

Company Registration No. 93306 (Jersey)

CHINA NEW ENERGY LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

COMPANY INFORMATION

Directors	Yu Weijun Tang Zhaoxing Richard Bennett	Executive Chairman Chief Executive Officer Non-Executive Director
Company secretary	Computershare Company Secretarial Services (Jersey) Limited	
Registered office	Queensway House Hilgrove Street St Helier JE1 1ES	
Business address	8 Floor, Technology Integration Building of GIEC No 4, Nengyuan Road, Wushan Tianhe District Guangzhou 510640 P.R. China	
Registered number	93306 (Jersey)	
Auditors	UHY Hacker Young LLP Quadrant House 4 Thomas More Square London E1W 1YW	
Nominated adviser	Cairn Financial Advisers LLP 61 Cheapside London EC2V 6AX	
Broker	Daniel Stewart Becket House 36 Old Jewry London EC2R 8DD	
Registrar	Computershare Investor Services (Jersey) Limited Queensway House Hilgrove Street St. Helier Jersey JE1 1ES	
Website	http://www.chinanewenergy.co.uk/	

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**CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

I am pleased that we continue to make progress, albeit slow and in the face of many industry headwinds, most notably the continued depressed oil price.

For the year ended 31 December 2015, the Group's total revenue was RMB61.7 million (c. £ 6.4million), an increase of 7.6% from RMB57 million (c. £5.9million).

As a developer of biofuel projects, our industry is healthy when biofuel is cost competitive with petrol, and when oil the oil price is low as it is today, then projects become marginal which tends to cause delays in projects. To mitigate this, the management have focussed on three areas; maintenance and efficiency of existing projects, diversification into other technologies, and development of projects where there are intangible benefits such as reduced carbon dioxide emissions or job creation as is the case with the pipeline of projects in sub-Saharan Africa.

During the period, the majority of the revenues were derived by providing maintenance services to existing clients. The company placed significant effort into diversification of technology and was thrilled to win its first order from BioNeutra North America Inc ("BioNeutra") to design, manufacture and install a 5,000 ton per isomaltooligosaccharide ("IMO") production line extension to BioNeutra's existing facilities. This order will be fulfilled and contribute to revenues in 2016, and presents a potential new business line in the years beyond.

The company continues to develop its sales pipeline of projects outside of China. We are disappointed to learn that there will be delays in the projects in Thailand and Hungary which are largely attributed to the low oil price and consequently the project owners have been unable to complete the project finance. The company does not consider these to be lost, and will continue the sales process, and in particular seek a new finance partner for the Visontai project in Hungary.

I remain optimistic about the sales pipeline of the projects in Sub-Saharan Africa through our partner Sunbird Bioenergy Africa. They report that they continue to make good progress, in particular that they expect to make significant progress on the project in Zambia this year. They have however just reported that the IPPA signing has been postponed due to the current election in Zambia, but they remain confident the IPPA and the environmental impact study will be completed in Q3, and work on the project will commence in 2016.

I expect the low oil price will continue to create challenges for the industry during 2016. However, I am pleased the company retains confidence of investors, and post the period end raised £750k of working capital that will help the company to meet its objectives this year. We will continue to carefully monitor the cash flow and in particular the bad debt and other provisions, as well as the ring-fenced funds relating to the court case with Tangshan Chenhong Industry. It will also remain a priority for the management team to fulfil the current order book and to convert the sales pipeline into significant orders during the year.

On behalf of the Board, I would like to extend my appreciation to our valued shareholders, supportive business partners and associates, insightful management and dedicated staff for all their contribution and commitment towards the Company. I would also like to thank the Board of Directors for their invaluable counsel in steering the Group through this challenging time.

Yu Weijun
Chairman

30 June 2016



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present their report, together with the audited financial statements for China New Energy Limited ('the Company') and its subsidiary undertakings (together 'the Group') for the year ended 31 December 2015.

Principal activities

The principal activity of the Company is an investment holding.

The Group's principal activity is providing turnkey technology solutions to manufacturers of ethanol, edible alcohol and acetic acid from a range of bio-resources including corn, sugarcane, cassava and other bio-resources.

Business review

The Group recorded an increase of 7.6% in revenue to RMB61.7million for the financial year 2015 ("FY2015"), reflecting the increased volume of contracts signed and executed. The total value of contracts secured in FY2015 was RMB126million. It shows the business recovery is moderate in the year despite the difficult trading conditions in the global ethanol market.

Our contracts' gross profit also increased to RMB7.7million in FY2015 compared to a gross profit of RMB4.3million in FY2014.

Provisions including those for trade and other receivables for the year total RMB9.0million (c. £0.93 million), compared to an impairment of RMB7.0million (c. £0.73million) in last year.

Loss for the year is RMB 25.6 million and our revenue at present, which we attribute to the low level of investment in the industry, was not enough to make a profit in this period.

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance and could cause actual results to differ materially from expected and historic results. The Board monitors risks on an ongoing basis and implements appropriate procedures and processes to try and mitigate the adverse consequences of such risks.

The business faces three principal risks. Firstly, the Group needs to expand, retain and improve its current position in the industry. Future growth will be both organic and through potential acquisitions. There are a number of uncertainties relating to future acquisitions and there can be no guarantee that the Group will be able to expand as envisaged.

The Board of Directors meets regularly to review the future of the Group and potential areas for growth.

Secondly, the Group may need to raise additional capital to fund its future expansion. There can be no assurance that the Group will be able to obtain such funding.

The Board of Directors actively monitors its capital to ensure that the Group operates as a going concern and maintains sufficient flexibility to process planned wishes. This process considers the variety of capital and the sources from which it would be found.

Thirdly, the Group's operating subsidiaries' functional currency is Chinese Yuan ("RMB"), the fluctuations in RMB could have an adverse effect on the Group's business and operating results.

Group's financial risk management objectives, policies and strategies are set out in Note 31. In addition, the risk profile and financial instruments of the Group are set out in Note 31 and 32.

DIRECTORS' REPORT (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

Results and dividends

The financial results of the Group are set out on page 11.

The directors do not recommend a dividend payment for the year.

Directors' interests

The following directors have held office during the period under review and their interests as at 31 December 2015, all of which are beneficial unless otherwise stated, whether direct or indirect, of the Directors and their families in the issued share capital of the Company and options over ordinary shares which had been granted, are as follows:

Name of Directors	Number of shares	% of issued share capital
Yu Weijun *	90,932,440	22.35%
Tang Zhaoxing ** (Re-appointed 26 June 2015)	48,000,000	11.80%
Richard Bennett (Re-appointed 26 June 2015)	-	-

* Held through Leader Vision Investments Limited and Tewin Capital Holding Limited

** Held through Asia Tianxing Investment Limited

In accordance with Article 22.2 of the Articles of Association of the Company, all directors shall not remain in office for longer than 2 years since their last election or re-election without submitting themselves for re-election. The directors will retire by rotation, for which one third of directors who have been in the office longest shall retire by rotation.

Directors' remuneration

	2015	2014
	RMB'000	RMB'000
Yu Weijun	487	615
Tang Zhaoxing	487	615
Chen Yong (resigned on 30 June 2014)	-	48
Richard Bennett	192	194
Total	1,166	1,472

Employment policies

The Group pursues a policy of equal opportunities to all employees and potential employees. The Group has continued its policy of giving fair consideration to applications for employment made by disabled persons bearing in mind the requirements for skills and aptitude for the job. In the areas of planned employee training and career development, the Group strives to ensure that disabled employees receive equal treatment, including opportunities for promotion. Every effort is made to ensure that continuing employment and opportunities are also provided for employees who become disabled. It is the Group's policy to take the views of employees into account in making decisions, and wherever possible to encourage the involvement of employees in the Group's performance.

Payments to suppliers

The Group's policy for the year ended 31 December 2015 is to settle the terms of payment with suppliers when agreeing the terms of the business transactions:

- To ensure that suppliers are aware of the terms of payments by the inclusion of the relevant terms in contracts; and
- To pay in accordance with the Company's contractual and other legal obligations.

The number of days of trade purchases outstanding for the Group as at 31 December 2015 was 265 days (2014: 251 days).

DIRECTORS' REPORT (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

Substantial shareholders

The Group had been notified of the following beneficial interest of 3% or more in its shares as at 31 May 2016:

Name of shareholders	Number of shares	% of issued share capital
Leader Vision Investments Limited (Yu Weijun) *	64,000,000	15.73%
Asia Tianxing Investment Limited (Tang Zhaoxing)	48,000,000	11.80%
Best Full Investments Limited (Liang Hongtao)	48,000,000	11.80%
Jet-Air (HK) Limited	44,652,107	10.97%
Cobalt Ventures Limited	40,398,640	9.93%
Tewin Capital Holding Limited (Yu Weijun) *	26,932,440	6.62%
Mr Qiu Weiming	14,000,000	3.44%
Barclayshare Nominees Limited	12,909,806	3.17%

* Both Held shares for Mr Yu Weijun, aggregated % of issued share capital is 22.35%

Going concern

The financial statements have been prepared assuming the Group will continue as a going concern.

During the year ended 31 December 2015, the Group made a loss of RMB25.6million, which includes a provision on trade and other receivables of RMB9.0million (note 10 and 11), a provision on a court case of RMB6.5million (note 22), and research and development expense of RMB2.4million (note 22). At the year-end date, the Group had net liabilities of RMB5.7million (2014: net assets of RMB21.8million), of which RMB19.4million (2014: RMB14.9million) was cash in bank (note 12), including a restricted cash of RMB8.1million until the conclusion of a legal case.

The Group has a cash balance of RMB13.4million at 31 May 2016, including a restricted cash of RMB8.1million.

The Directors consider that the Group has adequate resources, especially with sufficient cash in bank and a proceeds of £750,000 rose from new shares issuance recently, to continue in operational existence for at least the next twelve months from the date of approval of these financial statements.

However, at the year-end date, the Group's net liabilities position led to a negative debt-to-equity ratio, means the Group's net worth was negative. The ratio measured Group's capital structure at year end was in an insolvent situation and indicated the Group's trading as non-going concern unless there're extenuating circumstances. The Group existing business suffered significant operating losses to the year end 31 December 2015, also spread to the current period. Due to the uncertainty of the industry and economic slowdown in P.R. China, together with working capital risks, the Directors consider 2016 is not going to be a good year. The Group is currently evaluating new funding options, operations are partially relying on project payments in advance from customers and delaying payments to suppliers, which gives uncertainty in the future going concern. This is because that no guarantee that required funds is going to be raised and flexibility on receipts and payments are going to be continued. Consequently, a material uncertainty exists that may cast doubt on the Group's ability to continue to operate as planned and to be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months for the date of this report.

The financial statements do not include the adjustments that would result if the Group was unable to continue in operation.

DIRECTORS' REPORT (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

Events after the reporting period

The Group has raised £750,000 by way of a subscription in new ordinary shares at a price of 2p per share from funds managed by an institutional fund manager. The Group has issued 37,500,000 new shares represents 8.44% of the enlarged issued share capital (note 36).

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group to enable them to ensure that the financial statements comply with the Companies (Jersey) Law, 1991. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

The directors have confirmed that:

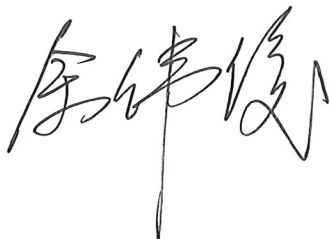
- so far as each director is aware, there is no relevant audit information of which the Company's auditors is unaware; and
- each director has taken all the necessary steps he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

In accordance with Article 109 of the Companies (Jersey) Law 1991, a resolution proposing that UHY Hacker Young LLP be re-appointed for the forthcoming year will be put to the Annual General Meeting.

By order of the Board

Yu Weijun
Director
30 June 2016



CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

Principles of Corporate Governance

As a Group listed on AIM, the Group is not governed by the UK Code of Corporate Governance adopted by the London Stock Exchange ('the Code'), but is required to operate principles of good governance and best practice. Accordingly, the directors are committed to the Code and believe that an effective system of corporate governance supports the enhancement of shareholder value. These principles have been in place since the Group's listing on 23 May 2011.

The directors acknowledge the importance of the Code and intend to apply its principles so far as is practicable taking into account the Group's size and stage of development. However, the directors considered to update their FPP according to current business situation, also identified a few risk areas and are trying to make improvements.

The Group has one non-executive director.

The directors have established an Audit Committee (the "Audit Committee"), a Remuneration Committee (the "Remuneration Committee") and an AIM Rules Compliance Committee (the "AIM Rules Compliance Committee") with formally delegated duties and responsibilities to operate.

Audit Committee

The Audit Committee, which comprises of Richard Bennett as Chairman, as well as Yu Weijun, determines and examines any matters relating to the financial affairs of the Group including the terms of engagement of the Group's auditors and, in consultation with the auditors, the scope of the audit. The Audit Committee receives and reviews reports from the management and the external auditor of the Group relating to the annual and interim accounts and the accounting and internal control systems of the Group. In addition, it considers the financial performance, position and prospects of the Group and ensures they are properly monitored and reported on.

Remuneration Committee

The Remuneration Committee, which comprises Yu Weijun and Richard Bennett, with Yu Weijun acting as Chairman, is responsible for making recommendations to the Board on the Group's framework of executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for each of the Executive Directors and senior employees, including performance related bonus schemes, pension rights, option schemes and compensation payments.

The Board

The Board is responsible to shareholders for the proper management of the Group. The Non-Executive Director has a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered. The Board has a formal schedule of matters reserved to it and has discussions on a frequent basis since its listing on the AIM Market. The Board is responsible for overall strategy, reviewing management accounts, approval of major capital expenditure projects and consideration of significant financing matters.

Directors

During the year, the Board comprised the Chairman, Yu Weijun, the Chief Executive Officer, Tang Zhaoxing, and a London based Non-Executive Director, Richard Bennett.

The directors comply with Rule 21 of the AIM Rules relating to directors' dealings and take all reasonable steps to ensure compliance by the Group's applicable employees. The Group has adopted and operates a share dealing code for directors, and employees in accordance with the AIM Rules.

CORPORATE GOVERNANCE STATEMENT (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

Internal controls

The directors are responsible for the Group's system of internal controls and reviewing its effectiveness. The Board has designed the Group's system of internal controls in order to provide the directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal controls can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss.

The key elements of the control systems in operation are:

- The Board meets regularly with a formal schedule of matters reserved to it for decision.
- It has put in place an organisational structure with clear lines of responsibility defined and with appropriate delegation of authority.
- Established procedures for the planning, approval and monitoring of capital expenditure and information systems for monitoring the Group's financial performance against approved budgets and forecasts.
- Departmental heads are required annually to undertake a full assessment process to identify and quantify the risks that face their businesses and functions and assess the adequacy of the prevention, monitoring and modification practices in place for those risks.
- Significant risks and associated controls and monitoring procedures are reported regularly to the Board to enable the Directors to review the effectiveness of the system of internal controls.

Relations with shareholders

The Board attaches great importance to maintain a good relationship with shareholders. The Board regards the annual general meeting as a good opportunity to communicate directly with investors who are encouraged to make inquiries to officers of the Group.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF CHINA NEW ENERGY LIMITED**

We have audited the financial statements of China New Energy Limited for the year ended 31 December 2015, which comprise the consolidated and Group statement of comprehensive income, the consolidated and Group statement of financial position, the consolidated and Group statement of cash flows, the consolidated and Group statement of changes in equity, and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union (together, "IFRSs").

This report is made solely to the Group's members, as a body. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of responsibilities of those charged with governance, set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/auditscopeukprivate

Opinion of financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Group's affairs as at 31 December 2015 and of the Group's loss and parent Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is unqualified as described above, we have considered the adequacy of the disclosure made in directors' report, note 2.2 and note 32 to the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a net loss of RMB25.6million during the year ended 31 December 2015 and is still incurring losses in the current period. In result of this year's losses, the Group had net liabilities of RMB5.7million at year end. The Group's forecasting is estimated an overall loss within next two years. These conditions, along with other matters explained in note 2.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result (such as impairment of assets) if the Group and Group were unable to continue as a going concern.

INDEPENDENT AUDITORS' REPORT (cont'd)
TO THE SHAREHOLDERS OF CHINA NEW ENERGY LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received any information or explanation that was necessary for our audit.



Julie Wilson
(Senior Statutory Auditor)
For and on behalf of
UHY Hacker Young LLP

Quadrant House
4 Thomas More Square
London E1W 1YW

30 June 2016

The maintenance and integrity of the China New Energy Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website; and legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

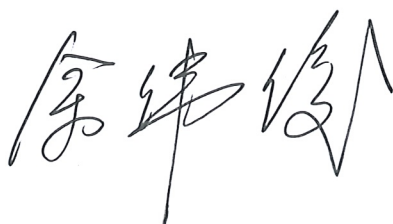
**CONSOLIDATED AND GROUP STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015**

	Note	Group As at 31 December		Company As at 31 December	
		2015	2014	2015	2014
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	5	5,887	7,900	-	-
Intangible assets	6	12,150	8,139	-	-
Trade receivables	11	-	3,523	-	-
Investment in subsidiary	7	-	-	11,948	37,141
Investment	8	-	-	-	-
		<u>18,037</u>	<u>19,562</u>	<u>11,948</u>	<u>37,141</u>
Current assets					
Inventories	9	9,938	11,840	-	-
Due from customers for construction contracts	10	30,240	38,075	-	-
Trade and other receivables	11	43,152	45,167	5,895	3,631
Cash and cash equivalents	12	19,426	14,875	2,806	4,497
		<u>102,756</u>	<u>109,957</u>	<u>8,701</u>	<u>8,128</u>
Current liabilities					
Borrowings	13	-	6,600	-	-
Trade and other payables	14	90,190	77,452	11,760	11,063
Due to customers for construction contracts	10	27,566	14,040	-	-
Income tax payable		8,776	8,776	-	17
		<u>126,532</u>	<u>106,868</u>	<u>11,760</u>	<u>11,080</u>
Net current assets/(liabilities)		<u>(23,776)</u>	<u>3,089</u>	<u>(3,059)</u>	<u>(2,952)</u>
Non-current liabilities					
Deferred tax liabilities	27	-	815	-	-
		<u>-</u>	<u>815</u>	<u>-</u>	<u>-</u>
Net assets/(liabilities)		<u>(5,739)</u>	<u>21,836</u>	<u>8,889</u>	<u>34,189</u>
Equity					
Share capital	15	1,357	1,325	1,357	1,325
Share premium	15	56,696	54,925	56,696	54,925
Combination reserve	16	(33,156)	(33,156)	-	-
Statutory reserve	17	12,328	12,328	-	-
Warrant reserve	18	1,673	1,673	1,673	1,673
Accumulated losses		(64,493)	(38,895)	(44,095)	(17,182)
Prior year adjustments	19	(3,830)	-	-	-
Foreign currency translation reserve	20	23,686	23,636	(6,742)	(6,552)
		<u>(5,739)</u>	<u>21,836</u>	<u>8,889</u>	<u>34,189</u>

The notes on pages 16 to 52 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 June 2016.

Yu Weijun
Director



**CONSOLIDATED AND GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

		Group		Company	
	Note	Year ended 31 December		Year ended 31 December	
		2015	2014	2015	2014
		RMB'000	RMB'000	RMB'000	RMB'000
Revenue	34	61,669	57,309	-	-
Cost of sales		(54,002)	(53,010)	-	-
Gross profit/(loss)		7,667	4,299	-	-
Selling and distribution expenses		(5,754)	(3,200)	-	-
Administrative expenses		(11,091)	(11,517)	(1,984)	(3,332)
Other income	21	2,473	14,241	17	-
Other expenses	22	(9,450)	(1,444)	-	-
Interest income		53	92	-	-
Finance costs	23	(944)	(1,204)	30	(8)
Provision – due from customers	10	(262)	8,722	-	-
Provision – trade receivables	11	(8,724)	(9,766)	-	-
Provision – other receivables	11	9	(5,996)	-	-
Impairment loss on investment		-	(150)	(24,976)	-
Impairment loss on PPE		-	(1,500)	-	-
Impairment on inventories	9	(400)	(1,031)	-	-
Other gains and losses	24	-	-	-	(5,741)
(Loss)/profit before tax		(26,423)	(8,454)	(26,913)	(9,081)
Income tax expense	27	10	(10)	-	-
Deferred tax expense	27	815	-	-	-
(Loss)/profit for the year attributable to owners of the Group		(25,598)	(8,464)	(26,913)	(9,081)
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange difference:					
On translating foreign operations		50	95	(190)	(1,163)
On cancellation of EBT		-	112	-	-
Other comprehensive income for the year		50	207	(190)	(1,163)
Total comprehensive income for the year attributable to owners of the Group		(25,548)	(8,257)	(27,103)	(10,244)
Loss per share (RMB)					
Basic	28	(0.065)	(0.023)		
Diluted	28	(0.065)	(0.023)		
Loss per share (Pence)					
Basic		(0.675)	(0.242)		
Diluted		(0.675)	(0.242)		

Exchange rate £1: RMB9.6206 (2014: £1: RMB9.6841)

The notes on pages 16 to 52 form part of these financial statements.

All amounts are derived from continuing operations.

**CONSOLIDATED AND GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

Group	Share capital RMB'000	Share premium RMB'000	Combination reserve RMB'000	Statutory reserve RMB'000	Own shares & Warrant reserve RMB'000	Accumulated losses RMB'000	Foreign currency translation reserve RMB'000	Total RMB'000
Balance at 31 December 2013	1,214	49,118	(33,156)	12,328	(4,180)	(24,690)	23,541	24,175
Loss for the year	-	-	-	-	-	(8,464)	-	(8,464)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	207	207
Issue of shares, net of share issue cost	-	-	-	-	-	(8,464)	207	(8,257)
Redemption of convertible bonds	111	5,807	-	-	-	-	-	5,918
Balance at 31 December 2014	1,325	54,925	(33,156)	12,328	1,673	(38,895)	23,636	21,836
Loss for the year	-	-	-	-	-	(25,598)	-	(25,598)
Other comprehensive income	-	-	-	-	-	-	50	50
Correction of prior period error	-	-	-	-	-	(3,830)	-	(3,830)
Total comprehensive income for the year	-	-	-	-	-	-	-	-
Issue of shares, net of share issue cost	32	1,771	-	-	-	(29,428)	50	(29,378)
Balance at 31 December 2015	1,357	56,696	(33,156)	12,328	1,673	(68,323)	23,686	(5,739)

CONSOLIDATED AND GROUP STATEMENT OF CHANGES IN EQUITY (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

Company	Share capital RMB'000	Share premium RMB'000	Warrant reserve RMB'000	Accumulated losses RMB'000	Foreign currency translation reserve RMB'000	Total RMB'000
Balance at 31 December 2013	<u>1,214</u>	<u>49,118</u>	<u>1,673</u>	<u>(8,101)</u>	<u>(5,389)</u>	<u>38,515</u>
Profit for the year	-	-	-	(9,081)	-	(9,081)
Other comprehensive income	-	-	-	-	(1,163)	(1,163)
Total comprehensive income for the year	-	-	-	(9,081)	(1,163)	(10,244)
Issue of shares, net of share issue cost	111	5,807	-	-	-	5,918
Redemption of convertible bonds	-	-	-	-	-	-
Balance at 31 December 2014	<u>1,325</u>	<u>54,925</u>	<u>1,673</u>	<u>(17,182)</u>	<u>(6,552)</u>	<u>34,189</u>
Loss for the year	-	-	-	(26,913)	-	(26,913)
Other comprehensive income	-	-	-	-	(190)	(190)
Total comprehensive income for the year	-	-	-	(26,913)	(190)	(27,103)
Issue of shares, net of share issue cost	32	1,771	-	-	-	1,803
Balance at 31 December 2015	<u>1,357</u>	<u>56,696</u>	<u>1,673</u>	<u>(44,095)</u>	<u>(6,742)</u>	<u>8,889</u>

**CONSOLIDATED AND GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

		Group		Company	
		As at 31 December		As at 31 December	
		2015	2014	2015	2014
		RMB'000	RMB'000	RMB'000	RMB'000
<i>Operating activities</i>					
(Loss)/profit before tax		(26,423)	(8,454)	(26,913)	(9,081)
Adjustments for:					
Depreciation and amortisation	5&6	2,409	2,619	-	-
Bad debt provision (net)		8,977	(6,970)	-	-
Loss/(gain) on disposal of PPE	22	104	2	-	-
Interest income		(53)	(92)	(2)	-
Interest expenses	23	535	791	-	-
Impairment of inventories	9	400	1,031	-	-
Impairment of PPE		-	1,500	-	-
Impairment of investment		-	150	24,976	-
Cancellation of EBT		-	-	-	5,477
Exchange difference		28	207	27	472
<i>Operating cash flows before movements in working capital</i>		(14,023)	(9,216)	(1,912)	(3,132)
Decrease/(increase) in inventories		1,502	2,826	-	-
Decrease/(increase) in due from customers for construction contract		7,835	10,283	-	-
Decrease/(increase) in trade and other receivables		5,538	(9,125)	(2,264)	71
Increase/(decrease) in trade and other payables		8,931	2,529	680	(2,091)
Increase/(decrease) in due to customers for construction contract		13,526	(809)	-	-
Increase/(decrease) in provision		(8,977)	-	-	-
Cash generated in operations		14,332	(3,512)	(3,496)	(5,152)
Income tax refund		10	(10)	-	-
<i>Net cash generated from operating activities</i>		14,342	(3,522)	(3,496)	(5,152)
<i>Investing activities</i>					
Purchase of property, plant and equipment		(181)	(71)	-	-
Expenditure on intangible assets		(4,331)	(1,949)	-	-
<i>Net cash used in investing activities</i>		(4,512)	(2,020)	-	-

CONSOLIDATED AND GROUP STATEMENT OF CASH FLOWS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	As at 31 December		As at 31 December	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Financing activities</i>				
Proceeds from borrowings	-	6,600	-	-
Repayment of borrowings	(6,600)	(6,600)	-	-
Proceeds from issuance of shares	1,803	5,918	1,803	5,918
Interest received	53	92	2	-
Interest paid	(535)	(791)	-	-
<i>Net cash from financing activities</i>	(5,279)	5,219	1,805	5,918
<i>Net (decrease)/increase in cash and cash equivalents</i>	4,551	(323)	(1,691)	766
Cash and cash equivalents at beginning of year	14,875	15,198	4,497	3,731
Effect of exchange rate changes	-	-	-	-
<i>Cash and cash equivalents at end of year</i>	19,426	14,875	2,806	4,497

Included in cash and cash equivalents, RMB8.1million has been frozen under a court order (Note 35).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. General information

The Group (or "CNE") with registration number 93306 was incorporated in Jersey on 2 May 2006 as an investment holding Group. The Group is domiciled in Jersey with its registered office at Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES.

The principal activities of its main subsidiary, Guangdong Zhongke Tianyuan New Energy Science and Technology Co Ltd. ("ZKTY") are engaged in turnkey technology solutions to manufacturers of ethanol, edible alcohol and acetic acid from a range of bio-resources including corn, sugarcane, cassava and other bio-resources.

The principal place of business is located at No 4, Nengyuan Road, Wushan, Tianhe District, Guangzhou, People's Republic of China ("PRC").

2. Summary of significant accounting policies

2.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") issued by the International Accounting Standards Board ("IASB"), including related Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements incorporate the financial information of the Group and the Group. The subsidiaries are entities (including special purposes entities) over which the Group has the power to govern the financial operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from their activities.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group are presented in Chinese Renminbi ("RMB"), which is the presentation currency for the consolidated and Group financial statements. The functional currency of the Group is British pound sterling ("GBP"). As the Group mainly operates in the PRC, RMB is used as the presentation currency of the Group. All financial information presented in RMB has been recorded to the nearest thousand.

The Group has adopted all relevant standards effective for accounting periods beginning on or after 1 January 2015.

As at end of the reporting year, the Group has not adopted the following standard as it is either not effective or not applicable to the Group's business.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Standards, amendments and interpretations (not yet endorsed by EU at 8 June 2016)

- IFRS 9 Financial Instruments (July 2014)
- IFRS 14 Regulatory Deferral Accounts (January 2014)
- IFRS 15 Revenue from Contracts with Customers (May 2014) including amendments to IFRS 15: Effective date of IFRS 15 (September 2015)
- IFRS 16 Lease (January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception (December 2014)
- Amendments to IFRS10 and IAS 28: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (September 2014)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (January 2016)
- Amendments to IAS 7: Disclosure Initiative (January 2016)
- Clarifications to IFRS 15 Revenue from Contracts with Customers (April 2016)
- Amendments to IAS 27: Equity Method in Separate Financial Statements (August 2014) – EU effective date 1 January 2016
- Amendments to IAS 1: Disclosure Initiative (December 2014) - EU effective date 1 January 2016
- Annual Improvements to IFRSs 2012-2014 Cycle (September 2014) - EU effective date 1 January 2016
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (May 2014) - EU effective date 1 January 2016
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (May 2014) - EU effective date 1 January 2016
- Amendments to IAS 16 and IAS 41: Bearer Plants (Jun 2014) - EU effective date 1 January 2016

There are no other standards, amendments and interpretations in issue but not yet adopted that the directors anticipate will have material effect on the reported income or net assets of the Group.

2.2 Going concern

The financial statements have been prepared assuming the Group will continue as a going concern.

During the year ended 31 December 2015, the Group made a loss of RMB25.6 million, which includes a provision on trade and other receivables of RMB9.0 million (note 10 and 11), a provision on court case of RMB6.5 million (note 22), and research and development expense of RMB2.4 million (note 22). At the year-end date, the Group had net liabilities of RMB5.7 million (2014: net assets of RMB21.8 million), of which RMB19.4 million (2014: RMB14.9 million) was cash in bank (note 12), including a restricted cash of RMB8.1 million.

The Group has a cash balance of RMB13.4 million at 31 May 2016, including a restricted cash of RMB8.1 million.

The Directors consider that the Group has adequate resources, especially with sufficient cash in bank and a proceeds of £750,000 rose from new shares issuance recently, to continue in operational existence for at least the next twelve months from the date of approval of these financial statements.

2. Summary of significant accounting policies (cont'd)

2.2 Going concern (cont'd)

However, at the year-end date, the Group's net liabilities position led to a negative debt-to-equity ratio, means the Group's net worth was negative. The ratio measured Group's capital structure at year end was in an insolvent situation and indicated the Group's trading as non-going concern unless there're extenuating circumstances. The Group existing business suffered significant operating losses to the year end 31 December 2015, also spread to the current period. Due to the uncertainty of the industry and economic slowdown in P.R. China, together with working capital risks, the Directors consider 2016 is not going to be a good year. The Group is currently evaluating new funding options, operations are partially relying on project payments in advance from customers and delaying payments to suppliers, which gives uncertainty in the future going concern. This is because there can be no guarantee that required funding is going to be raised and flexibility on receipts and payments are going to be continued. Consequently, a material uncertainty exists that may cast doubt on the Group's ability to continue to operate as planned and to be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months for the date of this report.

The financial statements do not include the adjustments that would result if the Group was unable to continue in operation.

2.3 Basis of consolidation

The subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-Group balances and transactions and any unrealised income and expenses arising from intra-Group transactions are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiary companies are prepared for the same reporting period as that of the Group, using consistent accounting policies. Where necessary, the accounting policies of the subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

2.4 Business combinations

2.4.1 Business combinations involving entities not under common control

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal Groups) that are classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at the lower of cost and fair value less costs to sell.

2. Summary of significant accounting policies (cont'd)

2.4 Business combinations (cont'd)

2.4.1 Business combinations involving entities not under common control (cont'd)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

When the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired exceeds the cost of the business combination, and if, after reassessment, the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired remains higher than the cost of the business combination, the excess is recognised immediately in the statement of profit or loss.

The interest of minority shareholders in the acquiree is measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

2.4.2 Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the combined financial statements.

In applying merger accounting principles, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the combined financial statements of the combined entity as if the combination had occurred from the date when the coming entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the combined financial statements of the controlling party or parties prior to the common control combination. The carrying amounts are included as if such combined entity's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the combined financial statements of the combined entity.

The combination reserve represents the differences between the nominal amount of the share capital of the combining entities at the date on which it was acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition.

In determining the appropriate accounting treatment for the acquisition of ZKTY, the directors concluded that this transaction fell outside the scope of IFRS 3.

However, the transaction described above represents a combination of entities under common control.

2. Summary of significant accounting policies (cont'd)

2.4 Business combinations (cont'd)

2.4.2 Business combinations involving entities under common control (cont'd)

In accordance with IAS 8 "Accounting Policies, changes in accounting estimates and errors", in developing an appropriate accounting policy, the directors have considered the pronouncements of other standard setting bodies, specifically looking to accounting principles generally accepted in the United Kingdom ("UK GAAP") for guidance (FRS 6 – Acquisitions and mergers) which do not conflict with IFRS and reflect the economic substance of the transaction as a Group reconstruction.

Under UK GAAP the assets and liabilities of both entities are recorded at book value, not fair value (although adjustments are made to achieve uniform accounting policies); intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the legal acquiree in accordance with applicable IFRS, no goodwill is recognised, and any comparative amounts, if applicable, are restated as if the combination had taken place at the beginning of the earliest accounting period present.

Both entities had the same management as well as majority shareholders, illustrating common control.

On this basis the directors decided that it was appropriate to reflect the combination using merger accounting principles as a Group reconstruction under FRS 6 – acquisitions and mergers in order to give a true and fair view.

2.5 Investment in associates

The Group's investment in associates is accounted for using the equity method. An associate is an entity in which the Group has significant influence. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of consolidated profit or loss reflects the share of the results of operations of the associate unless immaterial to the Group. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The share of profit of associates is shown on the face of the consolidated statement of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the parent Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (cont'd)

2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Plant and machinery	5 – 10 years
Motor vehicles	5 – 10 years
Office equipment	3 – 5 years
Buildings and leasehold improvement	20 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

2.7 Intangible assets

Computer software

Acquired computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the statement of profit or loss using the straight-line method over their estimated useful lives of 3 -10 years.

Land use rights

Land use rights are capitalised and stated at cost less accumulated amortisation and impairment losses. Amortisation is provided on a straight line basis over the term of the rights, 50 years.

Patent rights

Patent rights acquired are initially recognised at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the statement of profit or loss within administrative expenses using the straight-line method over 10 years. Internally generated patents are amortised on a straight-line basis over their estimated useful lives, from the date is ready for use.

2. Summary of significant accounting policies (cont'd)

2.7 Intangible assets (cont'd)

Internally generated intangible assets – research and development expenditure

Research expenditure is recognised as an expense as incurred.

Costs incurred on development projects are recognised as internally generated intangible assets only if all of the following conditions are met by the Group:

- the technical feasibility of completing the intangible assets so that it will be available for use or sales;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible assets;
- it is probable that the intangible asset created will generate future economic benefits;
- the availability of adequate technical financial and other resources to complete the development and use or sell the intangible assets; and
- its ability to measure reliably the expenditure attributable to the intangible assets during its development.

Internally generated intangible assets are amortised on a straight-line basis over their estimated useful lives, from the date the intangible is ready for use. Amortisation charge is recognised in the statement of profit or loss within administrative expenses.

2.8 Impairment of tangible and intangible assets excluding goodwill

At the end of each financial year, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or the cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. Summary of significant accounting policies (cont'd)

2.9 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible in the current period. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Group and its subsidiaries operate by the end of the financial year.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.10 Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) throughout the expected life of the financial instrument, (or where appropriate, a shorter period), to the net carrying amount of the financial instrument. Income and expenditure are recognised on an effective interest basis for debt instruments other than those financial instruments recognised at fair value through the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (cont'd)

2.10 Financial instruments (cont'd)

Financial assets

Financial assets within the scope of IAS 39 are classified as either:

- (i) financial assets at fair value through profit or loss ("FVTPL")
- (ii) loans and receivables
- (iii) held-to-maturity investments
- (iv) available-for-sale financial assets

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition and re-evaluates this classification at every reporting date.

All standard purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases and sales are purchases or sales of financial assets that require delivery of the financial assets within the period generally established by regulation or convention of the market place concerned.

Financial assets are derecognised when the rights to receive cash flow from the financial assets have expired or have been transferred and the Group have transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit and loss ("FVTPL")

Financial assets are classified in this category if they are acquired for the purpose of selling in the short term. Gains or losses on investments held for trading are recognised in the statement of profit or loss.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit and loss. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the closure of business on the statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value, discounted cash flow analysis and option pricing models.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (cont'd)

2.10 Financial instruments (cont'd)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis that share similar credit risk characteristics.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases which can be related objectively to an event occurring after the impairment was recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under fair value adjustment reserve. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (cont'd)

2.10 Financial instruments (cont'd)

Financial liabilities

Financial liabilities are classified as either financial liabilities or other financial liabilities at fair value through profit or loss other financial liabilities.

Financial liabilities are classified as fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.12 Contract to construct specialised equipment ("Construction contracts")

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation, or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress at the end of the reporting period unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the end of the reporting period, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

2.14 Leases

Operating Leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability and released to the profit or loss as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in comprehensive income statement when the changes arise.

2.16 Retirement benefit costs

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the social security plan in the PRC on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

Contributions to defined contribution plans are recognised as an expense in the profit or loss in the same financial year as the employment that gives rise to the contributions.

2.17 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair values.

2. Summary of significant accounting policies (cont'd)

2.17 Compound financial instruments (cont'd)

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

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

2.18 Revenue recognition

Revenue from construction contracts

The Group's policy for recognition of revenue from construction contracts is described in note 2.12 above.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

Income from sale of scrap materials

Income from sale of scrap materials is recognised upon the transfer of significant risks and rewards of ownership of the goods to customers, which generally coincides with delivery and acceptance of the goods sold.

2.19 Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising from the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the reporting year. Exchange difference arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Renminbi using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (cont'd)

2.19 Foreign currencies (cont'd)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.20 Segment reporting

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

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These 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.

3.1 Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have the significant effect on the amounts recognised in the financial statements.

Impairment of financial assets

The Group follows the guidance of IAS 39 – Financial Instruments: Recognition and Measurement, in determining whether a financial asset is impaired. This determination requires significant judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost and the financial health of and near-term business outlook for the financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that the taxable profit will be available against which the deferred tax asset recognised can be utilised. Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future tax planning strategies.

Impairment of construction in progress

Provision for impairment on construction in progress is made when the construction project is suspended for a long period; the construction project is technically and physically obsolete and its economic benefits to the Group is uncertain; or other evidences can prove the existence of the decline in value of construction project. An impairment loss is recognised individually for the shortfall of the recoverable amount of construction in progress below its carrying amount. The carrying amounts of the Group's construction in progress at the reporting period are disclosed in note 10.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

3.2 Key sources of estimation uncertainty

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

Allowance for trade and other receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgement as to whether impairment in value should be recorded in the profit or loss. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

The allowance policy for doubtful debts of the Group is based on the ageing analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's trade and other receivables including impairment are disclosed in note 10. The current market conditions indicate that there is material uncertainty regarding the recoverability of trade receivables.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, the Group recognises revenue and costs by reference to the stage of completion of the contract.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent it is probable that contract costs incurred will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group's accounting approach reflects a sound judgement as potential losses on contract are being considered and reflected with its probability immediately upon occurrence while contract revenue which cannot be estimated reliably is realised only after confirmed by written agreement. The carrying amounts of the Group's construction contracts due from (to) customers at the end of the reporting period are disclosed in note 9 including allowance for impairment. There is material uncertainty to fully recover costs of each contract.

Impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash-generating units ("CGU") to which intangible assets have been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. No impairment loss was recognised during the financial year. The carrying amount of the intangible assets at the end of the reporting period is RMB12.2million (2014: RMB8.14million).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment, using the straight-line method, over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group's property, plant and equipment at the period end is RMB5.9 million (2014: RMB7.9 million) after an impairment loss of Nil (2014: RMB1.5 million) recognised in the period.

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 manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer demand and competitor actions in response to severe industry cycle. Management reassesses these estimates at each period end. The carrying amount of the Group's inventories at the year-end is RMB9.9million (2014: RMB11.8million) after inventories written down of RMB0.4 million (2014: RMB1.03 million).

Impairment of investment

The Group follows the guidance of IAS 36 to determine when the investment is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the investment is less than its cost and the recoverable amounts, including factors such as market conditions, changes in business, operational strategies and significant changes expected to take place in the near future.

The directors are of the opinion that the Group's interest in the investee will not generate profit and cash flows in the near future accordingly impairment provision is required against the carrying value on the investment. The carrying amounts of the Group's investment are disclosed in note 8.

4. Comparative figures and reclassification

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's results.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

5. Property, plant and equipment - Group

	Plant and machinery	Motor vehicles	Office equipment	Buildings & Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At 1 January 2014	10,231	8,865	643	82	19,821
Additions	39	-	32	-	71
Disposals	(18)	-	-	-	(18)
Adjustment	136	-	-	-	136
Reclassification	(6,162)	-	(3)	6,165	-
At 31 December 2014	4,226	8,865	672	6,247	20,010
Additions	16	-	165	-	181
Disposals	(1,044)	(1,000)	(39)	-	(2,083)
At 31 December 2015	3,198	7,865	798	6,247	18,108
Accumulated depreciation					
At 1 January 2014	4,989	2,637	402	46	8,074
Impairment losses	-	1,500	-	-	1,500
Charge for the year	768	1,512	136	-	2,416
On disposals	(16)	-	-	-	(16)
Adjustment	136	-	-	-	136
Reclassification	(3,413)	-	(96)	3,509	-
At 31 December 2014	2,464	5,649	442	3,555	12,110
Charge for the year	695	1,237	127	31	2,090
On disposals	(992)	(950)	(37)	-	(1,979)
At 31 December 2015	2,167	5,936	532	3,586	12,221
Carrying value					
At 31 December 2015	1,031	1,929	266	2,661	5,887
At 31 December 2014	1,762	3,216	230	2,692	7,900

Assets pledged as security

The borrowings of the Group (Note 13) secured on Land use right (note 6) and buildings was fully repaid during the year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

6. Intangible assets - Group

	Computer software RM'000	Patent RM'000	Technology knowhow RM'000	Land use rights RM'000	Developm ent cost RM'000	Total RM'000
Cost						
As at 1 January 2014	70	1,283	250	3,613	2,260	7,476
Additions	-	-	-	-	1,949	1,949
Disposals	(10)	-	(250)	-	-	(260)
Transfer	-	-	-	-	-	-
As at 31 December 2014	<u>60</u>	<u>1,283</u>	<u>-</u>	<u>3,613</u>	<u>4,209</u>	<u>9,165</u>
Additions	-	132	-	-	4,199	4,331
Disposals	-	-	-	-	-	-
Transfer	-	1,493	-	-	(1,493)	-
As at 31 December 2015	<u>60</u>	<u>2,908</u>	<u>-</u>	<u>3,613</u>	<u>6,914</u>	<u>13,495</u>
Accumulated amortisation						
As at 1 January 2014	49	191	250	593	-	1,083
Charge for the period	6	114	-	83	-	203
On disposals	(10)	-	(250)	-	-	(260)
As at 31 December 2014	<u>45</u>	<u>305</u>	<u>-</u>	<u>676</u>	<u>-</u>	<u>1,026</u>
Charge for the period	6	230	-	83	-	319
On disposals	-	-	-	-	-	-
As at 31 December 2015	<u>51</u>	<u>535</u>	<u>-</u>	<u>759</u>	<u>-</u>	<u>1,345</u>
Carrying value						
At 31 December 2015	9	2,373	-	2,854	6,914	12,150
At 31 December 2014	15	978	-	2,937	4,209	8,139

The Group obtained the right to occupy the land at Continental High & New Technology Industry Development Zone, Boluo, Guangdong Province, PRC through its subsidiary undertaking Boluo (note 7).

The land use rights were acquired in July 2000 for a period of 50 years. On 12 Oct 2010 Boluo was acquired by ZKTY (note 7) and the land use rights were revalued to reflect to the market value. The revaluation amount at date of acquisition was treated as "deemed cost". The remaining period of amortisation of the land use rights is approximate 35 years.

The Group undertakes development projects to improve and upgrade its technology and engineering solutions in the field of bioethanol production. Once the certificate has been obtained, the development costs incurred will be transferred to patent.

The intangible assets are tested for impairment as part of the cash generating unit to which it belongs, and no indication in request for an impairment of the intangible assets.

Amortisation of intangible assets is included in the profit or loss within administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

7. Investment in subsidiary

	Group RMB'000
Cost	
At 1 January 2014	61,609
Disposals of Employee Benefit Trust	(5,853)
Exchange differences	(1,900)
At 31 December 2014	53,856
Exchange differences	(353)
At 31 December 2015	53,503
Accumulated impairment losses	
At 1 January 2014	17,356
Exchange differences	(641)
At 31 December 2014	16,715
Impairment in 2015	25,114
Exchange differences	(274)
At 31 December 2015	41,555
Carrying amount	
At 31 December 2015	11,948
At 31 December 2014	37,141

The details of the subsidiary are as follows:

Name / place of incorporation	Principal activity	Effective equity interest held by the Group	
		As at 31 December	
		2015	2014
Intermedia parent Group			
Guangdong Zhongke Tianyuan New Energy Science and Technology Co Ltd ("ZKTY") / PRC Subsidiary	Provision of engineering, procurement and construction services to ethanol producers	100%	100%
Guangdong Boluo Jiuneng High Technology Engineering Co Ltd ("Boluo") / PRC	Fabrication and manufacture of equipment in accordance with project requirements and designs of ZKTY and provision of services to ZKTY	100%	100%

8. Investment

Investment in Jilin Tianshun and Songyuan carry almost zero intrinsic value since 2014, due to their accumulated trading losses and inability to return to profitability in the near future. Accordingly, 100% impairment loss was recognised.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

9. Inventories

	Group	
	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Raw materials	4,559	4,620
Work-in-progress	5,379	7,220
	<u>9,938</u>	<u>11,840</u>

The cost of inventories recognised as expenses includes RMB0.4million (2014: RMB1.03million) in respect of write-down of inventory to net realisable value.

10. Due from (to) customers for construction contracts

	Group	
	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Aggregate costs incurred plus profits less recognised losses to date	349,172	307,708
Less: progress billings	(328,791)	(272,641)
	<u>20,381</u>	<u>35,067</u>
Advance from customers	(6,413)	-
Allowance for impairment	(11,294)	(11,032)
	<u>2,674</u>	<u>24,035</u>
<u>Presented as:</u>		
Due from customers for construction contracts	30,240	38,075
Due to customers for construction contracts	(27,566)	(14,040)
	<u>2,674</u>	<u>24,035</u>

Movements in allowance for impairment on amount due from customers for construction contracts are as follows:

	Group	
	As at 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of the year	11,032	19,754
Transfer to trade receivables (Note 10)	-	(8,315)
Impairment losses reversed	-	(564)
Allowance for impairment	262	157
At end of the year	<u>11,294</u>	<u>11,032</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

11. Trade and other receivables

	Group		Company	
	As at 31 December		As at 31 December	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Trade receivables	106,285	96,772	-	-
Discount on trade receivables	-	*(456)	-	-
Allowance for impairment	*(78,087)	*(72,886)	-	-
Transfer to advance from customer	(1,500)	-	-	-
	<u>26,698</u>	<u>23,430</u>	<u>-</u>	<u>-</u>
Other receivables				
Others receivables	7,791	7,201	***2,264	-
Allowance for impairment	(2,262)	(2,283)	-	-
Advance to suppliers	6,195	11,856	-	-
Allowance for impairment	(3,728)	(3,716)	-	-
	<u>7,996</u>	<u>13,058</u>	<u>2,264</u>	<u>-</u>
Due from Group undertakings	-	-	3,631	3,631
Due from related parties	**8,019	**8,019	-	-
Notes receivables	400	500	-	-
Prepayments	39	160	-	-
	<u>43,152</u>	<u>45,167</u>	<u>5,895</u>	<u>3,631</u>
Non-current				
Trade receivables	3,523	3,776	-	-
Discount on trade receivables	-	*(253)	-	-
Allowance for impairment	*(3,523)	-	-	-
	<u>-</u>	<u>3,523</u>	<u>-</u>	<u>-</u>

The carrying amounts of trade and other receivables approximate their fair values.

* There is one trade receivable represents a project from a customer repayable in 5 years, which has been fully discounted and impaired. Within the impairment on current receivables, the amount in relation to this project is RMB0.69million (2014: nil).

** The amounts due from related parties are non-trade, unsecured, non-interest bearing and repayable on demand.

*** This includes an unpaid share capital of RMB50,000 due from existing shareholders and a payment (EUR250,000) made to Visontai Ethanol Development Group Limited ("Visontai"), to acquire 24% of the issued equity. Due to pre-emption right issue has been raised by the majority shareholder, this acquisition is not been able to complete. The Group expects to receive full refund of EUR250,000 in foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

11. Trade and other receivables (cont'd)

Movements in allowance for doubtful debts in trade receivables are as follows:

	Group	
	As at 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of the year	72,886	63,120
Transfer from amount due from customers for construction contracts (Note 9)	-	8,315
Allowance during the year	5,201	2,951
Impairment losses reversed	-	(1,500)
At end of the year	<u>78,087</u>	<u>72,886</u>

Movements in allowance for doubtful debts in advance to suppliers and other receivables are as follows:

	Group	
	As at 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of the year	5,999	3
Allowance during the year	842	5,996
Reversal during the year	(851)	-
At end of the year	<u>5,990</u>	<u>5,999</u>

The Group's trade receivables that are past due but not impaired are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Less than 30 days	6,780	4,032
31-60 days	382	2,281
Over 60 days	19,536	17,117
	<u>26,698</u>	<u>23,430</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

12. Cash and cash equivalents

	Group		Company	
	As at 31 December		As at 31 December	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	19,426	14,875	2,806	4,497

Within the cash and cash equivalents, RMB8.1million has been frozen under a court order (Note 35).

The currency profiles of the Group's cash and cash equivalents at the end of the year are disclosed in Note 31.

13. Borrowings

This is bank borrowings obtained from Ping An Bank, PRC, with a fixed rate at 8.4% has been fully settled during the year. The borrowing was secured on the Group's buildings and land use right.

14. Trade and other payables

	Group		Company	
	As at 31 December		As at 31 December	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	39,157	34,767	-	-
Other payables				
- Advance from customer	2,538	15,957	-	-
- Other payables and accruals	31,362	10,480	427	317
- VAT payables	15,371	14,939	-	-
- Due to Group undertakings	-	-	10,185	10,185
- Due to directors	1,762	1,309	1,148	561
	<u>90,190</u>	<u>77,452</u>	<u>11,760</u>	<u>11,063</u>

Included in other payables, a loan from a business partner of RMB3.5million (2014: RMB3.5million) with interest chargeable at 10% per annum and renewable on yearly basis.

Included in other payables, a provision on court case of RMB6.5million (note 22) and relevant legal costs of RMB180K were accrued.

The carrying amounts of trade and other payables approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

15. Share capital - Group

	Number of Shares	Share Capital		Share premium	
		£'000	RMB'000	£'000	RMB'000
As at 31 December 2012	<u>316,616,862</u>		<u>1,134</u>		<u>39,171</u>
Placing on 4 Nov 2013	10,000,000	2	24	248	2,425
<i>Less: share issue costs</i>				(17)	(171)
Placing on 25 Nov 2013	8,571,429	2	21	298	2,966
<i>Less: share issue costs</i>				(21)	(209)
Placing on 26 Nov 2013	6,666,667	2	17	248	2,462
Placing on 29 Nov 2013	7,107,143	2	18	247	2,474
As at 31 December 2013	<u>348,962,101</u>		<u>1,214</u>		<u>49,118</u>
Placing on 29 Sept 2014	44,652,107	11	111	584	5,807
As at 31 December 2014	<u>393,614,208</u>		<u>1,325</u>		<u>54,925</u>
Placing on 29 Dec 2015	13,333,333	3	32	197	1,886
<i>Less: share issue costs</i>	-		-	(12)	(115)
As at 31 December 2015	<u>406,947,541</u>		<u>1,357</u>		<u>56,696</u>

On 4 November 2013, the Group placed 10,000,000 new ordinary shares of 0.025p each at a price of 2.5 pence per share, raising gross proceeds of £250,000 for the Group.

On 25 November 2013, the Group placed 8,571,429 new ordinary shares of 0.025p each at a price of 3.5 pence per share, raising gross proceeds of £300,000 for the Group.

On 26 November 2013, the Group placed 6,666,667 new ordinary shares of 0.025p each at a price of 3.75 pence per share, raising gross proceeds of £250,000 for the Group.

On 29 November 2013, the Group placed 7,107,143 new ordinary shares of 0.025p each at a price of 3.5 pence per share, raising gross proceeds of £248,750 for the Group.

On 29 September 2014, the Group placed 44,652,107 new ordinary shares of 0.025p each at a price of 1.332 pence per share, raising gross proceeds of £594,766 for the Group.

On 29 December 2015, the Group placed 13,333,333 new ordinary shares of 0.025p each at a price of 1.5 pence per share, raising gross proceeds of £200,000 for the Group.

The Group has one class of ordinary shares which carry rights to dividends.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

16. Combination reserve

Combination reserve represents the differences between the nominal amount of share capital of the combining entities at the date on which it was acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition of ZKTY as described further in Note 2.4.2.

17. Statutory reserve

(a) *Statutory surplus reserve*

According to the relevant PRC regulations and the Articles of Association of the subsidiary, it is required to transfer 10% of its profit after enterprise income tax to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of the registered capital.

(b) *Statutory public welfare fund*

According to the relevant PRC regulations and the Articles of Association of the subsidiary, it is required to transfer 5% of its profit after income tax to the statutory public welfare fund. The statutory public welfare fund is established for the purpose of providing employee facilities and other collective benefits to its employees.

18. Warrant reserve

On 23 May 2011, the Group issued 2,966,845 warrants for services provided to the Group. The fair value of the warrants was RMB1,673,000 which was calculated using the Black Scholes option pricing model.

As at 31 December 2015, none of the above warrants had been exercised.

Details of the warrants outstanding during the year are as follows:

	2015		2014	
	Average exercise price in £ per share GBP	Number of shares	Average exercise price in £ per share GBP	Number of shares
At beginning of the year	0.07	2,966,845	0.07	2,966,845
Granted	-	-	-	-
Forfeited	-	-	-	-
Executed	-	-	-	-
Expired	-	-	-	-
At end of year	<u>0.07</u>	<u>2,966,845</u>	<u>0.07</u>	<u>2,966,845</u>

The estimated fair values were calculated using the Black-Scholes option pricing model. The model inputs were as follow:

Exercise price	£0.07
Expected volatility	1%
Expected dividend yield	-
Risk-free interest rate	6.65%

The expected volatility is based on the historical share prices to the management's best estimate. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restriction and behavioural considerations.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

19. Prior year adjustments

Prior year adjustments arose due to duplicated revenue (RMB2.1million) recognised in 2014 and understated social security provision (RMB1.7million). The total sum of RMB3.8million is shown as a prior year correction in the Group's accounts for 2014 as revenue reduction and increase of provision respectively, and an increase in retained losses of the Group.

20. Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations where functional currencies are different from that of the Group's presentation currency.

21. Other income

	Group	
	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Sale of scrap materials	42	171
Subsidy income	215	10
Sundry income	17	50
Other	2,199	14,010
	<u>2,473</u>	<u>14,241</u>

22. Other expenses

	Group	
	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Research and development expense	2,422	1,142
Costs of scrap materials	424	-
Loss on disposal of property, plant and equipment	104	2
Provision on court case	*6,500	300
	<u>9,450</u>	<u>1,444</u>

*The provision is in relation to a court case in between Shenzhen Baixie Investment Group ('Baixie') and an employee of ZKTY, who acts on behalf of ZKTY in this case. The amount provided at year end is based on the notice of enforcement, which is in favour in Baixie, including penalty of RMB1.5million.

23. Finance costs

	Group	
	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Interest expenses	535	791
Foreign currency exchange loss	(28)	189
Bank charges	437	224
	<u>944</u>	<u>1,204</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

24. Other gains and losses

This represents shares held by the Employee Benefit Trust ('EBT'). On 19 August 2014, the EBT has been cancelled, which result a loss of RMB5.7million recognised in the Group's accounts.

25. (Loss)/profit before tax

Loss before taxation is arrived at after charging/(crediting):	Group Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Staff costs including directors remuneration	10,155	10,825
Depreciation of property, plant and equipment	2,090	2,416
Net loss/(gain) on disposal of property, plant and equipment	104	2
Amortisation of intangible assets	319	203
Impairment of inventories	400	1,031
Impairment of investment	-	150
Impairment of PPE	-	1,500
Bad debts and other provisions (note 10 and 11)	9,828	*17,419
Reversal of provisions (note 10 and 11)	(851)	*(10,379)
Operating lease	960	497
Auditors Remuneration:		
Audit Services	300	305
Non audit services	-	457

* Including a transfer of provisions amounting to RMB8,315K in between trade receivables and due from customers for construction contracts

26. Employee benefit expense

	2015 RMB'000	2014 RMB'000
Wages and salaries	7,912	8,128
Social security costs	2,243	997
Prior year correction (note 19)	-	1,700
	<u>10,155</u>	<u>10,825</u>
Included in:		
Cost of sales	1,726	2,792
Selling and distribution expenses	2,598	1,690
Administrative expenses	2,609	2,728
Research and development costs (note 22)	979	918
	<u>7,912</u>	<u>8,128</u>
	Number	Number
Average number of employees	<u>87</u>	<u>92</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

27. Income tax (credit) / expense

	Group	
	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current income tax	(10)	10
Deferred tax reversed	(815)	-
Income tax credit recognised in profit or loss in 2015 (2014: expense)	<u>(825)</u>	<u>10</u>

The Group is regarded as resident for tax purposes in Jersey and on the basis that the Group is neither a financial services Group nor a utility Group for the purposes of the Income Tax (Jersey) Law 1961, as amended; the Group is subject to income tax in Jersey at a rate of zero per cent.

The operating subsidiaries are regarded as residents for the tax purposes in PRC and subject to national income tax rate at 25% (2014: 25%). The main operating subsidiary, ZKTY is entitled to a reduction in tax rate at 15% due to its high technology enterprise status. Accordingly, the tax rate used for the reconciliation below is the preferential rate of 15% (2014: 15%).

Reconciliation at effective tax rate:

	Group	
	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Loss before tax	(26,423)	(8,454)
Income tax using PRC tax rate of 15% (2014: 15%)	(3,963)	(1,268)
<i>Tax effects of:</i>		
- Non-deductible expenses	287	97
- Zero tax rate	291	1,362
- Unrelieved tax losses carried forward	1,131	2,047
- Preferential tax rate	(457)	200
- Change in temporary difference	2,721	(1,009)
- Other adjustment	-	(950)
- Deferred tax reversed	815	-
- Tax losses utilised	-	(489)
	<u>825</u>	<u>(10)</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

27. Income tax expense (cont'd)

Movements in deferred tax asset are as follows:

	Group	
	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of the year	177	177
Reversal for the year	(177)	-
At end of the year	-	177

Deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

Movements in deferred tax liabilities are as follows:

	Group	
	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of the year	992	992
Reversal for the year	(992)	-
At end of the year	-	992

Net deferred tax liabilities:

	Group	
	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of the year	815	815
Reversal for the year	(815)	-
At end of the year	-	815

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

28. Loss per share

The calculation of loss per share is based on Group's loss for the year and the weighted average number of shares in issue after adjusting for movement in own shares during the financial year. There is no potential dilutive share or share options outstanding and therefore, the diluted loss per share is the same as basic loss per share.

	Loss	Weighted average number of shares	Loss per share
	RMB'000	'000	RMB
2015			
Basic	(25,598)	393,687	(0.065)
Diluted	(25,598)	393,687	(0.065)
2014			
Basic	(8,464)	361,318	(0.023)
Diluted	(8,464)	361,318	(0.023)

29. Operating lease commitments

At the end of the reporting period, the future aggregate minimum lease payments under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	Group	
	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Within one year	472	759
After one year but before five years	-	24
	472	783

Operating lease payments represent rents payable by the Group for office premises and other operating facilities. Leases are negotiated for an average term of 6 months to 3 years and rentals are fixed during the term of lease.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

30. Significant related party transactions

- a) Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party in making financial and operating decisions.

Certain of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

At the end of reporting period, the Group has a non-trade receivable of RMB8,019,000 (2014: RMB8,019,000) and a non-trade payable of RMB3,000,000 (2014: nil), due from Guangdong Zhongke Tianyuan Regeneration Energy Co., Ltd and due to Guangzhou Jizhihui Ecommerce Co., Ltd, respectively. Both companies are controlled by Mr Yu Weijun and Mr Tang Zhaoxing, whom are directors of the Group.

- b) Key management personnel compensation is analysed as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Directors' remuneration (short term employment benefits)	1,166	1,472
	<u>1,166</u>	<u>1,472</u>

Breakdown of directors' remuneration is detailed in Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

31. Financial risk management

The Group's activities expose it to credit risk, liquidity risk and market risk (including interest rate risk, currency risk and commodity price risk). The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Group management then establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs on-going credit evaluation of its counterparties' financial condition. The Group does not hold any collateral as security over its customers. The Group's major classes of financial assets are cash and bank balances, trade and other receivables and notes receivable.

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

At the end of the reporting period, the cash and bank balances as detailed in Note 11 to the financial statements, are held in major financial institutions which are regulated and located in the PRC, which management believes are of high credit quality. The management does not expect any losses arising from non-performance by these counterparties.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date of the Group is as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Cash and cash equivalents	19,426	14,875
Trade and other receivables	43,152	45,167
	62,578	60,042

At the end of reporting period the Group's trade and other receivable was due from the related parties and third parties. There was significant concentration of credit risk in the Group's trade receivables as that accounted for 61.9% (2014: 53.5%) of the total trade and other receivables. The aggregate of the single customer's trade receivable is more than 10% were amounting to RMB13.1million (2014: RMB10.2 million)

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables and amount due from customers for construction contracts. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The management judgments for this allowance are disclosed in Note 3.2.

The allowance for impairments in respect to trade receivables and amount due from customers for construction contracts are disclosed in Note 11 and Note 10 respectively.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

31. Financial risk management (cont'd)

Credit risk (cont'd)

The Group's historical experience in the collection of third parties trade receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's receivables.

Currency risk

Currency risk arises from a change in foreign currency exchange rate, which is expected to have adverse effect on the Group in the current reporting year and in future years.

The Group and its subsidiary maintain their respective books and accounts in their functional currencies. As a result, the Group is subject to transaction and translation exposures resulting from currency exchange rate fluctuations. However, to minimise such foreign currency exposures, the Group uses natural hedges between sales receipts and purchases, and operating expenses disbursement. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

The Group incurs foreign currency risk on sales, purchases and operating expenses that are denominated in currencies other than the respective functional currencies of Group entities.

The Group's currency exposure based on the information provided by key management is as follows:

At 31 December 2015	RMB'000	£'000	US\$'000	EUR'000	Total
Financial assets					
Trade and other receivables	40,888	481	-	1,783	43,152
Cash and bank balances	16,596	2,802	26	2	19,426
Financial liabilities					
Trade and other payables	88,616	1,574	-	-	90,190
Net financial assets	(31,132)	1,709	26	1,785	(27,612)
Less: Net financial assets denominated in the functional currency	(31,132)	-	-	-	(31,132)
Net currency exposure	-	1,709	26	1,785	3,520

At 31 December 2014	RMB'000	£'000	US\$'000	EUR'000	Total
Financial assets					
Trade and other receivables	45,167	-	-	-	45,167
Cash and bank balances	10,340	4,486	36	13	14,875
Financial liabilities					
Trade and other payables	76,559	878	-	-	77,437
Net financial assets	(21,052)	3,608	36	13	(17,395)
Less: Net financial assets denominated in the functional currency	(21,052)	-	-	-	(21,052)
Net currency exposure	-	3,608	36	13	3,657

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

31. Financial risk management (cont'd)

Sensitivity analysis

If the £ sterling, US\$ and EUR vary against the RMB by 10% with all other variables including tax rate being held constant, the effect on the net profit will be as follows:

	Years ended 31 December	
	2015	2014
	RMB'000	RMB'000
<i>£ against RMB</i>		
- strengthen	155	328
- weaken	(190)	(401)
<i>US\$ against RMB</i>		
- strengthen	2	3
- weaken	(3)	(4)
<i>EUR against RMB</i>		
- strengthen	162	1
- weaken	(198)	(1)

Interest rate risk

The Group has no significant interest-bearing liabilities and assets.

The Group monitors the interest rates on its interest bearing assets closely to ensure favourable rates are secured.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through financial support of business partners and suppliers.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserve of cash to meet its liquidity requirements in the short and long term. At present, the Group is financed by advance payments from customers.

The table below summarises the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted payments:

	Less than one year RMB'000	Total RMB'000
<u>31 December 2015</u>		
Borrowing	-	-
Trade and other payables	90,190	90,190
	<u>90,190</u>	<u>90,190</u>
<u>31 December 2014</u>		
Borrowing	6,600	6,600
Trade and other payables	77,452	77,452
	<u>84,052</u>	<u>84,052</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
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31. Financial risk management (cont'd)

Commodity price risk

The Group has commodity price risk as steel is one of the main components of raw materials. Metals are traded commodities and their prices are subject to the fluctuations of the world commodity markets. Any significant increases in the prices for metals will have a material adverse impact on the financial position and results of operation. The Group's profitability will be adversely affected if the Group is unable to pass on any increase in raw material prices to its customers on a timely basis or find cheaper alternative sources of supply.

The Group monitors the material price fluctuation closely and constantly studies other ways to reduce material wastage in order to reduce the impact of material price risk.

32. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity attributable to equity holders of the parent Group, comprising share capital, share premium, combined reserve, statutory reserve, warrant reserve, foreign currency translation reserve, and accumulated losses as disclosed in the statements of financial position.

The Group manages its capital structure by making necessary adjustments to it in response to the changes in economic conditions.

The Group's strategy was to maintain gearing ratio in between 80% and 100%. Gearing ratio is calculated as net debt divided by total of capital. Net debt is calculated as total debt (as shown in the statements of financial position) less cash and bank balances. Total capital is calculated as total equity plus net debt.

The gearing ratios as at the period end were as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Total debt	126,532	106,868
Less: Cash and bank balances	(19,426)	(14,875)
Net debt	107,106	91,993
Total equity	(5,739)	21,836
Total capital	101,367	113,829
Gearing ratio	**	81%

**At year end, the Group had net liabilities of RMB5.7million (note 2.2), of which led to a negative debt-to-equity ratio, means the Group's net worth was negative. The ratio measured Group's capital structure at year end was in an insolvent situation and indicated the Group's trading as non-going concern unless there're extenuating circumstances. Since the Group has cash in bank of RMB19.4million and RMB13.4million at year end and 31 May 2016 respectively, together with a proceed of £750,000 from new share issuance in June 2016, the Directors consider that the Group has adequate fund resources, to continue in operational existence for the foreseeable future. However, due to the uncertainty of the industry and economic slowdown in P.R. China, together with ongoing issues on trade receivable collections, which gives uncertainty in the future going concern.

The financial statements do not include the adjustments that would result if the Group was unable to continue in operation.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

33. Fair value of financial instruments

The carrying amount of the financial assets and financial liabilities in the consolidated financial statements approximate their fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the consolidated financial statements.

Fair value hierarchy

The Group's and the Group's financial instruments carried at fair value are analysed as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

As at reporting date, the Group and the Group do not have any financial instruments classified as Level 1, Level 2 and Level 3.

34. Segment reporting

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's revenue breakdown by geographical location is determined based on its customers' country of incorporation. The Group's cost of sales and operating expenses are aggregated on a cumulative basis and are not attributable to specific geographical regions. Therefore, a breakdown of gross profit for the financial years by geographical regions is not shown.

Geographical segment

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
PRC	61,476	44,802
Myanmar	180	12,507
Indonesia	13	-
	61,669	57,309

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2015

34. Segment reporting (cont'd)

Business segment

The Group's assets, liabilities and capital expenditure are almost entirely attributable to a single business segment of provision of technology and engineering services to ethanol, ethanol downstream product and biobutanol producers. Therefore, the Group does not have separately reportable business segments under IFRS 8 *Segmental Reporting*. Nonetheless the Group's revenue and results can be classified into the following streams:

- a. EPC of plants producing ethanol and ethanol downstream products ("EPC activities"); and
- b. Value-added and other value added services ("VAS") services.

	EPC activities RMB'000	VAS RMB'000	Total RMB'000
Revenue			
Year ended 31 December 2015	34,889	26,780	61,669
Year ended 31 December 2014	56,690	619	57,309
Results			
Year ended 31 December 2015	5,467	2,200	7,667
Year ended 31 December 2014	4,093	206	4,299

Information about major customers

Included in revenue arising from the sales of project of approximate RMB33.1million (2014: RMB36.2 million) which arose from sales to Group's 5 top largest customers.

35. Litigation and contingent liability

At year end, the Group has an ongoing legal case with its customer Tangshan Chenhong Industry Co., Ltd ('TSCH') on quality dispute in relation to a project in 2012. The court first instance verdict in 2015 was in favour of TSCH. However, the Group has appealed subsequently, and second trial has begun on 25 March 2016 and not yet started court hearing. As a result of this court case and appeal, the Group's cash in bank of RMB8.1million was frozen and continued to be frozen. The extent to which an outflow of funds might be required is dependent on the result of the dispute.

The contingent liability and relevant legal expense incurred by the Group is not provided in the accounts, since the Group expects a positive verdict in second trial, as the Directors believe TSCH is not able to provide further evidence.

Currently, TSCH is in the process of administration, negotiation and settlement is possible to carry out in between the Group and plaintiff.

36 Post balance sheet events

The Group has raised £750,000 by way of a subscription in 37,500,000 new ordinary shares at a price of 2p per share from an institutional fund. The proceeds have been received by the Group on 10th June 2016. These new shares represent 8.44% of the enlarged issued share capital.