

# **AUDITORS' REPORT**

**To the shareholders of**

**China CDM Exchange Centre limited**

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We have audited the financial statements of China CDM Exchange Centre Limited (hereafter "the Company") set out on pages 1 to 21, which comprise the balance sheet as at 31 December 2013, and the income statement, the cash flow statement and the statement of changes in equity for the year of 2013 and a summary of significant accounting policies and other explanatory notes.

## **Directors' responsibility for the financial statements**

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with "International Financial Reporting Standards". This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **Auditor's responsibility**

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

We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 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 financial statements give a true and fair view of the financial position of the Company as at 31 December 2013 and of the results of its operations and its cash flows for the year in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads "China Regal CPAs and Partners". The signature is written in a cursive, flowing style.

China Regal CPAs Co. Ltd.

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No. 32 Xizhimen North Street, Haidian District, Beijing, PR China

Postal code: 100082

May 13, 2014

**CHINA CDM EXCHANGE CENTRE LIMITED**  
**INCOME STATEMENTS**

	Notes	1/1/2013-12/31/2013		1/1/2012-12/31/2012	
		RMB	GBP	RMB	GBP
<b>Revenue</b>	3	9,905,920.00	982,330.60	8,199,070.00	825,154.99
Cost of sales		<u>(7,568,051.80)</u>	<u>(750,493.53)</u>	<u>(7,629,593.00)</u>	<u>(767,842.78)</u>
Gross profit		2,337,868.20	231,837.07	569,477.00	57,312.21
Selling expense					
Administration expenses		<u>1,912,678.37</u>	<u>189,672.69</u>	<u>(1,581,472.35)</u>	<u>(159,159.49)</u>
Profit from operations	4	<u>425,189.83</u>	<u>42,164.38</u>	<u>(1,011,995.35)</u>	<u>(101,847.28)</u>
Foreign exchange gains		<u>(206,853.13)</u>	<u>(20,512.80)</u>	<u>(329,441.85)</u>	<u>(33,155.05)</u>
<b>Profit before income tax</b>		<u>218,366.70</u>	<u>21,651.58</u>	<u>(1,341,437.20)</u>	<u>(135,002.33)</u>
<b>Net profit</b>		<u>218,366.70</u>	<u>21,651.58</u>	<u>(1,341,437.20)</u>	<u>(135,002.33)</u>

The accompanying notes form an integral part of these financial statements.

Average exchange rate: (2013) RMB/GBP: 10.0841; (2012) RMB/GBP: 9.9364

**CHINA CDM EXCHANGE CENTRE LIMITED**  
**BALANCE SHEETS**

	Note	12/31/2013		12/31/2012	
		RMB	GBP	RMB	GBP
<b>Non-current assets</b>					
Property Plant and Equipment	5	78,015.74	7,758.44	99,541.99	9,796.38
Long term investment	6	372,042,500.00	36,998,538.13	372,042,500.00	36,614,392.14
Intangible assets	7			108,240,000.14	10,652,390.01
Total non-current assets		<u>372,120,515.74</u>	<u>37,006,296.57</u>	<u>480,382,048.13</u>	<u>47,276,578.53</u>
<b>Current Assets</b>					
Trade receivable	8	64,402,764.02	6,404,666.46	68,121,055.03	6,704,102.41
Other receivables	8				
Cash and cash equivalents	9	6,319,467.97	628,452.60	2,361,314.01	232,387.64
Financial assets at fair value through profit or loss					
Total current assets		<u>70,722,213.99</u>	<u>7,033,119.06</u>	<u>70,482,369.04</u>	<u>6,936,490.05</u>
<b>Total assets</b>		<u><u>442,842,747.73</u></u>	<u><u>44,039,415.62</u></u>	<u><u>550,864,411.17</u></u>	<u><u>54,213,068.58</u></u>
<b>Capital and Reserves</b>					
Share capital	10	221,999,000.00	15,020,515.41	221,999,000.00	15,020,515.41
Capital surplus		1,064,345.56	109,974.13	109,304,345.70	10,761,985.30
Surplus reserve		49,336,357.17	3,383,675.49	49,336,357.17	3,383,675.49
Retained earnings		170,443,045.00	15,530,053.71	170,224,708.30	15,508,402.13
Foreign currency translation difference			9,995,196.88		9,538,490.26
<b>Total shareholder' s equity</b>		<u><u>442,842,747.73</u></u>	<u><u>44,039,415.62</u></u>	<u><u>550,864,411.17</u></u>	<u><u>54,213,068.58</u></u>
<b>Total liabilities and shareholder' s equity</b>		<u><u>442,842,747.73</u></u>	<u><u>44,039,415.62</u></u>	<u><u>550,864,411.17</u></u>	<u><u>54,213,068.58</u></u>

The accompanying notes form an integral part of these financial statements.

Exchange rate: (31 Dec., 2013) RMB/GBP: 10.0556; (31 Dec., 2012) RMB/GBP: 10.1611

**CHINA CDM EXCHANGE CENTRE LIMITED**  
**CASHFLOW STATEMENTS**

	Note	1/1/2013-12/31/2013		1/1/2012-12/31/2012	
		RMB	GBP	RMB	GBP
<b>Cashflows from operating activities</b>					
Cashflows from operating operations:	11	<u>4,172,565.09</u>	<u>413,776.65</u>	<u>(889,912.63)</u>	<u>(89,560.87)</u>
Net cash generated from operating activities					
<b>Cashflows from investing activities</b>					
Cash payment for investment					
Other investment					
Net cash used in investing activities			<u>(7,558.00)</u>		
<b>Cashflows from financing activities</b>					
Proceeds from issuance of ordinary shares					
Net cash used in financing activities					
Gains on foreign transactions		<u>(206,853.13)</u>	<u>(20,512.80)</u>	<u>(329,441.85)</u>	<u>(33,155.05)</u>
<b>Net (decrease)/increase in cash and bank balance</b>		3,958,153.96	392,514.35	(1,219,354.08)	(122,715.92)
<b>Cash and bank balance at the beginning of year</b>		<u>2,361,314.01</u>	<u>234,162.10</u>	<u>3,580,668.49</u>	<u>360,358.73</u>
<b>Cash and bank balance at the end of year</b>		<u>6,319,467.97</u>	<u>626,676.45</u>	<u>2,361,314.01</u>	<u>237,642.81</u>

The accompanying notes form an integral part of these financial statements.

Average exchange rate: (2013) RMB/GBP: 10.0841; (2012) RMB/GBP: 9.9364

**CHINA CDM EXCHANGE CENTRE LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**

		Bal. At 31 Dec. 2012	Changes in the year	Profit for the year	Bal. At 30 Dec. 2013
Share capital	RMB	221,999,000.00			221,999,000.00
	GBP	<u>15,020,515.41</u>			<u>15,020,515.41</u>
Capital surplus	RMB	109,304,345.70	(108,240,000.14)		1,064,345.56
	GBP	<u>10,761,985.30</u>	<u>(10,652,011.17)</u>		<u>109,974.13</u>
Surplus reserve	RMB	49,336,357.17			49,336,357.17
	GBP	<u>3,383,675.49</u>			<u>3,383,675.49</u>
Accumulated profits	RMB	170,224,708.30		218,336.70	170,443,045.00
	GBP	<u>15,508,402.13</u>		<u>21,651.58</u>	<u>15,530,053.71</u>
Foreign currency translation difference	RMB				
	GBP	<u>11,557,814.94</u>			<u>9,995,196.88</u>
Total	RMB	570,245,848.33			442,842,747.73
	GBP	<u>58,718,012.31</u>			<u>44,039,415.62</u>

The accompanying notes form an integral part of these financial statements.  
Average exchange rate: (2013) RMB/GBP: 10.0841; (2012) RMB/GBP: 9.9364

# China CDM Exchange Centre Limited

## Notes to the financial statements

1 January 2013 - 31 December 2013

### 1. Corporate information

China CDM Exchange Centre Limited ("the Company") was incorporated at Ordnance House 31 Pier Road St Helier Jersey on 3<sup>rd</sup> day of October 2006 (The registered office address was changed to Queensway House, Hilgrove Street, St Helier, Jersey on May 11, 2011) with the registration number as 94681.

The Company provides brokerage, advisory and research services relating to the reduction of Greenhouse gases ("GHGS") in Asia within the Clean Development Mechanism (CDM) of the Kyoto Protocol to combat global warming. It works with business and projects that generate carbon credits, and assists the project owner to identify buyers for, and sell on, those carbon credits. CDM is one of the carbon trading mechanisms of the Kyoto Protocol under the United Nations Framework Convention on Climate Change. This mechanism requires countries in Annex I to reduce greenhouse-gases to the amount agreed in the way of reducing emission themselves or compensating for high emission via carbon trading.

In addition to providing advice to projects that generate carbon credits, the Company also acts as an emissions broker and maintains its own carbon-trading portfolio. It manages the only on-line platform for environmental commodity transactions in China.

The Company's services cover strategy development, analysis, verification, legal and accounting advice, insurance and other professional services. Owing to its relationships with leading energy institutions, particularly Chinese power producers and Asian buyer of carbon credits, the Company focuses on identifying buyers for larger-than-average CDM projects in China and negotiating Certified Emission Reduction purchase agreements on behalf of its clients.

### 2. Principal accounting policies

#### a) Statement of compliance

The financial statements have been prepared under International Financial Reporting Standards, is expressed in RMB, which is the functional currency of the Company. And GBP is the reporting currency of the Company.

#### b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost.

#### c) Consolidation

##### I. Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operation policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statements

Inter-company transactions, balances and un-realized gains on transactions between group companies are eliminated. Un-realized losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

## II. Transactions and minority interests

The Company applies a policy of treating transactions with minority interests as transactions with parties external to the Company. Disposals to minority interests result in gains and losses for the Company that is recorded in the income statement. Goodwill arising from purchasing minority interests is the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

## III. Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Company's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Company's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its Interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has extra obligations or made payments on behalf of the associate.



Un-realized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of its associates are or adjusted to be in consistent with the Company's policies.

**d) Property plant and equipment**

Property plant and equipment are carried in the balance sheet on the following basis:

- I. Property plant and equipment are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment.
- II. The carrying amount of property plant and equipment is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount.

The amount of reduction is recognized as an expense in the income statement. In determining the recoverable amount, expected future cash flows generated by the Property plant and equipment are discounted to their present values.

- III. When the circumstances and events that led to the write-down or write-off cease to exist, any subsequent increase in the recoverable amount of an asset is written back to the income. The amount written back is the amount that depreciation had the write-down or write-off.
- IV. Subsequent expenditure relating to the property plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.
- V. Gains or losses arising from retirement or disposal of the property plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognized in the income statement on the date of retirement or disposal.
- VI. An impairment loss is reversed there has been a change in the estimates used to determine the recoverable amounts. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if not impairment loss has been recognized. Reversals of impairment losses are recognized in the income statement.

**e) Depreciation and amortization**

Depreciation is calculated to write off the costs or valuation of Property plant and equipment, after taking into account their estimated residual values, over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Estimated useful lives	Estimated residual value	Annual depreciation value
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Electronic equipment	5 years	10%	18%
Furniture and fixtures	5 years	10%	18%
Motor vehicles	5 years	10%	18%

No depreciation is provided on construction in progress.

#### **f) Investments in associates**

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where a Company entity transacts with an associate of the Company, profits and losses are eliminated to the extent of the Company's interest in the relevant associate.

#### **g) Interests in joint ventures**

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control that is when strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous Consent of the parties sharing control.

Where a company entity undertakes its activities under joint venture arrangements directly, the Company's share jointly controlled assets and any liabilities incurred jointly with other ventures are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Company's share of the output of jointly controlled assets,

and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Company and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities. The Company reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The Company's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Company's interest in a jointly controlled entity is accounted for in accordance with the Company's accounting policy for goodwill arising on the acquisition of a subsidiary.

Where the Company transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Company's interest in the joint venture.

#### **h) Intangible assets**

Amortization of intangible asset

Intangible asset is amortized from the date they are available for use. Amortization is charged on straight-line basis over the estimated useful lives of intangible assets.

#### **i) Revenue recognition**

Provided it is probable that the economic benefits will flow to the Company and the revenue and costs can be measured reliable, revenue is recognized in the income statements as follows:

##### **I. Rendering of services**

Revenue from rendering of services is recognized after the services have been rendered and all or majority contract liability has been fulfilled according to the service contract.

##### **II. Interest income**

Interest income from bank deposits is accrued on a time-apportioned basis and at the rate applicable.

#### **j) Transactions of foreign currencies**

Foreign currency transactions during the year are translated into Renminbi at the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the exchange rates prevailing at the balance sheet date. Exchange gains and losses are dealt with in the

income statement.

**k) Related parties**

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

**l) Cash and cash equivalents**

Cash and cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which are generally within three months of maturity when acquired. For the purposes of the cash flow statements, cash equivalents would also include advances from banks repayable with three months from the date of the advance.

**m) Asset impairment**

The recoverable amount of an individual asset item is the higher of its net selling price and its value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting any direct incremental disposal costs. Value in use is the present value of estimated future cash flows expected to be derived from continuing use of an asset and from its disposal at the end of its useful life.

**n) Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Company is lessee, rentals payable under the operating leases are charged to the income statements on the straight-line basis over the lease terms.

**o) Employee benefits**

Salaries, annual bonuses, paid annual leave; leave passage and the cost to the Company of non-monetary benefits are accrued in the year. Provision is made in respect of paid leave entitlement, accumulated during the year, which can be carried forward into future periods for compensated absence or payment in lieu if the employee leaves employment.

**p) Contingencies**

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

**q) Subsequent events**

Post balance sheet events that provide additional information about the Company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events), are reflected in the financial statements. Post balance sheet events that are not adjusting events are disclosed in the notes if it's material.

**r) Financial instruments**

**1. Financial assets**

Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time-frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL) 'held - to maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**Effective interest method**

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial Asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

**1. Financial assets at FVTPL**

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument. A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition or

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Company is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

#### Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

#### II. AFS financial assets

Listed shares and listed redeemable notes held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive payments is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

#### III. Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective

interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

#### IV. Impairment of financial assets

Financial assets, other than those at FVYPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is un-collectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, is written off against the allowance account, impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

#### 2. Financial liabilities and equity instruments issued by the Company

##### I. Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

##### II. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

##### III. Compound instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently re-measured.

#### IV. Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

#### V. Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future, or
- It is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Companying is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.



Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

#### VI. Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, which interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

#### 3. Revenue

Items	1/1/2013 – 12/31/2013		1/1/2012 – 12/31/2012	
	RMB	GBP	RMB	GBP
Intermediary consultancy and project performance fee	9,905,920.00	928,330.60	8,199,070.00	825,154.99
	<u>9,905,920.00</u>	<u>982,330.60</u>	<u>8,199,070.00</u>	<u>825,154.99</u>

#### 4. Profit from operations

Items	1/1/2013 – 12/31/2013		1/1/2012 – 12/31/2012	
	RMB	GBP	RMB	GBP
After charging:				
Depreciation of plant and equipment	<u>29,084.25</u>	<u>2,884.17</u>	<u>122,082.72</u>	<u>12,286.41</u>
	<u>29,084.25</u>	<u>2,884.17</u>	<u>122,082.72</u>	<u>12,286.41</u>

##### (a) Staff cost

In the year of 2013, the Company incurred the following expenses: salaries: RMB5,976,000.00 (2012: RMB 5,976,000.00);

##### (b) Rental fee

The rental fee in the year of 2013 is RMB2,400,000.00 (2012: RMB 2,400,00.00)

##### (c) Selling expenses

Beijing Chanjiang River International Holding is in charge of the Company's business in China. The Company should pay agency fees of RMB1,912,678.37 ( 2012: RMB1,581,472.35).

## 5. Property plant and equipment

	Electronic equipment		Furniture and fixtures		Motor vehicles		Total	
	RMB	GBP	RMB	GBP	RMB	GBP	RMB	GBP
<b>Cost</b>								
As at 31 December 2012	<u>273,169.67</u>	<u>26,883.87</u>	<u>33,342.00</u>	<u>3,281.34</u>	<u>371,725.54</u>	<u>36,583.20</u>	<u>678,237.21</u>	<u>66,748.40</u>
Additions	3,588.00	355.65	3,970.00	394.80			7,558.00	750.46
Foreign currency translation difference		283.22		34.43		383.82		701.47
As at 31 December 2013	<u>276,757.67</u>	<u>27,522.74</u>	<u>37,312.00</u>	<u>3,710.57</u>	<u>371,725.54</u>	<u>36,967.02</u>	<u>685,795.21</u>	<u>68,200.33</u>
<b>Accumulated depreciation</b>								
As at 31 December 2012	<u>230,254.03</u>	<u>22,660.34</u>	<u>30,615.75</u>	<u>3,013.04</u>	<u>317,825.44</u>	<u>31,278.65</u>	<u>578,695.22</u>	<u>56,952.02</u>
Charge for the year	12,964.65	1,285.65	(607.95)	(60.29)	16,727.55	1,658.80	29,084.25	2,884.17
Foreign currency translation difference		241.39		31.44		332.87		605.70
As at 31 December 2013	<u>243,218.68</u>	<u>24,187.39</u>	<u>30,007.80</u>	<u>2,984.19</u>	<u>334,552.99</u>	<u>33,270.32</u>	<u>607,779.47</u>	<u>60,441.89</u>
<b>Net book value</b>								
As at 31 December 2012	<u>42,915.64</u>	<u>4,223.52</u>	<u>2,726.25</u>	<u>268.30</u>	<u>53,900.10</u>	<u>5,304.55</u>	<u>99,541.99</u>	<u>9,796.38</u>
As at 31 December 2013	<u>33,538.99</u>	<u>3,335.35</u>	<u>7,304.20</u>	<u>726.38</u>	<u>37,172.55</u>	<u>3,696.70</u>	<u>78,015.74</u>	<u>7,758.44</u>

## 6. Long-term investment

(a) In the second half year of 2008, the company invested 25 million USD plus 30 million RMB to a company named China Hydropower Group Limited in which the company owns 19.55% equity and accounts as cost method. The amount of investment is converted into RMB 201,582,500.00.

(b) In the second half year of 2008, the company invested 2 million USD to a company named China Huayin International Financial Holdings Limited in which the company owns 6% equity and accounts as cost method. The amount of investment is converted into RMB 13,660,000.00.

(c) In 2010, the company invested 20 million USD plus 20 million RMB to a company named State Seg Resources Group Ltd. in which the company owns 6% equity and accounts as cost method. The amount of investment is converted into RMB 156,800,000.00.

## 7. Intangible assets

As to Dec. 31, 2012, the "Intangible Assets" was counted as GBP £ 10,652,390.01. Based upon accountant cautious principle, the accrual total intangible assets of GBP £ 10,652,390.01 was counted into reduced-value allowance on the Balance Sheet Day (Dec. 31,2013).

## 8. Trade receivable and Other receivables

	12/31/2013		12/31/2012	
	RMB	GBP	RMB	GBP
Trade receivable	64,402,764.02	6,404,666.46	68,121,055.03	6,704,102.41
Other receivables				
<b>Total</b>	<u>64,402,764.02</u>	<u>6,404,666.46</u>	<u>68,121,055.03</u>	<u>6,704,102.41</u>

## 9. Cash and cash equivalents

	12/31/2013		12/31/2012	
	RMB	GBP	RMB	GBP
Cash at bank	6,319,467.97	628,452.60	2,361,314.01	232,387.64
<b>Total</b>	<u>6,319,467.97</u>	<u>628,452.60</u>	<u>2,361,314.01</u>	<u>232,387.64</u>

## 10. Share capital

	12/31/2013		12/31/2012	
	RMB	GBP	RMB	GBP
Registered capital	1,500,000.00	100,000.00	1,500,000.00	100,000.00
Share capital	221,499,000.00	14,920,515.41	221,499,000.00	14,920,515.41
	<u>221,999,000.00</u>	<u>15,020,515.41</u>	<u>221,999,000.00</u>	<u>15,020,515.41</u>

## 11. Cash generated from operations

	1/1/2013- 12/31/2013		1/1/2012 - 12/31/2012	
	RMB	GBP	RMB	GBP
Profit before income tax	218,336.70	21,651.58	(1,341,437.80)	(135,002.33)
Adjustments for:				
Depreciation of plant and equipment	29,084.25	2,884.17	122,082.72	12,286.41
Foreign exchange gains	206,853.13	20,512.80	329,441.85	33,155.05
Operating profit before working capital changes	<u>454,274.08</u>	<u>45,048.45</u>	<u>(889,912.63)</u>	<u>(89,560.87)</u>
Working capital changes:				
Increase/ (decrease in Trade receivables	3,718,291.01	368,728.2		
Increase/ (decrease in Other payables				
Increase/ (decrease in Trade and other payables				
<b>Cash generated from operations</b>	<u><b>4,172,565.09</b></u>	<u><b>413,776.65</b></u>	<u><b>(889,912.63)</b></u>	<u><b>(89,560.87)</b></u>

## 12. Financial instruments

Financial instruments refer to instruments such as receivables, payables, cash and bank arising directly from the operation of the Company.

The Company is exposed to interest rate and other market risks arising from the normal course of business. The Company does not hold or issue derivative financial instruments for trading purposes or hedge against fluctuation, if any, in interest rates and foreign exchange rates.

### a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Company. The Company has adopted the policy of only dealing with creditworthy counterparties and monitors the balances within the credit period.

The Company's credit risk is primarily attributable to its trade and other receivables. Cash is placed with creditworthy financial institutions. The trade and other receivables presented in the balance sheet are net of allowance for doubtful receivables, estimated by management based on current economic conditions.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for doubtful receivables, represents the Company's maximum exposure to credit risk.

### b) Interest rate risk

Interest rate risk arises from the potential changes in interest rates that may have an adverse effect on the Company in the current reporting period and in future years. The Company has

no borrowing at present, so there is no interest rate risk.

c) Foreign currency risk

The Company's exposure to risk resulting from changes in foreign currency exchange rates is minimal.

d) Liquid risk

The Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations.

e) Fair values

The carrying amounts of the financial assets and financial liabilities in the financial statements approximate their fair values.

**13. Post balance sheet events**

There are no events occurring after the balance sheet date that require disclosure.

**14. Contingent events**

There are no contingent events that require disclosure.

**15. Other matters**

This auditor report is solely for the annual inspection by the Company according to the relevant government authority regulations, and should not be used by anyone for any other purpose. Due to the inappropriate use of the auditor report, there is no any responsibility with the auditors and Certified Public Accountants firm.

**16. Approval of financial statements**

The financial statements were approved by the Board of Directors on May 13, 2014.