

**NORTHWEST INVESTMENT GROUP LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

# NORTHWEST INVESTMENT GROUP LIMITED

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## NORTHWEST INVESTMENT GROUP LIMITED

### DIRECTORS, SECRETARY AND ADVISERS

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<b>Directors</b>	Kaifeng Li Zheng Kang Enxia Liu Ka Ming Wong Tiam Huat Lim Yi Feng	Chairman Executive Director Executive Director Non-executive Director Non-executive Director Non-executive Director
<b>Secretary</b>	Jianjun Shi	
<b>Registered office</b>	Sea Meadow House Blackburne Highway, (P.O. Box 116) Road Town Tortola British Virgin Islands	
<b>Business address</b>	Room 1607, Tower A, Guanghai Chang'an Building No 7, Jianguomen Nei Dajie Dongcheng District Beijing P. R. China	
<b>Independent auditors</b>	UHY Hacker Young LLP 4 Thomas Square London E1W 1YW	
<b>Nominated adviser and broker</b>	ZAI Corporate Finance Limited 177 Regent Street London W1B 4JN	
<b>Registrars</b>	Capita Registrars (Guernsey) Limited Longue Hougue House St Sampson Guernsey GY2 4JN	
<b>Depository</b>	Capita IRG Trustees Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
<b>Bankers</b>	HSBC Private Bank (Suisse) SA Level 13 and 14 1 Queen's Road Central Hong Kong	

## **NORTHWEST INVESTMENT GROUP LIMITED**

### **CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010**

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On 9 June 2010, Northwest Investment Group Ltd. ("NWIG" or "the Company") raised 3 million pounds from the Investors and was successfully listed on AIM of London Stock Exchange. Since then we have sought out investment opportunities in line with our investment policy namely the acquisition or investment in the hydropower energy market in Western China.

Although we have commenced discussions with the relevant people and organizations in order to acquire or invest in hydropower projects, we have not yet concluded a deal. Whilst it was our intention to make a sizeable acquisition, which would most likely be deemed a Reverse Takeover within the first 12 months following Admission, this is unlikely to occur. We will keep shareholders updated of progress as and when anything is announce-able.

During 2010, the global economy began to recover from the effects of the credit crisis. The Far East, including China, has weathered the storm better than other regions of the world. We believe this trend will continue and therefore present significant opportunities in our target market, namely the Chinese energy market. We continue to believe that we will be able to successfully implement our investment policy and that there is a good opportunity to acquire high-quality hydropower assets in the western area of China.

As the business develops, we will recruit more talented personnel so that we can realize our strategic objectives. I would like to extend my sincere thanks to my staff and board for their zeal, vision and dedication.

.....  
**Kaifeng Li**

Chairman

# NORTHWEST INVESTMENT GROUP LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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The directors present their report and the audited financial statements for the year ended 31 December 2010.

### Principal activities, trading review and future developments

The company was incorporated in British Virgin Islands on 26 August 2008 under the BVI Business Companies Act 2004 with company number 1500784.

The company has been established for the purpose of identifying and acquiring, or investing in, energy projects with a focus on Western China.

On 9 June 2010, the company was admitted to trading on the AIM Market of London Stock Exchange and successfully raising £3 million. The admission was to provide the company a platform to carry out detailed examination of potential acquisition targets.

The company did not have any trading activity during the year under review.

It is considered that the development of the company and its position at 31 December 2010 are fairly set out in the accompanying accounts.

### Results and dividends

The results for the period are set out on page 8. The directors do not recommend a dividend payment for the period.

### Directors

The directors who have held office during the period are:

Kaifeng Li  
Zheng Kang  
Enxia Liu  
Ka Ming Wong  
Tiam Huat Lim  
Yi Feng

### Directors' interests

The directors' interest in the shares of the company was as stated below:

Name	Number of shares	%
Kaifeng Li	910,000	6.79%
Enxia Liu	390,000	2.91%

### Directors' remunerations

Directors' remunerations during the year are as follow:

<i>Executive</i>	£'000
Kaifeng Li	29
Zheng Kang	23
Enxia Liu	18
<i>Non executive</i>	
Ka Ming Wong	9
Tiam Huat Lim	9
Yi Feng	9

# NORTHWEST INVESTMENT GROUP LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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### Corporate Governance

In view of the company's size, stage of development and resources, it does not currently comply with all the provisions of the QCA Guidelines for AIM Companies and the Combined Code. However, the Board recognises the importance of sound corporate governance and so applies the principles of the Combined Code as it considers appropriate for the company's stage of development.

### The Board and its committees

The Board is responsible for formulating, reviewing and approving the company's strategy, budgets and corporate actions. Following admission to AIM, the company held board meetings at least four times in each financial year and at other times as and when required. The roles of the chairman and chief executive officer are, and following admission to AIM have continue to be, performed by separate individuals.

The company has established an audit committee and remuneration committee, with formally delegated duties and responsibilities.

The Audit Committee receives and reviews reports from management and the company's auditors relating to the annual financial statements and the accounting and internal control systems in use throughout the company. The Audit Committee has unrestricted access to the company's auditors.

The Remuneration Committee reviews the scale and structure of the executive directors' remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the non-executive directors are set by the Board.

### Share Dealing Code

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

### Substantial shareholdings

As of 3 May 2011 the company has been notified of the following interests in its ordinary shares which represent 3% or more of the issued share capital of the company.

Name	Number of shares	%
Xinyan Li	9,600,000	71.64%
Capita IRG Trustees (nominees)	2,499,737	18.65%
Kaifeng Li	910,000	6.79%

### Annual general meeting

The Annual General Meeting of the company will be held on 7 June 2011 at Room 1607, Tower A, Guanhua Chang'an Building, No 7 Jianguomen Nei Dajie, Dongcheng District, Beijing, P. R. China.

### Going concern

The financial statements have been prepared on a going concern basis, since the directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future.

### Financial instruments

Details of the company's financial instruments are set out in note 14.

## **NORTHWEST INVESTMENT GROUP LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010**

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#### **Statement of directors' responsibilities**

International Financial Reporting Standards (IFRSs) require the directors to prepare financial statements that present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial statements". In preparing those financial statements, the directors are required to:

- present information, including the group's accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- select suitable accounting policies and then apply them consistently;
- make judgments 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;
- make an assessment of the group's ability to continue as a going concern and to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

#### **Statement of disclosure to auditors**

The directors have confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the necessary steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

#### **Auditors**

A resolution proposing that UHY Hacker Young be re-appointed for the forthcoming year will be put to the Annual General Meeting.

By order of the Board

Zheng Kang  
**Director**

5 May 2011

**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF NORTHWEST INVESTMENT GROUP LIMITED**

We have audited the financial statements of Northwest Investment Group Limited for the year ended 31 December 2010, which comprises the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body. Our audit work has been undertaken so that we might state to the company'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 company and the company'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**

The directors' responsibilities for preparing the financial statements in accordance with International Financial Reporting Standards (IFRSs) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements have been properly prepared in accordance with the relevant financial reporting framework and give a true and fair view.

We read other information contained within the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2010 and of the company's comprehensive income for the year then ended;
- the company financial statements have been properly prepared in accordance with IFRSs.

Quadrant House  
4 Thomas More Square  
London  
E1W 1YW



**NORTHWEST INVESTMENT GROUP LIMITED****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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	Note	Year ended 31 December 2010 £'000	Period 26 August 2008 to 31 December 2009 £'000
<b>Revenue</b>		-	-
Cost of sales		-	-
Administrative expenses	4	(289)	(29)
<b>Operating loss</b>		(289)	(29)
Bank interest received		-	-
Finance costs		-	-
<b>Loss before income tax</b>		(289)	(29)
Income tax expense	5	-	-
<b>Profit and comprehensive income for the year</b>		(289)	(29)
<b>Earnings per share</b>	6	<b>Pence</b>	Pence
Basic and diluted earnings per share		(3.57)	(5.82)

The notes on pages 12 to 19 form part of these financial statements.

All amounts are derived from continuing operations.

**NORTHWEST INVESTMENT GROUP LIMITED****STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2010**

	Note	As at 31 December 2010 £'000	As at 31 December 2009 £'000
<b>Current assets</b>			
Trade and other receivables	7	41	-
Cash and cash equivalents	8	<u>2,783</u>	<u>979</u>
		<u>2,824</u>	<u>979</u>
<b>Total assets</b>		<u>2,824</u>	<u>979</u>
<b>Current liabilities</b>			
Trade and other payables	9	<u>50</u>	<u>981</u>
		<u>50</u>	<u>981</u>
<b>Total liabilities</b>		<u>50</u>	<u>981</u>
<b>Equity attributable to owners of the parent</b>			
Share capital	10	670	25
Share premium	10	2,422	2
Retained earnings		<u>(318)</u>	<u>(29)</u>
<b>Total equity</b>		<u>2,774</u>	<u>(2)</u>
<b>Total liabilities and equity</b>		<u>2,824</u>	<u>979</u>

The notes on pages 12 to 19 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 5 May 2011.

Zheng Kang  
Director

**NORTHWEST INVESTMENT GROUP LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
<b>Balance at beginning of the period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Comprehensive income</b>				
Profit or loss	<u>-</u>	<u>-</u>	<u>(29)</u>	<u>(29)</u>
<b>Total comprehensive income</b>	<u>-</u>	<u>-</u>	<u>(29)</u>	<u>(29)</u>
<b>Transaction with owners</b>				
Issue of shares	<u>25</u>	<u>2</u>	<u>-</u>	<u>27</u>
<b>Total transactions with owners</b>	<u>25</u>	<u>2</u>	<u>-</u>	<u>27</u>
<b>Balance at 31 December 2009</b>	<u><b>25</b></u>	<u><b>2</b></u>	<u><b>(29)</b></u>	<u><b>(2)</b></u>
<b>Comprehensive income</b>				
Profit or loss	<u>-</u>	<u>-</u>	<u>(289)</u>	<u>(289)</u>
<b>Total comprehensive income</b>	<u>-</u>	<u>-</u>	<u>(289)</u>	<u>(289)</u>
<b>Transaction with owners</b>				
Issue of shares	<u>645</u>	<u>2,595</u>	<u>-</u>	<u>3,240</u>
Placing costs	<u>-</u>	<u>(175)</u>	<u>-</u>	<u>(175)</u>
<b>Total transactions with owners</b>	<u>645</u>	<u>2,420</u>	<u>-</u>	<u>3,065</u>
<b>Balance at 31 December 2010</b>	<u><b>670</b></u>	<u><b>2,422</b></u>	<u><b>(318)</b></u>	<u><b>2,774</b></u>

**NORTHWEST INVESTMENT GROUP LIMITED****STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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	<b>Note</b>	<b>Year ended 31 December 2009 £'000</b>	<b>Period 26 August to 31 December 2009 £'000</b>
<b>Net cash used in operating activities</b>	<b>11</b>	<b><u>(288)</u></b>	<b><u>(21)</u></b>
<b>Investing activities</b>			
Interest received		<u>-</u>	<u>-</u>
<b>Net cash used in investing activities</b>		<u>-</u>	<u>-</u>
<b>Financing activities</b>			
Proceeds of loan from director		-	973
Repayment of loan to director		(973)	-
Proceeds from issue of share		3,240	27
Placing costs		<u>(175)</u>	<u>-</u>
<b>Net cash from financing activities</b>		<b><u>2,092</u></b>	<b><u>1,000</u></b>
<b>Net increase in cash and cash equivalents</b>		<b>1,804</b>	<b>979</b>
<b>Cash and cash equivalents at beginning of period</b>		<b><u>979</u></b>	<b><u>-</u></b>
<b>Cash and cash equivalents at end of year</b>	<b>8</b>	<b><u>2,783</u></b>	<b><u>979</u></b>

# NORTHWEST INVESTMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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### 1 GENERAL INFORMATION

Northwest Investment Group Limited is a company incorporated on 26 August 2008 in British Virgin Islands under The BVI Business Companies Act 2004. The company has been established for the purpose of identifying and acquiring, or investing in, energy projects with an initial focus on Western China. The address of the registered office is Sea Meadow House, Blackburn Highway, P.O. Box 116, Road Town, Tortola, British Virgin Islands. The company's business review is set out in the Chairman's Statement and Directors' Report.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company*

The following standards and amendments to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2011 or later periods, but the company has not early adopted them:

##### *Amendments to IFRS 7 – effective 1 January 2011*

IFRS 7 was amended as part of Improvements to IFRSs 2010 in order to clarify the existing disclosure requirements. The effect of the amendment is to encourage qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. This amendment also clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans.

##### *Amendment to IFRS 7 – Enhanced Derecognition Disclosure Requirements – effective 1 July 2011*

The IASB introduced enhanced disclosure requirements to IFRS 7 Financial Instruments as part of its comprehensive review of off-balance sheet activities. The amendments are designed to ensure that users of financial statements are able to more readily understand transactions involving the transfer of financial assets (for example, securitisations), including the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. As the change only results in additional disclosures, there is no impact on the company's financial statement.

##### *IFRS 9 – Financial Instruments – Classification and Measurement of Financial Assets – effective 1 January 2013*

This has been introduced to replace IAS 39 – Recognition and Measurement. The requirements were issued in 2009 as part of the gradual development and phase-in of the new financial instruments guidance. New requirements for classification and measurement of financial liabilities were also added in year 2010. Impairment and hedge accounting are expected to be added to IFRS 9 in 2011. As a result, IFRS 9 will eventually be a complete replacement for IAS 39. The company plans to apply this when it has such transactions.

##### *Amendments to IAS 32 – Classification of rights issues – effective 1 February 2010*

Under the amendment to IAS 32 rights, options and warrants – otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments. The company plans to apply this when it has such transactions.

##### *IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments – effective 1 July 2010*

The Interpretation addresses divergent accounting by entities issuing equity instruments in order to extinguish all or part of a financial liability (often referred to as "debt for equity swaps"). The Interpretation concludes that the issue of equity instruments to extinguish an obligation constitutes consideration paid. The consideration should be measured at the fair value of the equity instruments issued, unless that fair value is not readily determinable, in which case the equity instruments should be measured at the fair value of the obligation extinguished. Any difference between the fair value of the equity instruments issued and the carrying value of the liability extinguished is recognised in profit or loss. If the issue of equity instruments is to settle a portion of a financial liability, the entity should assess whether a part of the consideration relates to a renegotiation of the portion of the liability that remains outstanding. The company plans to adopt it with effect from 1 January 2011.

## NORTHWEST INVESTMENT GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 – continued

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

#### 2.2 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS").

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

#### 2.3 Basis of preparation

The financial statements are prepared on the historical cost basis.

This financial statement is presented in round thousand ('000).

#### 2.4 Foreign currencies

##### *Functional and presentational currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in pound sterling ("£"), which is the company's presentation currency.

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of the monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### 2.5 Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the comprehensive income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case it is recognised in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

## NORTHWEST INVESTMENT GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 – continued

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#### 2.6 Financial instruments

Financial instruments are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

##### *Receivables*

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand on deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and have an original maturity of three months or less.

##### *Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

##### *Trade payables*

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

##### *Equity instruments*

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

## NORTHWEST INVESTMENT GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 – continued

#### 3 EXPENSES BY NATURE

	Year ended 31 December 2010 £'000	Period ended 31 December 2009 £'000
Employee benefit expense (note 4)	137	-
Listing costs	-	29
Legal and professional	37	-
Audit fee	8	-
Operating lease payments	70	-
Other expenses	37	-
	<u>289</u>	<u>29</u>
Total administrative expenses	<u>289</u>	<u>29</u>

#### 4 EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December 2010 £'000	Period ended 31 December 2009 £'000
Staff costs	41	-
Directors' remuneration	96	-
	<u>137</u>	<u>-</u>
	<b>Number</b>	<b>Number</b>
Average number of employees	<u>16</u>	<u>-</u>

#### 5 INCOME TAX EXPENSE

The company was registered in BVI. It is not regarded as resident for tax purposes in BVI. Therefore it will not be liable to BVI income tax in respect of this other than BVI source income.

#### 6 EARNING PER SHARE

The calculation of the basic earnings per share is based on the profits attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of dividends and /or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

Reconciliation of the earnings and weighted average number of shares used in the calculations is set out as below:



**NORTHWEST INVESTMENT GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010 – continued**

	Year ended 31 December 2010 £'000	Period ended 31 December 2009 £'000
<i>Earnings</i>		
Earnings for the purposes of basic and diluted earnings per share	<u>(289)</u>	<u>(29)</u>
<i>Number of shares</i>	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>8,095,355</u>	<u>500,000</u>
<i>Earnings per share</i>	Pence	Pence
Basic and diluted	<u>(3.57)</u>	<u>(5.82)</u>

**7 TRADE AND OTHER RECEIVABLES**

	At 31 December 2010 £'000	At 31 December 2009 £'000
Unpaid share capital	40	-
Prepayments	<u>1</u>	<u>-</u>
	<u>41</u>	<u>-</u>

The unpaid share capital has been paid up after the reporting date.

The directors consider that the carrying amount of trade and other receivables approximates their fair value

**8 CASH AND CASH EQUIVALENTS**

	At 31 December 2010 £'000	At 31 December 2009 £'000
Cash at bank	2,766	979
Cash in hand	<u>17</u>	<u>-</u>
	<u>2,783</u>	<u>979</u>

Bank balances and cash comprise cash held by the company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

**9 TRADE AND OTHER PAYABLES**

	At 31 December 2010 £'000	At 31 December 2009 £'000
Trade payables	1	-
Other payables (note 13)	17	-
Director's loan account	-	973
Accruals	<u>32</u>	<u>8</u>
	<u>50</u>	<u>981</u>

The directors consider that the carrying amount of trade payables approximates to their fair value.

# NORTHWEST INVESTMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 – continued

### 10 SHARE CAPITAL

	Number of shares (thousands)	Ordinary shares £'000	Share premium £'000
At beginning of the period	-	-	
Proceed from share issued	500	25	2
At 31 December 2009	500	25	2
Proceed from shared issued on 16 Mar	800	40	160
Proceed from share issued, net of placing costs on 3 Jun (note 10.1)	12,000	600	2,225
Proceed from share issued on 1 Dec	100	5	35
<b>At 31 December 2010</b>	<b>13,400</b>	<b>670</b>	<b>2,422</b>

The total authorised number of ordinary shares is 1 billion shares (2009: 1 billion shares) with par value of £0.05 per share (2009: £0.05 per share). All issued shares are fully paid.

On 16 March 2010, by written resolution, the company allotted additional 800,000 ordinary shares of £0.05 each with an aggregate nominal value of £40,000 for a total consideration of £200,000 fully paid.

On 3 June 2010, by written resolution, the company allotted an additional 12,000,000 ordinary shares of £0.05 each with an aggregate nominal value of £600,000 for a total consideration of £3,000,000 fully paid.

On 9 June 2010, the company's enlarged share capital was admitted to trading on AIM, a market operated by the London Stock Exchange.

On 1 December 2010, by written resolution, the company allotted 100,000 ordinary shares of £0.05 each with aggregate nominal value of £5,000 for a total consideration of £40,000, unpaid as at year end date.

#### 10.1 Placing costs

According to IAS 32 – "Financial Instruments", incremental costs directly attributable to issue of new shares have been recorded as deductions from the proceeds of such issue.

The proceeds arising from the issuance of shares by the company and the related placement and directly attributable fees offset against them is as follow:

	At 31 December 2010 £'000	At 31 December 2009 £'000
Proceeds arising from issuance of share admitted to trading on AIM	3,000	-
Less: placement fees and other direct attributable costs incurred	(176)	(29)
Net proceeds contributed to equity	<u>2,824</u>	<u>(29)</u>
<i>Breakdown as follow:</i>		
Share capital	600	-
Share premium	2,224	-
	<u>2,824</u>	<u>-</u>

Listing costs for the period ended 31 December 2009 were expensed as incurred to the income statement due to there being no capital increase.

## NORTHWEST INVESTMENT GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 – continued

#### 11 NOTES TO THE CASH FLOW STATEMENT

	Year ended 31 December 2010 £'000	Period ended 31 December 2009 £'000
Loss from operations	<u>(289)</u>	<u>(29)</u>
Operating cash outflows before movements in working capital	(289)	(29)
Increase in receivables	(41)	-
Increase in payables	<u>42</u>	<u>8</u>
Net cash used in operations	(288)	(21)
Interest paid	<u>-</u>	<u>-</u>
Net cash used in operating activities	<u>(288)</u>	<u>(21)</u>

#### 12 OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Year Ended 31 December 2010 £'000	Period ended 31 December 2009 £'000
<b>Land and buildings</b>		
Within one year	120	-
In the second to fifth years inclusive	<u>170</u>	<u>-</u>
	<u>290</u>	<u>-</u>

Operating lease payments represent rentals payable by the company for its office premise.

#### 13 RELATED PARTY TRANSACTIONS

Other payables represent amount of £8,750 (2009: £Nil) and £8,750 (2009: £Nil) due to Tiam Huat Lim and Ka Ming Wong respectively. The amounts are being their unpaid services as non executive directors of the company.

During the year, the company repaid loan of £973,348 (2009: £973,348 received from) to Kaifeng Li, a director of the company. The loan was interest free.

The company is controlled by Xinyan Li by virtue of his shareholding disclosed on page 5.

##### *Key management remuneration*

Key management included directors of the company. The remuneration paid or payable to key management for employee services is shown on page 4.

**14 FINANCIAL INSTRUMENTS**

**Credit risk management**

The company's credit risk is primarily attributable to its receivables. The company 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 amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Currently, the company has no significant concentration of credit risk.

**Liquidity risk**

Prudent liquidity management implies maintaining sufficient cash locally and the availability of committed credit facilities. The company is mainly financed by equity and self-generated cash flows.

**Interest rate risk**

The company's policy is to fund its operations through the use of retained earnings and equity.

The company exposure to changes in interest rates relates primarily to cash at bank. Cash is held either on current or short term deposits at floating rate of interest determined by the relevant bank's prevailing base rate. The group seeks to obtain a favourable interest rate on its cash balances through the use premium accounts.

**Financial risk management**

The company will be exposed to financial risks arising from changes in world commodity prices which in turn affect the energy supplies and raw material changes in world prices of biodiesel, inflation and international trends in trade, tariffs and protectionism once it starts trading. The company will reviews its position regularly in considering the need for active financial risk management.

**Fair values**

There is no significant difference between the carrying amounts shown in the balance sheet and the fair values of the group's financial instruments. For current trade and other receivables/payables with a remaining life of less than one year, the nominal amount is deemed to reflect fair value.

**Foreign currency risk management**

The company undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. During the period under review the company was not trading, therefore, no foreign currency risk arose. The company's policy, as it relates to currency risk, is to limit payment terms.

**Capital risk management**

The company manages its capital to ensure that it will be able to continue as a going concern while attempting to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of cash and cash equivalents and equity attributable to equity holders of the company, comprising issued capital, reserves and retained earnings.

The Board reviews the capital structure on an annual basis. The company's overall strategy remains unchanged.

## **NORTHWEST INVESTMENT GROUP LIMITED**

("NWIG" or the "Company")

### **Notice of General Meeting**

The board of NWIG announces that its 2011 Annual General Meeting will be held at Room 1607, Tower 1, Guanghua Chang'an Building, No. 7 Jianguomen Nei Dajie, Dong cheng District, Beijing, China on 07 June 2011 at 17:00 (Beijing time).

The resolutions to be proposed to shareholders at the General Meeting are:

1. To receive and adopt the audited annual report and accounts for the year ended 31 December 2010 (the contents of which have been approved by the directors of the Company).
2. To re-appoint Li Kaifeng as a director of the Company.
3. To re-appoint Zheng Kang as a director of the Company.
4. To re-appoint Liu Enxia as a director of the Company.
5. To re-appoint Ka Ming Wong as a director of the Company.
6. To re-appoint Tiam Huat Lim as a director of the Company.
7. To re-appoint Yi Feng as a director of the Company.
8. To have the accounts for the upcoming year audited and to re-appoint UHY Hacker Young LLP as auditors of the Company and to authorise the Directors to determine their remuneration.
9. To authorize the sub-division of each of the ordinary shares of £0.05 each which the Company is authorised to issue into ten ordinary shares of £0.005 each, such shares having the rights and being subject to the restrictions set out in the Articles of Association of the Company and to amend clause 6(a) of the memorandum of association of the Company by deleting the current clause and restating it as follows: "The Company shall be authorised to issue a maximum of 10,000,000,000 shares with a par value of £0.005 in a single class" provided that this resolution is conditional upon, and shall take effect on, the admission of the new ordinary shares arising from such sub-division to trading on AIM by 8.00am on 08 June 2011 (or such other time and/or date as the directors of the Company may at their absolute discretion determine).

### **Proposed Share Split**

If Resolution 9 is passed, the Company will authorize the sub-division of each of the ordinary shares of £0.05 each into 10 new ordinary shares of £0.005 each. It is expected that this share sub-division should improve the liquidity in the trading of the ordinary shares on the AIM Market.

The new shares shall carry the same rights in all respects as the existing shares, including voting rights and rights to participate in the dividends of the Company. It is envisaged that the admission of the new ordinary shares arising from such sub-division to trading on AIM by 8.00am on 08 June 2011 (or such other time and/or date as the directors of the Company may at their absolute discretion determine).

The directors believe that the proposed resolutions are in the best interests of the Company.

Northwest Investment Group Ltd.

+86-(0)10-6510 1882

Kevin Lee, Chairman

ZAI Corporate Finance Ltd.

+44-(0)20-7060 2220

Nomad and Broker

Richard Morrison / Wei Wang