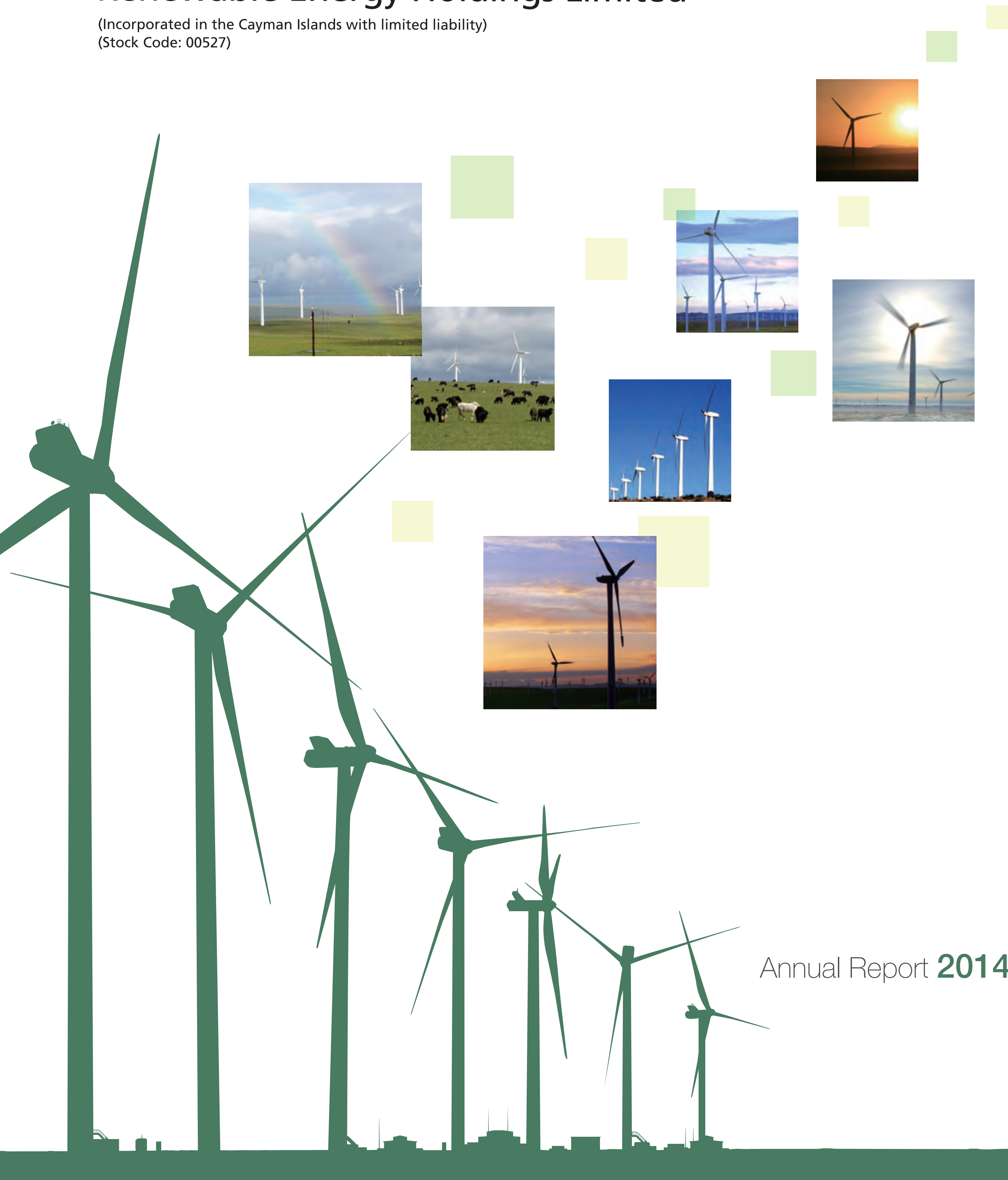
China Ruifeng Renewable Energy Holdings Limited

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



Annual Report **2014**

Contents

Company Information

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 00527

EXECUTIVE DIRECTORS

Mr. Li Baosheng *(Chairman)*
Mr. Zhang Zhixiang *(Chief Executive Officer)*
Mr. Ning Zhongzhi

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Cheng Koon Kau Alfred

AUTHORISED REPRESENTATIVES

Mr. Zhang Zhixiang
Mr. Cheng Koon Kau Alfred

PRINCIPAL BANKERS

In Hong Kong:

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

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

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

REGISTERED OFFICE

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

Company Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1806, 18th Floor
West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

COMPANY WEBSITE

www.c-ruifeng.com

LEGAL ADVISERS AS TO HONG KONG LAWS

Loong & Yeung
Suites 2001-2006
20th Floor, Jardine House
1 Connaught Place, Central
Hong Kong

AUDITORS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

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

Corporate Profile

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

Since 2013, Ruifeng Renew has increased its investment in Hebei Hongsong Renewable Energy Investment Co., Ltd. ("Hongsong Renewable Energy") (the second largest shareholder of Hebei Hongsong Wind Power Co., Ltd. ("Hongsong")). The Group has completed the acquisition of additional equity interests in Hongsong Renewable Energy to 76.98%, increasing the Group's control in Hongsong to 85.36%.

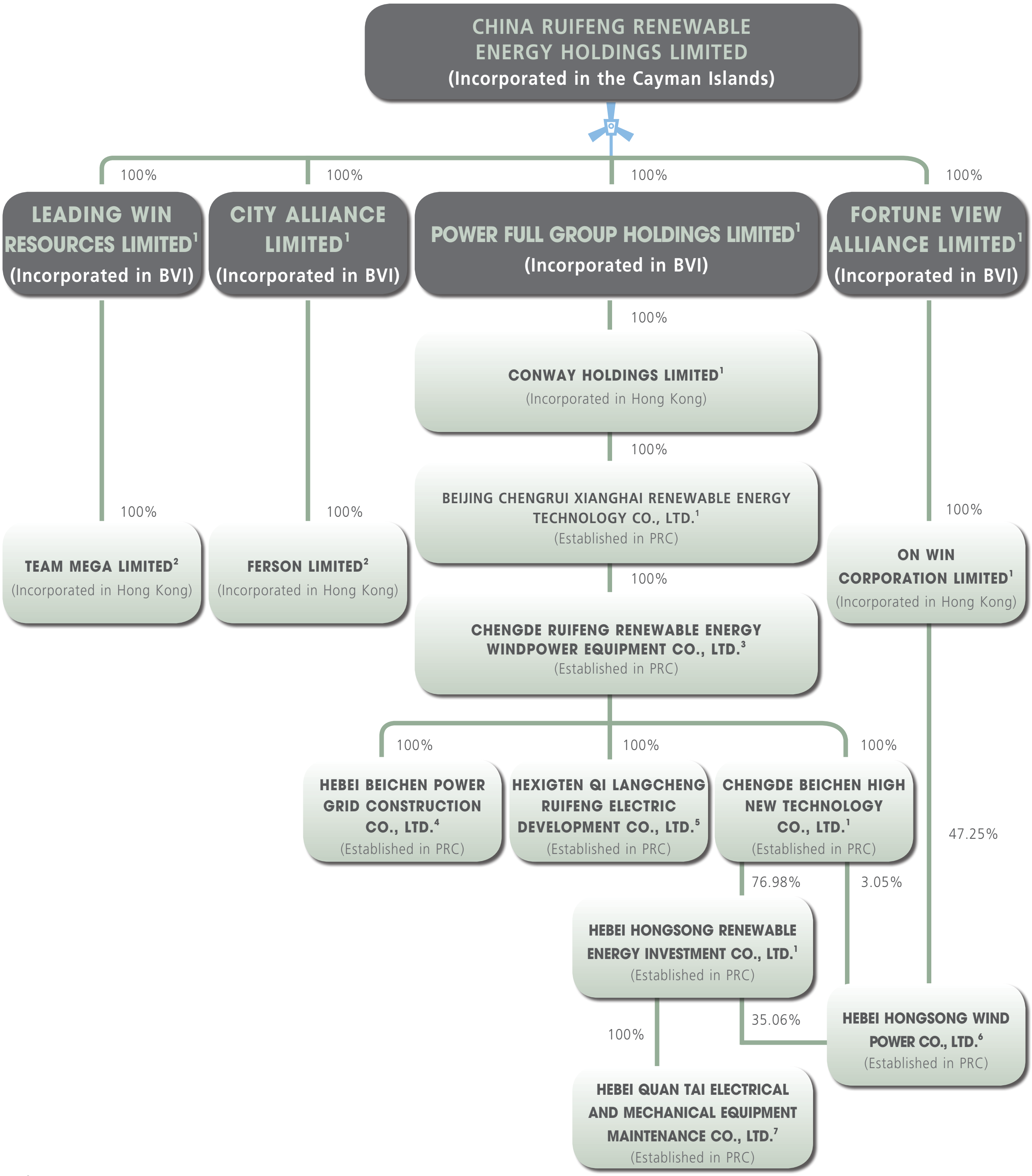
Hongsong has an installable capacity of 398.4 megawatt ("MW"), and its maximum installable capacity is 596.4MW. Apart from Hongsong's wind farm, Hexigten Qi Langcheng Ruifeng Electric Development Co., Ltd. ("Langcheng"), a subsidiary of the Group is principally engaged in the operation of a wind farm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

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

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

Corporate Structure

Set out below is the structure of the Group as at 31 December 2014:



Definitions:

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

Notes:

1. These companies are investment holding companies.

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

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

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

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

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

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

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Ruifeng Renewable Energy Holdings Limited ("Ruifeng Renew" or the "Company", together with its subsidiaries referred to as the "Group"), I hereby present to the shareholders of the Company (the "Shareholders") the results of the Group for the year ended 31 December 2014.

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

For the year ended 31 December 2014, the Group recorded a net loss of approximately RMB88,749,000 (2013: a net profit of approximately RMB37,584,000).

The year of 2014 marked the first year of the comprehensively deepened reform of the PRC and was also the crucial year for the Company. In this year, the Company has optimised its business layout and accomplished the objective of the PRC's "12th Five-year Plan". In view of the overall circumstances, the recovery of the global economy is still slow, while the foundation of the PRC's macro-economy remains sound. With the focus on the enhancement of efficiency and the improvement of quality in the economic development, the increasing attention to environmental protection, ecological awareness and energy development, there is a huge potential and substantial room for future development in renewable energy such as wind power. The Company will adapt to the new circumstance and seize opportunities of the policy reforms of the PRC to improve the quality and efficiency of its development, as well as to achieve the large scale of asset acquisitions and increase its market share, contribute to the society substantially with strong profitability, strengthen its competitiveness and increase its capacity of sustainable development so as to build a world-class renewable energy company and to continuously bring sustainable, stable and substantial returns to the shareholders.

In 2014 and early 2015, the Group acquired additional shareholdings in Hongsong Renewable Energy to a total shareholding of 76.98% through its indirectly wholly-owned subsidiary, Beichen Hightech, maintaining the Group's control in Hongsong at 85.36%. This was followed by the completion of a transaction involving the transfer of the equity shareholding of Langcheng to Hongsong, the Group's another wind farm. The aim of the transaction was to fully utilize Hongsong's existing delivery channels in order to ensure a better prospect for the Group's wind power business. The above structural business reform has streamlined the structure of Group and accentuated its principal businesses to enable more direct and effective implementation of the management's decisions of the Company's management.

In terms of capital, the Group has issued corporate bonds in July 2014 and placed the new shares in October 2014, respectively. The net proceeds from such operations have been used to repay the issued convertible bonds, partial bankloan(s) and partial debts arising from previous business acquisition(s), and to increase the general capital of the Group.

In 2014, the PRC Government emphasised that the transformation of energy development provided crucial strategic opportunities, and the energy structure must be optimised and adjusted, thus wind power, as a representative in the renewable energy industry, is expected to obtain more and more attention. Under the government's plan, the southern and mid-eastern regions will be the key development regions to develop decentralised wind power and offshore wind power, which provide strong external support to the development of the Group's business.

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

On behalf of the Board, I would like to express my gratitude to the Shareholders, investors and business partners for their continuing care of and support to the Group. I would also like to thank the management team and all the staff for their contributions and dedication to the development of the Group. The Group will commit better returns to the Shareholders and investors through the solid and concrete development strategies.

Chairman
Li Baosheng

Hong Kong, 23 March 2015



Management Discussion and Analysis

OPERATING ENVIRONMENT

In 2014, the recovery of world economic remained sluggish, and we faced many uncertainties as the results of the increased volatility of the emerging market economies and the poor economies in the Europe. At the same time, the PRC economy remained complicated and fickle, with the gross domestic products ("GDP") in 2014 growth decrease to 7.4%, the lowest figure in 24 years. Facing a slowdown in the domestic economy, the economic growth pattern from export and massive investment in infrastructure over the past three decades have come to an end. It is expected that the PRC Government will strive to improve the economic structure and deepen the economic reform, leading the PRC economic development into a "New Normal" pattern.

Under the "New Normal" pattern of the economic development, it is expected that the PRC Government will reform the energy consumption mix and accelerate the change of development strategy. To achieve a sustainable economic development, it is the PRC Government will also reduce the use of coal, oil and other primary energies, promote energy conservation and low-carbon environment development, speed up the restructuring of electricity, enhance the intensity of clean energy development and promote the transformation of green development. Furthermore, to promote the development of energy production and the changes in consumption patterns, the PRC Government is making vigorous efforts to encourage non-fossil energy development, of which wind power is the industry with the highest potential and mature technology, hence it will substantially boost the position of wind power in the domestic energy strategy.

To foster the development of wind power industry, the PRC Government has already implemented a number of policies. In February 2014, the National Energy Administration ("NEA") issued the "Notice for the Fourth Batch of Wind Farm Project Approvals under the 12th Five-Year Plan" (《「十二五」第四批風電項目核准計劃的通知》), in which the total installable capacity of all the projects was expected to be 27.6 gigawatt ("GW") during the 12th Five-Year Plan period.

In March 2014, the NEA issued the "Notice for Wind Power Grid Connection and Utilisation in 2014" (《關於做好二零一四年風電併網消納工作的通知》), which emphasised the importance of wind power utilisation and the on-grid connection in order to further abate the power shortage through accelerating the construction of transmission channels from the wind farms, promoting the development and construction of dispersed wind power resources, enhancing the operation, coordination and management of on-grid wind power, improving wind power grid access and, together with other measures, to promote a healthy, systematic and sustainable development of the wind power industry.

In May 2014, the National Development and Reform Commission, the NEA, and the Ministry of Environmental Protection of China jointly released the "Working Plan to Strengthen Air Pollution Control and Treatment in the Energy Industry" (《能源行業加強大氣污染防治工作方案》). The plan proposed to develop clean energy and restructure the energy mix as an important support to improve the air quality. The plan also set a target of achieving the capacity of 150 GW in the total installed wind power by 2017. To control the air pollution in the Beijing, Tianjin and Hebei ("BTH") and to improve wind power utilisation in Inner Mongolia, Shanxi and Hebei, the plan proposed that clean energy should represent 10% of the total power consumed in BTH by 2015 and 15% by 2017.

Along with the implementation of the above policies, the PRC Government will continue to support the development of wind power industry. In the meantime, it will lay a solid foundation for the development of wind power industry by making use of the unique policy advantages and favorable development environment, and it is expected that the wind power industry will usher in a new period of evolution.

BUSINESS OVERVIEW

Results of the Group for the year ended 31 December 2014

For the year ended 31 December 2014, the Group's turnover from the continuing operations amounted to approximately RMB530,959,000 (2013: approximately RMB603,341,000), representing a drop of approximately 12% below that of 2013. Gross profit from continuing operations increased by approximately 5% to approximately RMB150,797,000 for the year ended 31 December 2014 (2013: approximately RMB143,102,000). The (loss)/profit attributable to equity shareholders of the Company for the year ended 31 December 2014 was approximately RMB(150,827,000) (2013: approximately RMB23,502,000).

The financial results for the year ended 31 December 2014 recorded a loss, which was mainly attributable to the poor performance within the power grid construction business.

On 4 June 2014, the Group completed the acquisition of additional equity interests in Hongsong Renewable Energy (the second largest shareholder of Hongsong resulting in a total shareholding of 76.98% through its indirect wholly-owned subsidiary, Chengde Beichen High New Technology Co., Ltd. ("Beichen Hightech"), increasing the Group's control in Hongsong to 85.36%. The significant increase in the profit attributable to the shareholders is due to the increase in investment in Hongsong.

Leveraging on the wind farms resources, the Group aspires to be an efficient and integrated wind power operator, focuses on developing and operating wind farms, provides maintenance service to wind farms and explore clean energy, power saving and environmental protection related businesses.

(1) Wind farm operation

For the year ended 31 December 2014, the turnover from the wind farm operation amounted to approximately RMB403,227,000 (2013: approximately RMB272,640,000), representing an increase of approximately 48% above that of 2013. The segment profit from the wind farm operation was approximately RMB113,200,000 (2013: approximately RMB19,156,000, excluding one-off gain on a bargain purchase and loss on deemed disposal of available-for-sale investments), representing an increase of approximately 5 times above that of 2013.

On the other hand, the turnover from the construction operation amounted to approximately RMB125,698,000 (2013: approximately RMB326,310,000), representing a decrease of approximately 61% below that of 2013. The segment loss from the construction operation was approximately RMB131,059,000 (2013: approximately RMB4,130,000), representing an increase of approximately 30 times above that of 2013.

Commencement of the operation of the Hongsong's wind farm projects

At the end of December 2013, Hongsong has completed the construction of Phase 9 project – Yuanhui Project, and it successfully went on grid and commenced full commercial operation in 2014. It is expected to have a positive impact on the Group's performance. Besides, Phase 10 Jifeng Wind Power Project of Hongsong has already obtained the project approval letters from the relevant government departments, and other documents such as feasibility study report and environmental protection assessment report are being submitted, striving to commence power generation as soon as possible. It is expected that the Hongsong Phase 10 Project will have a designated installable capacity of 49.5MW, and is expected to bring to the Group an additional electricity output of approximately 100,000,000 Kilowatt per hour per annum. With the total installable capacity of Hongsong reaching 447.9MW by that time, it is anticipated that the Group's revenues from the operation of wind farms will record a significant increase. Apart from the sale of electricity, Hongsong has also commenced the Gold Standard Clean Development Mechanism ("CDM") Project that qualifies for providing carbon credits, thereby expanding the income source of Hongsong.

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

Langcheng, an indirect wholly-owned subsidiary of the Company possessing a wind farm in Shangtoudi of Hexigten Qi with an installable capacity of 596.4MW. Langcheng Phase I project has obtained the approval on the construction of connection system from State Grid Corporation of China, Langcheng's wind farm is expected to commence grid-connected power generation in the near future to bring revenues and earnings to the Group. Due to the close proximity between the two wind farms of Hongsong and Langcheng and their similarity of mode of operation, the strength of the wind power business segment of the Group becomes more prominent and enjoys complementary advantages. There is a potential opportunity to combine the two wind farms into a large-scale wind farm with a total capacity over 1,000MW.

(2) Construction contracts

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

In 2014, the construction contracts business operated by Beichen Power Grid recorded a loss of approximately RMB131,059,000 (2013: approximately RMB4,130,000). The loss was mainly attributable to the transient periodic market fluctuations within the power grid construction industry, more intense market competition, lowered bidding price and the setback in the income from the newly signed construction contracts. It was further dragged down by a significant increase in the costs arising from delays in the construction process under the existing contracts.

The continuing development and operation of the renewable energy business represent the Group's principal business direction currently and in the future. The construction contracts business is expected to gradually lose its importance without turnaround in the short term.

(3) Production of wind turbine blades

Chengde Ruifeng Renewable Energy Windpower Equipment Co., Ltd. ("Ruifeng Windpower") focuses on the manufacturing and processing of wind turbine blades and parts, and its products include 750 kilowatt and 1.5MW wind turbine blades. Ruifeng Windpower has obtained the ISO9001 quality system certification in 2006.

In addition, the Group has further improved its financial structure. In 2014, the Group has issued bonds and completed the placing of new shares in October, and the working capital has been greatly increased. The Group has redeemed or converted all outstanding convertible bonds into ordinary shares of the Company as at the date of this report.

PROSPECTS

The year of 2015 will be a distinctive year. In the annual energy reports of 2013 and 2014, the National Energy Administration ("NEA") stated several main aspects to be focused in those years, which included the elasticity of energy consumption, amount of energy consumption, amount of coal production and consumption, amount of oil and gas production and consumption, non-fossil energy generating capacity etc. The specific development targets of these aspects were not repeated in 2015 annual energy report. Instead, the NEA has set a number of new aspects to be vigorously promoted in 2015. These aspects include the promotion for energy consumption revolution, energy supply revolution, energy technology revolution, energy system revolution as well as grasping the opportunities for international cooperation. These changes indicate that the PRC Government will soon reduce the degree of intervention in the energy market and no longer restrict the development of the industry, which possibly lead to the allocation of resources based on the market share of the companies in the industry.

Due to the air pollution caused by the traditional coal-fired power stations, global warming and other impacts on the environment, it is expected that the development of renewable energy will receive a high level of public support and attention. Being the type of renewable energy with the highest level of commercial potential, wind power industry is likely to be further developed.

The PRC Government has provided supports in the development of wind power industry from many aspects, and with initial success. Also, the share of wind power in the total traditional energy consumption is gradually arising, and the development of wind power has great significance for adjusting the country's energy structure. Given the serious problem of hazy weather in the PRC, the development of clean energy has become an inevitable trend, in which wind power will serve as one of the most critical sectors in the development of clean energy.

In January 2015, the NEA officially enacted the second batch of "Notice for the Fifth Batch of Wind Farm Project Approvals under the 12th Five-Year Plan"（《「十二五」第五批風電項目核准計劃的通知》）. The notice classified Hebei Province as a key region of wind power development and construction in 2015. In addition, the notice provided that the development of Phase 2 of Chengde wind power base needed to be accelerated. These measures will provide the support for sustainable development of the Group's wind business.

Meanwhile, to foster the widespread development of clean energy and strengthen its consumption interregionally and interprovincially, the PRC Government will accelerate to promote the of ultra-high voltage projects. The PRC Government has completed the construction of "two alternating current circuits and four direct current circuits" ultra-high voltage circuits, while over 15,000km length of ultra-high voltage circuits are under construction. In the meantime, in response to the power transmission corridors of the PRC's "One Belt and One Road Strategy" and to achieve the interconnection of the grid between five Central Asian countries, State Grid Corporation of China has planned to start preliminary works for the four international interconnection of ultra-high voltage projects. This will fully enhance the ability of the PRC in the construction field of ultra-high voltage circuits, and create an innovation era of ultra-high voltage technology.

Looking ahead, the Group will experience rapid development in the wind farm operation business. The society is expected to pay more attention to the wind power energy. Combined with the support to developing environment, the current situation will be improved substantially. It can be predicted that the Company will have a broad development prospect. In respect of the business development in 2015, the Group has adopted the following development strategies:

The Group will continue to focus on its resources on the development of wind farm operation and endeavor to become one of the pillars in the renewable energy industry in the northern region of the PRC. The Group will speed up the development of renewable energy business by way of cooperative development and acquisitions. In terms of the operation and maintenance of the wind farms, the Group will continue to seek and acquire mature power plants with promising development prospects, to gradually enhance its existing operation and maintenance business in Hebei area and to extend to the surrounding areas. On the other hand, the Company has increased its investment in Hongsong from 2013, leading to a significant increase in the weighting of wind power business. The aggregate shareholdings in Hongsong currently remains in 85.36%. In the future, the Group will continue to fortify the integration of Hongsong and enhance its interaction with other businesses. The Group will continue to seek opportunities to increase its investments in Hongsong and at the same time will consider other possible opportunities of mergers and acquisitions.

Meanwhile, the Group intends to develop small-scale solar photovoltaics ("PV") generation plant business. Hongsong, China Suntien Green Energy Co., Ltd., and Jinglong Industrial Group Co., Ltd. formed a company, namely Suntien Hebei Solar Energy Development Co., Ltd.（新天河北太陽能開發有限公司）, with an aim to leverage on the advantages of the said shareholder companies and speed up the development of Hebei solar PV power generation plant, targeting on the national market.

Looking ahead, the Group will focus its efforts on the development and enhancement of existing renewable energy resources. Paralleled to the large scale of expansion and efficient enhancement of its wind farm operation, the Group will integrate the advantages of all aspects with its own to further consolidate its position in the renewable energy industry. The Group will also aggressively identify possible synergistic opportunities between different business segments to boost and strengthen the revenue and profitability of different business segments during the course of business and resource reorganisation, with the objectives of establishing the Group as a renewable energy supplier and overall operation service provider with enhanced competitiveness. The Group will continue to build a solid and extensive foundation for its long-term development, and to create values for society and strive for higher return for the shareholders and investors of the Company.

FINANCIAL REVIEW

After the further acquisition of Hongsong Renewable Energy in June 2014, the wind farm operation of Hongsong kept increasing its financial contributions to the Group.

For the year ended 31 December 2014, the Group's turnover from the continuing operations amounted to approximately RMB530,959,000 (2013: approximately RMB603,341,000), representing a drop of approximately 12% below that of 2013. Gross profit from continuing operations increased slightly by approximately 5% to approximately RMB150,797,000 for the year ended 31 December 2014 (2013: approximately RMB143,102,000). (Loss)/profit for the year ended 31 December 2014 from the continuing operations was approximately RMB(88,749,000) (2013 profit: approximately RMB24,815,000) while that from the discontinued operation was nil (2013 profit: approximately RMB12,769,000). The (Loss)/profit attributable to equity Shareholders of the Company was approximately RMB(150,827,000) (2013 profit: approximately RMB23,502,000). The drop in turnover but increase in most of the expenses for the year ended 31 December 2014 was mainly due to the poor operating performance of the business of the power grid construction.

Operating results for the year ended 31 December 2014 were as follows:

	Year ended 31 December 2014 RMB'000	2013 RMB'000	Increase/ (decrease) RMB'000	Approximate change in percentage %
Continuing operations				
Turnover	**530,959**	603,341	(72,382)	(12)
Gross profit	**150,797**	143,102	7,695	5
Profit from operations	**69,711**	167,577	(97,866)	(58)
(Loss)/profit before taxation	**(68,131)**	24,976	(93,107)	N/A
(Loss)/profit for the year	**(88,749)**	24,815	(113,564)	N/A
Discontinued operation				
Profit for the year	**—**	12,769	(12,769)	(100)
Attributable to:				
Equity shareholders of the Company	**(150,827)**	23,502	(174,329)	N/A
Non-controlling interests	**62,078**	14,082	47,996	341
(Loss)/profit for the year	**(88,749)**	37,584	(126,333)	N/A

	Note	Year ended 31 December 2014	2013
Net cash *(RMB'000)*	*1*	**(1,732,700)**	(1,572,476)
Net assets *(RMB'000)*	*2*	**640,381**	888,566
Liquidity ratio	*3*	**102%**	101%
Inventories turnover (number of days)	*4*	**N/A**	319
Trade receivable turnover (number of days)	*5*	**109**	89
Trade payable turnover (number of days)	*6*	**173**	122
Earning interest multiple	*7*	**0.51**	1.18
Net debt to capital ratio	*8*	**272%**	177%

Notes:

1. Cash at bank and on hand — Borrowings

2. Total assets — Total liabilities

3. Current assets/Current liabilities x 100%

4. Inventories/Cost of inventories x 365 days

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

6. Trade payables/Cost of sales x 365 days

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

8. Net debt/Equity x 100%

Turnover

During the year under review, the Group's turnover was wholly derived from the power-related business. The power-related business recorded a turnover of approximately RMB530,959,000, representing a drop by approximately 12%. Despite the full-year commencement of operation of Hongsong Phase 9 Project-Yuanhui, the drop in the turnover was due to the business of power grid construction suffering from the transient periodic market fluctuations within the power grid construction industry, more intense market competition, lowered bidding price and the setback in the income from the newly signed construction contracts. The Group's operating bases for the power-related business are mainly located in Chengde City of Hebei Province.

Analysis of the Group's turnover from its continuing operations for the year ended 31 December 2014 is set out below:

Turnover by business

	Year ended 31 December		Increase/	Approximate change in
	2014	2013	**(decrease)**	**percentage**
	RMB million	*RMB million*	*RMB million*	(%)
Power-related business				
Wind power generation	**403.23**	272.64	130.59	48
Power grid constructions and consultations	**125.70**	326.31	(200.61)	(61)
Processing of wind turbine blades	**2.03**	4.39	(2.36)	(54)
Total	**530.96**	603.34	(72.38)	(12)

Cost of Sales

Cost of sales from the continuing operations mainly includes the cost of raw materials, staff costs, depreciation, cost for usage of machineries, water, electricity, gas and other ancillary materials. Cost of sales for the year ended 31 December 2014 accounted for approximately RMB380,162,000, which represented approximately 72% of the Group's turnover, showing a drop from that of approximately 76% for the year ended 31 December 2013.

Gross Profit

Gross profit from the continuing operations increased by approximately 5% to approximately RMB150,797,000 (2013: approximately RMB143,102,000) which was primarily derived from the operating result of the Group's power-related business. The gross profit margin has also increased from approximately 24% to approximately 28% for the year ended 31 December 2014 because the operating performance of the business of windfarm operation has improved significantly.

Other Revenue and Net Income

Other revenue and net income from the continuing operations mainly comprised of tax refund from government (2014: approximately RMB18,656,000; 2013: approximately RMB1,693,000), dividend income from available-for-sale investments (2014: nil; 2013: approximately RMB5,916,000), gain from a bargain purchase arising from acquisition of Hongsong (2014: nil; 2013: approximately RMB82,805,000), rental income from operating leases (2014: approximately RMB2,916,000; 2013: approximately RMB20,314,000). The significant drop in other revenue and net income by approximately RMB84,903,000 was mainly because of the one-off gain on a bargain purchase from the acquisition of Hongsong recognised in 2013 which did not recur in 2014.

Distribution Costs

Distribution costs from the continuing operations mainly include transportation costs, depreciation expenses, staff costs and entertainment expenses. Distribution costs for the year ended 31 December 2014 represented approximately 0.4% of the Group's total turnover, which is similar to that of approximately 0.8% for the corresponding year in 2013.

Administrative Expenses

Administrative expenses from the continuing operations mainly include wages, salaries and welfare expenses, professional fees, rental expenses, entertainment expenses, travelling expenses, office expenses, other taxation expenses, exchange loss and allowance of doubtful debts for trade and other receivables. It increased by approximately 93% to approximately RMB106,787,000 for the year ended 31 December 2014 when compared with that of approximately RMB55,431,000 for the year ended 31 December 2013 mainly because of increase in exchange loss and allowance of doubtful debts for trade and other receivables.

Other Operating Expenses

Other operating expenses from the continuing operations for the year ended 31 December 2014 amounted to approximately RMB787,000 (2013: approximately RMB28,662,000) mainly comprising of the loss on redemption of convertible bonds. The reduction in the other operating expenses was because the loss on redemption of convertible bonds dropped significantly. In addition, impairment of goodwill and loss on deemed disposal of the investment recorded in 2013 no longer recurred in 2014.

Finance Costs

Finance costs from the continuing operations mainly refer to the interest expenses and the bank charges on bank loans, promissory notes and convertible bonds/notes issued by the Group. It amounted to approximately RMB137,761,000 for the year ended 31 December 2014 while it amounted to approximately RMB142,601,000 in the corresponding period of 2013.

Taxation

Taxation expenses from the continuing operations increased to approximately RMB20,618,000 for the year ended 31 December 2014 (2013: approximately RMB161,000). Such a significant increase was mainly derived from the significant increase in taxable income of Hongsong.

(Loss)/profit for the Year

(Loss)/profit for the year ended 31 December 2014 from the continuing operations was approximately RMB(88,749,000) (2013: approximately RMB24,815,000). The significant drop mainly arose from the poor operating performance of the business of power grid construction.

(Loss)/profit attributable to equity shareholders was approximately RMB(150,827,000) (2013 profit: approximately RMB23,502,000).

Profit for the year from the discontinued operation was nil (2013: approximately RMB12,769,000).

Net Current Assets

Net current assets of the Group as at 31 December 2014 increased to approximately RMB11,980,000 when compared with that of approximately RMB5,753,000 as at 31 December 2013.

Liquidity and Financing

The cash and bank balances (including the pledged bank deposits) as at 31 December 2014 and 31 December 2013 amounted to approximately RMB184,518,000 (mainly denominated in Renminbi ("RMB"), United States dollar ("USD") and Hong Kong dollar ("HKD"), which comprised approximately RMB179,380,000, USD8,000 and HKD6,356,000), and approximately RMB135,716,000, respectively.

Total borrowings of the Group as at 31 December 2014 amounted to approximately RMB1,917,218,000, representing an increase of approximately RMB209,026,000 when compared with approximately RMB1,708,192,000 as at 31 December 2013. The increase in the total borrowings is mainly because additional borrowing was obtained by Hongsong for financing the Phase 9 project — Yuanhui Project.

The Group repaid its debts mainly through the steady recurrent cash-flows generated by its operations and by other financing. The Group's gearing ratio slightly increased to approximately 78% as at 31 December 2014 from approximately 72% as at 31 December 2013. That ratio was calculated by dividing the Group's total liabilities by its total assets. During 2013, all of the Group's borrowings were settled in RMB, USD and HKD. Approximately 100% of the Group's income was denominated in RMB. Interest free borrowings and interest bearing borrowings were approximately RMB5,000,000 and approximately RMB1,912,218,000 respectively as at 31 December 2014. Among the interest bearing borrowings of the Group, approximately RMB82,340,000 were fixed rate loans, while RMB1,829,878,000 were variable rate loans. The Group had not engaged in any currency hedging facility for the year ended 31 December 2014 and up to the date of this report, as the Board considered that the cost of any hedging facility would be higher than the potential risk of the costs incurred from currency fluctuations and interest rate fluctuations in individual transactions.

Redemption of Convertible Bonds

Subscription of convertible bonds by Investec Bank Limited ("Investec")

On 12 December 2013 (after trading hours), the Company entered into the subscription agreement with Investec, pursuant to which the Company agreed to issue and Investec agreed to subscribe for the zero coupon unsecured convertible bonds in the principal amount of HKD30,000,000. Under the conditions, the conversion price will be reset each day and, in respect of each day, be an amount equal to the higher of: (a) 95% of the closing price of the ordinary shares of the Company (the "Shares") on the immediately preceding trading day; and (b) the minimum conversion price which cannot be lower than HKD1.59. Based on the initial conversion price of HKD1.85, a maximum number of 16,216,000 Shares (with an aggregate nominal value of HKD162,160 and market value of HKD31,459,040, based on the closing price of the Shares as quoted on the Stock Exchange on 19 December 2013 (being the date of issue of the convertible bonds)) may be allotted and issued upon the exercise of the conversion rights in full. Meanwhile, based on the minimum conversion price of HKD1.59, a maximum number of 18,864,000 new ordinary shares (with an aggregate nominal value of HKD188,640 and market value of HKD36,596,160, based on the closing price of the Shares as quoted on the Stock Exchange on 19 December 2013 (being the date of issue of the convertible bonds)) may be allotted and issued upon exercise of the conversion rights in full.

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

In 2014, the conversion rights attached to the convertible bonds in an aggregate amount of HKD14,000,000 were exercised at an average conversion price of approximately HKD1.83 per share, resulting in an issue of a total of 7,632,000 ordinary Shares of the Company. The outstanding principal amount of the convertible bonds was HKD16,000,000 and was fully settled as at 31 December 2014.

The gross proceeds from the issue of the convertible bonds was approximately HKD30,000,000, and the net proceeds is approximately HKD29,000,000, representing approximately HKD1.79 per conversion share based on the maximum number of conversion shares that can be issued and allotted pursuant to the conversion price as at 19 December 2013 (being the date of issue of such convertible bonds) of HKD1.85. The closing price for each Share as quoted on the Stock Exchange on 12 December 2013 (being the date of the subscription agreement), was HKD1.96.

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

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

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

Termination of placing of non-listed warrants

On 12 May 2014, the Company entered into a placing agreement with Cinda International Securities Limited ("Cinda") pursuant to which the Cinda conditionally agreed, on a best effort basis, to procure not less than six (6) placees to subscribe for a total of up to 115,000,000 warrants at a price of HKD0.03 per warrant, each with right to subscribe for the Share at a subscription price of HKD1.3 per Share. As certain conditions of the placing agreement had not been fulfilled, the placing agreement was terminated on 30 June 2014. Please refer to the announcements of the Company dated 12 May 2014 and 30 June 2014 for further details.

Placing of Bonds

On 10 July 2014 (after trading hours), the Company entered into a placing agreement with Convoy Investment Services Limited ("Convoy"), whereby the Company has agreed to issue and Convoy has agreed, on a best efforts basis, to act as the placing agent to procure the subscribers to subscribe for the non-listing, 7% per annum bonds of up to HKD150,000,000 in principal amount, maturing on the 7th anniversary of the date of issue ("the Bonds").

The maximum gross and net proceeds from the issue of Bonds will be approximately HKD150,000,000 and HKD138,000,000. The Company intends to use the net proceeds from the Bonds Issue for (i) settling any liabilities arising from previous acquisitions of business by the Group; and (ii) general working capital of the Group. Upon the date of this report, HKD90,980,914 of the Bonds were issued.

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

The Placing of Shares

On 24 September 2014 (after trading hours), the Company entered into a placing agreement with Haitong International Securities Company Limited ("Haitong") whereby the Company agreed to place, through Haitong, on a best effort basis, a maximum of 208,000,000 new Shares to not less than six Placees at a price of HKD1.00 per placing share. The placing price of HKD1.00 per Share represents (i) a discount of approximately 18.03% to the closing price of HKD1.22 per Share as quoted on the Stock Exchange on 24 September 2014, being the date of the placing agreement. The placing shares were issued under the general mandate granted to the Board pursuant to the resolution passed by the Shareholders of the Company at the annual general meeting of the Company on 14 May 2014 and therefore not subject to the approval of the shareholders of the Company.

The net price raised per placing share is approximately HKD0.995. The net proceeds from the placing were approximately HKD206,960,000 and were used for working capital, repayment of debts arising from the issued convertible bonds, repayment of partial bank loan(s) and repayment of partial debts arising from previous business acquisition(s).

As a result of the above, the Company's total issued share capital increased to 1,249,404,000 Shares as at 7 October 2014. Details of the placing are set out in the announcements of the Company dated 24 September 2014, 26 September 2014 and 7 October 2014.

Acquisitions and Disposal

Acquisition of interest in Hongsong Renewable Energy

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

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

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

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

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

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

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

Upon the date of this report, the aforesaid acquisitions for approximately 17.80%, 12.25% and 26.00% of the equity interest in Hongsong Renewable Energy were completed on June 2014. Further details of the aforesaid acquisitions are set out in the announcements of the Company dated 15 November 2013, 3 December 2013, 11 December 2013, 18 March 2014 and 19 May 2014, respectively, and the circular of the Company dated 30 April 2014, respectively.

Apart from the transactions disclosed above and as set out in this report, there were no other material acquisition and disposal of subsidiaries and associated companies by the Group from 1 January 2014 to the date of this report.

Non-legally binding Cooperation Agreement

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

On 25 July 2014, the Company entered into a non-legally binding cooperation agreement with China Create which shall remain in effect for 5 years in respect of development financing, aiming at integrating China Create's advantage in financing and the Group's advantage to build a comprehensive and in depth strategic comparative relationship.

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

Pledge of Assets

As at 31 December 2014, the Group has pledged certain property, plant and equipment (including leasehold land and buildings) with a carrying value of approximately RMB892,367,000 (2013: approximately RMB966,454,000), and trade and other receivables with a carrying value of approximately RMB92,708,000 (2013: approximately RMB9,359,000) as security for the borrowings obtained by the Group.

As at 31 December 2014, the Group has pledged bank deposits with a carrying value of approximately RMB8,919,000 (2013: approximately RMB701,000) as securities for bank guarantees issued to independent third parties and for the Group to issue bank acceptance bills.

As at 31 December 2014 and 31 December 2013, the entire issued share capital of certain subsidiaries of the Company were pledged for borrowings obtained by the Group.

Contingent Liabilities

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

Employees

As at 31 December 2014, the Group had approximately 600 full-time employees (2013: approximately 600 employees) in Hong Kong and the PRC in respect of the Group's continuing operations. For the year ended 31 December 2014, the relevant staff costs (including Directors' remuneration) were approximately RMB54,191,000 (2013: approximately RMB48,977,000). The Group's remuneration and bonus packages were given based on performance of employees in accordance with the general standards of the Group's salary policies.

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Li Baosheng（李保勝）, aged 50, is the chairman of the Company and an executive Director. He is also the chairman of the nomination committee of the Company. He joined Beichen Power Grid (then known as Chengde Beichen Electricity Transmission and Transformation Co., Ltd.（承德北辰送變電工程有限公司）), a wholly-owned subsidiary of the Company, as the chairman of the board of directors and legal representative since 2001. He was appointed as an executive Director on 7 July 2010.

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

Mr. Li is a director of, and a beneficial owner of 77.78% of the share capital in, Diamond Era, a substantial shareholder of the Company interested in 308,867,000 shares, representing approximately 24.72% of the issued share capital of the Company as at 31 December 2014.

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

Mr. Zhang Zhixiang（張志祥）, aged 47, is the chief executive officer of the Company and an executive Director. He is also an authorised representative of the Company, a member of each of the remuneration committee and nomination committee of the Company. He was appointed as an executive Director on 7 July 2010.

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

Mr. Zhang is a director of, and a beneficial owner of 22.22% of the share capital in, Diamond Era, a substantial shareholder of the Company interested in 308,867,000 shares, representing approximately 24.72% of the issued share capital of the Company as at 31 December 2014.

Mr. Ning Zhongzhi（寧忠志）, aged 51, was appointed as an executive Director on 28 January 2013.

Mr. Ning was graduated from Huabei Electric Workers Intermediate Specialised College（華北電業職工中等專業學校）and Hebei Radio and TV University（河北廣播電視大學）in labour and remuneration in October 1984 and in human relation management in July 1988 respectively. Mr. Ning was qualified as a senior economist by the Senior Specialty and Technology Qualification Judging Committee of the State Power Corporation of China（國家電力公司高級專業技術資格評審委員會）in April 2001. Mr. Ning has long been working in the electricity power industry, being a key responsible staff of county-level power supply enterprise, and was the head of human resources department since March 2003. Mr. Ning was the director and chairman of Hongsong from May 2010 to May 2013. He has been appointed as the legal representative of Beichen Power Grid since March 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wong Wai Ling（黃慧玲）, aged 53, is an independent non-executive Director, the chairman to the audit committee of the Company and a member of each of the remuneration committee and nomination committee of the Company. Ms. Wong was appointed as an independent non-executive Director on 16 May 2006.

Ms. Wong received a bachelor degree from the University of Hong Kong and a postgraduate diploma in Accounting and Finance from the London School of Economics and Political Science, University of London, in the United Kingdom. Ms. Wong is a fellow member of Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. She has over twenty years of solid experience in accounting, taxation and auditing. She had worked for more than seven years in major international accounting firms and major local accounting firms before she set up her own accounting firm in Hong Kong in 1993. Since then, she has been practicing as a Certified Public Accountant in Hong Kong.

Ms. Wong is an executive director of JC Group Holdings Limited (stock code: 08326) which was listed in Growth Enterprise Market of the Hong Kong Stock Exchange. Besides, Ms. Wong was appointed as non-executive Director of Hin Sang Group International Holding Co Ltd (stock code: 06893), a Hong Kong main board listed company. Ms. Wong was also appointed as independent non-executive director of and chairperson of the audit committees of Overseas Chinese Town (Asia) Holdings Ltd (stock code: 03366), AVIC International Holdings Ltd (stock code: 00161) and Yongsheng Advanced Materials Company Limited (stock code: 03608). Ms. Wong was also appointed as independent non-executive director of Glory Flame Holdings Ltd which was listed in GEM of the Hong Kong Stock Exchange.

With these extensive solid professional accountancy and commercial experience as well as her participation in the regulatory, advisory and financial planning work of the listed companies, Ms. Wong has built up attributes and skills to equip herself with ample and relevant financial management expertise to better serve her clients and the listed companies.

Mr. Qu Weidong（屈衛東）, aged 48, is an independent non-executive Director and a member of each of the audit committee, remuneration committee and nomination committee of the Company. Mr. Qu was appointed as an independent non-executive Director on 11 December 2010.

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

Ms. Hu Xiaolin（胡曉琳）, aged 46, is an independent non-executive Director, the chairman to the remuneration committee and a member of each of the audit committee and nomination committee of the Company. Ms. Hu was appointed as an independent non-executive Director on 9 May 2011.

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

SENIOR MANAGEMENT

Mr. Cheng Koon Kau Alfred（鄭冠球）, aged 40, is an authorised representative, a full-time chief financial officer and the company secretary of the Company. Mr. Cheng joined the Group on 22 January 2008. He has been appointed as the director of Hongsong since May 2013.

He graduated from the Hong Kong University of Science and Technology with a bachelor's degree in Business Administration (Financial Accounting) degree in 1997 and a master degree in financial analysis in 2010. Mr. Cheng is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He is responsible for the financial strategy, accounting and financial reporting of the Group. Prior to joining the Group, he had served in an international accounting firm and a number of multi-national corporations. He has over 16 years of experience in the fields of auditing and accounting.

Ms. Li Juan（李娟）, aged 51, is the deputy general manager of the Company, responsible for internal audit, accounting and financial management. Ms. Li was graduated in 1989 from Chengde Broadcast and Television University（承德廣播電視大學）majoring in diploma of Business Management. Ms. Li obtained title of senior accountants in 2009 from International Profession Certification Association and obtained the title of top ten best chief accountants from Finance Ministry of Chengde City. She was the director of Hongsong from May 2013 to July 2013. She has been appointed as the member of Board of Supervisor in Hongsong since August 2013. Ms. Li has joined the current member of the Group since 1997 and has over 16 years working experience in the industry of power grid.

Mr. Wang Jian（王劍）, aged 46, is the director and general manager of Hongsong, responsible for the daily operation of Hongsong. Mr. Wang was graduated in 2004 from China Agricultural University（中國農業大學）majoring at economic management professional. He obtained senior operating qualification in 2005 and obtained advanced project management qualification in 2006. Mr. Wang joined the current member of the Group since 1999. He was the director and general manager of Hongsong since 2001, and he has over 13 years working experience in wind farm operation and management.

Mr. Lu Qiang（盧強）, aged 36, is the general manager of Beichen Power Grid, responsible for the operation of power grid construction of the Group. He graduated in 2005 from Hebei University Of Economics And Business（河北經貿大學）and obtained a bachelor's degree majoring in business administration. He has worked at Chengde Agricultural Development Office（承德市農業開發辦公室）and Ministry of Finance of Chengde city before joining the current member of the Group since 2005.

Mr. Cui Yi（崔毅）, aged 48, is a general manager of the Shuangluan branch of Ruifeng Windpower and is responsible for the design and sales of wind turbine blade operation. He graduated in 1989 from University of South-west Technology（西南科技大學）with a bachelor's degree in mechanical art and design. He was an engineering manager and a project manager of Chengde Xiangye Automatic Automobile Parking Company Limited（承德祥業自動化停車設備有限公司）and Jiangsu Shuangliang Automatic Automobile Parking Company Limited（江蘇雙良停車設備有限公司）respectively. He joined the current member of the Group in 2007.

Mr. Zhang Pengfei（張鵬飛）, aged 48, is the general manager of Langcheng responsible for the operation of wind farm of Shangtoudi. He was graduated in 1993 from Beijing Forestry Management Government Officer Institute（北京林業管理幹部學院企業管理專業）majoring at enterprise management. He was township secretary and chairman. He joined the current member of the Group in 2006.

COMPANY SECRETARY

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

The Directors present this report and the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss on page 57 of this report.

PROPOSED FINAL DIVIDEND

The Directors did not recommend the payment of dividends for the year ended 31 December 2014.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 168 of this report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment in the amount of approximately RMB44,315,000 (2013: approximately RMB313,082,000). Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

ISSUANCE AND REDEMPTION OF CONVERTIBLE BONDS WITH INVESTEC BANK LIMITED ("INVESTEC")

On 12 December 2013, the Company entered into the subscription agreement with Investec, to which the Company agreed to issue and Investec agreed to subscribe for the zero coupon unsecured convertible bonds in the principal amount of HKD30,000,000. Under the conditions, the conversion price will be reset each day and, in respect of each day, be an amount equal to the higher of: (a) 95% of the closing price of the ordinary shares of the Company (the "Shares") on the immediately preceding trading day; and (b) the minimum conversion price which cannot be lower than HKD1.59. Based on the initial conversion price of HKD1.85, a maximum number of 16,216,000 Shares (with an aggregate nominal value of HKD162,160.00 and market value of

HKD31,459,040.00, based on the closing price of the Shares as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 December 2013 (being the date of issue of the convertible bonds)) may be allotted and issued upon the exercise of the conversion rights in full. Meanwhile, based on the minimum conversion price of HKD1.59, a maximum number of 18,864,000 new ordinary Shares (with an aggregate nominal value of HKD188,640.00 and market value of HKD36,596,160.00, based on the closing price of the Shares as quoted on the Stock Exchange on 19 December 2013 (being the date of issue of the convertible bonds)) may be allotted and issued upon exercise of the conversion rights in full.

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

In 2014, the conversion rights attached to the convertible bonds in an aggregate amount of HKD14,000,000 were exercised at an average conversion price of approximately HKD1.83 per share, resulting in an issue of a total of 7,632,000 ordinary Shares of the Company. The outstanding principal amount of the convertible bonds was HKD16,000,000 and was fully settled as at 31 December 2014.

The gross proceeds from the issue of the convertible bonds was approximately HKD30,000,000, and the net proceeds is approximately HKD29,000,000, representing approximately HKD1.79 per conversion share based on the maximum number of conversion shares that can be issued and allotted pursuant to the conversion price as at 19 December 2013 (being the date of issue of such convertible bonds) of HKD1.85. The closing price for each Share as quoted on the Stock Exchange on 12 December 2013 (being the date of the subscription agreement), was HKD1.96.

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

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

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

THE PLACING OF SHARES

On 24 September 2014, the Company entered into a placing agreement with Haitong International Securities Company Limited ("Haitong") whereby the Company agreed to place, through Haitong, on a best effort basis, a maximum of 208,000,000 new Shares to not less than six Placees at a price of HKD1.00 per placing share. The placing price of HKD1.00 per Share represents (i) a discount of approximately 18.03% to the closing price of HKD1.22 per Share as quoted on the Stock Exchange on 24 September 2014, being the date of the placing agreement. The Placing Shares were issued under the general mandate granted to the Board pursuant to the resolution passed by the shareholders at the annual general meeting of the Company on 14 May 2014 and therefore not subject to the approval of the Shareholders.

The net price raised per Placing Share is approximately HKD0.995. The net proceeds from the Placing were approximately HKD206,960,000 and were used for working capital, repayment of debts arising from the issued convertible bonds, repayment of partial bank loan(s) and repayment of partial debts arising from previous business acquisition(s).

As a result of the above, the Company's total issued share capital increased to 1,249,404,000 shares as at 7 October 2014. Details of the placing are set out in the announcements of the Company dated 24 September 2014, 26 September 2014 and 7 October 2014.

SHARE CAPITAL

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

DONATIONS

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

RESERVES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

Pursuant to the relevant rules of the Cayman Islands, the Company's reserves available for distribution to Shareholders as at 31 December 2014 amounted to approximately RMB369,567,000.

DIRECTORS

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

Executive Directors

Mr. Li Baosheng
Mr. Zhang Zhixiang
Mr. Ning Zhongzhi

Independent non-executive Directors

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

In accordance with Article 108(a) of the Company's Articles of Association, Mr. Li Baosheng, Mr. Ning Zhongzhi and Mr. Qu Weidong shall retire by rotation at the forthcoming annual general meeting of the Company.

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

DIRECTORS' SERVICE CONTRACTS

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

Each of Ms. Hu Xiaolin, Ms. Wong Wai Ling and Mr. Qu Weidong being all the independent non-executive Directors, has entered into a service agreement with the Company for a term of two years from May 2013, May 2014 and May 2013 respectively, which is determinable by either party by giving one month's written notice.

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

CONFIRMATION OF INDEPENDENCE

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

SHARE OPTIONS

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

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

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

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares in issue at the date of approval of the share option scheme ("General Scheme Limit"), i.e. 40,000,000 shares, which represented approximately 3.2% of the issued share capital of the Company as at the date of this report. The Company may refresh the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the shareholders' approval.

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

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

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

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

No option has been granted under the Share Option Scheme from the date of adoption of the Share Option Scheme up to 31 December 2014.

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

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

MATERIAL CONTRACTS

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

DISCLOSURE OF INTEREST

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

As at 31 December 2014, save as disclosed below, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors or chief executives of the Company is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules:

Name of Director	Number of Shares held/ interested	Nature of interest	Approximate percentage of shareholdings
Li Baosheng	308,867,000	Interest of controlled corporation *(Note 1)*	24.72%
Zhang Zhixiang	68,630,247	Other	5.49%

Note:

1. Mr. Li Baosheng and Mr. Zhang Zhixiang are the beneficial owners of 77.78% and 22.22%, respectively, of the issued shares of Diamond Era Holdings Limited ("Diamond Era"). As at 31 December 2013, 308,867,000 shares held by Diamond Era were pledged to a commercial bank in relation to a borrowing by the bank to the Group. Mr. Li Baosheng is deemed, or taken to be, interested in the Shares in which Diamond Era is interested for the purpose of the SFO.

(b) Interests of substantial Shareholders and other persons

As at 31 December 2014, save as disclosed below, the Directors were not aware of any person (other than the Directors or chief executives of the Company) who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Number of Shares held/ interested	Nature of interest	Position	Approximate percentage of shareholdings
Diamond Era Holdings Limited *(Note)*	308,867,000	Beneficial owner	Long	24.72%
ARDON Maroon Asia Master Fund	52,704,000	Beneficial owner	Long	4.22%
	80,000,000	Beneficial owner	Short	6.40%
	42,690,667	Person having a security interest in shares	Long	3.42%
ARDON Asia Eagle Feeder Fund LP	95,394,667	Interest of controlled corporation	Long	7.64%
	80,000,000	Interest of controlled corporation	Short	6.40%
Ardon Maroon Asia Dragon Feeder Fund	95,394,667	Interest of controlled corporation	Long	7.64%
	80,000,000	Interest of controlled corporation	Short	6.40%
Ardon Maroon Fund Management Limited	95,394,667	Interest of controlled corporation	Long	7.64%
	80,000,000	Interest of controlled corporation	Short	6.40%

Note:

As at 31 December 2014, Diamond Ear was interested in 308,867,000 Shares. Diamond Era is owned as to 77.78% by Mr. Li Baosheng and 22.22% by Mr. Zhang Zhixiang, each an executive Director.

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

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

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

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

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

Save as otherwise disclosed in this report, all the related party transactions in 2013 as disclosed in notes 23 and 39 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with the relevant reporting, announcement or independent shareholders' approval requirements. In particular, the transaction under note 23 was conducted on normal commercial terms where all of the percentage ratios (other than the profit ratio) were less than 5% and the total annual consideration was less than HKD1,000,000. The related party under category (a) of note 39 is not a connected person (as defined under the Listing Rules) while the transaction under category (b) of note 39 were provided under the service contracts. The Company confirms that it has complies with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

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

— the largest customer	76%
— five largest customers	86%
— the largest supplier	25%
— five largest suppliers	51%

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

BANK LOANS

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

EMOLUMENT POLICY

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

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

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

ACQUISITIONS AND DISPOSALS

Acquisition of interest in Hongsong Renewable Energy

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

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

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

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

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

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

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

Upon the date of this report, the aforesaid acquisitions for approximately 17.80%, 12.25% and 26.00% of the equity interest in Hongsong Renewable Energy have completed on June 2014. Further details of the aforesaid acquisitions are set out in the announcements of the Company dated 15 November 2013, 3 December 2013, 11 December 2013, 18 March 2014 and 19 May 2014, respectively, and the circular of the Company dated 30 April 2014. respectively.

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

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

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

MANAGEMENT CONTRACTS

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

AUDITORS

The accounts for the years ended 31 December 2012, 2013 and 2014 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

CHANGE OF STOCK SHORT NAME

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

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

On behalf of the Board

Li Baosheng
Chairman

Hong Kong

23 March 2015

CORPORATE GOVERNANCE

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

Corporate Governance Code

The Board considered that the Company had fully complied throughout the year ended 31 December 2014 with the applicable code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding Director's securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules. The Company had made specific enquiries with all the Directors and all the Directors confirmed that they had complied with the practice as contained in the Model Code and the aforesaid code of conduct adopted by the Company for the year ended 31 December 2014.

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

THE BOARD OF DIRECTORS

Board Responsibility and Delegation

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

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

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

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

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

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

COMPOSITION AND APPOINTMENT

Composition

As at 31 December 2014, the Board comprises six Directors, of whom three are executive Directors and three are independent non-executive Directors. The composition of the Board during the year ended 31 December 2014 was as follows:

Executive Directors

Mr. Li Baosheng *(Chairman)*
Mr. Zhang Zhixiang *(Chief Executive Officer)*
Mr. Ning Zhongzhi

Independent Non-executive Directors

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

The details of the biographies of the existing Directors are set out in the section headed "Biographies of Directors and Senior Management" on page 26 to page 29 of this report.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, during the year ended 31 December 2014, there were three independent non-executive Directors in the Board and the number of independent non-executive Directors represents at least one-third of the Board, among the three independent non-executive Directors, Ms. Wong Wai Ling, possesses appropriate professional qualification in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Board considers that the independent non-executive Directors are all independent persons with appropriate qualifications or expertise and the Company has complied with the relevant requirements of the Listing Rules.

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

As at 31 December 2014, Mr. Li Baosheng and Mr. Zhang Zhixiang holds 77.78% and 22.22% respectively, of the issued share capital of Diamond Era Holdings Limited ("Diamond Era") which is a substantial shareholder of the Company, holding approximately 24.72% of the issued share capital of the Company.

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

Board meetings

The Board has supervised and controlled the Company's affairs effectively, and relevant decisions were made in the Company's best interests. For the year ended 31 December 2014, the Board had held 12 Board meetings to consider (of which included) the Company's transactions, financial affairs and other matters under the articles of associations to carry out its duties. The Board has adopted a telephone-conference system to raise the attendance rates, the average rate of attendance was between 83% and 100%.

For the year ended 31 December 2014, the Board has complied the following statistics:

Director's name	**Attendance rate for Board meetings** *(Note 1)*		**Attendance rate for general meetings** *(Note 1)*	
	Attendance/ Number of meeting	**Percentage (%)**	**Attendance/ Number of meeting**	**Percentage (%)**
Mr. Li Baosheng	12/12	100	1/1	100
Mr. Zhang Zhixiang	12/12	100	1/1	100
Mr. Ning Zhongzhi	12/12	100	1/1	100
Ms. Wong Wai Ling	12/12	100	1/1	100
Mr. Qu Weidong	10/12	83	1/1	100
Ms. Hu Xiaolin	12/12	100	1/1	100

Notes:

1. By reference to the number of meetings held during his/her tenure.

During the year ended 31 December 2014, the term of appointment of the independent non-executive Directors is 2 years.

PROCEDURES OF BOARD MEETINGS

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

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

INDUCTION AND PROFESSIONAL DEVELOPMENT

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

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

According to the records provided by the Directors, a summary of training received by the Directors since 1 January 2014 up to 31 December 2014 is as follows:

Name of Directors	**Reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements/attending briefing sessions**
Executive Directors	
Mr. Li Baosheng	✓
Mr. Zhang Zhixiang	✓
Mr. Ning Zhongzhi	✓
Independent non-executive Directors	
Ms. Wong Wai Ling	✓
Mr. Qu Weidong	✓
Ms. Hu Xiaolin	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

AUDITOR'S REMUNERATION

During the year ended 31 December 2014, the amount of fee paid or payable to the auditors of the Group was as follows:

Type of service	Auditors HLB Hodgson Impey Cheng Limited
Audit services	HKD1,110,000

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

ACCOUNTABILITIES AND AUDIT

The Directors understand their responsibility to prepare the Group's financial statements according to relevant legal provisions and the Hong Kong GAAP to ensure that the financial reports present a true and fair view of the Group's financial conditions. In the preparation of the Group's financial reports for the year ended 31 December 2014, the Directors had adopted and implemented the appropriate accounting policies, made prudent and reasonable judgments and projections and prepared the financial statements on a going concern basis.

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

The auditors' responsibilities are set out in the Independent Auditors' Report on pages 55 to 56 of this report.

The accounts for the year ended 31 December 2014 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. The audit committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be re-appointed as the auditors of the Company at the forthcoming annual general meeting.

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

AUDIT COMMITTEE

During the year ended 31 December 2014, the audit committee comprised all the three independent non-executive Directors, namely Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin, and Ms. Wong Wai Ling is the chairman of the audit committee.

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

The audit committee has held 3 meetings for the year ended 31 December 2014 The attendance rates of every member of the audit committee were as follows:

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

The audit committee has reviewed the audit performance, the internal controls and risk management and the interim and audited accounts for the year ended 31 December 2014. In performing its duties, the audit committee has overseen the Company's relationship with the auditors, the nature and scope of the audit, reviewed of the process by which the Company evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It also reported to the Board on the proceedings and deliberations of the audit committee. The audit committee has also reviewed this report and confirmed that is complete and accurate and complies with the Listing Rules.

REMUNERATION COMMITTEE

The remuneration committee shall meet at least once a year to decide on the Director's emoluments. During the year ended 31 December 2014, the remuneration committee comprised one executive Director, namely, Mr. Zhang Zhixiang and all the three independent non-executive Directors. Ms. Hu Xiaolin currently serves as the chairman of the Remuneration Committee.

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

The remuneration committee held 1 meeting for the year ended 31 December 2014, at which the remuneration committee reviewed, discussed and determined the remuneration policy and the remuneration of the Directors and the senior management during the year. The attendances of the meetings of the remuneration committee are as follows:

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Group paid or accrued total Directors' remuneration amounts of approximately RMB1,342,000, RMB1,329,000, RMB574,000, RMB97,000, RMB81,000 and RMB81,000 to Mr. Li Baosheng, Mr. Zhang Zhixiang, Mr. Ning Zhongzhi, Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin respectively, for the year ended 31 December 2014.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. As at 31 December 2014, there was no arrangement in which the Directors waived their remuneration.

Senior management's remuneration payment of the Group in the year ended 31 December 2014 falls within the following bands:

	Number of Individuals
RMB500,000 or below	4
RMB500,001 to RMB1,000,000	1
RMB1,000,001 to RMB1,500,000	1

NOMINATION COMMITTEE

During the year ended 31 December 2014, the nomination committee comprised two executive Directors, namely Mr. Li Baosheng and Mr. Zhang Zhixiang and all the three independent non-executive Directors namely, Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin. Mr. Li Baosheng currently serves as the chairman of the Nomination Committee.

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

The nomination committee held 1 meeting in the year ended 31 December 2014. The attendances of the meeting of the nomination committee are as follows:

	Attendance rate for nomination committee meeting		
Name of member	**Attendance/ Number of meeting**	**Percentage (%)**	**Title**
Mr. Li Baosheng *(Chairman)*	1/1	100	Chairman of the Board and executive Director
Mr. Zhang Zhixiang	1/1	100	Executive Director and chief executive officer
Ms. Wong Wai Ling	1/1	100	Independent non-executive Director
Mr. Qu Weidong	1/1	100	Independent non-executive Director
Ms. Hu Xiaolin	1/1	100	Independent non-executive Director

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

CHIEF FINANCIAL OFFICER

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

COMPANY SECRETARY

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

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

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

INVESTORS RELATIONSHIP

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

During the year ended 31 December 2014, the Company did not make any significant changes in its memorandum and articles of association.

COMMUNICATION WITH SHAREHOLDERS

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

Procedures for directing Shareholders' enquiries to the Board

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

China Ruifeng Renewable Energy Holdings Limited
Unit 1806, 18th Floor, West Tower,
Shun Tak Centre, 168-200 Connaught Road Central,
Hong Kong
Email: ir@c-ruifeng.com
Tel No.: +852 2598 5188
Fax No.: +852 2598 5288

Procedures for putting forward proposals at general meetings by Shareholders

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

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

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

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

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

We have audited the consolidated financial statements of China Ruifeng Renewable Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 167, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 23 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Continuing operations			
Turnover	4	**530,959**	603,341
Cost of sales		**(380,162)**	(460,239)
Gross profit		**150,797**	143,102
Other revenue and net income	5	**28,426**	113,329
Distribution costs		**(1,938)**	(4,761)
Administrative expenses		**(106,787)**	(55,431)
Other operating expenses		**(787)**	(28,662)
Profit from operations		**69,711**	167,577
Finance costs	6(i)(a)	**(137,761)**	(142,601)
Share of profits less losses of an associate		**(81)**	—
(Loss)/Profit before taxation	6	**(68,131)**	24,976
Income tax	7	**(20,618)**	(161)
(Loss)/Profit for the year from continuing operations		**(88,749)**	24,815
Discontinued operation			
Profit for the year from discontinued operation	13	**—**	12,769
(Loss)/Profit for the year		**(88,749)**	37,584
Attributable to:			
Equity shareholders of the Company	10	**(150,827)**	23,502
Non-controlling interests		**62,078**	14,082
(Loss)/Profit for the year		**(88,749)**	37,584
(Loss)/Earnings per share attributable to the owners of the Company during the year			
Basic and diluted			
— Continuing operations (RMB)	11	**(0.139)**	0.011
— Discontinued operation (RMB)	11	**—**	0.013
		(0.139)	0.024

The notes on pages 65 to 167 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	2014	2013
	RMB'000	*RMB'000*
(Loss)/Profit for the year	**(88,749)**	37,584
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside the PRC	**(142)**	(426)
Other comprehensive income for the year (net of tax)	**(142)**	(426)
Total comprehensive income for the year	**(88,891)**	37,158
Total comprehensive income attributable to:		
Equity shareholders of the Company	**(150,969)**	23,076
Non-controlling interests	**62,078**	14,082
Total comprehensive income for the year	**(88,891)**	37,158

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

The notes on pages 65 to 167 form part of these financial statements.

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	15	**2,224,346**	2,345,202
Lease prepayments	17	**14,029**	14,477
Interest in an associate	19	**—**	11,435
Available-for-sale investments	20	**6,229**	—
Deferred tax assets	33(b)	**—**	1,935
		2,244,604	2,373,049
Current assets			
Inventories	21	**—**	1,089
Trade and other receivables	22	**461,639**	614,541
Lease prepayments	17	**447**	446
Pledged bank deposits	25	**8,919**	701
Tax recoverable	33(a)	**7,356**	9,540
Cash and cash equivalents	26	**175,599**	135,015
		653,960	761,332
Current liabilities			
Trade and other payables	28	**173,599**	456,840
Derivative financial instruments	27	**—**	4,948
Borrowings	29	**461,496**	287,695
Current taxation	33(a)	**6,885**	6,096
		641,980	755,579
Net current assets		**11,980**	5,753
Total assets less current liabilities		**2,256,584**	2,378,802
Non-current liabilities			
Other payables	28	**114,908**	20,552
Borrowings	29	**1,455,722**	1,420,497
Deferred tax liabilities	33(b)	**45,573**	49,187
		1,616,203	1,490,236
Net assets		**640,381**	888,566

At 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Capital and reserves	*34*		
Share capital		**11,180**	9,476
Reserves		**381,915**	373,574
Total equity attributable to equity shareholders of the Company		**393,095**	383,050
Non-controlling interests		**247,286**	505,516
Total equity		**640,381**	888,566

Approved and authorised for issue by the board of Directors on 23 March 2015.

Li Baosheng
Director

Zhang Zhixiang
Director

The notes on pages 65 to 167 form part of these financial statements.

Statement of Financial Position

At 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current asset			
Investments in subsidiaries	18	**122,370**	263,370
Current assets			
Other receivables	22	**106**	6
Amounts due from subsidiaries	18	**405,465**	265,353
Cash and cash equivalents	26	**4,136**	5,168
		409,707	270,527
Current liabilities			
Other payables	28	**2,918**	4,296
Derivative financial instruments	27	**—**	4,948
Borrowings	29	**64,349**	46,195
		67,267	55,439
Net current assets		**342,440**	215,088
Total assets less current liabilities		**464,810**	478,458
Non-current liability			
Borrowings	29	**116,779**	144,462
Net assets		**348,031**	333,996
Capital and reserves	34		
Share capital		**11,180**	9,476
Reserves		**336,851**	324,520
Total equity		**348,031**	333,996

Approved and authorised for issue by the board of Directors on 23 March 2015.

Li Baosheng
Director

Zhang Zhixiang
Director

The notes on pages 65 to 167 form part of these financial statements.

		Attributable to equity shareholders of the Company										
	Note	Share capital *RMB'000*	Share premium *RMB'000*	Special reserve *RMB'000*	Statutory reserves *RMB'000*	Other reserve *RMB'000*	Translation reserve *RMB'000*	Convertible note reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2013		9,002	875,085	(91,284)	17,260	31,477	(1,563)	22,065	(521,781)	340,261	–	340,261
Changes in equity for 2013:												
Transfer to statutory reserves		–	–	–	4,226	–	–	–	(4,226)	–	–	–
Realisation of deferred tax liabilities in respect of conversion of the convertible note	33	–	–	–	–	–	–	9	–	9	–	9
Conversion of the convertible note	29	468	68,134	–	–	–	–	(22,074)	–	46,528	–	46,528
Disposal of subsidiaries	36	–	–	91,284	(12,062)	(31,477)	(10,515)	–	(37,230)	–	–	–
Acquisition of a subsidiary	36	–	–	–	–	–	482	–	–	482	559,000	559,482
Acquisition of non-controlling interests		–	–	–	–	–	–	–	(28,489)	(28,489)	(67,566)	(96,055)
Issue of commission shares	34	6	1,177	–	–	–	–	–	–	1,183	–	1,183
Total comprehensive income for the year		–	–	–	–	–	(426)	–	23,502	23,076	14,082	37,158
Balance at 31 December 2013 and 1 January 2014		9,476	944,396	–	9,424	–	(12,022)	–	(568,224)	383,050	505,516	888,566
Changes in equity for 2014:												
Transfer to statutory reserves		–	–	–	9,671	–	–	–	(9,671)	–	–	–
Conversion of the convertible bonds	29	60	10,898	–	–	–	–	–	–	10,958	–	10,958
Issue of shares upon placing	34	1,644	161,837	–	–	–	–	–	–	163,481	–	163,481
Acquisition of subsidiaries	36	–	–	–	–	–	–	–	–	–	12,492	12,492
Acquisition of non-controlling interests		–	–	–	–	–	–	–	(13,425)	(13,425)	(257,726)	(271,151)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(75,074)	(75,074)
Total comprehensive income for the year		–	–	–	–	–	(142)	–	(150,827)	(150,969)	62,078	(88,891)
Balance at 31 December 2014		**11,180**	**1,117,131**	**–**	**19,095**	**–**	**(12,164)**	**–**	**(742,147)**	**393,095**	**247,286**	**640,381**

The notes on page 65 to 167 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
(Loss)/Profit before taxation including discontinued operation			
— continuing operations		**(68,131)**	24,976
— discontinued operation		**—**	12,600
Adjustments for:			
Depreciation		**164,971**	145,878
(Gain)/Loss on disposal of property, plant and equipment		**(67)**	151
Impairment loss on trade and other receivables		**47,665**	11,133
Impairment loss on inventories		**333**	—
Impairment of goodwill		**—**	4,060
Amortisation of lease prepayments		**447**	503
Interest income		**(1,645)**	(971)
Share of profits less losses of an associate		**81**	—
Interest expenses		**137,761**	142,710
Fair value (gain)/loss on derivative financial instruments		**(2,955)**	827
Dividend income received from available-for-sale investments		**—**	(5,916)
Gain on disposal of subsidiaries		**—**	(9,084)
Loss on deemed disposal of available-for-sale investments		**—**	12,184
Loss on redemption of convertible bonds		**787**	—
Gain on a bargain purchase		**—**	(82,805)
Operating profit before changes in working capital		**279,247**	256,246
Decrease in inventories		**756**	16,964
Decrease in trade and other receivables		**102,567**	188,295
Decrease in amount due from a Director		**—**	725
(Decrease)/Increase in trade and other payables		**(181,035)**	19,784
Increase in amounts due to Directors		**6,095**	9,409
(Decrease)/Increase in amount due to an associate		**(34,921)**	2,000
Cash generated from operations		**172,709**	493,423
PRC Enterprise Income Tax paid		**(19,324)**	(4,221)
Interest paid		**(128,066)**	(120,692)
Net cash generated from operating activities		**25,319**	368,510

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Investing activities			
Payments for the purchase of property, plant and equipment		**(42,967)**	(216,803)
Payments for acquisition of available-for-sale investments		**(6,229)**	—
Payments for acquisition of non-controlling interests		**—**	(3,503)
Payments for acquisition of an associate		**—**	(11,435)
Payments for professional fees incurred for disposal of subsidiaries		**—**	(743)
Cash outflows from disposal of subsidiaries		**—**	(61,308)
Cash (outflows)/inflows from acquisition of subsidiaries		**(263,119)**	71,184
Dividend received from available-for-sale investments		**—**	5,916
Interest received		**1,645**	971
Proceeds from disposal of property, plant and equipment		**481**	114
Net cash used in investing activities		**(310,189)**	(215,607)
Financing activities			
Proceeds from new bank and other loans		**481,531**	457,747
Proceeds from issue of bonds		**26,670**	—
Proceeds from issue of convertible bonds		**—**	23,099
Proceeds from issue of shares upon placing		**163,481**	—
Repayment of bank and other loans		**(294,589)**	(520,080)
Repayment of convertible bonds		**(12,889)**	(90,049)
Dividend paid to non-controlling interests		**(75,074)**	—
Decrease/(Increase) in loan receivables		**39,720**	(47,720)
(Increase)/Decrease in pledged bank deposits		**(8,218)**	3,450
Net cash generated from/(used in) financing activities		**320,632**	(173,553)
Net increase/(decrease) in cash and cash equivalents		**35,762**	(20,650)
Cash and cash equivalents at 1 January		**135,015**	160,380
Effect of foreign exchange rate changes		**4,822**	(4,715)
Cash and cash equivalents at 31 December	*26*	**175,599**	135,015

The notes on page 65 to 167 form part of these financial statements.

1 GENERAL INFORMATION

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

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in note 18. During the year ended 31 December 2013, the Group discontinued the production of diodes business upon disposal of Sun Light Planet Limited ("Sun Light"), its subsidiaries and its associated company ("Sun Light Group"), which are disclosed in note 13.

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements

The Company changed its name from China Ruifeng Galaxy Renewable Energy Holdings Limited（中國瑞風銀河新能源控股有限公司）to China Ruifeng Renewable Energy Holdings Limited（中國瑞風新能源控股有限公司）on 8 May 2013. The consolidated financial statements for the year ended 31 December 2014 comprise the Group and the Group's interest in an associate.

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

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

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 40.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Associates

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Goodwill

Goodwill represents the excess of

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

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

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

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

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

(f) Other investments in equity securities

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

(g) Derivative financial instruments

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

(h) Property, plant and equipment

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

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

— other items of plant and equipment.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

(i) Lease prepayments

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Intangible assets (other than goodwill)

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

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

(k) Leased assets

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

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

Where the group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the group will obtain ownership of the asset, the life of the asset, as set out in note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(l)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets

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

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets *(continued)*

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets *(continued)*

(ii) Impairment of other assets

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

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

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

— Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

(m) Inventories

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories *(continued)*

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

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

(n) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(w)(ii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

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

(o) Trade and other receivables

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Convertible notes

(i) Convertible notes that contain an equity component

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Convertible notes *(continued)*

(ii) Other convertible notes

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

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

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

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

(q) Borrowings

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

(r) Trade and other payables

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Cash and cash equivalents

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

(t) Employee benefits

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

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

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

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

(ii) Termination benefits

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Income tax

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Income tax *(continued)*

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

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

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

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

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

  — the same taxable entity; or

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

(v) Provisions and contingent liabilities

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Revenue recognition

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

(i) Sale of electricity, goods and processing income

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

(ii) Contract revenue

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

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

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

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

(iii) Rental income from operating leases

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Revenue recognition *(continued)*

(iv) Interest income

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

(v) Dividends

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

(vi) Government grants

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

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

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

— the sales prices have been agreed; and

— relevant electricity has been generated.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Translation of foreign currencies

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

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

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

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

(y) Borrowing costs

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Discontinued operation

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

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

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

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

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

(aa) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Related parties *(continued)*

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

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

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

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

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

(bb) Segment reporting

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

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

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to and the Company HKFRSs and a new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Group does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on these financial statements.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

4 TURNOVER

The principal activities of the Group are wind power generation, power grid constructions and consultations, processing of wind turbine blades, design, development, manufacturing and sales of diodes. The Group discontinued the design, development, manufacturing and sales of diodes business upon disposal of Sun Light Group in May 2013, which are further disclosed in note 13.

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

	2014	2013
	RMB'000	*RMB'000*
Continuing operations		
Sales of electricity	**403,227**	272,640
Revenue from construction contracts and consultations	**125,698**	326,310
Processing income	**2,034**	4,391
	530,959	603,341
Discontinued operation		
Sales of goods	**—**	131,904
	530,959	735,245

5 OTHER REVENUE AND NET INCOME

	2014	2013
	RMB'000	*RMB'000*
Continuing operations		
Interest income on financial assets not at fair value through profit or loss	**1,645**	564
Government subsidy income related to value added tax refund	**18,656**	1,693
Dividend income from available-for-sale investments	**—**	5,916
Compensation income on prepayment on acquisition of land use rights	**2,120**	3,799
Fair value gain/(loss) on derivative financial instruments	**2,955**	(827)
Rental income from operating leases related to		
— plant and machinery	**222**	20,314
— buildings	**2,694**	—
Gain on a bargain purchase *(note 36)*	**—**	82,805
Others	**134**	(935)
	28,426	113,329
Discontinued operation		
Interest income on financial assets not at fair value through profit or loss	**—**	407
Sales of scrap	**—**	978
Rental income from operating leases related to plant and machinery	**—**	14
Others	**—**	35
	—	1,434
	28,426	114,763

6 (LOSS)/PROFIT BEFORE TAXATION

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

		2014 *RMB'000*	2013 *RMB'000*
(a)	**Finance costs:**		
	Interest on bank and other loans wholly repayable within five years	**84,634**	76,252
	Interest on bank loans not wholly repayable within five years	**49,684**	44,331
	Interest expenses on bonds	**489**	—
	Interest expenses on convertible bonds *(note 29)*	**2,949**	11,701
	Finance charges on obligation under finance lease	**5**	—
	Interest expenses on convertible note *(note 29)*	**—**	5,353
	Interest expenses on promissory note	**—**	4,964
	Interest expenses on financial liabilities not at fair value through profit or loss	**137,761**	142,601
(b)	**Staff costs (including Directors' remuneration)#:**		
	Contributions to defined contribution retirement plans	**4,046**	3,228
	Salaries, wages and other benefits	**50,145**	45,749
		54,191	48,977
(c)	**Other items:**		
	Amortisation of lease prepayments	**447**	446
	Impairment losses:		
	— trade and other receivables *(note 22)* (included in administrative expenses)	**47,665**	7,628
	— inventories (included in cost of inventories)# *(note 21)*	**333**	—
	— goodwill△ *(note 16)*	**—**	4,060
	Loss on redemption of convertible bonds△	**787**	12,418
	Loss on deemed disposal of available-for-sale investments△	**—**	12,184
	Depreciation for property, plant and equipment#:		
	— owned assets	**164,909**	143,473
	— assets held for own use under finance lease	**62**	—
	Net foreign exchange loss/(gain)	**5,707**	(9,643)
	Auditors' remuneration		
	— audit services	**879**	1,013
	Operating lease charges		
	— minimum lease payments in respect of property rentals#	**1,513**	7,696
	Cost of inventories# *(note 21)*	**1,790**	2,985
	(Gain)/Loss on disposal of property, plant and equipment	**(67)**	157

\# Cost of inventories includes approximately RMB738,000 (2013: approximately RMB2,163,000) relating to staff costs, depreciation, impairment of inventories and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 6(i)(b) for each of these types of expenses.

△ Included in other operating expenses.

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

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

		2014	2013
		RMB'000	*RMB'000*
(a)	**Finance costs:**		
	Interest on bank and other loans wholly repayable within five years	—	109
	Interest expenses on financial liabilities not at fair value through profit or loss	—	109
(b)	**Staff costs (including Directors' remuneration)#:**		
	Contributions to defined contribution retirement plans	—	1,668
	Salaries, wages and other benefits	—	24,642
		—	26,310
(c)	**Other items:**		
	Amortisation of lease prepayments	—	57
	Impairment losses:		
	— trade and other receivables *(note 22)* (included in administrative expenses)	—	3,505
	Depreciation for property, plant and equipment#	—	2,405
	Net foreign exchange loss	—	431
	Operating lease charges		
	— minimum lease payments in respect of property rentals#	—	53
	Cost of inventories# *(note 21)*	—	111,402
	Gain on disposal of property, plant and equipment	—	(6)

Cost of inventories includes nil (2013: approximately RMB20,339,000) relating to staff costs, depreciation and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 6(ii)(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2014 RMB'000	2013 RMB'000
Continuing operations		
Current tax — PRC Enterprise Income Tax		
Provision for the year	**18,480**	6,155
Under-provision in respect of prior years	**2,126**	226
Withholding tax	**1,691**	—
Deferred tax		
Origination and reversal of temporary differences	**(1,679)**	(6,220)
	20,618	161
Discontinued operation		
Current tax — PRC Enterprise Income Tax		
Provision for the year	—	243
Over-provision in respect of prior years	—	(412)
	—	(169)
	20,618	(8)

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

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

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

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

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

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

Except for mentioned as above, the applicable income tax rate to the Group's PRC subsidiaries from continuing operations is 25% in 2014 and 2013.

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

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

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

	2014 *RMB'000*	2013 *RMB'000*
(Loss)/Profit before taxation	**(68,131)**	37,576
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in PRC of 25%	**(17,033)**	9,394
Tax effect of non-deductible expenses	**42,255**	16,534
Tax effect of non-taxable income	**(1,241)**	(16,969)
Tax effect of tax loss not recognised	**10,179**	1,128
Tax effect of tax concessions in the PRC	**(15,680)**	(3,689)
Tax effect on withholding tax	**1,691**	—
Under/(Over)-provision in prior years	**2,126**	(186)
Others	**(1,679)**	(6,220)
Actual tax expense/(credit)	**20,618**	(8)

8 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32) is as follows:

For the year ended 31 December 2014:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	2014 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Li Baosheng *(Chairman)*	—	1,191	118	33	1,342
Zhang Zhixiang *(Chief Executive Officer)*	—	1,316	—	13	1,329
Ning Zhongzhi	—	501	—	73	574
Independent non-executive Directors					
Wong Wai Ling	96	1	—	—	97
Qu Weidong	80	1	—	—	81
Hu Xiaolin	80	1	—	—	81
	256	3,011	118	119	3,504

8 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

For the year ended 31 December 2013:

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

Notes:

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

(ii) There was no arrangement under which a Director waived or agreed to waive any remuneration during the year ended 31 December 2014 (2013: Nil).

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2013: three) were Directors of the Company whose emoluments are disclosed in note 8 above. The aggregate of the emoluments in respect of the remaining two (2013: two) individuals are as follows:

	2014	2013
	RMB'000	*RMB'000*
Salaries and other benefits	**1,851**	1,537
Retirement scheme contributions	**13**	12
	1,864	1,549

The emoluments of the two (2013: two) individuals with the highest emoluments are within the following bands:

	2014	2013
	Number of individuals	*Number of individuals*
HKD		
Nil – 1,000,000	**—**	1
1,000,001 – 1,500,000	**2**	1

During the year, no emolument or incentive payments were paid to the Directors, the chief executive and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil).

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

The consolidated (loss)/profit attributable to equity shareholders of the Company includes a loss of approximately RMB163,562,000 (2013: approximately RMB12,455,000) which has been dealt with in the financial statements of the Company.

11 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share from continuing operations is based on the (loss)/profit attributable to ordinary equity shareholders of the Company from continuing operations of approximately RMB(150,827,000) (2013: approximately RMB10,733,000).

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

The weighted average of approximately 1,088,996,000 ordinary shares (2013: approximately 1,003,123,000 ordinary shares) in issue during the year, were calculated as follows:

(i) Weighted average number of ordinary shares

	2014	2013
	'000	*'000*
Issued ordinary shares at 1 January	**1,033,772**	974,300
Effect of conversion of convertible note	**—**	28,804
Effect of conversion of convertible bonds	**6,216**	—
Effect of issue of shares upon placing	**49,008**	—
Effect of issue of commission shares	**—**	19
Weighted average number of ordinary shares at 31 December	**1,088,996**	1,003,123

(b) Diluted (loss)/earnings per share

For the year ended 31 December 2014, the diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during the year ended 31 December 2014.

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

12 DIVIDENDS

No dividend has been declared or paid by the Company for the year ended 31 December 2014 (2013: Nil).

13 DISCONTINUED OPERATION

On 22 May 2013, the Group disposed its entire equity interest in Sun Light. The results of the production of diodes business carried out by the Group up to the date of disposal is presented in the consolidated financial statements of the Group as discontinued operation.

	Note	**2014** **RMB'000**	2013 RMB'000
Turnover	4	—	131,904
Cost of sales		—	(111,401)
Gross profit		—	20,503
Other revenue and net income	5	—	1,434
Distribution costs		—	(2,649)
Administrative expenses		—	(15,663)
Profit from operation		—	3,625
Finance costs	6(ii)(a)	—	(109)
Profit before taxation	6	—	3,516
Income tax	7	—	169
		—	3,685
Gain on disposal of subsidiaries		—	9,084
Profit for the year from discontinued operation		—	12,769
Net cash generated from operating activities		—	14,302
Net cash used in investing activities		—	(330)
Net cash used in financing activities		—	(30,000)
Net cash used in discontinued operation		—	(16,028)

14 SEGMENT REPORTING

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

Continuing operations:

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

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

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

Discontinued operation:

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

(a) Segment results, assets and liabilities

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

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

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

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

14 SEGMENT REPORTING *(continued)*

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

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

Information regarding the Group's reportable segments as provided to the Group's chief executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below.

For the year ended 31 December 2014:

	Continuing operations					Discontinued operation	
	Wind farm operation	Construction contracts	Processing of wind turbine blades	Un-allocated	Sub-total	Production of diodes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue	**403,227**	**125,698**	**2,034**	**–**	**530,959**	**–**	**530,959**
Reportable segment profit/ (loss)	**113,200**	**(131,059)**	**(1,559)**	**2,033**	**(17,385)**	**–**	**(17,385)**
Central administrative costs	**–**	**–**	**–**	**(16,680)**	**(16,680)**	**–**	**(16,680)**
Finance costs	**–**	**–**	**–**	**(34,066)**	**(34,066)**	**–**	**(34,066)**
Loss before taxation							**(68,131)**
Income tax							**(20,618)**
Loss for the year							**(88,749)**

14 SEGMENT REPORTING *(continued)*

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

For the year ended 31 December 2013:

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

14 SEGMENT REPORTING *(continued)*

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

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

For the year ended 31 December 2014:

	Continuing operations					Discontinued operation	
	Wind farm operation *RMB'000*	Construction contracts *RMB'000*	Processing of wind turbine blades *RMB'000*	Un-allocated *RMB'000*	Sub-total *RMB'000*	Production of diodes *RMB'000*	Total *RMB'000*
Depreciation and amortisation for the year	(159,312)	(4,910)	(843)	(353)	(165,418)	–	(165,418)
Impairment loss on trade and other receivables	–	(47,665)	–	–	(47,665)	–	(47,665)
Interest income	1,585	47	2	11	1,645	–	1,645
Share of profits less losses of an associate	–	–	–	(81)	(81)	–	(81)
Reportable segment assets	2,547,886	324,603	6,203	19,872	2,898,564	–	2,898,564
Additions to non-current segment assets during the year	41,116	2,781	–	418	44,315	–	44,315
Reportable segment liabilities	(1,452,483)	(322,630)	(6,242)	(476,828)	(2,258,183)	–	(2,258,183)

14 SEGMENT REPORTING *(continued)*

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

For the year ended 31 December 2013:

	Continuing operations					Discontinued operation	
	Wind farm operation *RMB'000*	Construction contracts *RMB'000*	Processing of wind turbine blades *RMB'000*	Un-allocated *RMB'000*	Sub-total *RMB'000*	Production of diodes *RMB'000*	Total *RMB'000*
Depreciation and amortisation for the year	(137,596)	(5,236)	(885)	(202)	(143,919)	(2,462)	(146,381)
Impairment loss on trade and other receivables	—	(7,628)	—	—	(7,628)	(3,505)	(11,133)
Interest income	491	43	2	28	564	407	971
Assets	2,592,616	500,930	21,356	8,044	3,122,946	—	3,122,946
Associate	11,435	—	—	—	11,435	—	11,435
Reportable segment assets	2,604,051	500,930	21,356	8,044	3,134,381	—	3,134,381
Additions to non-current segment assets during the year	309,946	2,294	—	41	312,281	801	313,082
Reportable segment liabilities	(1,629,347)	(278,769)	(9,561)	(328,138)	(2,245,815)	—	(2,245,815)

14 SEGMENT REPORTING *(continued)*

(b) Geographic information

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

(c) Information about major customers

For the year ended 31 December 2014, there was no single customer in the construction contracts segment contributing over 10% of the total revenue of the Group.

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

For the year ended 31 December 2014, revenue of approximately RMB403,227,000 (2013: approximately RMB272,640,000) was made to a single customer attributable to the wind farm operation segment comprising approximately 76% (2013: approximately 37%) of the total revenue of the Group.

15 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Leasehold improvement RMB'000	Generators and related equipment RMB'000	Plant and machinery RMB'000	Equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Construct-ion in progress RMB'000	Total RMB'000
Cost:								
At 1 January 2013	36,813	42	–	118,789	30,545	13,361	115,290	314,840
Acquisition of a subsidiary	46,529	–	1,735,892	–	4,609	364	242,372	2,029,766
Additions	–	26	8,202	1,640	1,865	402	300,947	313,082
Exchange adjustments	–	–	–	–	(21)	–	–	(21)
Transfer	–	–	286,036	–	–	–	(286,036)	–
Disposals	–	–	–	(807)	(171)	(663)	–	(1,641)
Disposal of subsidiaries	(34,886)	–	–	(87,866)	(26,839)	(4,505)	(170)	(154,266)
At 31 December 2013 and 1 January 2014	48,456	68	2,030,130	31,756	9,988	8,959	372,403	2,501,760
Acquisition of a subsidiary	–	–	–	–	209	–	–	209
Additions	–	–	7,747	62	2,425	2,091	31,990	44,315
Exchange adjustments	–	–	–	–	16	–	–	16
Transfer	645	–	274,978	–	(169)	–	(275,454)	–
Disposals	–	(68)	(38)	(276)	(207)	(982)	–	(1,571)
At 31 December 2014	49,101	–	2,312,817	31,542	12,262	10,068	128,939	2,544,729
Accumulated depreciation and impairment:								
At 1 January 2013	20,737	5	–	79,624	24,569	7,565	–	132,500
Charge for the year	2,833	8	134,047	5,627	1,750	1,613	–	145,878
Exchange adjustments	–	–	–	–	(11)	–	–	(11)
Written back on disposal	–	–	–	(726)	(162)	(488)	–	(1,376)
Disposal of subsidiaries	(20,887)	–	–	(72,175)	(23,994)	(3,377)	–	(120,433)
At 31 December 2013 and 1 January 2014	2,683	13	134,047	12,350	2,152	5,313	–	156,558
Charge for the year	2,365	4	155,684	4,014	1,926	978	–	164,971
Exchange adjustments	–	–	–	–	11	–	–	11
Written back on disposal	–	(17)	(8)	(127)	(220)	(785)	–	(1,157)
At 31 December 2014	5,048	–	289,723	16,237	3,869	5,506	–	320,383
Net book value:								
At 31 December 2014	**44,053**	**–**	**2,023,094**	**15,305**	**8,393**	**4,562**	**128,939**	**2,224,346**
At 31 December 2013	45,773	55	1,896,083	19,406	7,836	3,646	372,403	2,345,202

15 PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 December 2014, the Group has pledged its certain property, plant and equipment with carrying values of approximately RMB892,367,000 (2013: approximately RMB966,454,000) to secure its bank loans (note 30).

During the year, addition to motor vehicle of the Group financed by a new finance lease was approximately RMB418,000 (2013: Nil). At the end of the reporting period, the net book value of the motor vehicle held under the finance lease of the Group was approximately RMB356,000 (2013: Nil).

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

16 GOODWILL

	The Group *RMB'000*
Cost:	
At 1 January 2013, at 31 December 2013 and at 31 December 2014	730,006
Accumulated impairment losses:	
At 1 January 2013	725,946
Impairment loss	4,060
At 31 December 2013, at 1 January 2014 and at 31 December 2014	730,006
Carrying amount:	
At 31 December 2014	**—**
At 31 December 2013	—

Impairment tests for cash-generating units containing goodwill

Wind farm operation in the PRC

During the year ended 31 December 2013, the recoverable amount of the Group's CGU, the wind farm operation in the PRC, was determined based on value-in-use calculations. These calculations used cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using an estimated zero growth rate. The growth rate used does not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows were discounted using a discount rate of approximately 13.46%. The discount rate used was pre-tax and reflect specific risks relating to the industry.

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

17 LEASE PREPAYMENTS

The Group's lease prepayments comprise:

	2014	2013
	RMB'000	*RMB'000*
Land in the PRC:		
Medium term lease	**14,476**	14,923

Analysed for reporting purpose as:

	2014	2013
Current assets	**447**	446
Non-current assets	**14,029**	14,477
	14,476	14,923

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

18 INTEREST IN SUBSIDIARIES

	2014	2013
	RMB'000	*RMB'000*
Unlisted shares, at cost	**866,370**	866,370
Less: Impairment loss	**(744,000)**	(603,000)
	122,370	263,370
Amounts due from subsidiaries	**405,465**	265,353
	527,835	528,723

18 INTEREST IN SUBSIDIARIES *(continued)*

Notes:

(a) Amounts due from subsidiaries are unsecured, interest-free and are repayable on demand.

(b) Details of subsidiaries at 31 December 2014 are as follows. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment	Place of operations	Particulars of issued and fully paid share capital/ registered capital	Proportion of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
City Alliance Limited	BVI	HK	Ordinary share USD1	100%	—	Investment holding
Power Full Group Holdings Limited^ 富力集團控股有限公司	BVI	HK	Ordinary shares USD2	100%	—	Investment holding
Ferson Limited 緯建有限公司	HK	HK	Ordinary share HKD1	—	100%	Inactive
Conway Holdings Limited^ 康威集團有限公司	HK	HK	Ordinary share HKD1	—	100%	Investment holding
Beijing Chengrui Xianghai Renewable Energy Technology Co.,Ltd.[1] 北京承瑞翔海新能源科技有限公司	PRC	PRC	Registered capital RMB100,000	—	100%	Investment holding
Chengde Ruifeng Renewable Energy Windpower Equipment Co. Ltd.[3^] 承德瑞風新能源風電設備有限公司	PRC	PRC	Registered capital RMB30,000,000	—	100%	Processing of wind turbine blades and components
Hebei Beichen Power Grid Construction Co., Ltd.[2] 河北北辰電網建設股份有限公司	PRC	PRC	Registered capital RMB70,500,000	—	100%	Construction, installation, repairing and testing of power facilities and consultation
Chengde Beichen High New Technology Co., Ltd.[3^] 承德北辰高新科技有限公司	PRC	PRC	Registered capital RMB46,900,000	—	100%	Investment holding

18 INTEREST IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation/ establishment	Place of operations	Particulars of issued and fully paid share capital/ registered capital	Proportion of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Hexigten Qi Langcheng Ruifeng Electric Development Co., Ltd.[3] 克什克騰旗朗誠瑞風電力發展有限公司	PRC	PRC	Registered capital RMB39,500,000	—	100%	Wind farm operation (under construction)
Leading Win Resources Limited 領達資源有限公司	BVI	HK	Ordinary share USD1	100%	—	Investment holding
Fortune View Alliance Limited[^]	BVI	HK	Ordinary share USD1	100%	—	Investment holding
Team Mega Limited 集泓有限公司	HK	HK	Ordinary share HKD1	—	100%	Inactive
On Win Corporation Limited[^] 進盈有限公司	HK	HK	Ordinary share HKD1	—	100%	Investment holding
Hebei Hongsong Renewable Energy Investment Co., Ltd.[3^] 河北紅松新能源投資有限公司	PRC	PRC	Registered capital RMB171,720,000	—	76.98%	Investment holding
Hebei Hongsong Wind Power Co., Ltd.[4^] 河北紅松風力發電股份有限公司	PRC	PRC	Registered capital RMB910,000,000	—	85.36%	Wind farm operation
Hebei Quan Tai Electrical and Mechanical Equipment Maintenance Co., Ltd.[3] 河北全泰機電設備維修有限公司	PRC	PRC	Registered capital RMB3,000,000	—	76.98%	Electrical and mechanical equipment maintenance

1 wholly-owned foreign enterprise
2 special purpose entity ("SPE") controlled by SPE agreement
3 private limited liability company
4 sino-foreign equity joint venture company
^ At 31 December 2014 and 2013, the issued shares/registered capital of these companies were pledged under shares charges to secured certain bank loans of the Group (note 30)

18 INTEREST IN SUBSIDIARIES *(continued)*

The following table lists out the information relating to Hongsong, a subsidiary of the Group which has material non-controlling interests ("NCI"). The Group obtained the control of Hongsong during the year ended 31 December 2013 and the summarised financial information for the years ended 31 December 2014 and 2013 presented below represents the post-acquisition amounts before any inter-company elimination.

	At 31 December 2014	At 31 December 2013
Proportion of registered capital (or voting right) held by the Group	**85.36%**	50.30%
Proportion of ownership interests held by the Group	**68.30%**	40.87%
Proportion of registered capital (or voting right) held by NCI	**14.64%**	49.70%
Proportion of ownership interests held by NCI	**31.70%**	59.13%

	2014	2013
	RMB'000	*RMB'000*
Current assets	**311,804**	217,677
Non-current assets	**2,086,711**	2,208,474
Current liabilities	**216,705**	383,426
Non-current liabilities	**1,202,032**	1,091,370
Net assets	**979,778**	951,355
Carrying amount of NCI	**226,473**	505,516
Revenue	**403,227**	272,640
Profit for the year	**103,100**	17,631
Total comprehensive income	**103,100**	17,631
Profit allocated to NCI	**53,247**	14,082
Dividend paid to NCI	**16,031**	—
Cash flows generated from operating activities	**8,543**	398,339
Cash flows used in investing activities	**(35,729)**	(209,860)
Cash flows generated from/(used in) financing activities	**65,629**	(151,731)

19 INTEREST IN AN ASSOCIATE

	The Group 2014 RMB'000	2013 RMB'000
Share of net assets	—	11,435

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

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

* private limited liability company

Interest in an associate is accounted for using the equity method in the consolidated financial statements.

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

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenue RMB'000 (note(i))	Loss RMB'000 (note(i))
2014					
100 per cent	—	—	—	—	**386**
The Group's effective interest	—	—	—	—	**81**

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

Notes:

(i) The associate acquired in December 2013. During the year ended 31 December 2014, the Group acquired the control in Hebei Hongsong Renewable Energy Investment Co., Ltd. ("Hongsong Renewable Energy"). Thereafter, the interest in Hongsong Renewable Energy is consolidated into the consolidated financial statements of the Group (see note 36(a)).

(ii) Represent the results before consolidation into the Group.

20 AVAILABLE-FOR-SALE INVESTMENTS

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Unlisted equity securities, at cost	**6,229**	—

This represents the Group's investments in unlisted equity securities of a PRC company which does not commence operation up to the end of the reporting period.

Investments in unlisted securities are held for an identified long term strategic purpose so the Group does not intend to dispose them in the foreseeable future. The available-for-sale investments are measured at cost less impairment at the end of the reporting period because the ranges of reasonable fair value estimates are so significant that the Directors of the Company are of the opinion that their fair values cannot be measured reliably.

For the available-for-sale investments of the Group, the management reviews the latest investee's financial position, observable data such as net asset value per share and consequently considers no objective evidence of impairment was identified at 31 December 2014. Accordingly, the Directors of the Company consider no impairment should be recognised during the year ended 31 December 2014.

21 INVENTORIES

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Finished goods	—	1,089

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

	2014	2013
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**1,790**	114,387

21 INVENTORIES *(continued)*

(b) Impairment of inventories

	2014	2013
	RMB'000	*RMB'000*
Finished goods	**333**	1,089
Less: provision for impairment	**(333)**	—
	—	1,089

22 TRADE AND OTHER RECEIVABLES

	The Group		**The Company**	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**164,213**	161,635	**—**	—
Less: allowance for doubtful debts	**(16,762)**	(7,739)	**—**	—
	147,451	153,896	**—**	—
Other receivables	**64,992**	74,579	**—**	—
Less: allowance for doubtful debts	**(15,637)**	—	**—**	—
	49,355	74,579	**—**	—
Amount due from a Director *(note 23)*	**—**	—	**106**	—
Loan receivables	**8,000**	47,720	**—**	—
Note receivables	**—**	14,750	**—**	—
Loans and receivables	**204,806**	290,945	**106**	—
Prepayments and deposits	**159,552**	208,667	**—**	6
Less: allowance for doubtful debts	**(23,005)**	—	**—**	—
	136,547	208,667	**—**	6
Gross amount due from customers for contract work *(note 24)*	**120,286**	114,929	**—**	—
	461,639	614,541	**106**	6

22 TRADE AND OTHER RECEIVABLES *(continued)*

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

As at 31 December 2014, the loan receivables from independent third parties of RMB8 million were unsecured, bore interest at rates ranging from 5% to 10% per annum and repayable within 2015.

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

As at 31 December 2014, the Group has pledged its certain trade receivables with carrying values of approximately RMB91,708,000 (2013: approximately RMB9,359,000) to secure its bank loans *(note 30)*.

As at 31 December 2014, the Group has pledged its deposit with carrying value of RMB1,000,000 (2013: nil) to secure a guarantee provided by an independent third party, namely 河北融投擔保集團有限公司 for the Group's certain bank loan *(note 30)*.

(a) Ageing analysis

Trade receivables are net of allowance for doubtful debts of approximately RMB16,762,000 (2013: approximately RMB7,739,000) with the following ageing analysis as of the end of the reporting period:

	2014	2013
	RMB'000	*RMB'000*
Within three months	**101,549**	34,813
More than three months but within one year	**18,796**	57,986
More than one year	**27,106**	61,097
At 31 December	**147,451**	153,896

Trade receivables are due within 5 — 90 days from the date of billings.

22 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Impairment of trade receivables

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

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

	The Group	
	2014	2013
	RMB'000	*RMB'000*
At 1 January	**7,739**	19,615
Impairment loss recognised	**9,023**	11,133
Disposal of subsidiaries	**—**	(23,009)
At 31 December	**16,762**	7,739

At 31 December 2014, trade receivables of the Group amounting to approximately RMB16,762,000 (2013: approximately RMB7,739,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables were outstanding for over 90 days as at the end of the reporting period or related to customers that were in financial difficulties. The Group does not hold any collateral over these balances.

(c) Impairment of other receivables, prepayments and deposits

As at 31 December 2014, as the significant uncertainty of recovering certain other receivables and deposits, the Group has discounted these balances by using the effective interest method. Taking into account the change of estimated time of recovery, the allowance was adjusted accordingly.

22 TRADE AND OTHER RECEIVABLES *(continued)*

(d) Trade receivables that are not impaired

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

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	**81,940**	34,847
Past due but not impaired		
— Less than three months past due	**25,020**	31,475
— More than three months but within one year past due	**14,183**	51,111
— More than one year past due	**26,308**	36,463
	147,451	153,896

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

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

23 AMOUNT DUE FROM A DIRECTOR

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mr. Li Baosheng *(note i)*	**—**	—	**106**	—

The maximum amount outstanding during the year was as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mr. Li Baosheng	**—**	—	**106**	—

Note:

(i) The amount was unsecured, interest-free and repayable on demand.

24 CONSTRUCTION CONTRACTS

The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from/to customers for contract work at 31 December 2014 is approximately RMB750,303,000 (2013: approximately RMB721,333,000).

In respect of construction contracts in progress at the end of the reporting period, the amount of retentions receivable from customers, recorded within "Trade receivables" at 31 December 2014 is approximately RMB12,678,000 (2013: approximately RMB13,104,000).

25 PLEDGED BANK DEPOSITS

The amounts are pledged to banks as securities for certain bank guarantees issued to independent third parties and for the Group to issue bank acceptance bills *(see note 28)*.

26 CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and in hand	**155,599**	135,015	**4,136**	5,168
Time deposits	**20,000**	—	**—**	—
Cash and cash equivalents in the statements of financial position and the consolidated statement of cash flows	**175,599**	135,015	**4,136**	5,168

27 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group and the Company	
	2014	2013
	RMB'000	*RMB'000*
Derivative financial liabilities:		
Derivative component of convertible bonds *(note 29(b)(ii)&(iii))*	**—**	4,948

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

As at 31 December 2013, the fair value of derivative component of convertible bonds is determined by an independent valuer, RHL Appraisal Limited ("RHL"), using the binomial option pricing model.

28 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**67,892**	268,945	**—**	—
Bills payable	**23,000**	—	**—**	—
Other payables *(note i)*	**150,379**	112,273	**2,441**	3,785
Amounts due to Directors *(note ii)*	**18,326**	12,231	**477**	511
Amounts due to non-controlling interests *(note ii)*	**10,121**	13,570	**—**	—
Amount due to an associate *(note ii)*	**—**	34,921	**—**	—
Financial liabilities measured at amortised cost	**269,718**	441,940	**2,918**	4,296
Gross amount due to customers for contract work *(note 24)*	**12,641**	20,440	**—**	—
Advance from customers	**6,148**	15,012	**—**	—
	288,507	477,392	**2,918**	4,296
Less: non-current portion of other payables *(note i)*	**(114,908)**	(20,552)	**—**	—
	173,599	456,840	**2,918**	4,296

Notes:

(i) As 31 December 2014, the balance included in the other payables amounting of approximately RMB114,908,000 represented the outstanding payable to the vendors for the acquisitions of equity interests in Hongsong Renewable Energy to, in aggregate, approximately 76.98% by the Group during the year ended 31 December 2014.

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

(ii) Except for amounts due to Directors of approximately RMB424,000 by the Group as at 31 December 2014 which were unsecured, bore interest at 12% per annum and repayable on 5 November 2015, the remaining balances of amounts due to Directors were unsecured, interest-free and repayable on demand.

28 TRADE AND OTHER PAYABLES *(continued)*

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

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Within three months	**14,893**	175,880
More than three months but within one year	**13,491**	72,189
More than one year	**39,508**	20,876
At 31 December	**67,892**	268,945

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

The bills payable are secured by the Group's pledged bank deposits. The bills payable are repayable with an average maturity period of three months *(note 25)*.

29 BORROWINGS

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

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans *(note 30)*	**1,868,478**	1,653,102	**147,938**	169,567
Convertible bonds *(note 29(b)(iii))*	**—**	17,945	**—**	17,945
Bonds *(note 29(b)(iv))*	**27,108**	—	**27,108**	—
Other loans *(note 29(b)(v))*	**21,322**	37,145	**6,082**	3,145
Obligation under finance lease *(note 29(c))*	**310**	—	**—**	—
	1,917,218	1,708,192	**181,128**	190,657
Analysed as:				
Current	**461,496**	287,695	**64,349**	46,195
Non-current	**1,455,722**	1,420,497	**116,779**	144,462
	1,917,218	1,708,192	**181,128**	190,657

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

29 BORROWINGS *(continued)*

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

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

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

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

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

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

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

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

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

29 BORROWINGS *(continued)*

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

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

	The Group and the Company		
	Liability component	**Equity component**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2013	41,954	22,065	64,019
Interest expenses *(note 6(i)(a))*	5,353	—	5,353
Conversion of convertible note	(46,528)	(22,074)	(68,602)
Realisation of deferred tax liabilities in respect of conversion of convertible note	—	9	9
Exchange adjustment	(779)	—	(779)
At 31 December 2013 and at 31 December 2014	—	—	—

(ii) Convertible bonds issued in December 2010

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

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

29 BORROWINGS *(continued)*

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

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

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

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

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

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

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

29 BORROWINGS *(continued)*

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

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

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

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

	The Group and the Company		
	Liability component	**Derivative component**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2013	78,125	1,528	79,653
Cash settled	(88,541)	(1,508)	(90,049)
Interest expenses *(note 6(i)(a))*	11,551	—	11,551
Exchange adjustment	(1,135)	(20)	(1,155)
At 31 December 2013 and at 31 December 2014	—	—	—

(iii) Convertible bonds issued in December 2013

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

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

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

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

29 BORROWINGS *(continued)*

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2014, convertible bonds in aggregate amounts of HKD14,000,000 were converted into ordinary shares, creating a total of 7,632,000 new ordinary shares of the Company at an average conversion price of approximately HKD1.83 per share.

29 BORROWINGS *(continued)*

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

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

	The Group and the Company		
	Liability component	**Derivative component**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2013	—	—	—
Issued during the year	17,795	4,121	21,916
Change in fair value	—	827	827
Interest expenses *(note 6(i)(a))*	150	—	150
At 31 December 2013	17,945	4,948	22,893
Change in fair value	—	(2,955)	(2,955)
Interest expenses *(note 6(i)(a))*	2,949	—	2,949
Conversion of convertible bonds	(8,925)	(2,033)	(10,958)
Cash settled	(12,889)	—	(12,889)
Loss on redemption of convertible bonds	787	—	787
Exchange adjustment	133	40	173
At 31 December 2014	**—**	**—**	**—**

	2014	2013
	RMB'000	*RMB'000*
Liabilities component analysed for reporting purposes:		
Convertible bonds		
— non-current liabilities	**—**	—
— current liabilities	**—**	17,945
	—	17,945

29 BORROWINGS *(continued)*

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

(iv) Bonds issued in July 2014

During the year ended 31 December 2014, the Company issued unsecured bonds in an aggregated principle amount of approximately HKD41,981,000 with maturity of seven years. The bonds carry fixed interest rate at 7% per annum and the interest is payable in arrears yearly. At 31 December 2014, the bonds were classified as non-current liabilities as the bonds will be settled after 12 months.

(v) Other loans

At 31 December 2014, the other loans were guaranteed as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Guaranteed *(note a)*	**10,000**	10,000	**—**	—
Unsecured				
— Interest-bearing loans *(note b)*	**6,322**	3,145	**6,082**	3,145
— Interest-free loans *(note c)*	**5,000**	24,000	**—**	—
	21,322	37,145	**6,082**	3,145

Notes:

(a) At 31 December 2014 and 2013, the Group had the other loan of RMB10 million was guaranteed by Mr. Li, bore interest at 10% per annum and was repayable in February 2015. The loan was subsequently extended to repayable in 2017.

(b) At 31 December 2014, the Group and the Company had unsecured other loan of HKD7,900,000 (equivalent to approximately RMB6,322,000) and HKD7,600,000 (equivalent to approximately RMB6,082,000) respectively borrowed from a staff of the Company, bore interest at 18% per annum and were repayable on demand.

At 31 December 2013, the Group and the Company had unsecured other loan of HKD4 million (equivalent to approximately RMB3,145,000) was borrowed from Mr. Cheng Koon Kau Alfred, the senior management of the Company, bore interest at 12% per annum and was fully settled during the year ended 31 December 2014.

(c) At 31 December 2014, the Group had unsecured other loans of RMB5,000,000, which were interest-free and repayable in 2016.

At 31 December 2013, the Group had unsecured other loans of RMB20,000,000 and RMB4,000,000, which were interest-free, fully settled during the year ended 31 December 2014 and extended to repayable in 2016 respectively.

29 BORROWINGS *(continued)*

(c) Obligation under finance lease

At 31 December 2014, the Group had obligation under finance lease repayable as follows:

	The Group			
	2014		2013	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within 1 year	**82**	**90**	—	—
After 1 year but within 2 years	**82**	**90**	—	—
After 2 years but within 5 years	**146**	**162**	—	—
After 5 years	**—**	**—**	—	—
	228	**252**	—	—
	310	**342**	—	—
Less: total future interest expenses		**(32)**		—
Present value of lease obligation		**310**		—

30 BANK LOANS

At 31 December 2014, the bank loans were repayable as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year or on demand	**445,092**	245,750	**58,267**	28,250
After 1 year but within 2 years	**389,976**	321,161	**59,430**	56,500
After 2 years but within 5 years	**668,410**	823,691	**30,241**	84,817
More than 5 years	**365,000**	262,500	**—**	—
	1,868,478	1,653,102	**147,938**	169,567

At 31 December 2014, the bank loans were secured and guaranteed as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans				
— secured *(note a)*	**1,739,871**	1,571,102	**147,938**	169,567
— guaranteed *(note b)*	**128,607**	82,000	**—**	—
	1,868,478	1,653,102	**147,938**	169,567

Notes:

(a) At 31 December 2014, the Group's secured bank loans were secured by the following:

— the Group's certain property, plant and equipment with carrying values of approximately RMB892,367,000 (2013: approximately RMB966,454,000);

— the Group's certain trade receivables with carrying values of approximately RMB91,708,000 (2013: approximately RMB9,359,000);

— certain properties owned by Mr. Li;

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

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

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

30 BANK LOANS *(continued)*

Notes (continued):

At 31 December 2014, the Company's secured bank loans were secured by the following:

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

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

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

The average effective interest rate on secured bank loans approximated 6.83% (2013: approximated 6.41%) per annum.

(b) As at 31 December 2014, the unsecured bank loans of RMB30,000,000 (2013: RMB30,000,000) and RMB5,600,000 (2013: Nil) were guaranteed by wholly-owned subsidiaries, namely Chengde Beichen High New Technology Co., Ltd. （承德北辰高新科技有限公司）and Chengde Ruifeng Renewable Energy Windpower Equipment Co., Ltd.（承德瑞風新能源電設備有限公司）respectively.

As at 31 December 2014, the unsecured bank loan of RMB42,000,000 (2013: RMB52,000,000) was guaranteed by former shareholders of a subsidiary of the Group.

As at 31 December 2014, the unsecured bank loan of approximately RMB31,007,000 (2013: Nil) was guaranteed by the Company and unlimited personal guarantees provided by Mr. Zhang and his spouse.

As at 31 December 2014, the unsecured bank loan of RMB20,000,000 (2013: Nil) was guaranteed by an independent third party, namely 河北融投擔保集團有限公司 (note 22).

The average effective interest rate on unsecured, guaranteed bank loans approximated 7.01% (2013: approximated 7.82%) per annum.

(c) At 31 December 2014, except for the secured bank loan of approximately RMB311,179,000 (2013: approximately RMB297,602,000) which is denominated in United States dollars ("USD"), all other bank loans are denominated in RMB.

31 EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000 (HKD25,000 prior to June 2014). Contributions to the plan vest immediately.

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

The total expenses recognised in the consolidated statement of profit or loss for the year of approximately RMB4,046,000 (2013: approximately RMB4,896,000) represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

32 SHARE OPTION SCHEME

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

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

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

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

32 SHARE OPTION SCHEME *(continued)*

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

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

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

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

No option has been granted under the Share Option Scheme from the date of adoption of the scheme up to 31 December 2014.

33 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

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

	The Group	
	2014	2013
	RMB'000	*RMB'000*
At 1 January	**(3,444)**	8,271
Acquisition of a subsidiary	—	(13,795)
Disposal of subsidiaries	—	89
Provision for PRC Enterprise Income Tax for the year	**18,480**	6,398
Withholding tax	**1,691**	—
Under/(Over) provision in respect of prior years	**2,126**	(186)
PRC Enterprise Income Tax paid	**(19,324)**	(4,221)
At 31 December	**(471)**	(3,444)

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

(b) Deferred tax assets and liabilities recognised:

(i) The Group

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

	Allowable for doubtful debts	Revaluation of property	Provision for unrealised profits	Convertible note	Withholding tax on future dividend income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:						
At 1 January 2013	3,094	(7,808)	285	(932)	(6,374)	(11,735)
Credited to						
— income statement	1,907	3,390	—	923	—	6,220
— reserve	—	—	—	9	—	9
Acquisition of a subsidiary	—	(44,769)	—	—	—	(44,769)
Disposal of subsidiaries	(3,066)	—	(285)	—	6,374	3,023
At 31 December 2013	1,935	(49,187)	—	—	—	(47,252)
Credited/(Charged) to income statement	(1,935)	4,338	—	—	(724)	1,679
At 31 December 2014	**—**	**(44,849)**	**—**	**—**	**(724)**	**(45,573)**

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

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

(ii) The Company

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

	Convertible note
	RMB'000
Deferred tax arising from:	
At 1 January 2013	932
Credited to income statement	(923)
Credited to reserve	(9)
At 31 December 2013 and at 31 December 2014	—

(iii) Reconciliation to the consolidated statement of financial position

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Net deferred tax asset recognised in the consolidated statement of financial position	—	1,935
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(45,573)**	(49,187)
	(45,573)	(47,252)

(c) Deferred tax assets not recognised

At the end of the reporting period, the Group has unused tax losses of approximately RMB52,492,000 (2013: approximately RMB12,150,000) available for offset against future profits that may be carried forward five years after they are incurred. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profits streams.

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

(d) Deferred tax liabilities not recognised

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

At 31 December 2014, deferred tax liabilities of approximately RMB724,000 (2013: nil) have been provided for in the consolidated financial statements in respect of the temporary difference attributable to the undistributed profits of a PRC subsidiary.

At 31 December 2014, deferred tax liabilities of approximately RMB4,245,000 (2013: approximately RMB6,106,000) have not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed profits of other PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

34 CAPITAL AND RESERVES

(a) Movements in components of equity

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

34 CAPITAL AND RESERVES *(continued)*

(a) Movements in components of equity *(continued)*

The Company

	Share capital	Share premium	Translation reserve	Convertible note reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	9,002	875,085	(14,960)	22,065	(571,547)	319,645
Issue of commission shares *(note 34(b))*	6	1,177	—	—	—	1,183
Conversion of the convertible note *(note 29(b))*	468	68,134	—	(22,074)	—	46,528
Realisation of deferred tax liabilities in respect of conversion of the convertible note *(note 29(b))*	—	—	—	9	—	9
Total comprehensive income for the year	—	—	(20,914)	—	(12,455)	(33,369)
At 31 December 2013 and 1 January 2014	9,476	944,396	(35,874)	—	(584,002)	333,996
Conversion of the convertible bonds *(note 29(b))*	60	10,898	—	—	—	10,958
Issue of shares upon placing *(note 34(b))*	1,644	161,837	—	—	—	163,481
Total comprehensive income for the year	—	—	3,158	—	(163,562)	(160,404)
At 31 December 2014	**11,180**	**1,117,131**	**(32,716)**	**—**	**(747,564)**	**348,031**

34 CAPITAL AND RESERVES *(continued)*

(b) Share capital

	2014		2013	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***RMB'000***	*'000*	*RMB'000*
Authorised:				
Ordinary shares of HKD0.01 each	**2,000,000**	**20,400**	2,000,000	20,400
Ordinary shares, issued and fully paid:				
At 1 January	**1,033,772**	**9,476**	974,300	9,002
Conversion of the convertible note in July 2013 *(note i)*	—	—	58,700	468
Commission shares issued *(note ii)*	—	—	772	6
Conversion of the convertible bonds during the year ended 31 December 2014 *(note iii)*	**7,632**	**60**	—	—
Issue of shares upon placing *(note iv)*	**208,000**	**1,644**	—	—
At 31 December	**1,249,404**	**11,180**	1,033,772	9,476

Notes:

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

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

(iii) During the year ended 31 December 2014, convertible bonds with aggregate principal amount of HKD14,000,000 were converted into ordinary shares, at an average conversion price of approximately HKD1.83 per share resulting in the issue of 7,632,000 ordinary shares of HKD0.01 each.

(iv) On 7 October 2014, the Company placed, through the placing agents, 208,000,000 ordinary shares of HKD0.01 each in the capital of the Company to not less than six placees at the placing price of HKD1.00 per placing share.

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

34 CAPITAL AND RESERVES *(continued)*

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Special reserve

The special reserve represented:

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

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

(iii) Statutory reserves

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

(iv) Other reserve

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

34 CAPITAL AND RESERVES *(continued)*

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

(v) Translation reserve

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

(vi) Convertible note reserve

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

(d) Distributability of reserves

As at 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately RMB369,567,000 (2013: approximately RMB360,394,000).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate. During the year ended 31 December 2014, the Group's strategy remained unchanged from 2013.

34 CAPITAL AND RESERVES *(continued)*

(e) Capital management *(continued)*

The Group monitors its capital structure by reviewing its net debt-to-equity ratio and cash flow requirements, taking into account its future financial obligations and commitments. The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014	2013
	RMB'000	*RMB'000*
Borrowings:		
Current portion	**461,496**	287,695
Non-current portion	**1,455,722**	1,420,497
Total borrowings *(note 29)*	**1,917,218**	1,708,192
Less: Cash and cash equivalents *(note 26)*	**(175,599)**	(135,015)
Net debt	**1,741,619**	1,573,177
Total equity	**640,381**	888,566
Gearing ratio	**272%**	177%

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

(ii) The receivables from sales of electricity mainly represent receivables from the provincial power grid company. The Group has no significant credit risk with this power grid company as the Group and its subsidiaries maintain long-term and stable business relationships with this company. The receivables from the provincial power grid company accounted for approximately 62% (2013: 6%) of the Group's total trade debtors as at 31 December 2014.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

(iii) In respect of other trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within 5 to 90 days from the date of billing.

(iv) In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group had a certain concentration of credit risk as 62% (2013: 15%) and 84% (2013: 51%) of the total trade receivables were due from the Group's largest debtor and the five largest debtors as at 31 December 2014 respectively. The Group does not hold any collateral over these balances.

(v) The credit risk on liquid funds is limited because the counter parties are financial institutions with established high credit ratings.

(vi) Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

The following liquidity table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company required to pay:

The Group

2014

	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Bank loans	**557,983**	**475,651**	**776,811**	**442,265**	**2,252,710**	**1,868,478**
Bonds	**2,352**	**2,352**	**7,055**	**38,035**	**49,794**	**27,108**
Obligation under finance lease	**90**	**90**	**162**	**—**	**342**	**310**
Other loans	**17,596**	**5,000**	**—**	**—**	**22,596**	**21,322**
Trade and other payables (excluding advance from customers)	**167,451**	**114,908**	**—**	**—**	**282,359**	**282,359**
	745,472	**598,001**	**784,028**	**480,300**	**2,607,801**	**2,199,577**

2013

	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Convertible bonds	24,059	—	—	—	24,059	17,945
Bank loans	348,799	405,880	947,377	286,444	1,988,500	1,653,102
Other loans	25,000	14,900	—	—	39,900	37,145
Trade and other payables (excluding advance from customers)	441,828	20,552	—	—	462,380	462,380
	839,686	441,332	947,377	286,444	2,514,839	2,170,572

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

The Company

2014

	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
Bank loan	**68,950**	**64,757**	**30,839**	**—**	**164,546**	**147,938**
Bonds	**2,352**	**2,352**	**7,055**	**38,035**	**49,794**	**27,108**
Other loan	**7,176**	**—**	**—**	**—**	**7,176**	**6,082**
Other payables	**2,918**	**—**	**—**	**—**	**2,918**	**2,918**
	81,396	**67,109**	**37,894**	**38,035**	**224,434**	**184,046**

2013

	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
Convertible bonds	24,059	—	—	24,059	17,945
Bank loan	41,270	67,058	92,934	201,262	169,567
Other payables	4,296	—	—	4,296	4,296
Other loan	—	3,900	—	3,900	3,145
	69,625	70,958	92,934	233,517	194,953

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from the Group's cash and cash equivalents, bank deposits, bank and other borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk *(continued)*

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings at the end of the reporting period:

	The Group				The Company			
	2014		2013		**2014**		2013	
	Effective interest rates		Effective interest rates		**Effective interest rates**		Effective interest rates	
	%	***RMB'000***	%	*RMB'000*	**%**	***RMB'000***	%	*RMB'000*
Fixed rate borrowings:								
Convertible bonds	**—**	**—**	32.52	17,945	**—**	**—**	32.52	17,945
Bonds	**11.30**	**27,108**	—	—	**11.30**	**27,108**	—	—
Other loans	**10.03**	**21,322**	3.71	37,145	**18.00**	**6,082**	12.00	3,145
Bank loans								
Short term loans	**8.73**	**38,600**	9.50	18,000	**—**	**—**	—	—
Obligation under finance lease	**4.84**	**310**	—	—	**—**	**—**	—	—
		87,340		73,090		**33,190**		21,090
Variable rate borrowings:								
Bank loans								
Long term loans	**6.76**	**1,715,871**	6.37	1,565,102	**9.61**	**147,938**	7.00	169,567
Short term loans	**7.33**	**114,007**	8.14	70,000	**—**	**—**	—	—
		1,829,878		1,635,102		**147,938**		169,567
Total net borrowings		**1,917,218**		1,708,192		**181,128**		190,657
Net fixed rate borrowings as a percentage of total net borrowings		**5%**		4%		**18%**		11%

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk *(continued)*

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after taxation and accumulated losses by approximately RMB14,425,000 (2013: decreased/increased the Group's profit after taxation and increased/decreased accumulated losses by approximately RMB12,263,000).

The sensitivity analysis above indicates the instantaneous change in the Group's loss after taxation (and accumulated losses) that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after taxation (and accumulated losses) is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2013.

(d) Currency risk

Presently, there is no hedging policy with respect to the foreign exchange exposure. The Group's transactional currency is RMB as substantially all the turnover are in RMB. The Group's transactional foreign exchange exposure was insignificant.

(i) Exposure to currency risk

The Group is exposed to currency risk primarily through sales which give rise to receivables and bank balances that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk is primarily USD and HKD.

The Group ensures that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Management does not enter into currency hedging transactions since it considers that the cost of such instruments outweighs the potential risk of exchange rate fluctuations.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(i) Exposure to currency risk (continued)

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with governmental approval.

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(i) Exposure to currency risk *(continued)*

	2014	2013	**2014**	2013
	USD'000	*USD'000*	***HKD'000***	*HKD'000*
The Group				
Trade and other receivables	**—**	—	**287**	564
Cash and cash equivalents	**8**	8,612	**6,356**	8,679
Trade and other payables	**—**	—	**(3,380)**	(5,330)
Amounts due to Directors	**—**	—	**(2,197)**	—
Convertible bonds	**—**	—	**—**	(22,828)
Bonds	**—**	—	**(33,876)**	—
Bank loans	**(50,464)**	(49,988)	**—**	—
Obligation under finance lease	**—**	—	**(388)**	—
Other loans	**—**	—	**(7,900)**	(4,000)
Overall exposure arising from recognised assets and liabilities	**(50,456)**	(41,376)	**(41,098)**	(22,915)
The Company				
Amount due from a Director	**—**	—	**133**	—
Amounts due from subsidiaries	**—**	—	**306,538**	196,217
Cash and cash equivalents	**4**	2	**5,131**	6,555
Other payables	**—**	—	**(3,050)**	(4,814)
Amounts due to Directors	**—**	—	**(596)**	—
Convertible bonds	**—**	—	**—**	(22,828)
Bonds	**—**	—	**(33,876)**	—
Bank loan	**(24,158)**	(28,988)	**—**	—
Other short term loans	**—**	—	**(7,600)**	(4,000)
Overall exposure arising from recognised assets and liabilities	**(24,154)**	(28,986)	**266,680**	171,130

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's (loss)/profit after taxation (and accumulated losses) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

The Group

	2014			2013		
	Increase/ (Decrease) in foreign exchange rates	**Effect on loss after taxation** *RMB'000*	**Effect on accumulated losses** *RMB'000*	Increase/ (Decrease) in foreign exchange rates	Effect on profit after taxation *RMB'000*	Effect on accumulated losses *RMB'000*
UNITED STATES DOLLARS	**5%/(5%)**	**15,656/(15,656)**	**15,656/(15,656)**	5%/(5%)	(12,613)/12,613	12,613/(12,613)
HONG KONG DOLLARS	**5%/(5%)**	**1,644/(1,644)**	**1,644/(1,644)**	5%/(5%)	(901)/901	901/(901)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting period. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities loss after taxation and equity measured in the respective functional currencies translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2013.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

Fair value measurement has been categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

Recurring fair value measurements

2014

	The Group and the Company			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Liabilities				
— Derivative option embedded in convertible bonds	—	—	—	—

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement *(continued)*

(i) ***Financial assets and liabilities measured at fair value*** *(continued)*

Recurring fair value measurements (continued)

2013

	The Group and the Company			
	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Liabilities				
— Derivative option embedded in convertible bonds	—	4,948	—	4,948

During the year there were no significant transfer between instruments in Level 1 and Level 2 and no transfer into or out of Level 3 (2013: Nil).

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values because of their immediate or short term maturity as at 31 December 2014 and 2013.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement *(continued)*

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 2013 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

			Fair value measurements as at 31 December 2014 categorised into			
	Carrying amounts	**Fair value**	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
The Group						
— Non-current borrowings	**1,455,722**	**1,340,055**	**—**	**1,340,055**	**—**	**1,340,055**

			Fair value measurements as at 31 December 2014 categorised into			
	Carrying amounts	**Fair value**	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
The Company						
— Non-current borrowings	**116,779**	**123,262**	**—**	**123,262**	**—**	**123,262**

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement *(continued)*

(ii) ***Fair value of financial assets and liabilities carried at other than fair value*** *(continued)*

			Fair value measurements as at 31 December 2013 categorised into			
	Carrying amounts	Fair value	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group						
— Non-current borrowings	1,420,497	1,017,958	—	1,017,958	—	1,017,958

			Fair value measurements as at 31 December 2013 categorised into			
	Carrying amounts	Fair value	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Company						
— Non-current borrowings	144,462	139,282	—	139,282	—	139,282

Valuation techniques and inputs used in level 2 fair value measurements

The fair values of the non-current borrowings are estimated as being the present values of future cash flows, discounted at interest rates based on observable yield curves as at 31 December 2014 and 2013 taking into account the credit spread of the Group as appropriate.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

(i) Derivative financial instruments

The estimate of the fair value of the conversion option and redemption option embedded in the convertible bonds are measured using a binomial option pricing model.

	At date of Issue on 19 December 2013	**At 31 December 2013**
Fair value of conversion options and assumptions		
Share price	**HKD1.94**	**HKD2.06**
Conversion price	**HKD1.85**	**HKD1.84**
Expected volatility	**32.570%**	**32.064%**
Option life	**1 year**	**0.97 year**
Risk-free interest rate	**0.200%**	**0.186%**

	At date of Issue on 19 December 2013	At 31 December 2013
Fair value of redemption options and assumptions		
	Early redemption price	Early redemption price
Exercise price	**HKD1.85**	**HKD1.84**
Option life	**1 year**	**0.97 year**
Risk-free interest rate	**0.200%**	**0.186%**

36 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Pre-acquisition carrying amounts were determined based on applicable HKFRS immediately before the acquisition. The value of assets and liabilities recognised on acquisition are their fair values measured as follows: for the identifiable assets with an active market, the fair value was measured according to its market price; for the identifiable assets without an active market, the fair value was measured based on the market price of the same or similar kind of assets; if no active market exists for the same or similar assets, the fair value was measured by appraisal technique.

Goodwill is generated as a result of difference between the fair value of the net assets acquired and consideration.

(a) Acquisition of Hongsong Renewable Energy

On 4 June 2014, Beichen Hightech, a wholly-owned subsidiary of the Group, completed the acquisition of further 56.05% equity interest in Hongsong Renewable Energy, an investment holding company of which controlling approximately 35.06% voting rights in Hongsong, for total consideration of approximately RMB301,553,000.

Hence, Beichen Hightech's interest in Hongsong Renewable Energy increased from 20.93% to 76.98%, and the Group indirectly obtained the control of approximately 35.06% voting rights in Hongsong. In addition to approximately 50.30% voting rights in Hongsong currently held by the Group, the aggregate voting rights in Hongsong will increase to approximately 85.36%.

36 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(continued)*

(b) Acquisition of Hongsong

On 24 October 2012, On Win, a wholly-owned subsidiary of the Company, entered into a capital increment agreement with Hongsong to subscribe 430,000,000 shares in the registered capital of Hongsong (the "Subscription Shares"), which representing approximately 47.3% of the enlarged registered capital of Hongsong, for a total consideration of RMB645,000,000 in cash.

Pursuant to the capital increment agreement, On Win paid 20% of the consideration to Hongsong, and Hongsong allotted and issued 430,000,000 new shares in the registered capital of Hongsong to On Win.

Upon the approval of the capital increment of Hongsong was obtained and filed on record from all relevant governmental departments (including approvals for Hongsong to become a sino-foreign equity joint venture company) in January 2013, together with 27,727,754 shares of Hongsong owned by Beichen Hightech, the Company through its wholly own subsidiaries, hold 457,727,754 shares in the enlarged registered capital of Hongsong, which represents the voting right of approximately 50.3%.

The fair value was determined by the Directors with reference to professional valuations performed by RHL Appraisal Limited ("RHL") and BMI Appraisals Limited ("BMI"), both of them are independent professional qualified valuers.

36 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(continued)*

(b) Acquisition of Hongsong *(continued)*

Identifiable assets acquired and liabilities assumed:

	Recognised values on acquisition *RMB'000*
Property, plant and equipment	2,029,766
Lease prepayments	10,088
Trade and other receivables	245,372
Tax recoverable	13,795
Cash and cash equivalents	71,184
Trade and other payables	(113,631)
Borrowings	(1,407,000)
Deferred tax liabilities	(44,769)
Total identifiable net assets	804,805
Cash consideration	129,000
Add: Fair value of previously held equity interest in Hongsong	34,000
Add: Non-controlling interests	559,000
Less: Net identifiable assets acquired and liabilities assumed	(804,805)
Gain on a bargain purchase	(82,805)
Cash consideration	129,000
Deposit paid	(129,000)
Cash and cash equivalents acquired	71,184
Net cash inflow for the year	71,184

As a result of remeasuring fair value of the equity interest in Hongsong held by the Group before the acquisition, a loss of approximately RMB12,184,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2013.

36 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(continued)*

(c) Disposal of subsidiaries

Details of the subsidiaries disposed of during the year ended 31 December 2013 are set out below:

	The Group
	RMB'000
Property, plant and equipment	33,833
Lease prepayments	5,777
Investment in an associate	5,103
Deferred tax assets	3,351
Inventories	12,275
Trade and other receivables	102,229
Tax recoverable	89
Cash and cash equivalents	63,275
Trade and other payables	(53,906)
Deferred tax liabilities	(6,374)
Gain on disposal of subsidiaries	9,827
Less: Professional fees incurred for disposal of subsidiaries	(743)
Net gain on disposal of subsidiaries	9,084
Total consideration received	175,479
Net cash outflow arising on disposal:	
Cash consideration	1,967
Cash and cash equivalents disposed of	(63,275)
	(61,308)

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

37 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2014 not provided for in the financial statements were as follows:

The Group

	2014	2013
	RMB'000	*RMB'000*
Capital injection		
— Contracted for	**387,562**	387,562
Acquisition of a subsidiary		
— Contracted for	**—**	154,254
Acquisition of property, plant and equipment		
— Contracted for	**6,039**	163,309
	393,601	705,125

(b) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 1 year	**624**	684
After 1 year but within 5 years	**312**	196
	936	880

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

38 SIGNIFICANT NON-CASH TRANSACTIONS

Other than the consideration was satisfied by the Company's outstanding promissory note for the disposal of subsidiaries, the Group issued 772,000 ordinary shares of the Company to a subscriber as commission shares in relation to the issue of and subscription for convertible bonds during the year ended 31 December 2013.

39 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group did not enter into any other material related party transaction.

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's Directors and the chief executive as disclosed in note 8 and certain of the highest paid to employees as disclosed in note 9, is as follows:

	2014	2013
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**5,236**	5,214
Post-employment benefits	**132**	157
Salaries and other emoluments	**5,368**	5,371

Total remuneration is included in "staff costs" (see note 6(b)).

40 ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(i) Impairment of property, plant and equipment and lease prepayments

The recoverable amount of an asset is the greater of its fair value less costs of disposal and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(ii) Impairment of receivables

The Group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the trade and other receivables, where applicable, at the end of each reporting period. The estimates are based on the ageing of the trade and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

(iii) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

40 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(a) Key sources of estimation uncertainty *(continued)*

(iv) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. These could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market condition. Management reassesses the estimations at the end of each reporting period.

(v) Construction contracts

As explained in policy notes 2(n) and (w)(ii) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 24 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(vi) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in notes 2(e) and 2(l)(ii). The recoverable amounts of the CGU have been determined based on value-in-use calculations. These calculations require the use of estimates.

(vii) Fair value of derivative financial instruments

The fair value of derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

40 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(a) Key sources of estimation uncertainty *(continued)*

(viii) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the Directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(ix) Recognition of deferred tax liabilities

As at 31 December 2014, deferred tax liabilities of approximately RMB4,245,000 (2013: approximately RMB6,106,000) have not been recognised on the distributable profits of certain group companies in the PRC as the Group plans to retain those profits in the respective entities for their daily operations and future developments. In case there is distribution of profits, additional tax liabilities will arise, which will be recognised in the profit or loss for the period in which such profits are declared or the future development plan of the Group amends, whichever is earlier.

(b) Critical accounting judgements in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 19 (2011), Defined benefit plans: Employee contributions	1 July 2014
Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
Annual improvements to HKFRSs 2012-2014 cycle	1 January 2016
Amendments to HKFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 27 (2011), Equity Method in Separate Financial Statements	1 January 2016
HKFRS 15, Revenue from contracts with customers	1 January 2017
HKFRS 9, Financial instruments	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the company's first financial year commencing after 3 March 2014 (i.e. the company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

Five Years' Financial Summary

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Turnover	**530,959**	735,245	582,987	750,328	804,183
(Loss)/Profit from operations	**69,711**	180,286	(80,527)	182,875	(532,765)
(Loss)/Profit before taxation	**(68,131)**	37,576	(155,544)	100,088	(558,124)
(Loss)/Profit for the year	**(88,749)**	37,584	(166,694)	91,518	(573,750)
Attributable to:					
Equity holders of the Company	**(150,827)**	23,502	(166,694)	91,518	(573,750)
Non-controlling interests	**62,078**	14,082	—	—	—
	(88,749)	37,584	(166,694)	91,518	(573,750)
Assets and liabilities					
Total assets	**2,898,564**	3,134,381	1,114,760	1,020,270	973,433
Total liabilities	**(2,258,183)**	(2,245,815)	(774,499)	(670,854)	(717,700)
Net assets	**640,381**	888,566	340,261	349,416	255,733
Equity					
Share capital	**11,180**	9,476	9,002	7,740	7,740
Reserves	**381,915**	373,574	331,259	341,676	247,993
Total equity attributable to equity shareholders of the Company	**393,095**	383,050	340,261	349,416	255,733
Non-controlling interests	**247,286**	505,516	—	—	—
Total equity	**640,381**	888,566	340,261	349,416	255,733

Note:

1 The results for the year ended 31 December 2014, and the assets and liabilities as at 31 December 2014 have been extracted from the consolidated statement of profit or loss and consolidated statement of financial position as set out on pages 57 to 60 respectively, of the consolidated financial statements.