NORTHWEST INVESTMENT GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors	Kaifeng Li	Chairman
	Zheng Kang	Executive Director
	Enxia Liu	Executive Director
	Ka Ming Wong	Non-executive Director
	Tiam Huat Lim	Non-executive Director
	Yi Feng	Non-executive Director
Secretary	Jianjun Shi	
Registered office	Sea Meadow House Blackburne Highway, (P.O. Box 116) Road Town Tortola British Virgin Islands	
Business address	20/F Tower B, Yicheng International Centre No. 10 Ronghua Zhonglu Yizhuang Economy & Technology Development Zone Beijing 100176 P. R. China	
Independent auditors	UHY Hacker Young LLP 4 Thomas Square London E1W 1YW	
Nominated adviser and broker	ZAI Corporate Finance Limited 177 Regent Street London W1B 4JN	
Registrars	Capita Registrars (Guernsey) Limited Longue Hougue House St Sampson Guernsey GY2 4JN	
Depository	Capita IRG Trustees Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Bankers	HSBC Private Bank (Suisse) SA Levels 13 and 14 1 Queen’s Road Central Hong Kong	

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

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.

Whilst it was our intention to make a sizeable acquisition and we have commenced discussions with the relevant people and organisations in order to acquire or invest in hydropower projects, we have not yet concluded a deal, We will keep shareholders updated of progress as and when anything is announceable. As the Company has not substantially implemented its investment policy within 18 months of Admission then, in accordance with the AIM Rules, the Company's investment policy is subject to the approval of the Shareholders at the annual general meeting.

During 2011, the global economy has slowed, financial volatility and risk aversion have sharply increased, and performance remains uneven across regions. Despite this, China's economic performance continues to hold up well, especially in the energy market, which makes us confident in our implementation of investment policy and we will try our best to acquire the high-quality hydropower assets in the western area of China.

As the business develops, we will recruit more talented personnel so that we can realise 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

The directors present their report and the audited financial statements for the year ended 31 December 2011.

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 a 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 2011 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	9,100,000	6.79%
Enxia Liu	3,900,000	2.91%

Directors' remunerations

Directors' remunerations during the year are as follow:

Executive	**£'000**
Kaifeng Li	51
Zheng Kang	41
Enxia Liu	31
Non executive	
Ka Ming Wong	15
Tiam Huat Lim	15
Yi Feng	15

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 27 March 2012 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 other than directors which is disclosed on page 4.

Name	Number of shares	%
Xinyan Li	96,000,000	71.64%
Capita IRG Trustees (nominees)	24,997,370	18.65%

Annual general meeting

The Annual General Meeting of the company will be held on 22 June 2012 at the Meeting Room 9, 20/F Tower B, Yicheng International Centre, No. 10 Ronghua Zhonglu, Yizhuang Economy & Technology Development Zone, 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.

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

11 May 2012

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NORTHWEST INVESTMENT GROUP LIMITED

We have audited the financial statements of Northwest Investment Group Limited for the year ended 31 December 2011 which comprise 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. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 and express an opinion on the financial statements in accordance with applicable law 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.

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/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 company's loss for the year then ended;
- have been properly prepared in accordance with IFRS.

Quadrant House
4 Thomas More Square
London E1W 1YW

UHY Hacker Young
Chartered Accountants

11 May 2012

NORTHWEST INVESTMENT GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	**Year ended 31 December 2011**	Year ended 31 December 2010
		£'000	£'000
Revenue		**-**	-
Cost of sales		**-**	-
		-	-
Administrative expenses	**3**	**(439)**	(289)
Operating loss		**(439)**	(289)
Bank interest received		**-**	-
Finance costs		**-**	-
Loss before income tax		**(439)**	(289)
Income tax expense	**5**	**-**	-
Loss for the year		**(439)**	(289)
Earnings per share	**6**	**Pence**	**Pence** ***restated***
Basic and diluted earnings per share		**(0.33)**	(0.36)

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

All amounts are derived from continuing operations.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	As at 31 December 2011	As at 31 December 2010
		£'000	£'000
Current assets			
Trade and other receivables	**7**	**1**	41
Cash and cash equivalents	**8**	**2,381**	2,783
		2,382	2,824
Total assets		**2,382**	2,824
Current liabilities			
Trade and other payables	**9**	**47**	50
		47	50
Total liabilities		**47**	50
Equity attributable to owners of the parent			
Share capital	**10**	**670**	670
Share premium	**10**	**2,422**	2,422
Retained earnings		**(757)**	(318)
Total equity		**2,335**	2,774
Total liabilities and equity		**2,382**	2,824

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 14 May 2012.

Zheng Kang
Director

STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2009	25	2	(29)	(2)
Comprehensive income				
Profit or loss	-	-	(289)	(289)
Total comprehensive income	-	-	(289)	(289)
Transaction with owners				
Issue of shares	645	2,595	-	3,240
Placing costs	-	(175)	-	(175)
Total transactions with owners	645	2,420	-	3,065
Balance at 31 December 2010	670	2,422	(318)	2,774
Comprehensive income				
Profit or loss	**-**	**-**	**(439)**	**(439)**
Total comprehensive income	**-**	**-**	**(439)**	**(439)**
Balance at 31 December 2011	**670**	**2,422**	**(757)**	**2,335**

STATEMENT OF CASH FLOWS

	Note	**Year ended 31 December 2011**	Year ended 31 December 2010
		£'000	£'000
Net cash used in operating activities	**11**	**(402)**	(288)
Investing activities			
Sincerity fund for potential acquisition		**(900)**	-
Sincerity fund refunded		**900**	-
Interest received		**-**	-
Net cash used in investing activities		**-**	-
Financing activities			
Repayment of loan to director		**-**	(973)
Proceeds from issue of share		**-**	3,240
Placing costs		**-**	(175)
Net cash used in/from financing activities		**-**	2,092
Net (decrease)/increase in cash and cash equivalents		**(402)**	1,804
Cash and cash equivalents at beginning of the year		**2,783**	979
Cash and cash equivalents at end of year	**8**	**2,381**	2,783

NOTES TO THE FINANCIAL STATEMENTS

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 2012 or later periods, but the company has not early adopted them:

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 2015
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.

IFRS 9 – Incorporation of requirements on the accounting for financial liabilities – effective 1 January 2015
The 2010 revision to IFRS 9 also include guidance on the classification and measurement of financial liabilities. The guidance included in IFRS 9 retains the classification criteria for financial liabilities currently contained in IAS 39. However, there are two key differences, relating to presentation and measurement, compared to IAS 39:

- the presentation of the effects of changes in fair value attributable to a liability's credit risk; and
- the elimination of the cost exemption for derivative liabilities to be settled by delivery of unquoted equity instruments.

IFRS 10 – Consolidated Financial Statements – effective 1 January 2013
IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, thus eliminating the risks and rewards approach included in SIC-12. IFRS 10 identifies the following three elements of control:

- power over the investee;
- exposure, or rights, to variable returns from involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor's returns.

An investor must possess all three elements to conclude it controls an investee.

IFRS 11 – Joint Arrangements – effective 1 January 2013
IFRS 11 establishes two types of joint arrangements: joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. In a joint operation, the parties to the joint arrangement have rights to the actual assets and obligations for the liabilities of the arrangement. In contrast, in a joint venture, the parties to the arrangement have rights to the net assets of the arrangement.
A joint operator recognises its share of the assets, liabilities, revenues and expenses in accordance with applicable IFRSs, while a joint venture would account for its interest using the equity method of the accounting under IAS 28 (revised 2011), thus eliminating the option of proportionate consolidation for interest in joint ventures.

IFRS 12 – Disclosure of interests in Other Entities – effective 1 January 2013
IFRS 12 combines the disclosure requirements for an entity's interest in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard. Many of the disclosure requirements were previously included in IAS 27, IAS 31 or IAS 28, whilst others are new.

IFRS 13 – Fair value measurement – effective 1 January 2013
IFRS 13 was issued in May 2011 and established a single framework for measuring fair value and is applicable for both financial and non-financial items. The standard does not include requirements on when fair value measurement is required; it prescribes how fair value is to be measured if required by another standard.

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 and 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.

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.

3 EXPENSES BY NATURE

	Year ended 31 December 2011 £’000	Year ended 31 December 2010 £’000
Employee benefit expense (note 4)	**226**	137
Legal and professional	**71**	37
Audit fee	**8**	8
Operating lease payments	**120**	70
Other expenses	**14**	37
Total administrative expenses	**439**	289

4 EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December 2011 £’000	Year ended 31 December 2010 £’000
Staff costs	**58**	41
Directors’ remuneration	**168**	96
	226	137
	Number	Number
Average number of employees	**16**	16

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

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**(439)**	(289)
Number of shares	**Number**	Number *restated*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**134,000,000**	80,953,550
Earnings per share	**Pence**	Pence *restated*
Basic and diluted	**(0.33)**	(0.36)

On 7 June 2011, the company sub-divided each of the ordinary shares of £0.05 each to 10 ordinary shares of £0.005 each. The comparative has been recalculated using the new number of shares in issue.

7 TRADE AND OTHER RECEIVABLES

	At 31 December 2011 £'000	At 31 December 2010 £'000
Unpaid share capital	**-**	40
Prepayments	**1**	1
	1	41

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

8 CASH AND CASH EQUIVALENTS

	At 31 December 2011 £'000	At 31 December 2010 £'000
Cash at bank	**2,381**	2,766
Cash in hand	**-**	17
	2,381	2,783

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 2011 £'000	At 31 December 2010 £'000
Trade payables	**-**	1
Other payables (note 13)	**25**	17
Accruals	**22**	32
	47	50

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

10 SHARE CAPITAL

	Number of shares (thousands)	**Ordinary shares £'000**	**Share premium £'000**
At 31 December 2009	**500**	**25**	**2**
Proceed from shared issued on 16 Mar 2010	**800**	**40**	**160**
Proceed from share issued, net of placing costs on 3 Jun 2010 (note 10.1)	**12,000**	**600**	**2,225**
Proceed from share issued on 1 Dec	**100**	**5**	**35**
At 31 December 2010	**13,400**	**670**	**2,422**
At 31 December 2011	**134,000**	**670**	**2,422**

On 7 June 2011, by written resolution, the company sub-divided each of the ordinary shares of £0.05 each to 10 ordinary shares of £0.005 each. 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.

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 2011 £'000	At 31 December 2010 £'000
Proceeds arising from issuance of share admitted to trading on AIM	**-**	3,000
Less: placement fees and other direct attributable costs incurred	**-**	(175)
Net proceeds contributed to equity	**-**	2,825
Breakdown as follow:		
Share capital	**-**	600
Share premium	**-**	2,225
	-	2,825

11 NOTES TO THE CASH FLOW STATEMENT

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Loss from operations	**(439)**	(289)
Operating cash outflows before movements in working capital	**(439)**	(289)
Decrease/(increase) in receivables	**40**	(41)
(Decrease)/increase in payables	**(3)**	42
Net cash used in operations	**(402)**	(288)
Interest paid	**-**	-
Net cash used in operating activities	**(402)**	(288)

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 2011 £'000	Year ended 31 December 2010 £'000
Land and buildings		
Within one year	**-**	120
In the second to fifth years inclusive	**-**	170
	-	290

Operating lease payments represent rentals payable by the company for its office premise. On 31 December 2011, the company terminated the rental agreement with the landlord.

13 RELATED PARTY TRANSACTIONS

Included in other payables amount of £7,500 (2010: £8,750), £7,500 (2010: £8,750) and £7,500 (2010: £Nil) due to Tiam Huat Lim, Ka Ming Wong and Yi Feng respectively. The amounts are being their unpaid services as non executive directors of the company.

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 prises 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.