000 (2012: 1,245,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of basic loss per share is based on:

	2013 **RMB'000**	2012 RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(203,072)**	(487,536)

	Number of shares	
	2013 **'000**	2012 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,245,000**	1,245,000

The Group had no potentially dilutive ordinary shares in issue for the years ended 31 December 2013 and 2012.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements RMB'000	Buildings RMB'000	Plant and machinery RMB'000 (Note i)	Computer and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2013							
At 31 December 2012 and at 1 January 2013:							
Cost or valuation	1,871	232,266	143,460	13,375	3,951	25,205	420,128
Accumulated depreciation	(770)	(32,482)	(70,433)	(5,437)	(1,765)	–	(110,887)
Net carrying amount	1,101	199,784	73,027	7,938	2,186	25,205	309,241
At 1 January 2013, net of accumulated depreciation	1,101	199,784	73,027	7,938	2,186	25,205	309,241
Additions	105	–	3,586	259	910	1,519	6,379
Disposals	–	–	–	–	(40)	–	(40)
Depreciation provided during the year	(422)	(10,297)	(15,062)	(2,614)	(921)	–	(29,316)
Impairment during the year	–	–	(3,690)	–	–	–	(3,690)
Transfers	–	–	750	–	–	(750)	–
Exchange realignment	(10)	(8)	(67)	(60)	(6)	–	(151)
At 31 December 2013, net of accumulated depreciation and impairment	774	189,479	58,544	5,523	2,129	25,974	282,423
At 31 December 2013:							
Cost or valuation	1,955	232,256	147,697	13,527	4,611	25,974	426,020
Accumulated depreciation and impairment	(1,181)	(42,777)	(89,153)	(8,004)	(2,482)	–	(143,597)
Net carrying amount	774	189,479	58,544	5,523	2,129	25,974	282,423

At 31 December 2013, the Group was still in the process of applying for the property ownership certificates for certain of its buildings with a net carrying amount of approximately RMB134 million.

Note:

i The Group has involved one third-party valuer to perform the valuation for Tongliao Greens' property, plant and equipment at 31 December 2013, and considered to provide impairment of RMB3,690,000 for plant and machinery in 2013.

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Leasehold improvements RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2012							
At 31 December 2011 and at 1 January 2012:							
Cost or valuation	1,688	228,917	140,083	11,404	3,550	13,724	399,366
Accumulated depreciation	(394)	(21,972)	(53,443)	(2,742)	(1,520)	–	(80,071)
Net carrying amount	1,294	206,945	86,640	8,662	2,030	13,724	319,295
At 1 January 2012, net of accumulated depreciation	1,294	206,945	86,640	8,662	2,030	13,724	319,295
Additions	–	1,862	2,649	1,029	965	14,638	21,143
Disposals	–	–	–	(6)	(122)	–	(128)
Depreciation provided during the year	(353)	(10,510)	(16,932)	(2,642)	(693)	–	(31,130)
Transfers	100	1,487	679	891	–	(3,157)	–
Exchange realignment	60	–	(9)	4	6	–	61
At 31 December 2012, net of accumulated depreciation	1,101	199,784	73,027	7,938	2,186	25,205	309,241
At 31 December 2012:							
Cost or valuation	1,871	232,266	143,460	13,375	3,951	25,205	420,128
Accumulated depreciation	(770)	(32,482)	(70,433)	(5,437)	(1,765)	–	(110,887)
Net carrying amount	1,101	199,784	73,027	7,938	2,186	25,205	309,241

14. PREPAID LAND LEASE PAYMENTS

	Group 2013 RMB'000	2012 RMB'000
Carrying amount at 1 January	**88,563**	90,440
Recognised during the year	**(1,876)**	(1,877)
Carrying amount at 31 December	**86,687**	88,563
Current portion included in prepayments, deposits and other receivables	**(1,875)**	(1,875)
Non-current portion	**84,812**	86,688

The leasehold land is situated in Mainland China and is held under a long term lease.

15. OTHER INTANGIBLE ASSETS

Group

	Software RMB'000	Trade name RMB'000	Customer relationships RMB'000 (Note i)	Technology RMB'000 (Note ii)	Service concession arrangement RMB'000 (Note iii, iv)	Alluvial-gold Mining rights RMB'000	Total RMB'000
31 December 2013							
Cost at 1 January 2013, net of accumulated amortisation	822	14,083	–	25,101	–	–	40,006
Additions	–	–	–	–	–	18,240	18,240
Amortisation provided during the year	(102)	(916)	–	(2,458)	–	(7,600)	(11,076)
Exchange realignment	–	–	–	(409)	–	–	(409)
At 31 December 2013	720	13,167	–	22,234	–	10,640	46,761
At 31 December 2013							
Cost	1,024	18,124	28,903	31,770	131,306	18,240	229,367
Accumulated amortisation	(304)	(4,957)	(9,974)	(9,536)	(75,994)	(7,600)	(108,365)
Impairment	–	–	(18,929)	–	(55,312)	–	(74,241)
Net carrying amount	720	13,167	–	22,234	–	10,640	46,761

15. OTHER INTANGIBLE ASSETS (Continued)

Group

	Software RMB'000	Trade name RMB'000	Customer relationships RMB'000 (Note i)	Technology RMB'000 (Note ii)	Service concession arrangement RMB'000 (Note iii,iv)	Total RMB'000
31 December 2012						
Cost at 1 January 2012, net of accumulated amortisation	509	14,999	21,272	27,584	76,904	141,268
Additions	411	–	–	–	–	411
Amortisation provided during the year	(96)	(916)	(2,343)	(2,484)	(21,592)	(27,431)
Impairment during the year	–	–	(18,929)	–	(55,312)	(74,241)
Exchange realignment	(2)	–	–	1	–	(1)
At 31 December 2012	822	14,083	–	25,101	–	40,006
At 31 December 2012:						
Cost	1,024	18,124	28,903	32,315	131,306	211,672
Accumulated amortisation	(202)	(4,041)	(9,974)	(7,214)	(75,994)	(97,425)
Impairment	–	–	(18,929)	–	(55,312)	(74,241)
Net carrying amount	822	14,083	–	25,101	–	40,006

Notes:

i An intangible asset of customer relationships was recognised in the consolidated financial statements of the Group after its reorganisation in 2008. The historical cost of RMB28,903,000 was the fair value of customer relationships of three wholly-owned subsidiaries of the Group, namely Greens Power Limited, Greens Power Equipment (China) Co., Ltd and Shanghai Greens Marine Engineering Co., Ltd. The initial amount was based on a valuation report issued by an independent valuer representing the present value of the future residue cash flow attributable to the intangible asset.

As of 31 December 2012, the net book value of the customer relationships amounted to RMB18,929,000. Given the substantial change in customer base of the Group and the persistent unfavourable results of the Group for the two years ended 31 December 2013 and 2012, management believes the possible impairment losses related to these customer relationships has been indicated and decided to fully write off the net book value in the year.

ii Technology primarily consists of know-how, manufacturing techniques and other proprietary technologies that are not patented.

15. OTHER INTANGIBLE ASSETS (CONTINUED)

Notes: (Continued)

iii Baicheng Greens entered into a cooperation agreement with Xinjiang Coke in the Xinjiang Autonomous Region, pursuant to which Xinjiang Coke granted its Waste Heat Power Generation Project to Baicheng Greens.

Pursuant to the cooperation agreement, Baicheng Greens is responsible for the construction of the infrastructure and equipment of the power station for the project. Baicheng Greens will operate the power station and sell electricity generated from the waste heat to the State Grid Corporation of China for public use for six consecutive years after the construction has been completed, i.e., by 31 July 2015. Baicheng Greens will not hold any residual interest in the infrastructure and equipment upon termination of the operating period. As such, the arrangement under the cooperation agreement is accounted for as a service concession arrangement and the right to operate the power station is regarded as an intangible asset. Amortisation of the intangible asset is provided for over the operating period on the straight-line basis when the power station commences its operation.

Given the persistent drop in the electricity generation volume during year 2012 together with the possible suspension of operations of the related coking production facilities at the discretion of Xinjiang Coke in recent times, the net book value (approximately RMB52,603,000) of the Group's service concession arrangement in respect to the Waste Heat Power Generation Project to Baicheng Greens had indicated a permanent impairment as at 31 December 2012 and was fully provided for accordingly.

iv In March 2010, GPEL entered into a cooperation agreement with Kunming Malong Chemical Co., Ltd. ("Malong Chemical") in Yunnan Province, pursuant to which, Malong Chemical granted the Waste Heat Power Generation Project to GPEL.

Pursuant to the cooperation agreement, GPEL set up a new subsidiary, Kunming Greens Energy Saving Co., Ltd. ("Greens Kunming") which was responsible for the construction of the infrastructure and equipment of the power station for the project. Greens Kunming will operate the power station and sell electricity and steam generated from the waste heat to Malong Chemical for six consecutive years after the power station commenced its operation. The subsidiary will not hold any residual interest in the infrastructure and equipment upon termination of the operating period, the Group has agreed to transfer its entire interest in the project to Malong Chemical at the end of the operating period. As such, the arrangement under the cooperation agreement is accounted for as a service concession arrangement and the right to operate the power station is regarded as a financial asset of RMB25,006,000 and an intangible asset of RMB3,306,000, respectively. Amortisation of the intangible asset is provided for over the operating period on the straight-line basis when the power station commenced its operation.

The power station construction was completed and commenced its operation since 14 November 2011. Approximately RMB28,312,000 of construction revenue and approximately RMB5,312,000 of construction profit were recognised in 2011.

Since the acceptance of the power station by Malong Chemical, Malong Chemical has not provided any waste heat to the power station and also refused to effect payment to the Group for the minimum monthly guaranteed amount for the period from the acceptance date to the end of year 2012. The Group has been actively negotiating with Malong Chemical, asking for their fulfilment of the obligation under the cooperation agreement. The Group already sent the legal advice to Malong Chemical and is going to consider possible arbitration. Given that there exist significant uncertainties about whether Malong Chemcial will fulfil the agreement in the near future, the Group made a full impairment provision on the net book value (approximately RMB2,709,000) of the service concession arrangement in respect of the Waste Heat Power Generation Project to GPEL, and the above financial asset of RMB25,006,000 recognised in association with the intangible asset as at 31 December 2012, for the sake of prudence.

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	RMB'000	RMB'000
Unlisted shares, at cost	**9,242**	9,242

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB586,297,000 (2012: RMB582,500,000) and RMB58,924,000 (2012: RMB50,130,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

Particulars of the principal subsidiaries are as follows:

Company Name	Place and date of incorporation registration and place of operations	Percentage of equity interest attributable to the Company Direct	Percentage of equity interest attributable to the Company Indirect	Paid-up capital/ registered ordinary share capital	Principal activities
上海格林熱能設備有限公司 Shanghai Greens Thermal Equipment Limited	PRC/Mainland China 30 April 2003	–	100	US$1,800,000	Manufacture and supply of economisers, waste heat recovery products and boiler components
上海格林船務工程有限公司 Shanghai Greens Marine Engineering Co., Ltd.	PRC/Mainland China 30 October 2003	–	100	US$140,000	Provision of repair and maintenance services for marine boilers
格菱動力設備(中國)有限公司 Greens Power Equipment (China) Co., Ltd.	PRC/Mainland China 17 January 2007	–	100	US$30,000,000	Manufacture and supply of waste heat recovery products, marine products, boiler components and economisers
拜城格林餘熱發電有限公司 Baicheng Greens Waste-Heat Power Generation Co., Ltd.	PRC/Mainland China 16 June 2009	–	100	US$2,877,773	Waste heat power generation

16. INVESTMENTS IN SUBSIDIARIES (Continued)

Company Name	Place and date of incorporation registration and place of operations	Percentage of equity interest attributable to the Company Direct	Indirect	Paid-up capital/ registered ordinary share capital	Principal activities
通遼格林風電設備有限公司 Tongliao Greens Wind Power Equipment Company Limited	PRC/Mainland China 5 August 2009	–	100	RMB60,000,000	Manufacture and supply of wind turbine towers
Greens Power Equipment (UK) Limited	UK 16 February 2011	–	100	GBP10	Investment holding and trading of marine products
Greens Power Equipment (USA) Inc.	USA 18 February 2011	–	100	USD1,000	Sales and project management of contracts in USA
Greens Power Limited	UK 13 December 2004	–	100	GBP491,001	International sales, engineering design and provision of after-sales services
Greens Power Equipment India Private Ltd.	India 25 January 2010	–	100	INR100,000	Sale of thermal boilers and provision of thermal boiler repairing services
Greens Combustion Limited	UK 7 March 2006	–	85	GBP1,176	Sales of petroleum chemical industry boilers
Greens Power Equipment PTE. Ltd.	Singapore 12 June 2009	–	100	SGD100	Sale of marine boilers and provision of marine boiler repair services
克州格菱礦业有限公司 Greens Kezhou Mining Co., Ltd.	PRC Mainland China 19 June 2012	–	51	RMB3,200,000	Sales of minerals

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. INVENTORIES

	Group	
	2013	2012
	RMB'000	RMB'000
Raw materials	**46,955**	49,608
Impairment	**(303)**	–
	46,652	49,608

The movements in the provision for inventories are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
At 1 January	**–**	–
Impairment losses recognised	**303**	–
	303	–

At 31 December 2013, none of the Group's inventories was pledged (2012: Nil).

18. CONSTRUCTION CONTRACTS

	Group	
	2013	2012
	RMB'000	RMB'000
Gross amount due from contract customers	**156,446**	196,852
Impairment	**(96,546)**	(85,471)
	59,900	111,381
Contract costs incurred plus recognised profits less recognised losses to date	**210,100**	298,061
Less: Progress billings	**(150,200)**	(186,680)
	59,900	111,381

18. CONSTRUCTION CONTRACTS (Continued)

The movements in the provision for impairment of construction contracts are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
At 1 January	**85,471**	–
Impairment losses recognised	**14,091**	85,471
Impairment losses written off	**(3,016)**	–
	96,546	85,471

19. TRADE AND BILLS RECEIVABLES

	Group	
	2013	2012
	RMB'000	RMB'000
Bills receivable	**11,297**	12,141
Trade receivables	**219,492**	258,493
Impairment	**(63,574)**	(38,397)
	167,215	232,237

The Group allows credit periods ranging from 30 to 90 days to its normal trade customers other than some customers with good credit history and relationships to whom appropriately longer credit terms will be allowed. Moreover, the Group also allows its trade customers to withhold payment of about 5% to 10% of the total contract price (the retention money) until the expiration of a period from one year to three years from the date its products are installed and put into use. The group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

19. TRADE AND BILLS RECEIVABLES (Continued)

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, excluding retention money receivables and net of provisions, is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Within 3 months	**35,460**	31,085
3 to 6 months	**6,667**	14,803
6 months to 1 year	**13,341**	45,020
1 to 2 years	**30,656**	27,946
2 to 3 years	**1,033**	14,200
	87,157	133,054

An aged analysis of retention money receivables as at the end of the reporting period, net of provisions, is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Within 3 months	**3,631**	4,134
3 to 6 months	**11,015**	8,797
6 months to 1 year	**6,045**	8,804
1 to 2 years	**21,158**	58,022
2 to 3 years	**20,527**	6,304
Over 3 years	**6,385**	981
	68,761	87,042

19. TRADE AND BILLS RECEIVABLES (Continued)

The movements in the provision for impairment of trade receivables are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
At 1 January	**38,397**	4,760
Impairment losses recognised	**38,682**	47,402
Amount written off as uncollectible	**(11,199)**	(12,923)
Impairment losses reversed	**(2,306)**	(842)
	63,574	38,397

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB63,574,000 (2012:RMB38,397,000) with a carrying amount before provision of RMB69,909,000 (2012: RMB44,701,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interest and principal payments and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Neither past due nor impaired	**149,583**	213,792

Receivables that were neither past due nor impaired relate to a large number of diversified 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, the directors of the Company are of the opinion that no provision for impairment 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.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
		2013	2012	**2013**	2012
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Prepayments		**48,310**	61,636	**156**	–
Deposits and other receivables	i	**13,674**	40,463	**17**	9
Impairment		**(5,591)**	(6,553)	**–**	–
		56,393	95,546	**173**	9

Note:

i. In June 2012, the Group won in a public bidding two mining rights in Aketao County, Xinjiang Kizilsu Kirgiz Autonomous Prefacture for the total bidding price of RMB9.6 million. In July 2012, the Group won in a public bidding three mining rights in Aketao County, Xinjiang Kizilsu Kirgiz Autonomous Prefacture for the total bidding price of RMB8 million. As of 31 December 2012, the completion of these transactions is subject to the approval by the relevant authorities and a total of RMB24 million was being kept by the bidding house as the deposit for the bidding price, certain guaranteed payment for environment restoration works and other related expenses upon completion of these transactions.In March 2013, the Group obtained the certificate for the five alluvial-gold mining rights, and the deposit for the bidding price amounting RMB24 million was settled, among which, RMB18.24 million was recorded in other intangible assets, the remaining RMB5.76 million was repaid by the bidding house.

The movements in the provision for impairment of deposits and other receivables are as follows:

	2013	2012
	RMB'000	RMB'000
At 1 January	**6,553**	–
Impairment losses recognised	**–**	6,553
Impairment losses reversed	**(962)**	–
	5,591	6,553

Included in the above provision for impairment is a provision of RMB5,591,000 (2012: RMB6,553,000) for long-aged deposits and other receivables with a carrying amount before provision of RMB5,591,000 (2012: RMB6,553,000).

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2013	2012	**2013**	2012
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**32,580**	23,905	**173**	476
Time deposits		**159,963**	121,921	**–**	–
		192,543	145,826	**173**	476
Less: Pledged time deposits:					
Pledged for short term bank loans	24(a)	**(63,445)**	(75,600)	**–**	–
Pledged for bank guarantee letters and bank accepted drafts		**(96,518)**	(46,321)	**–**	–
Cash and cash equivalents		**32,580**	23,905	**173**	476

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB22,640,000 (2012: RMB5,481,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

22. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Within 3 months	**56,235**	114,127
3 to 6 months	**48,765**	44,258
6 months to 1 year	**32,006**	41,495
1 to 2 years	**30,057**	69,134
Over 2 years	**11,478**	2,270
	178,541	271,284

The trade payables are non-interest-bearing and are normally settled on 180-day terms.

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables	**83,653**	59,984	**137**	142
Accruals	**14,630**	9,060	**–**	–
	98,283	69,044	**137**	142

Other payables are non-interest-bearing.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2013			2012		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	**2-9**	**2014**	**484,439**	3-9	2013	306,213
Bank loans – secured	**6-7**	**2014**	**54,500**	5-6	2013	63,000
Current portion of long term bank loans – unsecured	**N/A**	**N/A**	**–**	6	2013	60,000
			538,939			429,213
Non-current						
Bank loans – unsecured	**N/A**	**N/A**	**–**	N/A	N/A	–
			538,939			429,213

	Group 2013 RMB'000	Group 2012 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year	**538,939**	429,213

Notes:

(a) The Group's certain bank loans of RMB54,500,000 are secured by the pledge of the Group's time deposits amounting to approximately RMB63,445,000 (2012: The Group's certain bank loans of RMB63,000,000 were secured by the pledge of the Group's time deposits amounting to approximately RMB75,600,000).

(b) The Group's other remaining bank loans of RMB484,439,000 are unsecured, bear interest at floating interest rates from 2%-9% per annum and are repayable in 2014.

(c) Except for a bank loan of approximately RMB87,795,000 (2012: RMB6,213,000) which is denominated in United States dollars, all borrowings are denominated in RMB.

25. DUE TO DIRECTORS

Due to directors are as follows:

Name	**31 December 2013 RMB'000**	Maximum amount outstanding during the year RMB'000	1 January 2013 RMB'000	Security held
Director A	**7,076**	7,076	–	None
Company A (controlled by Director B)	**29,871**	29,871	–	None
	36,947		–	

Amounts due to directors are non-interest-bearing.

26. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	2013 Revaluation of Intangible assets RMB'000
At 1 January 2013	**11,530**
Deferred tax credited to the statement of profit or loss during the year	**(5,283)**
Gross deferred tax liabilities at 31 December 2013	**6,247**

26. DEFERRED TAX (CONTINUED)

Deferred tax assets

Group

	2013 Government subsidies RMB'000
At 1 January 2013	**3,355**
Deferred tax charged to the statement of profit or loss during the year	**(516)**
Gross deferred tax assets at 31 December 2013	**2,839**

Deferred tax liabilities

Group	2012			
	Income from service concession arrangements RMB'000	Revaluation of intangible assets RMB'000	Recognition of profits of construction contracts RMB'000	Total RMB'000
At 1 January 2012	2,545	12,486	9,416	24,447
Deferred tax credited to the statement of profit or loss during the year	(2,545)	(956)	(9,416)	(12,917)
Gross deferred tax liabilities at 31 December 2012	–	11,530	–	11,530

Deferred tax assets

Group	2012		
	Allowance for doubtful debts RMB'000	Government subsidies RMB'000	Total RMB'000
At 1 January 2012	332	3,871	4,203
Deferred tax charged to the statement of profit or loss during the year	(332)	(516)	(848)
Gross deferred tax assets at 31 December 2012	–	3,355	3,355

26. DEFERRED TAX (Continued)

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2013	2012
	RMB'000	RMB'000
Tax losses	**115,926**	82,376

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies out of Mainland China, in which the losses arose, and the tax losses arising in Mainland China will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Under the relevant tax law and implementation regulations in the PRC, withholding income tax is applicable to interest and dividends payable to investors that are "non-tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent that such interest or dividends have their sources within Mainland China. At 31 December 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China (2012: Nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was nil at 31 December 2013 (2012: Nil).

27. DEFERRED INCOME

	Government subsidies RMB'000
At 1 January 2013	33,551
Released during the year (note 5)	(5,161)
At 31 December 2013	28,390
At 1 January 2012	38,712
Released during the year (note 5)	(5,161)
At 31 December 2012	33,551

Pursuant to a subsidy notice from the local government, Greens New Energy Limited, a wholly-owned subsidiary of the Company was granted a subsidy of approximately RMB20,480,000 in November 2009 as a reward for its investment in the wind turbine tower business in Tongliao of Inner Mongolia through its subsidiary, Tongliao Greens. Another government grant of RMB31,136,000 was received during the period from August to November 2011 for the similar reward to Greens New Energy Limited for its investment in Tongliao. The directors consider the above subsidies to be related to the investment in Tongliao Greens and therefore deferred and recognised it in profit or loss on the straight-line basis over the approved tenure of Tongliao Greens.

28. SHARE CAPITAL

Shares

	2013 US$'000	2012 US$'000
Authorised:		
2,400,000,000 (2012: 2,400,000,000) ordinary shares of US$ 0.01 each	**24,000**	24,000
Issued and fully paid:		
1,245,000,000 (2012: 1,245,000,000) ordinary shares of US$ 0.01 each	**12,450**	12,450
Presented in RMB	**85,004**	85,004

28. SHARE CAPITAL (Continued)

Shares (Continued)

During the year, there were no movements in the Company's issued share capital:

	Number of shares in issue	Issued capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2013 and 31 December 2013	1,245,000,000	85,004	459,124	544,128

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 42 to 43 of the financial statements.

The Group's contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 2008 over the nominal value of the Company's shares issued in exchange therefor.

Pursuant to the relevant laws and regulations in Mainland China, a portion of the profits of the Group's entities which are established in Mainland China has been transferred to reserve funds which are restricted as to use.

(b) Company

	Share premium account RMB'000	**Retained profits/ (accumulated losses)** RMB'000	**Total** RMB'000
Balance at 1 January 2012	459,124	4,592	463,716
Total comprehensive income for the year	–	(6,765)	(6,765)
At 31 December 2012	459,124	(2,173)	456,951
Total comprehensive income for the year	–	(5,131)	(5,131)
At 31 December 2013	**459,124**	**(7,304)**	**451,820**

30. CONTINGENT LIABILITIES

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

31. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At 31 December 2013, the Company did not have any operating lease and the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Within one year	**2,492**	1,524
In the second to fifth years, inclusive	**3,627**	–
	6,119	1,524

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2013	2012
	RMB'000	RMB'000
Contracted, but not provided for:		
Plant and machinery	**1,870**	3,472

At the end of the reporting period, the Company did not have any other significant commitments.

33. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	2013 RMB'000	2012 RMB'000
Short term employee benefits	**14,405**	13,678
Pension scheme contributions	**500**	421
Total compensation paid to key management personnel	**14,905**	14,099

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2013

Group

Financial assets

	Loans and receivables RMB'000
Trade and bills receivables	**167,215**
Financial assets included in prepayments, deposits and other receivables	**8,083**
Pledged deposits	**159,963**
Cash and cash equivalents	**32,580**
	367,841

34. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	**178,541**
Financial liabilities included in other payables	**83,653**
Interest-bearing bank and other borrowings	**538,939**
Due to directors	**36,947**
	838,080

2012

Group

Financial assets

	Loans and receivables RMB'000
Trade and bills receivables	232,237
Financial assets included in prepayments, deposits and other receivables	33,910
Pledged deposits	121,921
Cash and cash equivalents	23,905
	411,973

34. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	271,284
Financial liabilities included in other payables	59,984
Interest-bearing bank and other borrowings	429,213
	760,481

Company

Financial assets

	2013 Loans and receivables RMB'000	2012 Loans and receivables RMB'000
Investments in subsidiaries	**9,242**	9,242
Financial assets included in prepayments, deposits and other receivables	**173**	9
Due from subsidiaries	**586,297**	582,500
Cash and cash equivalents	**173**	476
	595,885	592,227

Financial liabilities

	2013 Financial liabilities at amortised cost RMB'000	2012 Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables	**137**	142
Due to subsidiaries	**58,924**	50,130
	59,061	50,272

35. TRANSFER OF FINANCIAL ASSETS

Financial assets that are derecognised in their entirety

At 31 December 2013, the Group endorsed certain bills (notes) receivable accepted by banks in the PRC (the "**Derecognised Bills**"), to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of RMB108,365,000 (the "**Endorsement**"). The Derecognised Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carting amount that reasonably approximate to fair value, are as follows:

Group

	Carrying amounts		Fair values	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Trade and bills receivables	**167,215**	232,237	**167,013**	232,088
Financial liabilities				
Trade and bills payables	**178,541**	271,284	**177,654**	269,580
Interest-bearing bank borrowings	**538,939**	429,213	**537,339**	424,288
Due to directors	**36,947**	–	**36,511**	–
	754,427	700,497	**751,504**	693,868

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries, and amounts due to directors approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2013 was assessed to be insignificant.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise bank loans, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. At 31 December 2013, approximately 78% (2012: 9%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit/(loss) before tax RMB'000
2013	**25**	**(64)**
	(25)	**64**
2012	25	(232)
	(25)	232

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by subsidiaries in currencies other than the subsidiaries' functional currencies. Approximately 30% (2012: 37%) of the Group's sales were denominated in currencies other than the functional currencies of the subsidiaries making the sale, whilst over 99% of costs (2012: 99%) were denominated in the subsidiaries' functional currencies. The Group uses forward currency contracts to eliminate the foreign currency exposures on overseas transactions after the Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in foreign currency rate %	**Increase/ (decrease) in profit/(loss) before tax RMB'000**	**Increase/ (decrease) in equity* RMB'000**
2013			
If RMB strengthens against US dollar	**5**	**(2,922)**	**–**
If RMB weakens against US dollar	**5**	**2,922**	**–**
If RMB strengthens against Hong Kong dollar	**5**	**106**	**(1,169)**
If RMB weakens against Hong Kong dollar	**5**	**(106)**	**1,169**
If RMB strenghthens against GBP	**5**	**(476)**	**(2,417)**
If RMB weakens against GBP	**5**	**476**	**2,417**
2012			
If RMB strengthens against US dollar	5	(497)	–
If RMB weakens against US dollar	5	497	–
If RMB strengthens against Hong Kong dollar	5	(1)	865
If RMB weakens against Hong Kong dollar	5	1	(865)
If RMB strenghthens against GBP	5	(7)	1,217
If RMB weakens against GBP	5	7	(1,217)

* Excluding retained profits

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analyses by customer/counterparty, by geographical region and by industry sector.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. 100% of the Group's debts would mature in less than one year as at 31 December 2013 (2012: 100%) based on the carrying value of borrowings reflected in the financial statements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2013					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	276,840	271,176	–	–	548,016
Trade and bills payables	120,200	31,042	27,299	–	–	178,541
Financial liabilities included in other payables	83,653	–	–	–	–	83,653
Due to directors	–	–	–	36,947	–	36,947
	203,853	307,882	298,475	36,947	-	847,157

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	2012					
		Less than	3 to less than	1 to 5	Over	
	On demand	3 months	12 months	years	5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	–	165,681	274,783	–	–	440,464
Trade and bills payables	195,053	9,020	67,211	–	–	271,284
Financial liabilities included in other payables	59,984	–	–	–	–	59,984
	255,037	174,701	341,994	–	–	771,732

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2013					
		Less than	**3 to less than**	**1 to 5**	**Over**	
	On demand	**3 months**	**12 months**	**years**	**5 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Due to subsidiaries	**58,924**	**–**	**–**	**–**	**–**	**58,924**
Financial liabilities included in other payables	**137**	**–**	**–**	**–**	**–**	**137**
	59,061	**–**	**–**	**–**	**–**	**59,061**

	2012					
		Less than	3 to less than	1 to 5	Over	
	On demand	3 months	12 months	years	5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Due to subsidiaries	50,130	–	–	–	–	50,130
Financial liabilities included in other payables	142	–	–	–	–	142
	50,272	–	–	–	–	50,272

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 31 December 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade, bills and other payables, accruals, due to directors, less cash and cash equivalents and pledged deposits. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**538,939**	429,213
Trade and bills payables	**178,541**	271,284
Other payables and accruals	**98,283**	69,044
Due to directors	**36,947**	–
Less: Cash and cash equivalents	**(32,580)**	(23,905)
Pledged deposits	**(159,963)**	(121,921)
Net debt	**660,167**	623,715
Equity attributable to owners of the parent	**39,562**	246,644
Adjusted capital and net debt	**699,729**	870,359
Gearing ratio	**94%**	72%

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2014.

A summary of the results, assets and liabilities of the Group for the last five financial years is as follows:

	For the year ended 31 December				
	2009	2010	2011	2012	**2013**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Result					
Revenue	555,440	710,954	623,479	379,470	**374,628**
Profit/(loss) before tax	86,091	72,683	(76,271)	(500,360)	**(206,252)**
Income tax expense	(17,774)	(7,372)	(3,589)	11,270	**3,164**
Profit/(loss) for the year	68,317	65,311	(79,860)	(489,090)	**(203,088)**
Attributable to owners of the Company	68,317	65,311	(79,860)	(487,536)	**(203,072)**

	As at 31 December				
	2009	2010	2011	2012	**2013**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets and Liabilities					
Total assets	1,491,670	1,537,368	1,476,858	1,073,888	**939,538**
Total liabilities	(681,505)	(704,374)	(744,977)	(827,228)	**(899,976)**
	810,165	832,994	731,881	246,660	**39,562**
Equity attributable to owners of the Company	806,865	832,994	731,881	246,644	**39,562**
Minority interests	3,300	–	–	16	**–**
	810,165	832,994	731,881	246,660	**39,562**

Note: The Company was incorporated in the Cayman Islands on 27 February 2008 and became the holding company of the Group on 21 July 2008.