# China Suntien Green Energy Corporation Limited*
# 新天綠色能源股份有限公司

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 00956)

## 2010 INTERIM RESULTS ANNOUNCEMENT

The board of directors of China Suntien Green Energy Corporation Limited (the "**Company**") is pleased to announce the audited interim results of the Company and its subsidiaries for the six months ended 30 June 2010. The full text of 2010 interim report contained herein is in line with relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of interim results. The 2010 interim report of the Company will be dispatched to the holders of H shares of the Company on 22 October 2010 and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at www.suntien.com.

* *For identification purpose only*

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Any discrepancies in any table between totals and sum of amounts listed herein are due to rounding.

# Corporate Information

## REGISTERED NAME

新天綠色能源股份有限公司

## NAME IN ENGLISH

China Suntien Green Energy Corporation Limited*

## REGISTERED OFFICE AND HEADQUARTER

9th Floor
Block A
Yu Yuan Plaza
No. 9 Yuhua West Road
Shijiazhuang City
Hebei Province
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 4202
Far East Finance Centre
16 Harcourt Road
Admiralty, Hong Kong

## COMPANY'S WEBSITE

www.suntien.com

## STOCK CODE

00956

## LEGAL REPRESENTATIVE OF THE COMPANY

Dr. Li Lian Ping

## JOINT COMPANY SECRETARIES

Mr. Zhao Hui
Ms. Lam Yuen Ling, Eva

## DIRECTORS OF THE COMPANY

**Non-executive Directors**

Dr. Li Lian Ping
Mr. Zhao Hui Ning
Mr. Xiao Gang

**Executive Directors**

Dr. Cao Xin
Mr. Gao Qing Yu
Mr. Zhao Hui
Mr. Sun Xin Tian

**Independent Non-executive Directors**

Mr. Qin Hai Yan
Mr. Ding Jun
Mr. Wang Xiang Jun
Mr. Yue Man Yiu Matthew

## SUPERVISORS OF THE COMPANY

Mr. Yang Hong Chi
Mr. Qiao Guo Jie
Mr. Mi Xian Wei

## AUTHORIZED REPRESENTATIVES

Mr. Zhao Hui
Ms. Lam Yuen Ling, Eva

* *For identification purpose only*

# Corporate Information

## INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
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Central
Hong Kong

## LEGAL ADVISERS

**As to Hong Kong law**

Latham & Watkins
41st Floor
One Exchange Square
Central
Hong Kong

**As to PRC law**

Jiayuan Law Firm
F407-F408, Ocean Plaza
158 Fuxing Men Nei Avenue
Beijing
PRC

## COMPLIANCE ADVISER

China Merchants Securities (HK) Co., Limited
48th Floor
One Exchange Square
Central
Hong Kong

## H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## PRINCIPAL BANKERS

Bank of China
Shijiazhuang Yuhua Sub-branch
No. 168 Yuhua East Road
Shijiazhuang City, Hebei Province
PRC

Agricultural Bank of China
Shijiazhuang Xicheng Sub-branch
No. 85 Yuhua West Road
Shijiazhuang City, Hebei Province
PRC

Bank of Communications
Hebei Branch, Shijiazhuang Yuhua West Sub-branch
2/F Block A, Yuyuan Plaza, No. 9 Yuhua West Road
Shijiazhuang City, Hebei Province
PRC

# Chairman's Statement

To shareholders,

China Suntien Green Energy Corporation Limited* (the "Company") was successfully listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") on October 13, 2010. The directors of the Company (the "Directors") and I believe that the Company's listing on the Hong Kong Stock Exchange will render a favourable platform for the Company to sustain the development of its clean energy business in the future.

On behalf of the board of Directors (the "Board"), I am pleased to announce the audited interim results of the Company and its subsidiaries (the "Group") for the six months ended June 30, 2010. For the six months ended June 30, 2010, the consolidated revenue of the Group amounted to RMB1,023 million, representing an increase of approximately 46.0% over the corresponding period in 2009. Profit before tax amounted to RMB265 million, representing an increase of approximately 81.3% over the corresponding period in 2009. Net profit attributable to shareholders/equity holders of the Company was RMB147 million, representing an increase of approximately 81.5% over the corresponding period in 2009. Basic earnings per share attributable to shareholders of the Company was approximately RMB0.0735, representing an increase of RMB0.0331 over the corresponding period in 2009. As at June 30, 2010, net assets per share of the Company (excluding non-controlling interests) was RMB1.03.

In 2010, China's economy maintained its vitality by presenting a steady growth. In the meantime, to address the energy crisis and environmental issues, Chinese government called for intensifying industrial restructuring as well as energy saving and emission reduction, while vigorously encouraging and fostering the utilization and development of clean energy. This creates an admirable economic environment for the Group to sustain the healthy development of its clean energy businesses such as wind power and natural gas. In the first half of 2010, the Group's wind power and natural gas businesses maintained a favourable growth momentum. As at June 30, the consolidated installed capacity of wind power operating projects was 606.2MW. Sales revenue of wind power business amounted to approximately RMB237 million, representing an increase of approximately 86.6% over the corresponding period in 2009. The volume of natural gas sold was approximately 451 million cubic meters. Sales revenue of natural gas business amounted to approximately RMB785 million, representing an increase of approximately 36.8% over the corresponding period in 2009.

Looking ahead, more efforts will be put in energy saving and environmental protection in the course of economic and social development in China so that the country will head towards a more low-carbon and environment-oriented way of development and lifestyle. The Group will seize this opportunity for further development. For wind power business, the Group will accelerate the construction of quality wind power projects, maintain rapid growth of installed capacity of wind power and expand its business area beyond Hebei Province. For natural gas business, the Group will continue to expand its existing pipeline networks and branch pipelines, consolidate and enlarge market shares, and further diversify its sources of natural gas supply, aiming to build the Company into a renowned leading clean energy company with core competitiveness in China.

We believe that the Company's listing on the Hong Kong Stock Exchange and use of the proceeds will speed up the development of the Group. I would like to extend my gratitude to all shareholders for their strong support.

**Li Lian Ping**
*Chairman*

Hong Kong, October 18, 2010

# Financial Highlights

The Board hereby presents the audited interim consolidated financial results of the Group for the six months ended June 30, 2010 (the "Period") prepared in accordance with the International Financial Reporting Standards. The Group's interim financial statements for the Period have been audited by Ernst & Young, the international auditor of the Company, in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board. The audit committee of the Board has also reviewed the 2010 interim report of the Group and its relevant financial information. Unless the context otherwise requires, capitalized terms used in this report shall have the same meanings as defined in the prospectus of the Company dated September 30, 2010 (the "Prospectus").

| | For the six months ended June 30 | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | | (Unaudited) |
| Revenue | **1,022,549** | 700,436 |
| Profit before tax | **265,406** | 146,391 |
| Income tax expense | **(32,623)** | (10,603) |
| Profit for the Period | **232,783** | 135,788 |
| Total comprehensive income for the Period, net of tax | **232,783** | 135,788 |
| Attributable to: | | |
| Owners of the Company | **147,035** | 80,820 |
| Non-controlling interests | **85,748** | 54,968 |
| Earnings per share attributable to the ordinary equity holders of the Company | | |
| Basic *(RMB cent)* | **7.35** *note* | 4.04 *note* |
| Diluted *(RMB cent)* | **7.35** *note* | 4.04 *note* |

*Note:* The calculation of earnings per share as at June 30, 2010 is based on RMB147,035,000 of profit attributable to owners of the Company for the relevant period and 2,000,000,000 shares in issue prior to the IPO of the Company as at June 30, 2010. The number of shares of the Company as at June 30, 2009 represents the number of shares prior to the IPO of the Company and assume that such shares had been in issue throughout the Period.

# Financial Highlights

| | June 30,2010<br>*RMB'000* | December 31, 2009<br>*RMB'000* |
|---|---|---|
| Total non-current assets | **6,610,120** | 5,241,464 |
| Total current assets | **1,564,727** | 542,025 |
| Total assets | **8,174,847** | 5,783,489 |
| Total current liabilities | **1,894,852** | 1,728,290 |
| Total non-current liabilities | **3,692,545** | 2,177,398 |
| Total liabilities | **5,587,397** | 3,905,688 |
| Net assets | **2,587,450** | 1,877,801 |
| Equity | | |
| Equity attributable to owners of the Company | | |
| Owner's equity | **—** | 1,343,718 |
| Issued share capital | **2,000,000** | — |
| Reserves | **62,436** | — |
| Non-controlling interests | **525,014** | 534,083 |
| Total equity | **2,587,450** | 1,877,801 |

# Management Discussion and Analysis

The Group is one of the leading clean energy companies in Northern China. It is mainly engaged in planning, development and operation of wind power projects and natural gas transmission.

For natural gas business, the Company, through Hebei Natural Gas Company Limited ("Hebei Natural Gas"), which is controlled by the Company, owns and operates the only long-distance natural gas transmission pipeline in the south-central Heibei, as well as 4 high-pressure branch pipelines, 9 distribution stations, 4 city pipeline networks and a central CNG refueling station.

For wind power business, the Group owns a large portfolio of wind power projects which are operating, under construction and in the pipeline in Northern China. As at June 30, 2010, consolidated installed capacity of wind power projects operated by the Group was 606.2 MW, mainly located in Beijing-Tianjin-Tangshan Power Grid and South Hebei Power Grid.

In the first half of 2010, benefited from steady growth of China's economy as well as encouragements and supports from Chinese government in the utilization and development of clean energy, the Group's wind power and natural gas businesses maintained a rapid and healthy development momentum.

## I. NATURAL GAS BUSINESS

### (I) Business Review

1. *Steady growth in sales volume of gas*

For the six months ended June 30, 2010, the Group sold approximately 451 million cubic meters of gas, representing an increase of approximately 31.1% over the corresponding period in 2009. In particular, the volume of gas sold to wholesale customers through the long-distance pipeline, branch pipelines, city natural gas pipeline networks and natural gas distribution stations was approximately 310 million cubic meters, representing an increase of approximately 29.2% over the corresponding period in 2009. The piped natural gas sold to retail customers was approximately 116 million cubic meters, representing an increase of approximately 41.5% over the corresponding period in 2009. CNG sold through central CNG refueling station was 25 million cubic meters, representing an increase of approximately 13.6% over the corresponding period in 2009.

| | For the six months ended June 30 | | |
|---|---|---|---|
| | **2010** | 2009 | Increase (%) |
| Gas sales volume (cubic meters in millions) | **451** | 344 | 31.1 |
| Wholesale | **310** | 240 | 29.2 |
| Retail | **116** | 82 | 41.5 |
| CNG | **25** | 22 | 13.6 |

2. *Orderly progress in development of new projects.*

In order to explore the market and expand natural gas business, the Group planned and developed an array of new projects. In particular, the Company has obtained government approvals or established project companies for Shahe City project (phase II) and Chengde City project. We expect to be able to supply gas by 2011 with annual supply capacity of 1,541 million cubic meters.

| Projects | Ownership held by Hebei Natural Gas | Location (within Hebei Province) | Description | Annual designed supply capacity *(cubic meters in millions)* | Whether approved | Expected commission date |
|---|---|---|---|---|---|---|
| Shahe City project (phase II) | 100% | Shahe City | City gas pipeline | 1,380 | Approved | 2011 |
| Chengde City project | 90% | Chengde City | Branch pipeline, CNG refuelling station, natural gas distribution station and city gas pipeline network expansion | 160.6 | Approved | 2011 |

In addition, the Group planned six preliminary projects including Qinghe City project, Ningjin County project, Gaoyi-Qinghe project, Tangshan Caofeidian project, Laiyuan County project and Shahe City LNG project, which will substantially improve transmission capacity of the Company upon full commencement of operation.

| Projects | Ownership held by Hebei Natural Gas | Location (within Hebei Province) | Description | Annual designed supply capacity *(cubic meters in million)* | Whether approved | Expected commission date |
|---|---|---|---|---|---|---|
| Qinghe City project | 100% | Qinghe City | City gas pipeline network | 46.5 | Approved | 2011 |
| Ningjin County project | 51% | Ningjin County | City gas pipeline network and natural gas distribution stations | 48.6 | Approved | 2011 |
| Gaoyi-Qinghe project | 100% | Gaoyi County, Boxiang County, Ningjin County, Dacaozhuang County, Xinhe County, Nangong County, Qinghe City | Branch pipeline and natural gas distribution stations | 495 | Approved | 2011 |
| Tangshan Caofeidian project | 20% | Caofeidian industrial zone of Tangshan City | Central LNG terminal | 13,300 | Applying for approval | 2012 |
| Laiyuan County project | 100% | Laiyuan County | City gas pipeline network | 39.5 | Approved | 2011 |
| Shahe City LNG project | 100% | Shahe City | Shahe City Central LNG liquefaction station | 43.89 | Applying for approval | 2012 |

3. *Appropriate adjustment to sales price of natural gas*

On May 31, 2010, the National Development and Reform Committee ("NDRC") issued a notice, which, effective from June 1, increased all benchmark ex-plant prices of domestic natural gas supply by RMB23 cents per cubic meter. The permitted range for increase of benchmark ex-plant prices was changed to 10% universally. To alleviate the impact of price hike from upstream suppliers, the Group raised the selling price of natural gas for commercial, industrial and vehicle uses accordingly, effective retroactively from June 1, 2010, pursuant to the decisions of relevant government authorities which permit natural gas distributors to adjust their natural gas sales price to downstream customers in accordance with their costs of supply, and based on the price adjustment notice issued by the Hebei Provincial Price Control Bureau .

| | **Before adjustment** *(RMB)* | **After adjustment** *(RMB)* |
|---|---|---|
| Industrial | 1.983 | 2.276 |
| Commercial | 1.583 | 1.836 |
| Vehicle users | 2.1 | 2.35 |

**(II) Major Financial Indicators of Natural Gas Business**

1. *Operating revenue*

For the six months ended June 30, 2010, sales revenue from natural gas business of the Group aggregately accounted for approximately 76.8% of total operating revenue of the Group (for the corresponding period in 2009: 81.9%)

During the Period, sales revenue of natural gas business of the Group amounted to approximately RMB785 million, representing an increase of approximately 36.8% from RMB574 million for the corresponding period last year, mainly attributable to the increase in gas sales volume and sales price during the Period.

2. *Operating cost*

During the Period, operating cost of natural gas business of the Group amounted to approximately RMB613 million, up approximately 40.0% from RMB438 million for the corresponding period last year, mainly attributable to the increase in gas purchase volume and purchase price during the Period.

3. *Operating profit*

During the Period, operating profit of natural gas business was approximately RMB176 million, up approximately 50.4% from RMB117 million for the corresponding period last year, mainly due to the increase in gas sales volume. Gross profit margin was approximately 22.0%, down approximately 1.6 percentage points from 23.6% for the corresponding period last year, mainly attributable to the increase in the purchase cost of gas.

## II. WIND POWER BUSINESS

### (I) Business Review

*1. Kept continuous and stable power generation*

As at June 30, 2010, the Group owned 10 operating wind power projects with consolidated installed capacity of 606.2MW and 5 wind power projects under construction with consolidated installed capacity of 347.8MW.

| Wind power projects controlled by the Company | Ownership held by the Group | Consolidated installed capacity | Location (within Hebei Province unless indicated otherwise) | Date for commencement of operation/estimated date for commencement of operation | Commercial operation date/estimated commercial operation date |
|---|---|---|---|---|---|
| | *%* | *MW* | | | |
| **Operating wind farms** | | | | | |
| Kangbao Wind Farm Phase I | 100% | 30 | Zhangjiakou | November 2006 | November 2006 |
| Guyuan Wind Farm Phase I | 100% | 30.6 | Zhangjiakou | October 2007 | October 2007 |
| Haixing Wind Farm | 70% | 49.5 | Cangzhou | September 2008 | September 2008 |
| Chongli Wind Farm Phase I | 50% | 49.3 | Zhangjiakou | November 2008 | November 2008 |
| Yuxian Wind Farm Phase I | 55.9% | 49.5 | Zhangjiakou | January 2009 | January 2009 |
| Chongli Wind Farm Phase II | 51% | 49.3 | Zhangjiakou | March 2009 and June 2009 | March 2009 and June 2009 |
| Yuxian Wind Farm Phase II | 55.9% | 49.5 | Zhangjiakou | November 2009 | November 2009 |
| Kangbao Wind Farm Phase II | 100% | 49.5 | Zhangjiakou | January 2010 | January 2010 |
| Guyuan Wind Farm Phase II | 75% | 49.5 | Zhangjiakou | January 2010 | January 2010 |
| Dongxinying Wind Farm | 100% | 199.5 | Zhangjiakou | May 2010 | October 2010 |
| **Wind Farms under construction** | | | | | |
| Weichang Yudaokou Muchang Wind Farm | 100% | 150 | Chengde | The fourth quarter of 2010 | The fourth quarter of 2010 |
| Yuxian Wind Farm Phase III | 55.9% | 49.3 | Zhangjiakou | The fourth quarter of 2010 | The fourth quarter of 2010 |
| Caoniangou Wind Farm | 49% | 49.5 | Zhangjiakou | The fourth quarter of 2010 | The fourth quarter of 2010 |
| Hanfengling Wind Farm | 55% | 49.5 | Datong, Shanxi Province | The fourth quarter of 2010 | The first quarter of 2011 |
| Yuxian Dongdianziliang Wind Farm Phase I | 55.9% | 49.5 | Zhangjiakou | The first quarter of 2011 | The second quarter of 2011 |

The Group also holds minority interests in 5 jointly controlled wind power projects, including 4 operating projects with the aggregated attributable installed capacity of 94.1MW and a project under construction with attributable installed capacity of 22.3MW.

For the six months ended June 30, 2010, the aggregate power generation of the Group amounted to 515 million KWh, representing an increase of 110.2% over the corresponding period in 2009. On-grid electricity amounted to 503 million kWh. Comprehensive auxiliary power rate was 2.3%. For the first half of 2010, the average availability factor of the Group's wind power generating units was approximately 95.5% and the average utilization hours was approximately 1,266 hours.

2. *Sped up project development and expanded resource reserve*

The Group actively pushed forward the development and construction of wind power projects and made great efforts to improve project quality. In respect of its infrastructure work, taking "zero accident, zero defect" as basic objectives of its infrastructure management, the Group further promoted the establishment of a standardized infrastructure management system, strengthened site management and quality management and well addressed relations among safety, cost, quality and progress, in a bid to build high-quality projects. In the first half of the year, all projects under construction were in smooth progress. In particular, the first wind turbine of Dongxinying Wind Farm commenced power generation and was connected to power grids on May 25.

The Group also actively increased its reserve of wind power resources and strengthened the initiation and approval of pipeline projects. As of June 30, 2010, the Group had wind power pipeline projects of about 8,563 MW, providing adequate resources for future development. In the first half of 2010, the Group obtained the approval for Zhangbei Daxishan 49.5MW wind farm project and Chongli Jiaocheshan 49.3MW wind farm project and initiated 5 additional wind power projects, including Changli Datan project.

3. *Broadened financing channels*

The Group took various measures to broaden financing channels to support the rapid development of wind power business. In addition to continuing to obtain and maintain adequate bank facilities, the Group also issued short-term financing bonds and implemented the insurance loan plan in the first half of the year. In June, the insurance loan plan amounting to RMB1.3 billion provided by Pacific Asset Management Co., Ltd. was completed. The interest is settled annually and the interest rate is 13% lower than the prevailing five-year benchmark lending rate as set by The People's Bank of China for loans denominated in Renminbi. In July, the Group completed the issue of short-term financing bonds up to RMB500 million at an interest rate of 3.2%. The multi-channel financing not only guaranteed needs of rapid business development, but also effectively reduced the Group's financing cost.

4. *Strengthened the CDM project*

The Group continued to strengthen CDM business. In the first half of 2010, the Group's net income from CERs was approximately RMB19.64 million, representing an increase of RMB7.736 million over the corresponding period last year. In July 2010, the Company's Guyuan Wuhuaping Wind Farm CDM project was successfully registered with the United Nations Climate Change Executive Board, which increased the number of the Company's registered CDM projects to 6 out of the Company's total 15 CDM projects.

**(II) Major Financial Indicators of Wind Power Business**

1. *Operating revenue*

For the six months ended June 30, 2010, sales revenue of the Group's wind power business represented approximately 23.2% of the Group's total operating revenue.

During the Period, the Group recorded a sales revenue of approximately RMB237 million from the wind power business, representing an increase of approximately 86.6% from RMB127 million for the corresponding period last year, mainly due to the increase in power generation for the current period.

2. *Operating cost*

During the Period, the Group's operating cost for wind power business was approximately RMB93 million, representing an increase of approximately 78.8% from RMB52 million for the corresponding period last year, mainly due to the expanded production scale and increased production capacity which directly resulted in the increase of production cost.

3. *Operating profit*

During the Period, operating profit of the wind power business was approximately RMB150 million, representing an increase of approximately 85.2% from RMB81 million for the corresponding period last year, mainly due to the expanded production scale and increased production capacity of the Group. From January to June 2010, the Group's newly installed capacity and power generation increment were 199.5MW and 515 million kWh respectively, representing an increase of 150.2MW and 270 million kWh as compared to the corresponding period in 2009, respectively.

Gross profit margin was approximately 60.6%, representing an increase of 1.5 percentage points from 59.1% for the corresponding period last year, mainly due to the Group's enhanced operating management along with the increase in operating wind farms. The enhancement in production efficiency directly resulted in the increase of the Group's gross profit margin.

## III. ANALYSIS ON CONSOLIDATED OPERATING RESULTS

**Operating revenue**

During the Period, the Group recorded operating revenue of approximately RMB1,023 million, representing an increase of approximately 46.1% from RMB700 million for the corresponding period in 2009.

1. Sales revenue from natural gas business was approximately RMB785 million, representing an increase of approximately 36.8% from the corresponding period last year, mainly due to the volume of increase in natural gas sold and selling price of natural gas during the current period;

2. Sales revenue from wind power business was approximately RMB237 million, representing an increase of approximately 86.6% from the corresponding period last year, mainly due to the increase of power generation from the corresponding period last year as a result of the increase in operating wind farm capacity during the current period.

| **Operating revenue** | **Six months ended June 30,** | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | | (Unaudited) |
| Natural gas | **785,270** | 573,660 |
| Wind power | **237,279** | 126,776 |

**Operating costs**

During the Period, the Group's operating cost aggregated to approximately RMB745 million, representing an increase of approximately 43.8% over RMB518 million for the corresponding period last year, mainly due to the increase in operating wind power installed capacity, increase in the volume of natural gas sold and increase in the purchase cost of the Group's natural gas as a result of the upstream price adjustment. Among which:

1) During the Period, cost of sales of the Group was approximately RMB706 million, representing an increase of approximately 44.1% over RMB490 million for the corresponding period last year, mainly due to the increase in operating wind power installed capacity, the substantial growth in volume of gas sold from natural gas business and the increase in gas purchase cost directly resulting from the natural gas price adjustment from May 1, 2009.

2) During the Period, the Group's administrative expenses was approximately RMB33 million, representing an increase of approximately 17.9% over RMB28 million for the corresponding period last year, mainly due to the corresponding increase in staff costs and management costs as a result of the Group's business expansion.

3) During the Period, the Group's other expense was approximately RMB6 million, representing an increase of approximately RMB5.96 million over RMB0.04 million for the corresponding period last year, mainly due to the exchange losses on foreign currency revenue from the CERs receivables of our wind power business as a result of exchange rate adjustment at the end of the Period.

**Finance cost**

During the Period, the Group's net finance cost was RMB74 million, representing an increase of approximately 42.3% over RMB52 million for the corresponding period last year, mainly because the interest expenses to be capitalized for projects under construction in 2009 were all recognized as current finance cost after the completion and commencement of operation of such projects in 2010.

**Share of profit of associates**

During the Period, the Group's share of profit of associates was approximately RMB16 million, while no associates had completed and commenced commercial operation during the corresponding period last year.

**Income tax expense**

During the Period, the Group's net income tax expense was approximately RMB33 million, representing an increase of approximately 200.0% from RMB11 million for the corresponding period last year, mainly because income tax for the Group's natural gas business was fully exempted in 2009 and was paid at 50% of the full tax rate in 2010 according to the preferential income tax treatment of "exemption for first two years and 50% reduction for the following three years" enjoyed by the Group's natural gas business.

**Net profit**

During the Period, the Group recorded a net profit of approximately RMB233 million. Net profit attributable to shareholders/equity holders of the Company was RMB147 million, representing an increase of approximately 81.5% over RMB81 million for the corresponding period in 2009. Basic earnings per share attributable to shareholders of the Company was approximately RMB0.0735, representing an increase of RMB0.0331 over the corresponding period in 2009.

**Interest-bearing bank and other borrowings**

As of June 30, 2010, the Group's long-term and short-term borrowings totalled approximately RMB4,808 million, representing an increase of approximately RMB1,783 million over RMB3,025 million as of December 31, 2009. Among the total borrowings, the short-term borrowings (including current portion of long-term borrowings) aggregated to approximately RMB1,137 million (December 31, 2009: RMB879 million) and long-term borrowings amounted to RMB3,671 million (December 31, 2009: RMB2,146 million).

Details of the Group's interest-bearing bank and other borrowings are set out in Note 27 to the audited interim financial statements in this report prepared under International Financial Reporting Standards.

**Gearing ratio**

As of June 30, 2010, the Group's gearing ratio (calculated as the percentage of net liabilities to total equity and net liabilities) was 63%, down 2% from 65% as of December 31, 2009, mainly due to the cash contributions of RMB610 million to the Company by Hebei Construction & Investment Group Co., Ltd. ("HECIC") and HECIC Water Investment Co., Ltd. ("HECIC Water") pursuant to the reorganisation coupled with the enhancement in the Group's profitability which improved the Group's net liabilities and equity structures in the first half of 2010. Net liabilities include trade and bills payables, other payables and accruals and short-term and long-term interest-bearing bank and other borrowings, less cash and cash equivalents and pledged deposits. Total equity includes equity attributable to owners of the Company and non-controlling interests.

**Liquidity and capital resources**

As of June 30, 2010, the Group's net current liabilities were RMB330 million (December 31, 2009: RMB1,186 million). For the six months ended June 30, 2010, the net increase in cash and cash equivalents of the Group was approximately RMB797 million (for the six months ended June 30, 2009: RMB69 million). As of June 30, 2010, the Group had unutilized banking facilities of approximately RMB8,865 million obtained from various domestic banks.

**Capital expenditures**

Capital expenditures mainly include the construction cost for construction of new wind power projects, natural gas pipelines and additions to property, plant and equipment and prepaid land lease payments. Capital resources mainly include capital, bank borrowings, bonds issue, insurance loan plan and cash flow from the Group's operating activities. During the Period, the Group's capital expenditures were RMB1,465 million, representing an increase of approximately 101.0% over RMB729 million for the corresponding period in 2009. Segment information of capital expenditures is as follows:

| | **Six months end June 30,** | |
|---|---|---|
| **Capital expenditures** | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | | (Unaudited) |
| Natural gas | **53,745** | 4,691 |
| Wind power | **1,411,560** | 724,383 |

**Material investments**

Save as disclosed in the Prospectus, in the first half of 2010, the Group had no other material investment, capital assets acquisition or such plan.

**Material acquisitions and disposals**

Save as disclosed in the Prospectus, in the first half of 2010, the Group had no material acquisitions or disposals.

**Asset charge**

As of June 30, 2010, the Group had no charge on its assets.

**Foreign exchange risk**

Most of the Group's business are settled with Renminbi, being the Group's functional currency, therefore, the Board expects the future exchange rate fluctuation will not have any material effect on the Group's business. The Group did not use any financial instruments for hedging purpose.

**Capital structure**

As of June 30, 2010, the Company's registered capital was RMB2,000 million, divided into 2,000,000,000 domestic shares with a par value of RMB1.00 each. As of the date of this report, the Company's issued share capital was RMB3,076,900,000, divided into 1,892,310,000 domestic shares with a par value of RMB1.00 each and 1,184,590,000 H shares with a par value of RMB1.00 each.

**Contingent liabilities**

As of June 30, 2010, the Group had no material contingent liabilities.

**Human Resources**

As of June 30, 2010, the Group had approximately 718 full-time employees (June 30, 2009: 503 full-time employees).

The remuneration of the Group's full-time employees generally includes basic salary, performance rating salary and other allowances like year-end wage and subsidies. In addition, the Group may, at its discretion, pay year-end bonuses to employees based on its operating results. The Group conducts performance assessment quarterly for its administrative and technical staff and gives feedback on staff's performance. The Group provides continuous education and training programs to its management staff and other employees to improve their skills and knowledge on a regular basis. The Group also engages third party consultants to provide training for its employees.

## IV. BUSINESS OUTLOOK

China announced its environmental goal by 2020 to reduce 40%-45% in carbon dioxide emission per unit GDP as compared with that in 2005 and increase the percentage of its non-fossil energy to primary energy to about 15%. Therefore, there will be huge potential in the development and utilization of clean energies including natural gas and wind power. As a company committed to clean energy development, the Company will strive to grasp such historical opportunity to accelerate its development. In the second half of 2010, it will focus on the following aspects:

(1) to increase its efforts in the market development of natural gas business, in particular to push the commencement of projects in contracted regions and strengthen the strategic cooperation with CNPC;

(2) to consolidate and expand city gas market to ensure fulfilment of the annual sales task; to carefully investigate and study existing market and develop various types of potential users;

(3) to strengthen the maintenance of wind turbines' operation to ensure fulfilment of the annual power generation tasks;

(4) to strengthen the management of wind power project development and construction to ensure the completion of projects under construction with a high quality, while seeking to obtain approvals for more wind power projects qualified for construction;

(5) to aggressively expand wind resource reserves by finalising more wind power development agreements, and actively conducts wind test and planning work for new wind projects to increase the number of pipeline projects for which preparatory work can be carried out in a detailed manner.

The Company was established on February 9, 2010 and listed on the Hong Kong Stock Exchange on October 13, 2010. Since its establishment, the Company has always been committed to improving its corporate governance and considered good corporate governance an indispensable part in creating value for shareholders. The Company has established a modern and balanced corporate governance structure which comprises a number of independently operated bodies including shareholders meeting, the Board, the Supervisory Committee and senior management in accordance with the code provisions set out in the Code on Corporate Governance Practice ("Code on Corporate Governance Practice") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

## COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

As the Company was listed on the Hong Kong Stock Exchange on October 13, 2010, the Code on Corporate Governance Practice was not applicable to the Company for the six months ended June 30, 2010.

As of the date of this report, the Company had adopted the Code on Corporate Governance Practice as the guideline of its corporate governance. As of the date of this report, none of the Directors are aware of any information that would reasonably indicate that the Company or any Director is not or was not for any time of the period from the listing date to the date of this report in compliance with the requirement of the Code on Corporate Governance Practice.

## COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

As at June 30, 2010, the Company's shares had not been listed on the Hong Kong Stock Exchange, therefore the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules was not applicable to the Company and its Directors and Supervisors.

As of the date herein, the Company has adopted the Model Code as the code of conduct regarding securities transactions by all the Directors and Supervisors of the Company. After making specific enquiries to all of the Directors, all Directors confirmed that they had fully complied with the Model Code since the listing of the Company.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company's shares were listed on the Hong Kong Stock Exchange on October 13, 2010. During the six months ended June 30, 2010, none of the Company's securities was purchased, sold or redeemed by the Company or any of its subsidiaries.

# Other Information

## DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of June 30, 2010, the Company's shares had not been listed on the Hong Kong Stock Exchange. As such, Divisions 7 and 8 of Part XV and section 352 of the Securities and Futures Ordinance and the Model Code were not applicable to the Company and its Directors, Supervisors and chief executives.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As of June 30, 2010, the Company's shares had not been listed on the Hong Kong Stock Exchange. As such, Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance were not applicable to the Company and its substantial shareholders.

## AUDIT COMMITTEE

The Company has established the audit committee in accordance with the requirements of the Listing Rules. The primary responsibilities of the audit committee are to review and supervise the Company's financial reporting procedure, which include, among other things, appointing and supervising the work of our independent auditors and pre-approving all non-audit services to be provided by our independent auditors; reviewing our annual and interim financial statements, earnings releases, critical accounting policies and practices used to prepare financial statements, alternative treatments of financial information, the effectiveness of our disclosure controls and procedures and important trends and developments in financial reporting practices and requirements; reviewing the planning and staffing of internal audits, the organization, responsibilities, plans, results, budget and staffing of our internal audit team and the quality and effectiveness of our internal controls; reviewing our risk assessment and management policies; and establishing procedures for the treatment of complaints received by us regarding accounting, internal accounting controls, auditing matters, potential violations of law and questionable accounting or auditing matters.

The audit committee consists of three Directors: Mr. Wang Xiang Jun (Independent Non-executive Director), Mr. Xiao Gang (Non-Executive Director) and Mr. Yue Man Yiu Matthew (Independent Non-executive Director). Mr. Wang Xiang Jun serves as the Chairman of the audit committee.

On October 18, 2010, the audit committee had reviewed and confirmed the Group's announcement on interim results for the six months ended June 30, 2010, the 2010 Interim Report and the audited interim financial statements for the six months ended June 30, 2010 prepared under International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance.

# Other Information

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2010. The Company declared and paid special dividends during the six months ended 30 June 2010. For details, please refer to the section titled "Financial Information - Pre-establishment Distribution and Special Dividends" of the Prospectus of the Company.

## PUBLICATION OF THE INTERIM REPORT

The electronic version of this interim report is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.suntien.com).

By Order of the Board
**China Suntien Green Energy Corporation Limited**
**Li Lian Ping**
*Chairman*

Hong Kong, October 18, 2010

# Independent Auditors' Report

ERNST & YOUNG
安永

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**To the board of directors of China Suntien Green Energy Corporation Limited**
*(Incorporated in the People's Republic of China as a joint stock limited company with limited liability)*

We have audited the interim financial statements of China Suntien Green Energy Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 24 to 104, which comprise the consolidated and the Company's statements of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

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

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

**To the board of directors of China Suntien Green Energy Corporation Limited**
*(Incorporated in the People's Republic of China as a joint stock limited company with limited liability)*

## AUDITORS' RESPONSIBILITY *(Continued)*

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

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

## OPINION

In our opinion, the interim financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2010 and of the Group's profit and cash flows for the six-month period then ended in accordance with IFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Ernst & Young**
*Certified Public Accountants*

Hong Kong
18 October 2010

# Consolidated Statement of Comprehensive Income

*Six-month period ended 30 June 2010*

| | Notes | Six-month period ended 30 June **2010** *RMB'000* | 2009 *RMB'000* (Unaudited) |
|---|---|---|---|
| **REVENUE** | 6 | **1,022,549** | 700,436 |
| Cost of sales | 7 | **(706,212)** | (490,241) |
| Gross profit | | **316,337** | 210,195 |
| Other income and gains, net | 6 | **46,015** | 16,276 |
| Selling and distribution costs | | **(145)** | (161) |
| Administrative expenses | | **(32,989)** | (28,035) |
| Other expenses | | **(6,331)** | (37) |
| **PROFIT FROM OPERATIONS** | | **322,887** | 198,238 |
| Finance costs | 8 | **(73,661)** | (51,847) |
| Share of profits of associates | | **16,180** | — |
| **PROFIT BEFORE TAX** | 7 | **265,406** | 146,391 |
| Income tax expense | 10 | **(32,623)** | (10,603) |
| **PROFIT FOR THE PERIOD** | | **232,783** | 135,788 |
| Other comprehensive income | | **—** | — |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX** | | **232,783** | 135,788 |
| Profit and total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | **147,035** | 80,820 |
| Non-controlling interests | | **85,748** | 54,968 |
| | | **232,783** | 135,788 |
| Earnings per share attributable to the ordinary equity holders of the Company: | | | |
| Basic *(RMB)* | 12 | **7.35 cents** | 4.04 cents |
| Diluted *(RMB)* | 12 | **7.35 cents** | 4.04 cents |

# Consolidated Statement of Financial Position

*30 June 2010*

| | Notes | As at 30 June 2010 RMB'000 | As at 31 December 2009 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 13 | **4,847,106** | 4,357,558 |
| Prepaid land lease payments | 14 | **81,461** | 70,022 |
| Intangible asset | 15 | **3,254** | 3,353 |
| Interests in associates | 17 | **253,585** | 222,807 |
| Held-to-maturity investment | 18 | **2,000** | 2,000 |
| Available-for-sale investments | 19 | **3,400** | 3,400 |
| Deferred tax assets | 20 | **320** | 412 |
| Prepayments and other receivable | 23 | **1,418,994** | 581,912 |
| **Total non-current assets** | | **6,610,120** | 5,241,464 |
| **CURRENT ASSETS** | | | |
| Prepaid land lease payments | 14 | **2,231** | 2,093 |
| Inventories | 21 | **22,017** | 21,548 |
| Trade receivables | 22 | **98,287** | 84,776 |
| Prepayments, deposits and other receivables | 23 | **164,772** | 88,717 |
| Held-to-maturity investments | 18 | **150,677** | — |
| Pledged deposits | 24 | **63** | 14,733 |
| Cash and cash equivalents | 24 | **1,126,680** | 330,158 |
| **Total current assets** | | **1,564,727** | 542,025 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | 25 | **327,012** | 439,669 |
| Other payables and accruals | 26 | **409,971** | 395,863 |
| Interest-bearing bank and other borrowings | 27 | **1,137,655** | 879,000 |
| Tax payable | | **20,214** | 13,758 |
| **Total current liabilities** | | **1,894,852** | 1,728,290 |
| **NET CURRENT LIABILITIES** | | **(330,125)** | (1,186,265) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **6,279,995** | 4,055,199 |

# Consolidated Statement of Financial Position

*30 June 2010*

| | Notes | As at 30 June 2010 RMB'000 | As at 31 December 2009 RMB'000 |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | 27 | **3,670,618** | 2,145,808 |
| Other payables and accruals | 26 | **21,927** | 31,590 |
| **Total non-current liabilities** | | **3,692,545** | 2,177,398 |
| **Net assets** | | **2,587,450** | 1,877,801 |
| **EQUITY** | | | |
| Equity attributable to owners of the Company | | | |
| Owner's equity | | **—** | 1,343,718 |
| Issued share capital | 28 | **2,000,000** | — |
| Reserves | 29(a) | **62,436** | — |
| | | **2,062,436** | 1,343,718 |
| Non-controlling interests | | **525,014** | 534,083 |
| **Total equity** | | **2,587,450** | 1,877,801 |

*Director* **Li Lian Ping**

*Director* **Cao Xin**

# Consolidated Statement of Changes in Equity

*For the six-month period ended 30 June 2010*

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Owner's equity *RMB'000* | Issued share capital *RMB'000* | Capital reserve *RMB'000* | Retained profits *RMB'000* *(note (iii))* | Total *RMB'000* | Non-controlling interests *RMB'000* | Total equity *RMB'000* |
| As at 1 January 2010 | **1,343,718** | **—** | **—** | **—** | **1,343,718** | **534,083** | **1,877,801** |
| Total comprehensive income for the period | **38,495** | **—** | **—** | **108,540** | **147,035** | **85,748** | **232,783** |
| Distributions *(note 11)* | **(38,495)** | **—** | **—** | **—** | **(38,495)** | **—** | **(38,495)** |
| Dividends declared to non-controlling shareholders | **—** | **—** | **—** | **—** | **—** | **(106,217)** | **(106,217)** |
| Cash contributions received *(note (i))* | **610,178** | **—** | **—** | **—** | **610,178** | **—** | **610,178** |
| Cash contributions by non-controlling shareholders | **—** | **—** | **—** | **—** | **—** | **11,400** | **11,400** |
| Capitalisation upon the Restructuring *(note (ii))* | **(1,953,896)** | **2,000,000** | **(46,104)** | **—** | **—** | **—** | **—** |
| As at 30 June 2010 | **—** | **2,000,000** | **(46,104)*** | **108,540*** | **2,062,436** | **525,014** | **2,587,450** |
| As at 1 January 2009 | 995,019 | — | — | — | 995,019 | 396,481 | 1,391,500 |
| Total comprehensive income for the period (unaudited) | 80,820 | — | — | — | 80,820 | 54,968 | 135,788 |
| Distributions (unaudited) *(note 11)* | (83,511) | — | — | — | (83,511) | — | (83,511) |
| Dividends paid to non-controlling shareholders (unaudited) | — | — | — | — | — | (53,909) | (53,909) |
| Cash contributions by HECIC (unaudited) | 352,400 | — | — | — | 352,400 | — | 352,400 |
| Cash contributions by non-controlling shareholders (unaudited) | — | — | — | — | — | 42,090 | 42,090 |
| Acquisition of non-controlling interests (unaudited) | (1,010) | — | — | — | (1,010) | (1,810) | (2,820) |
| As at 30 June 2009 (unaudited) | 1,343,718 | — | — | — | 1,343,718 | 437,820 | 1,781,538 |

* These reserve accounts comprise the consolidated reserves of RMB62,436,000 in the consolidated statement of financial position as at 30 June 2010.

*Notes:*

(i) Cash contributions received by the Company during the six-month period ended 30 June 2010 represent cash contributions by Heibei Construction & Investment Group Co., Ltd. (河北建投投資集團有限責任公司, "HECIC", a state-owned enterprise in the People's Republic of China (The "PRC", or Mainland China, which excludes, for the purpose of these interim financial statements, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan) and HECIC Water Investment Co., Ltd. (河北建投水務投資有限公司, "HECIC Water", a wholly-owned subsidiary of HECIC incorporated in the PRC) of approximately RMB203 million and RMB407 million, respectively, pursuant to the reorganisation (the "Reorganisation") of HECIC, details of which are set out in note 1 below.

# Consolidated Statement of Changes in Equity

*For the six-month period ended 30 June 2010*

*Notes: (Continued)*

(ii) As further described in note 2 below, the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows of the Group have been prepared as if the Group had been in existence throughout the periods presented. Upon the incorporation of the Company on 9 February 2010, the historical net carrying amount of the assets (including cash contributions to the Company upon its incorporation) and liabilities transferred to the Company by HECIC and HECIC Water was converted into the Company's share capital of RMB2,000 million, equivalent to 2,000 million shares of RMB1.00 each, with all the then existing reserves eliminated and the resulting difference dealt with in the capital reserve. Accordingly, the capital reserve, being the difference between the amount of share capital issued and the historical net carrying amount of the assets and liabilities transferred to the Company upon incorporation, was presented in the reserves of the Group. Separate classes of reserves, including retained profits prior to the incorporation of the Company, were not separately disclosed as all of these reserves had been capitalised and incorporated in the share capital and the capital reserve of the Group pursuant to the Reorganisation. Pursuant to the Reorganisation, the Company became the holding company of the Group. Details of the Reorganisation are set out in note 1 below.

(iii) Pursuant to the Reorganisation and an ordinary resolution passed by the shareholders of the Company on 9 February 2010, the shareholders of the Company approved a dividend plan that a special dividend will be declared and paid to the shareholders of the Company: HECIC and HECIC Water, according to their respective shareholding interests in the Company ("First Special Dividend"). The First Special Dividend which will be paid to HECIC and HECIC Water in an aggregate amount of approximately RMB42,718,000 is calculated based on the net profit of the Group attributable to the owners of the Company, as stated in the audited consolidated financial statements of the Company for the three-month period ended 31 March 2010 prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance (the "MOF") of the PRC in 2006, and other related regulations issued by the MOF (collectively "PRC GAAP") and International Financial Reporting Standards ("IFRSs"), whichever is lower, after deducting any appropriation made by the Company to the statutory and discretionary reserve funds, if any, and minus the net profit of the Group attributable to the owner of the Company for the period from 1 January 2010 to 9 February 2010 of RMB38,495,000 (note 11).

The First Special Dividend payable to HECIC and HECIC Water was declared on 19 September 2010 in an aggregate amount of approximately RMB42.7 million and was settled in full prior to the date of these interim financial statements which will be reflected in the consolidated statement of changes in equity for the year ending 31 December 2010.

In addition, pursuant to an ordinary resolution passed by the shareholders on 9 February 2010, the shareholders of the Company also approved a dividend plan that another special dividend will be declared and paid to the shareholders of the Company: HECIC and HECIC Water, according to their respective shareholding interests in the Company ("Second Special Dividend"), for the net profit of the Group attributable to the owners of the Company earned for the period from 1 April 2010 up to the day immediately prior to the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited ("The Hong Kong Stock Exchange") (the "Listing").

The Company will determine the actual amount of the Second Special Dividend based on (1) the profit of the Group attributable to the owners of the Company as stated in the audited consolidated financial statements of the Company, prepared in accordance with PRC GAAP and IFRSs, whichever is lower, after deducting any appropriation made by the Company to the statutory and discretionary reserve funds, if any, for the seven-month period ending 31 October 2010, minus (2) the profit of the Group attributable to the owners of the Company for the period from the day of the Listing to 31 October 2010. The profit of the Group attributable to the owners of the Company for the period from the day of the Listing to 31 October 2010 equals the amount, calculated on a pro-rata basis, of the profit of the Group attributable to the owners of the Company, as stated in the audited consolidated financial statements of the Company, prepared in accordance with PRC GAAP and IFRSs, whichever is lower, after deducting any appropriation made by the Company to the statutory and discretionary reserve funds, if any, for the seven-month period ending 31 October 2010. The Company will arrange a special audit of the consolidated financial statements of the Company for the seven-month period ending 31 October, 2010 to be performed and completed by 31 March 2011.

The final declaration and payment of the Second Special Dividend are subject to the approval of the Board of Directors of the Company.

# Consolidated Statement of Cash Flows

*For the six-month period ended 30 June 2010*

| | Notes | Six-month period ended 30 June<br>**2010**<br>***RMB'000*** | <br>2009<br>*RMB'000*<br>(Unaudited) |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | **265,406** | 146,391 |
| Adjustments for: | | | |
| Finance costs | 8 | **73,661** | 51,847 |
| Foreign exchange losses, net | 7 | **6,148** | 4 |
| Interest income | 6 | **(2,190)** | (1,195) |
| Share of profits of associates | | **(16,180)** | — |
| Depreciation of property, plant and equipment | 7 | **114,660** | 69,702 |
| Amortisation of prepaid land lease payments | 7 | **914** | 453 |
| Amortisation of an intangible asset | 7 | **403** | 152 |
| Loss on disposal of items of property, plant and equipment, net | 7 | **1,402** | 33 |
| | | **444,224** | 267,387 |
| Increase in inventories | | **(469)** | (2,705) |
| Increase in trade receivables | | **(13,511)** | (51,548) |
| Increase in prepayments, deposits and other receivables | | **(77,696)** | (30,615) |
| (Decrease)/increase in trade and bills payables | | **(3,952)** | 16,093 |
| Decrease in other payables and accruals | | **(60,080)** | (12,754) |
| Cash flows from operations | | **288,516** | 185,858 |
| Income tax paid | | **(26,075)** | (3,277) |
| Net cash flows from operating activities | | **262,441** | 182,581 |

# Consolidated Statement of Cash Flows

*For the six-month period ended 30 June 2010*

| | | Six-month period ended 30 June | |
|---|---|---|---|
| | | **2010** | 2009 |
| | | ***RMB'000*** | *RMB'000* |
| | *Notes* | | (Unaudited) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for acquisition of items of property, plant and equipment | | **(1,539,296)** | (686,804) |
| Payments for acquisition of prepaid land lease payments | | **(2,422)** | (5,638) |
| Payments for acquisition of an intangible asset | | **(304)** | (72) |
| Proceeds from disposal of items of property, plant and equipment | | **808** | 142 |
| Capital contributions to associates | | **(14,598)** | (19,170) |
| Payments for acquisition of held-to-maturity investments | | **(550,677)** | (53,214) |
| Prepayment for a long term investment | | **(10,200)** | — |
| Proceeds from settlement of held-to-maturity investments | | **400,000** | — |
| Interest from held-to-maturity investments | | **241** | 87 |
| Decrease in an amount due from HECIC, net | | **—** | 102,994 |
| (Increase)/decrease in pledged bank balances | 24 | **14,670** | (14,733) |
| Decrease in non-pledged time deposits with original maturity of three months or more when acquired | | **—** | 20,000 |
| Interest received | | **2,190** | 1,195 |
| Net cash flows used in investing activities | | **(1,699,588)** | (655,213) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Capital contributions by HECIC and HECIC Water | | **610,178** | 352,400 |
| Capital contributions by non-controlling shareholders | | **8,900** | 42,090 |
| New bank and other borrowings | | **2,790,213** | 627,000 |
| Repayment of bank and other borrowings | | **(998,748)** | (325,000) |
| Payments for acquisition of non-controlling interests | | **—** | (2,820) |
| Interest paid | | **(93,372)** | (68,192) |
| Dividends paid to a non-controlling shareholder | | **(3,877)** | — |
| Distributions to HECIC | | **(79,625)** | (83,511) |
| Net cash flows from financing activities | | **2,233,669** | 541,967 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **796,522** | 69,335 |
| Cash and cash equivalents at beginning of period | | **330,158** | 213,078 |
| Effect of exchange rate changes on cash and cash equivalents | | **—** | (18) |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | 24 | **1,126,680** | 282,395 |

# Statement of Financial Position

*30 June 2010*

| | Notes | As at 30 June 2010 *RMB'000* |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Interests in subsidiaries | 16 | **1,673,749** |
| Prepayments and other receivable | 23 | **112** |
| **Total non-current assets** | | **1,673,861** |
| **CURRENT ASSETS** | | |
| Prepayments, deposits and other receivables | 23 | **236,443** |
| Cash and cash equivalents | 24 | **183,972** |
| **Total current assets** | | **420,415** |
| **CURRENT LIABILITIES** | | |
| Other payables and accruals | 26 | **262** |
| **Total current liabilities** | | **262** |
| **NET CURRENT ASSETS** | | **420,153** |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **2,094,014** |
| **Net assets** | | **2,094,014** |
| **EQUITY** | | |
| Equity attributable to owners of the Company | | |
| Issued share capital | 28 | **2,000,000** |
| Reserves | 29(b) | **94,014** |
| **Total equity** | | **2,094,014** |

## 1. CORPORATE INFORMATION

The Company was established as a joint stock company with limited liability on 9 February 2010 in the PRC as part of the Reorganisation of HECIC in preparation for the Listing. HECIC was the holding company of the subsidiaries now comprising the Group prior to the Reorganisation.

In consideration for HECIC and HECIC Water transferring the Clean Energy Business Operations (see definition below) and cash in an aggregate amount of RMB2,033.9 million, respectively, to the Company upon its incorporation on 9 February 2010, the Company issued 1,600 million ordinary shares to HECIC and 400 million ordinary shares to HECIC Water, respectively. The ordinary shares issued to HECIC and HECIC Water have a par value of RMB1.00 each and represented the entire registered and issued share capital of the Company upon its incorporation. In the opinion of the directors of the Company (the "Directors"), HECIC is the ultimate holding company of the Company.

The registered office of the Company is located at Block A, Yuyuan Plaza, No. 9 Yuhua West Road, Shijiazhuang, Hebei Province, the PRC.

Prior to the incorporation of the Company, the Clean Energy Business Operations were carried out by two companies owned or controlled by HECIC. Pursuant to the Reorganisation, the Clean Energy Business Operations were transferred to the Company upon its incorporation.

**Clean Energy Business Operations**

In connection with the Reorganisation, the Clean Energy Business Operations being transferred to the Company include:

(a) the operation relating to the sale of natural gas and gas appliances and the connection and construction of natural gas pipelines together with the related assets and liabilities; and

(b) the operation of wind power generation together with the related assets and liabilities, except for a 25% non-controlling shareholding interests indirectly held by HECIC in HECIC Yanshan (Guyuan) Wind Power Co., Ltd., a 75%-owned subsidiary of the Company.

## 2. BASIS OF PRESENTATION AND PREPARATION

(a) As discussed in note 1 above, prior to the incorporation of the Company, the Clean Energy Business Operations were controlled and owned by HECIC. Upon the incorporation of the Company on 9 February 2010, the Clean Energy Business Operations were transferred to the Company. As there was no change in the ultimate controlling shareholder of the Clean Energy Business Operations before and after the Reorganisation, the Reorganisation has been accounted for as a combination of business under common control in a manner similar to the pooling-of-interests method. As a result, the accompanying consolidated statements of financial position have been prepared to present the Group's assets and liabilities as if the Reorganisation had been completed as at the beginning date of the earliest period presented. The accompanying consolidated statements of comprehensive income and consolidated statements of cash flows include the Group's financial performance and cash flows as if the Clean Energy Business Operations had been transferred to the Group at the beginning date of the earliest period presented. As the Company was incorporated on 9 February 2010, no statement of financial position of the Company was presented in these financial statements prior to 9 February 2010.

(b) These interim financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the IASB, and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee and the disclosure requirements of the Hong Kong Companies Ordinance. The accounting policies adopted in the preparation of these interim financial statements are consistent with those followed in the preparation of the Group's financial information for the year ended 31 December 2009 included in the Accountants' Report in Appendix I to the prospectus of the Company in connection with the Listing, except for the adoption of new standards and interpretations as of 1 January 2010, disclosed in notes 3.1 below.

(c) These interim financial statements have been prepared under the historical cost convention. In addition, these interim financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

(d) The Group's net current liabilities amounted to approximately RMB330 million as at 30 June 2010, and its net cash inflow from operating activities and financing activities amounted to approximately RMB262 million and RMB2,234 million, respectively, and its net cash outflow from investing activities was approximately RMB1,700 million for the period then ended. The Group recorded an increase in cash and cash equivalents of approximately RMB797 million for the six-month period ended 30 June 2010.

## 2. BASIS OF PRESENTATION AND PREPARATION *(Continued)*

(d) *(Continued)*

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain adequate external financing to meet its working capital needs and committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Group has already obtained banking facilities with several PRC banks of up to RMB13,084 million as at 30 June 2010 of which approximately RMB4,219 million has been utilised as at 30 June 2010. In addition, the Company obtained gross proceeds of approximately HK$2,864.6 million from the initial public offering of its H shares on The Hong Kong Stock Exchange prior to the date of issuance of these financial statements.

After taking into account the above, the Directors are of the view that the Group is able to meet its debt obligations as they fall due in the normal course of business and continue as a going concern.

## 3.1 THE ADOPTION OF NEW STANDARDS AND INTERPRETATIONS AS OF 1 JANUARY 2010

| | |
|---|---|
| IFRS 1 Amendments | Amendments to IFRS 1 *First-time Adoption of IFRSs — Additional Exemptions for First-time Adopters* |
| IFRS 2 Amendments | Amendments to IFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions* |
| IFRS 3 (Revised) | *Business Combinations* |
| IAS 27 (Revised) | *Consolidated and Separate Financial Statements* |
| IAS 39 Amendment | Amendment to IAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items* |
| IFRIC 17 | *Distributions of Non-cash Assets to Owners* |
| Amendments to IFRS 5 included in *Improvements to IFRSs* issued in May 2008 | Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary* |

The IFRS 1 Amendment relieves first-time adopters of IFRSs from providing the additional disclosures introduced in March 2009 by *Improving Disclosures about Financial Instruments* (Amendments to IFRS 7). It thereby ensures that first-time adopters benefit from the same transition provisions that Amendments to IFRS 7 provide to current IFRS preparers.

The IFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The amendments also incorporate guidance that was previously included in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2 — Group and Treasury Share Transactions*.

## 3.1 THE ADOPTION OF NEW STANDARDS AND INTERPRETATIONS AS OF 1 JANUARY 2010 *(Continued)*

IFRS 3 (Revised) introduces some changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.

IAS 39 Amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations.

IFRIC 17 provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.

**Improvements to IFRSs (issued May 2008)**

In May 2008, the International Accounting Standards Board (the "IASB") issued its first omnibus of amendments to its standards. The amendments to IFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a minority interest. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary.

**Improvements to IFRSs (issued April 2009)**

Apart from the above, the IASB has issued Improvements to *IFRSs 2009* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording in April 2009. The amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to IFRS 5, IFRS 8, IAS 1 IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

The adoption of these new and revised IFRSs has had no significant financial effect on these interim financial statements and there have been no significant changes to the accounting policies applied in these condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

## 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Except for the Reorganisation, the acquisition of subsidiaries has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. An acquisition of non-controlling interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

**Subsidiaries**

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

**Associates**

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

## 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Impairment of non-financial assets other than goodwill**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

**Related parties**

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

## 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Buildings | 2.38% to 4.75% |
| Wind turbines and related equipment | 4.75% |
| Natural gas pipelines | 4.75% |
| Other machinery and equipment | 5.28% to 19.00% |
| Motor vehicles | 11.88% to 19.00% |
| Office equipment and others | 9.50% to 19.00% |
| Leasehold improvements | 12.50% to 20.00% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress representing property, plant and equipment under construction, is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

## 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

*Office software*

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life.

**Operating lease**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

## 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Investments and other financial assets**

*Initial recognition and measurement*

Financial assets within the scope of IAS 39 are classified as loans and receivables, held-to-maturity investments, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, held-to-maturity investments and available-for-sale investments.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs.

## 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Investments and other financial assets** *(Continued)*

*Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs.

*Available-for-sale financial investments*

Available-for-sale financial investments are non-derivative financial assets in unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

## 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Investments and other financial assets** *(Continued)*

*Available-for-sale financial investments (Continued)*

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

**Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments 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 of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

**Impairment of financial assets**

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Impairment of financial assets** *(Continued)*

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

*Available-for-sale financial investments*

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

## 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Impairment of financial assets** *(Continued)*

*Available-for-sale financial investments (Continued)*

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

## 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial liabilities**

*Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and interest-bearing bank and other borrowings.

*Subsequent measurement*

The measurement of financial liabilities depends on their classification as follows:

*Loans and borrowings*

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

*Financial guarantee contracts*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

## 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

**Inventories**

Inventories, mainly including natural gas and spare parts are stated at the lower of cost and net realisable value. Cost which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present locations and conditions are calculated using the first-in, first-out method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

**Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

**Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

## 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

## 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Income tax** *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Government grants**

Government grants are recognised at their fair value where there is reasonable assurance the entity will comply with the condition attaching to them and that the grant will be received. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis with the related costs that it is intended to compensate. Where the grant relates to an asset, it is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

The Group earns carbon credits known as Certified Emission Reductions ("CERs") from the wind farms and other renewable energy facilities which have been registered as the Clean Development Mechanism (the "CDM") projects with the CDM Executive Board (the "CDM EB") of the United Nations under the Kyoto Protocol.

CERs are government grants that should be recognised when there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received. Only when the actual emissions reduction have been realised and when the Group has reasonable assurance that these reductions will be confirmed during the verification and certification process by the respective independent authority would the Group recognise CERs income. When there is uncertainty about the verification and certification to such extent that there is no reasonable assurance that the CERs will be granted, the CERs income can only be recognised upon completion of this process.

The CERs income is recognised and recorded in trade receivables for the volume verified by an independent authority and in other receivables for the remaining volume.

## 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Sale of natural gas and gas appliances

Revenue from the sale of natural gas and gas appliances is recognised when the goods are delivered, title has passed and the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) Sale of electricity

Revenue is recognised upon the transmission of electric power to the power grid companies, as determined based on the volume of electric power transmitted and the applicable fixed tariff rates agreed with the respective electric power grid companies periodically;

(c) Connection and construction of natural gas pipelines

Revenue in respect of the connection and construction of natural gas pipelines is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. When the outcome of a gas connection and the construction of gas pipeline contract cannot be estimated reliably, revenue is recognised only to the extent of expenses recognised that are recoverable;

(d) CERs income

Revenue in relation to CERs is recognised when there is reasonable assurance that the grants will be received and the Group will comply with the conditions attaching to them, as further explained in the accounting policy for "Government grants" above;

(e) Voluntary emission reductions ("VERs") income

The Group sells VERs which is attributable to electricity generation from CDM projects before being registered with the CDM EB. Revenue in relation to VERs is recognised when the counterparties have committed to purchase VERs, the sales prices have been agreed, and the relevant electricity has been generated.

(f) Interest income

Revenue is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

## 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Revenue recognition** *(Continued)*

(g) Dividend income

Revenue is recognised when the shareholders' right to receive payment has been established.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Dividends**

Final dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

**Foreign currencies**

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

## 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Employee benefits**

*Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as expenses in the income statement as incurred.

*Short term employee benefits*

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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.

*Useful lives and residual values of items of property, plant and equipment*

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at the end of the reporting period, based on changes in circumstances.

The carrying amount of property, plant and equipment as at 30 June 2010 was approximately RMB4,847,106,000 (31 December 2009: RMB4,357,558,000). More details are given in note 13.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

**Estimation uncertainty** *(Continued)*

*Current income tax*

The Group is subject to income taxes in numerous jurisdictions in the PRC. Judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax in the periods in which the differences arise.

The carrying amount of tax payable as at 30 June 2010 was RMB20,214,000 (31 December 2009: RMB13,758,000).

*Deferred income tax*

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in the statement of comprehensive income in the period in which such a reversal takes place.

The carrying amount of deferred tax assets as at 30 June 2010 was RMB320,000 (31 December 2009: RMB412,000). More details are given in note 20.

*Impairment of trade receivables*

The Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers will deteriorate such that the actual impairment loss might be higher than expected, the Group would be required to revise the basis for making the allowance and its future results would be affected.

The carrying amount of trade receivables as at 30 June 2010 was RMB98,287,000 (31 December 2009: RMB84,776,000). More details are given in note 22.

## 5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) Natural gas: this segment engages in the sale of natural gas and gas appliances and the provision of construction and connection services of natural gas pipelines.

(b) Wind power: this segment develops, manages and operates wind power plants and generates electric power for sale to external power grid companies.

Management monitors the operating results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax from continuing operations. The adjusted profit or loss after tax from continuing operations is measured consistently with the Group's profit or loss after tax from continuing operations except that interest income and head office and corporate expenses are excluded from measurement.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the six-month periods ended 30 June 2010 and 2009.

## 5. OPERATING SEGMENT INFORMATION *(Continued)*

**Six-month period ended 30 June 2010**

| | Natural gas *RMB'000* | Wind power *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **Segment revenue:** | | | |
| Sales to external customers | 785,270 | 237,279 | 1,022,549 |
| Intersegment sales | — | — | — |
| Total revenue | 785,270 | 237,279 | 1,022,549 |
| Segment results | 175,057 | 165,522 | 340,579 |
| Interest income | 477 | 780 | 1,257 |
| Finance costs | (5,433) | (68,228) | (73,661) |
| Income tax expense | (21,526) | (11,097) | (32,623) |
| Profit for the period of segments | 148,575 | 86,977 | 235,552 |
| Unallocated interest income | | | 933 |
| Corporate and other unallocated expenses | | | (3,702) |
| Profit for the period | | | 232,783 |
| Segment assets | 913,753 | 7,070,679 | 7,984,432 |
| Corporate and other unallocated assets | | | 190,415 |
| Total assets | | | 8,174,847 |
| Segment liabilities | 553,910 | 5,033,225 | 5,587,135 |
| Corporate and other unallocated liabilities | | | 262 |
| Total liabilities | | | 5,587,397 |
| **Other segment information:** | | | |
| Depreciation and amortisation | (24,262) | (91,715) | (115,977) |
| Share of profit of associates | — | 16,180 | 16,180 |
| Interests in associates | — | 253,585 | 253,585 |
| Capital expenditure * | 53,745 | 1,411,560 | 1,465,305 |

## 5. OPERATING SEGMENT INFORMATION *(Continued)*

**Six-month period ended 30 June 2009**

| | Natural gas<br>*RMB'000*<br>(Unaudited) | Wind power<br>*RMB'000*<br>(Unaudited) | Total<br>*RMB'000*<br>(Unaudited) |
|---|---|---|---|
| **Segment revenue:** | | | |
| Sales to external customers | 573,660 | 126,776 | 700,436 |
| Intersegment sales | — | — | — |
| Total revenue | 573,660 | 126,776 | 700,436 |
| Segment results | 116,129 | 80,914 | 197,043 |
| Interest income | 696 | 499 | 1,195 |
| Finance costs | (8,650) | (43,197) | (51,847) |
| Income tax expense | (129) | (10,474) | (10,603) |
| Profit for the period | 108,046 | 27,742 | 135,788 |
| **Other segment information:** | | | |
| Depreciation and amortisation | (20,224) | (50,083) | (70,307) |
| Capital expenditure * | 4,691 | 724,383 | 729,074 |

*Note:*

* Capital expenditure mainly consists of additions to property, plant and equipment, prepaid land lease payments and an intangible asset as well as the non-current prepayment on acquisition of property, plant and equipment.

**Geographical information**

No further geographical segment information is presented as the Group's revenue is derived from customers based in Mainland China, and the Group's assets are located in Mainland China.

**Information about major customers**

For the six-month period ended 30 June 2010, revenue generated from one of the Group's customers in the wind power segment amounting to RMB161,348,000 individually accounted for over 10% of the Group's total revenue. For the six-month period ended 30 June 2009, the respective revenue generated from one of the Group's customers in the natural gas segment amounting to RMB92,701,000 (unaudited) and one of the Group's customers in the wind power segment amounting to RMB80,214,000 (unaudited) individually accounted for over 10% of the Group's total revenue.

## 6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents: (1) the net invoiced value of natural gas and electricity sold, net of value-added tax and government surcharges; and (2) the values of services rendered.

An analysis of the Group's revenue, other income and gains is as follows:

| | Six-month period ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | | (Unaudited) |
| **Revenue** | | |
| Sales of natural gas | **759,760** | 554,814 |
| Sales of electricity | **237,279** | 126,776 |
| Construction and connection of natural gas pipelines | **8,043** | 2,148 |
| Others | **17,467** | 16,698 |
| | **1,022,549** | 700,436 |
| **Other income and gains, net** | | |
| Government grants: | | |
| — CERs income, net | **19,643** | 11,907 |
| — Value-added tax refunds | **3,979** | 3,024 |
| Bank interest income | **2,190** | 1,195 |
| Others | **20,203** | 150 |
| | **46,015** | 16,276 |

## 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

| | | Six-month period ended 30 June | |
|---|---|---|---|
| | | **2010** | 2009 |
| | | ***RMB'000*** | *RMB'000* |
| | *Notes* | | (Unaudited) |
| Cost of goods sold | | **701,091** | 488,970 |
| Cost of services rendered | | **5,121** | 1,271 |
| Total cost of sales | | **706,212** | 490,241 |
| Depreciation of property, plant and equipment *(note (a))* | 13 | **114,660** | 69,702 |
| Amortisation of prepaid land lease payments | 14 | **914** | 453 |
| Amortisation of an intangible asset | 15 | **403** | 152 |
| Total depreciation and amortisation | | **115,977** | 70,307 |
| Minimum lease payments under operating leases of land and buildings | | **1,154** | 1,043 |
| Auditors' remuneration | | **224** | 114 |
| Employee benefit expenses (including directors' and supervisors' remuneration): | | | |
| Wages, salaries and allowances | | **15,144** | 10,946 |
| Pension scheme contributions (defined contribution schemes) *(note (b))* | | **1,522** | 1,017 |
| Welfare and other expenses | | **4,447** | 7,739 |
| Loss on disposal of property, plant and equipment, net | | **1,402** | 33 |
| Foreign exchange losses, net | | **6,148** | 4 |

*Notes:*

(a) Depreciation of approximately RMB105,049,000 (six-month period ended 30 June 2009: RMB65,376,000 (unaudited)) is included in the cost of sales on the face of the consolidated statement of comprehensive income for the six-month period ended 30 June 2010.

(b) All of the Group's full-time employees in Mainland China are covered by various government-sponsored retirement plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group is required to make monthly contributions to these plans at 20% of the employees' basic salaries. Contributions to these plans are expensed as incurred. As at 30 June 2010, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

## 8. FINANCE COSTS

| | Six-month period ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | | (Unaudited) |
| Interest on bank loans and other borrowings wholly repayable within five years | **59,754** | 33,374 |
| Interest on bank loans and other borrowings wholly repayable beyond five years | **35,794** | 37,563 |
| Total interest expense on financial liabilities not at fair value through profit or loss | **95,548** | 70,937 |
| Less: Interest capitalised to property, plant and equipment | **(21,887)** | (19,090) |
| | **73,661** | 51,847 |

Borrowing costs capitalised for the period are calculated by applying the following capitalisation rates per annum to expenditure on qualifying assets:

| | Six-month period ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | | (Unaudited) |
| Capitalisation rates | **4.6%-5.5%** | 4.8%-7.6% |

## 9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' and Supervisors' remuneration

The aggregate amounts of remuneration of the Directors and Supervisors of the Company during the periods are as follows:

| | Six-month period ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | | (Unaudited) |
| Fees | **85** | — |
| Other emoluments: | | |
| — Salaries, allowances and benefits in kind | **222** | 181 |
| — Performance related bonuses | **—** | 290 |
| — Pension scheme contributions (defined contribution scheme) | **9** | 8 |
| | **316** | 479 |

## 9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

### (a) Directors' and Supervisors' remuneration *(Continued)*

The names of the Directors and Supervisors and their remuneration for the six-month periods ended 30 June 2010 and 2009 are as follows:

**Six-month period ended 30 June 2010**

| | Fees *RMB'000* | Salaries, allowances, and benefits in kind *RMB'000* | Performance related bonuses *RMB'000* | Pension scheme contributions *RMB'000* | Total remuneration *RMB'000* |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Dr. Cao Xin | — | 20 | — | — | 20 |
| Mr. Gao Qing Yu | — | 78 | — | 6 | 84 |
| Mr. Zhao Hui | — | 16 | — | — | 16 |
| Mr. Sun Xin Tian | — | 108 | — | 3 | 111 |
| | — | 222 | — | 9 | 231 |
| **Non-executive Directors** | | | | | |
| Dr. Li Lian Ping *(Chairman)* | — | — | — | — | — |
| Mr. Zhao Hui Ning | — | — | — | — | — |
| Mr. Xiao Gang | — | — | — | — | — |
| | — | — | — | — | — |
| **Independent Directors** | | | | | |
| Mr. Qin Hai Yan | 28 | — | — | — | 28 |
| Mr. Ding Jun | 28 | — | — | — | 28 |
| Mr. Wang Xiang Jun | 28 | — | — | — | 28 |
| Mr. Yue Man Yiu Matthew | 1 | — | — | — | 1 |
| | 85 | — | — | — | 85 |
| **Supervisors** | | | | | |
| Mr. Yang Hong Chi | — | — | — | — | — |
| Mr. Qiao Guo Jie | — | — | — | — | — |
| Mr. Mi Xian Wei | — | — | — | — | — |
| | — | — | — | — | — |
| | 85 | 222 | — | 9 | 316 |

## 9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

### (a) Directors' and Supervisors' remuneration *(Continued)*

The names of the Directors and Supervisors and their remuneration for the six-month periods ended 30 June 2010 and 2009 are as follows: *(Continued)*

**Six-month period ended 30 June 2009**

| | Fees<br>*RMB'000*<br>(Unaudited) | Salaries, allowances, and benefits in kind<br>*RMB'000*<br>(Unaudited) | Performance related bonuses<br>*RMB'000*<br>(Unaudited) | Pension scheme contributions<br>*RMB'000*<br>(Unaudited) | Total remuneration<br>*RMB'000*<br>(Unaudited) |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Dr. Cao Xin | — | — | — | — | — |
| Mr. Gao Qing Yu | — | 77 | 290 | 6 | 373 |
| Mr. Zhao Hui | — | — | — | — | — |
| Mr. Sun Xin Tian | — | 104 | — | 2 | 106 |
| | — | 181 | 290 | 8 | 479 |
| **Non-executive Directors** | | | | | |
| Dr. Li Lian Ping *(Chairman)* | — | — | — | — | — |
| Mr. Zhao Hui Ning | — | — | — | — | — |
| Mr. Xiao Gang | — | — | — | — | — |
| | — | — | — | — | — |
| **Independent Directors** | | | | | |
| Mr. Qin Hai Yan | — | — | — | — | — |
| Mr. Ding Jun | — | — | — | — | — |
| Mr. Wang Xiang Jun | — | — | — | — | — |
| Mr. Yue Man Yiu Matthew | — | — | — | — | — |
| | — | — | — | — | — |
| **Supervisors** | | | | | |
| Mr. Yang Hong Chi | — | — | — | — | — |
| Mr. Qiao Guo Jie | — | — | — | — | — |
| Mr. Mi Xian Wei | — | — | — | — | — |
| | — | — | — | — | — |
| | — | 181 | 290 | 8 | 479 |

Those Directors or Supervisors received no emoluments for the six-month periods ended 30 June 2010 and 2009 because they did not receive any remuneration for their services in the capacity as Directors and Supervisors.

## 9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

### (b) Five highest paid employees

An analysis of the headcounts of the five highest paid employees within the Group for the period is as follows:

| | Six-month period ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | | (Unaudited) |
| Directors | **2** | 1 |
| Non-director and non-supervisor employees | **3** | 4 |
| | **5** | 5 |

Details of the remuneration of the above non-director and non-supervisor, highest paid employees are as follows:

| | Six-month period ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | | (Unaudited) |
| Salaries, allowances and benefits in kind | **260** | 298 |
| Performance related bonuses | **—** | 1,220 |
| Pension scheme contributions | **16** | 13 |
| | **276** | 1,531 |

## 9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

### (b) Five highest paid employees *(Continued)*

The number of the non-director and non-supervisor, highest paid employees whose remuneration fell within the following band is as follows:

| | Six-month period ended 30 June | |
|---|---|---|
| | **2010** | 2009 (Unaudited) |
| Nil to HK$1,000,000 | **3** | 4 |

During the six-month period ended 30 June 2010, no Directors, Supervisors or any of the non-director and non-supervisor, highest paid individuals waived or agreed to waive any emoluments and no emoluments were paid by the Group to the Directors, Supervisors or any of the non-director and non-supervisor, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 10. INCOME TAX EXPENSE

A subsidiary of the Company is an equity joint venture in which the foreign investor owns a 45% shareholding interest. It is identified as a manufacturing enterprise with an operating period of 10 years or more which is entitled to a tax holiday of a two-year full exemption followed by a three-year 50% exemption commencing from its first profit-making year after offsetting accumulated tax losses, if any. However, pursuant to Guofa [2007] No. 39, the subsidiary has started enjoying the tax holiday from the year 2008 due to the income tax reform.

In addition, pursuant to Caishui [2008] No. 46 *Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment* ("Circular 46") (財政部、國家税務總局關於執行公共基礎設施項目企業所得税優惠目錄有關問題的通知), certain subsidiaries of the Group, which were set up after 1 January 2008 and are engaged in public infrastructure projects, are each entitled to a tax holiday of a three-year full exemption followed by a three-year 50% exemption commencing from their respective first year generating operating income ("3+3 tax holiday"). As at 30 June 2010, these entities were in the process of the preparation and submission of the required documents to the respective tax authorities to qualify the 3+3 tax holidays.

Under the relevant PRC Corporate Income Tax Law and respective regulations, except for certain preferential treatment available to certain subsidiaries of the Company as mentioned above, the entities within the Group were subject to corporate income tax at a rate of 25% during the six-month periods ended 30 June 2010 and 2009.

## 10. INCOME TAX EXPENSE *(Continued)*

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong for the six-month periods ended 30 June 2010 and 2009.

| | Six-month period ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | | (Unaudited) |
| Current income tax - Mainland China | **32,531** | 10,883 |
| Deferred income tax *(note 20)* | **92** | (280) |
| Tax charge for the period | **32,623** | 10,603 |

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate applicable to the Company to the income tax expense at the Group's effective income tax rate for the period is as follows:

| | Six-month period ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | | (Unaudited) |
| Profit before tax | **265,406** | 146,391 |
| Income tax charge at the statutory income tax rate of 25% | **66,351** | 36,598 |
| Effect of tax exemption for specific locations or enacted by local authorities | **(10,804)** | (28,209) |
| Effect of different income tax rates for specific locations or enacted by local authorities | **(20,699)** | — |
| Tax effect of share of profits of associates | **(4,045)** | — |
| Expenses not deductible for tax purposes | **362** | 1,190 |
| Tax losses not recognised | **1,458** | 1,024 |
| Tax charge for the period at the effective rate | **32,623** | 10,603 |

## 11. DISTRIBUTIONS

The distributions for the six-month periods ended 30 June 2010 and 2009 are set out below:

| | Six-month period ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | | (Unaudited) |
| Cash distributions prior to the Reorganisation *(note (a))* | **—** | 83,511 |
| Pre-establishment cash distribution pursuant to the Reorganisation *(note (b))* | **38,495** | — |
| | **38,495** | 83,511 |

*Notes:*

(a) The cash distributions prior to the Reorganisation during the six-month period ended 30 June 2009 represented dividends declared by certain subsidiaries of the Company to HECIC in early 2009, at which time the holding company of these subsidiaries was HECIC.

(b) In accordance with the notice (財政部關於印發《企業公司制改建有關國有資本管理與財務處理的暫行規定》的通知) *Provisional Regulation Relating to Corporate Restructuring of Enterprises and Related Management of State-owned Capital and Financial Treatment* issued by the MOF (the English name of the notice is a direct translation of the Chinese name), which became effective from 27 August 2002, and pursuant to the Reorganisation, after the Company's incorporation, the Company is required to make a distribution to HECIC, which represents an amount equal to the net profit attributable to an owner of the Company, as determined based on audited consolidated financial statements of the Group prepared in accordance with PRC GAAP, generated for the period from 30 June 2009, the effective date of the Reorganisation, to 9 February 2010 (the date of incorporation of the Company) by the businesses and operations contributed to the Group by HECIC.

Pursuant to an ordinary resolution passed by the shareholders of the Company on 9 February 2010, the Company declared the pre-establishment distribution payable to HECIC. The said net profit attributable to the owner of the Company under PRC GAAP generated for the period from 30 June 2009 to 31 December 2009 was RMB85,502,000 (note 26). The said net profit attributable to the owner of the Company under PRC GAAP generated for the period from 1 January 2010 to 9 February 2010 (the date of incorporation of the Company), calculated on a pro-rata basis based on the net profit of the Group attributable to the owners of the Company as stated in the audited consolidated financial statements of the Company prepared in accordance with PRC GAAP for the three-month period ended 31 March 2010, which was RMB38,495,000 and was paid to HECIC prior to the date of these interim financial statements.

## 11. DISTRIBUTIONS *(Continued)*

The rates of distribution and the number of shares ranking for distribution are not presented as such information is not meaningful for the purpose of these interim consolidated financial statements.

No dividend was paid or declared by the Company during the six-month periods ended 30 June 2010 and 2009.

Following the Reorganisation, the payment of future dividends will be determined by the Company's Board of Directors. The payment of the dividends will depend upon, inter alia, the future earnings, capital requirements and financial conditions and general business conditions of the Company. As the controlling shareholder, HECIC is able to influence the Company's dividend policy.

Cash dividends to shareholders in Hong Kong will be paid in Hong Kong dollars. In addition, pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared by the Company to the holders of H Shares who are non-resident enterprises. This requirement became effective on 1 January 2009 and applies to earnings generated after 31 December 2008. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the holders of H Shares who are non-resident enterprises. The withholding tax rate applicable is 5% or 10%. The Company will distribute the dividends to its shareholders after deducting the 10% withholding tax applicable to the holders of H Shares who are non-resident enterprises.

Immediately following the incorporation of the Company, under the Company Law of the PRC and the Company's articles of association, profit attributable to owners of the Company as reported in the statutory financial statements prepared in accordance with PRC GAAP can only be distributed as dividends after allowances have been made for the following:

(i) Making up prior year's cumulative losses, if any.

(ii) Allocations to the statutory common reserve fund of at least 10% of profit attributable to owners of the Company, until the fund aggregates 50% of the Company's registered capital. For the purpose of calculating the transfer to reserves, the profit attributable to owners of the Company shall be the amount determined under PRC GAAP. The transfer to this reserve must be made before any distribution of dividends to the shareholders.

The statutory common reserve fund can be used to offset previous year's losses, if any, and part of the statutory common reserve fund can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

(iii) Allocations to the discretionary common reserve if approved by the shareholders.

## 11. DISTRIBUTIONS *(Continued)*

The above reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

After the Listing, in accordance with the articles of association of the Company, the profit attributable to owners of the Company for the purpose of dividends payment will deem to be the lesser of (i) the profit attributable to owners of the Company determined in accordance with PRC GAAP; and (ii) the profit attributable to owners of the Company determined in accordance with IFRSs. Prior to the incorporation of the Company on 9 February 2010, no profit appropriations to the aforesaid reserve funds were required.

## 12. EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share for the period is based on the profit attributable to owners of the Company for the period and the number of ordinary shares in issue during the period on the assumption that the 2,000 million ordinary shares in issue upon the incorporation of the Company on 9 February 2010 had been in issue throughout the period.

The Company did not have any dilutive potential ordinary shares during the both periods presented.

## 13. PROPERTY, PLANT AND EQUIPMENT

**Six-month period ended 30 June 2010**

**Group**

| | Buildings | Wind turbines and related equipment | Natural gas pipelines | Other machinery and equipment | Motor vehicles | Office equipment and others | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | | | | | | | |
| At 1 January 2010 | 141,744 | 3,465,987 | 593,158 | 77,019 | 40,770 | 21,570 | 4,734 | 400,460 | 4,745,442 |
| Additions | 19 | — | 84 | 1,873 | 1,338 | 689 | 3,780 | 610,760 | 618,543 |
| Disposals | — | (529) | (681) | (1,980) | — | (110) | — | — | (3,300) |
| Transfers to prepaid land lease payments *(note 14)* | — | — | — | — | — | — | — | (12,125) | (12,125) |
| Transfers | 5,983 | 54,561 | 17,036 | 58 | — | — | — | (77,638) | — |
| At 30 June 2010 | 147,746 | 3,520,019 | 609,597 | 76,970 | 42,108 | 22,149 | 8,514 | 921,457 | 5,348,560 |
| **Accumulated depreciation:** | | | | | | | | | |
| At 1 January 2010 | (14,005) | (146,112) | (180,986) | (22,714) | (16,424) | (6,442) | (1,201) | — | (387,884) |
| Depreciation provided during the period *(note 7)* | (3,403) | (83,833) | (14,722) | (4,024) | (3,125) | (1,570) | (3,983) | — | (114,660) |
| Disposals | — | 52 | 260 | 703 | — | 75 | — | — | 1,090 |
| At 30 June 2010 | (17,408) | (229,893) | (195,448) | (26,035) | (19,549) | (7,937) | (5,184) | — | (501,454) |
| **Net carrying amount:** | | | | | | | | | |
| At 30 June 2010 | 130,338 | 3,290,126 | 414,149 | 50,935 | 22,559 | 14,212 | 3,330 | 921,457 | 4,847,106 |
| At 1 January 2010 | 127,739 | 3,319,875 | 412,172 | 54,305 | 24,346 | 15,128 | 3,533 | 400,460 | 4,357,558 |

## 13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

**Year ended 31 December 2009**

**Group**

| | Buildings | Wind turbines and related equipment | Natural gas pipelines | Other machinery and equipment | Motor vehicles | Office equipment and others | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | | | | | | | |
| At 1 January 2009 | 112,820 | 1,372,991 | 586,189 | 65,792 | 32,058 | 14,079 | 2,359 | 1,284,506 | 3,470,794 |
| Additions | 3,993 | 50 | 452 | 8,957 | 8,987 | 5,797 | 2,375 | 1,248,542 | 1,279,153 |
| Disposals | — | — | (144) | (64) | (275) | (99) | — | — | (582) |
| Transfers to prepaid land lease payments *(note 14)* | — | — | — | — | — | — | — | (3,466) | (3,466) |
| Transfers to an intangible asset *(note 15)* | — | — | — | — | — | — | — | (457) | (457) |
| Transfers | 24,931 | 2,092,946 | 6,661 | 2,334 | — | 1,793 | — | (2,128,665) | — |
| At 31 December 2009 | 141,744 | 3,465,987 | 593,158 | 77,019 | 40,770 | 21,570 | 4,734 | 400,460 | 4,745,442 |
| **Accumulated depreciation:** | | | | | | | | | |
| At 1 January 2009 | (8,229) | (46,643) | (150,396) | (17,317) | (11,292) | (4,243) | (598) | — | (238,718) |
| Depreciation provided during the year | (5,776) | (99,469) | (30,591) | (5,431) | (5,298) | (2,292) | (603) | — | (149,460) |
| Disposals | — | — | 1 | 34 | 166 | 93 | — | — | 294 |
| At 31 December 2009 | (14,005) | (146,112) | (180,986) | (22,714) | (16,424) | (6,442) | (1,201) | — | (387,884) |
| **Net carrying amount:** | | | | | | | | | |
| At 31 December 2009 | 127,739 | 3,319,875 | 412,172 | 54,305 | 24,346 | 15,128 | 3,533 | 400,460 | 4,357,558 |
| At 1 January 2009 | 104,591 | 1,326,348 | 435,793 | 48,475 | 20,766 | 9,836 | 1,761 | 1,284,506 | 3,232,076 |

Interest of approximately RMB131,297,000 was capitalised to construction in progress as at 30 June 2010 (30 June 2009: RMB84,264,000 (unaudited)) prior to being transferred to buildings and machinery.

Up to the date of these interim financial statements, the Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB3,679,000. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter does not have any significant impact on the Group's financial position as at 30 June 2010.

## 14. PREPAID LAND LEASE PAYMENTS

**Group**

| | **Six-month period ended 30 June 2010** *RMB'000* | Year ended 31 December 2009 *RMB'000* |
|---|---|---|
| Carrying amount at beginning of the period/year | **72,115** | 38,483 |
| Additions | **366** | 31,566 |
| Transfer from construction in progress *(note 13)* | **12,125** | 3,466 |
| Amortisation for the period/year *(note 7)* | **(914)** | (1,400) |
| Carrying amount at end of the period/year | **83,692** | 72,115 |
| Portion classified as current assets | **(2,231)** | (2,093) |
| Non-current portion | **81,461** | 70,022 |

| | **As at 30 June 2010** *RMB'000* | As at 31 December 2009 *RMB'000* |
|---|---|---|
| Lease terms, at carrying amount: | | |
| Long term leases of not less than 50 years | **—** | — |
| Medium term leases of less than 50 years but not less than 10 years | **83,692** | 72,115 |
| Short term leases of less than 10 years | **—** | — |
| | **83,692** | 72,115 |

## 15. INTANGIBLE ASSET

**Group**

| | **Six-month period ended 30 June 2010** *RMB'000* | Year ended 31 December 2009 *RMB'000* |
|---|---|---|
| Office software | | |
| Cost: | | |
| At beginning of the period/year | **4,062** | 1,219 |
| Additions | **304** | 2,386 |
| Transfer from construction in progress *(note 13)* | **—** | 457 |
| At end of the period / year | **4,366** | 4,062 |
| Accumulated amortisation: | | |
| At beginning of the period/year | **(709)** | (267) |
| Amortisation for the period/year *(note 7)* | **(403)** | (442) |
| At end of the period/year | **(1,112)** | (709) |
| Net carrying amount: | | |
| At end of the period/year | **3,254** | 3,353 |
| At beginning of the period/year | **3,353** | 952 |

## 16. INTERESTS IN SUBSIDIARIES

**Company**

| | **As at 30 June 2010** *RMB'000* |
|---|---|
| Unlisted investments, at cost | **1,673,749** |

## 16. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries of the Group are as follows:

| Company name** | Notes | Place and date of establishment/ operations | Fully paid-up capital | Percentage of equity interest attributable to the Company | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| HECIC New-energy Co., Ltd. (河北建投新能源有限公司) | | The PRC/Mainland China 17 July 2006 | RMB1,386,300,000 | 100 | — | Wind power generation |
| HECIC Zhangjiakou Wind Energy Co., Ltd. (河北建投張家口風能有限公司) | | The PRC/Mainland China 22 November 2005 | RMB204,750,000 | — | 100 | Wind power generation |
| HECIC Zhongxing Wind Energy Co., Ltd. (河北建投中興風能有限公司) | | The PRC/Mainland China 20 April 2006 | RMB163,000,000 | — | 70 | Wind power generation |
| HECIC Yuzhou Wind Energy Co., Ltd. (河北建投蔚州風能有限公司) | (i) | The PRC/Mainland China 18 January 2007 | RMB206,000,000 | — | 55.92 | Wind power generation |
| Hebei Jiantou Longyuan Chongli Wind Energy Co., Ltd. (河北建投龍源崇禮風能有限公司) | (i) | The PRC/Mainland China 26 March 2007 | RMB90,000,000 | — | 50 | Wind power generation |
| HECIC Yanshan (Guyuan) Wind Power Co., Ltd. (建投燕山(沽源)風能有限公司) | | The PRC/Mainland China 3 March 2009 | RMB160,000,000 | — | 75 | Wind power generation |
| Chongli CIC Huashi Wind Energy Co., Ltd. (崇禮建投華實風能有限公司) | (i) | The PRC/Mainland China 26 March 2008 | RMB98,600,000 | — | 51 | Wind power generation |
| Lingqiu CIC Hengguan Wind Energy Co., Ltd. (靈丘建投衡冠風能有限公司) | (i) | The PRC/Mainland China 18 July 2008 | RMB40,000,000 | — | 55 | Wind power generation |
| Zhangbei Huashi CIC Wind Energy Co., Ltd. (張北華實建投風能有限公司) | (i) (ii) | The PRC/Mainland China 24 April 2008 | RMB35,000,000 | — | 49 | Wind power generation |
| Hebei Suntien Kechuang New Energy Technology Co., Ltd. (河北新天科創新能源技術有限公司) | | The PRC/Mainland China 29 March 2010 | RMB5,000,000 | — | 100 | Provision of maintenance and consulting services in relation to wind farm and other new energies |

## 16. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries of the Group are as follows: *(Continued)*

| Company name** | *Notes* | Place and date of establishment/ operations | Fully paid-up capital | Percentage of equity interest attributable to the Company | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| Chengde Yuyuan Wind Energy Co., Ltd. (承德御源風能有限公司) | (i) | The PRC/Mainland China 6 April 2010 | RMB10,000,000 | — | 60 | Wind power generation |
| Hebei Natural Gas Company Ltd. ("Hebei Natural Gas") (河北省天然氣有限責任公司) | (iii) | The PRC/Mainland China 27 April 2001 | RMB220,000,000 | 55 | — | Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines |
| Shijiazhuang CIC Natural Gas Co., Ltd. ("Shijiazhuang CIC") (石家莊建投天然氣有限公司) | | The PRC/Mainland China 1 September 2005 | RMB28,077,132 | — | 55* | Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines |
| Handan Economic Development Zone CIC Natural Gas Co., Ltd. ("Handan CIC") (邯鄲開發區建投燃氣有限責任公司) | | The PRC/Mainland China 21 November 2007 | RMB10,000,000 | — | 38.5* | Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines |
| Chengde City CIC Natural Gas Co., Ltd. ("Chengde CIC") (承德市建投天然氣有限責任公司) | | The PRC/Mainland China 15 June 2009 | RMB20,000,000 | — | 49.5* | Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines |
| Ningjin CIC Natural Gas Co., Ltd. ("Ningjin CIC") (甯晉縣建投天然氣有限責任公司) | | The PRC/Mainland China 17 May 2010 | RMB10,000,000 | — | 28.05* | The connection and construction of gas pipelines and sale of natural gas appliances |

## 16. INTERESTS IN SUBSIDIARIES *(Continued)*

* Shijiazhuang CIC, Handan CIC, Chengde CIC and Ningjin CIC are 100%-owned, 70%-owned, 90%-owned and 51%-owned subsidiaries of Hebei Natural Gas, a 55%-owned subsidiary of the Company.

** Except for Hebei Natural Gas which is an equity joint venture in which the foreign investor owns a 45% shareholding interest and has an English company name, the English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

All the above subsidiaries are limited liability companies.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results for the six-month period ended 30 June 2010 or formed a substantial portion of the net assets of the Group as at 30 June 2010. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

*Notes:*

(i) The Company indirectly either owns half or less than half of equity interests in these companies or owns more than half of equity interests but the voting power attached to the equity interests does not allow the Company to have the power to govern the financial and operating activities of these companies according to the articles of association of these companies. According to the articles of association, the Company is the biggest equity owner of these companies and no other equity owners individually or in the aggregate had the power to control these companies. The Company's subsidiary, which holds the shareholding interests in these companies, had signed the voting agreements with certain equity owners of these companies during the six-month periods ended 30 June 2010 and 2009, whereby such equity owners have agreed to vote unanimously with the Group. Such equity owners have also confirmed that the unanimous voting with the Group existed since the establishment of these entities or the Group becoming the biggest equity owner of these entities. The PRC lawyer of the Company confirmed that the voting agreements are valid under the relevant PRC laws. On top of the voting agreements arrangement, the Company controlled the operation of these entities by appointing senior management, approving annual budget and determining the remuneration of senior management, etc. Considering the above mentioned factors, the Directors are of the opinion that the Company controlled these entities during the six-month period ended 30 June 2010 and 2009. Therefore the financial statements of these companies are consolidated by the Company during the six-month periods ended 30 June 2010 and 2009 (or where the companies were established at a date later than 1 January 2009, for the periods from the date of establishment to 30 June 2010 and 2009).

(ii) Since the voting agreement signed between the Company's subsidiary, which holds the shareholding interest in this company, and other equity owners of Zhangbei Huashi CIC Wind Energy Co., Ltd. (張北華實建投風能有限公司) was effective on 30 November 2009, the financial statements of the entity are consolidated by the Company from 30 November 2009.

(iii) Hebei Natural Gas is a sino-foreign equity joint venture with limited liability established under the Company Law of the PRC and the Law of Sino-foreign Equity Joint Venture. According to the articles of association of Hebei Natural Gas, the Company is able to nominate four out of seven directors at the board of Hebei Natural Gas and simple majority of the board is sufficient to approve and make normal daily financial and operating policies and decisions of Hebei Natural Gas. The voting power attached to the equity interest held by the Company in Hebei Natural Gas allowed the Company to have the power to govern the financial and operating activities of Hebei Natural Gas according to the articles of association of Hebei Natural Gas. The Directors are of the opinion that the Company was able to control Hebei Natural Gas since its establishment. Therefore, the financial statements of Hebei Natural Gas have been consolidated by the Company in its consolidated financial statements for the six-month periods ended 30 June 2010 and 2009.

## 17. INTERESTS IN ASSOCIATES

**Group**

| | **As at 30 June 2010** *RMB'000* | As at 31 December 2009 *RMB'000* |
|---|---|---|
| Share of net assets | **253,585** | 222,807 |

Particulars of the associates of the Group are as follows:

| Company name* | Place and date of establishment/ operations | Fully paid-up capital | Percentage of equity interest attributable to the Company: Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Hebei Weichang Longyuan Jiantou Wind Power Generation Co., Ltd. (河北圍場龍源建投風力發電有限公司) | The PRC/Mainland China 25 August 2006 | RMB187,850,000 | — | 50 | Wind power generation |
| Longyuan Jiantou (Chengde) Wind Power Generation Co., Ltd. (龍源建投(承德)風力發電有限公司) | The PRC/Mainland China 27 March 2009 | RMB190,342,400 | — | 45 | Wind power generation |
| Longyuan Jiantou (Chengde Weichang) Wind Power Generation Co., Ltd. (龍源建投(承德圍場)風力發電有限公司) | The PRC/Mainland China 27 March 2009 | RMB138,320,000 | — | 45 | Wind power generation |

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

## 17. INTERESTS IN ASSOCIATES *(Continued)*

The following tables illustrate the summarised financial information of the Group's associates extracted from their management accounts:

| | **As at 30 June 2010** | As at 31 December 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Aggregate of associates' financial position: | | |
| Assets | **1,938,441** | 1,723,091 |
| Liabilities | **(1,397,667)** | (1,249,078) |

| | **Six-month period ended 30 June** | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | | (Unaudited) |
| The associates' results: | | |
| Revenue | **103,831** | — |
| Profit/(Loss) for the period | **34,321** | — |

## 18. HELD-TO-MATURITY INVESTMENTS

**Group**

| | **As at 30 June 2010** | As at 31 December 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Unlisted debt investments | **52,677** | 2,000 |
| Other financial asset *(i)* | **100,000** | — |
| | **152,677** | 2,000 |
| Portion classified as current asset | **(150,677)** | — |
| Non-current portion | **2,000** | 2,000 |

## 18. HELD-TO-MATURITY INVESTMENTS *(Continued)*

Held-to-maturity investments are analysed as follows:

| | **As at 30 June 2010** *RMB'000* | As at 31 December 2009 *RMB'000* |
|---|---|---|
| Corporate entities | **52,677** | 2,000 |
| Other financial asset *(i)* | **100,000** | — |
| | **152,677** | 2,000 |

(i) The other financial asset represented an investment plan (the "Investment Plan") amounting to RMB100 million purchased by the Group from Bank of Hebei (河北銀行股份有限責任公司). The term of the Investment Plan was 15 days from 30 June 2010 to 15 July 2010 and the expected return rate of the Investment Plan was 2.5% per annum. As of the date of these interim financial statements, the entire principal and the investment return of the Investment Plan have been fully recovered by the Group from Bank of Hebei.

During the period, the effective interest rates of the held-to-maturity investments ranged from 1.0% to 5.94% (six-month period ended 30 June 2009: 5.94%) per annum. The carrying amounts of the held-to-maturity investments approximate to their fair values.

## 19. AVAILABLE-FOR-SALE INVESTMENTS

**Group**

| | **As at 30 June 2010** *RMB'000* | As at 31 December 2009 *RMB'000* |
|---|---|---|
| Unlisted equity investments, at cost | **3,400** | 3,400 |

The unlisted equity investments are equity securities issued by private entities established in the PRC. They are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

## 20. DEFERRED TAX ASSETS

The movements in deferred tax assets during the periods indicated below are as follows:

**Group**

| | **Six-month period ended 30 June 2010** ***RMB'000*** | Year ended 31 December 2009 *RMB'000* |
|---|---|---|
| Deferred tax assets: | | |
| At beginning of the period/year | **412** | 214 |
| Deferred tax credited/(charged) to the statement of comprehensive income during the period/year *(note 10)* | **(92)** | 198 |
| At end of the period/year | **320** | 412 |

The deferred tax assets are attributed to the following items, which are reflected in the consolidated statements of financial position:

| | **As at 30 June 2010** ***RMB'000*** | As at 31 December 2009 *RMB'000* |
|---|---|---|
| Deferred tax assets: | | |
| Pre-operating expenses | **320** | 412 |

As at 30 June 2010, deferred tax assets that had not been recognised in respect of tax losses of the Group arising in the PRC were RMB13,345,000 (31 December 2009: RMB11,887,000), which were available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

## 21. INVENTORIES

**Group**

| | As at 30 June 2010 RMB'000 | As at 31 December 2009 RMB'000 |
|---|---|---|
| Natural gas | **4,934** | 3,708 |
| Spare parts and others | **16,871** | 17,740 |
| Low-value consumables | **212** | 100 |
| | **22,017** | 21,548 |

## 22. TRADE RECEIVABLES

The majority of the Group's revenues are generated through sales of natural gas and electricity. The credit period offered by the Group to customers of natural gas and electricity generally ranges from one month to two months. The Group seeks to maintain strict control over its outstanding receivables and minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

**Group**

| | As at 30 June 2010 RMB'000 | As at 31 December 2009 RMB'000 |
|---|---|---|
| Trade receivables | **98,287** | 84,776 |
| Impairment | **—** | — |
| | **98,287** | 84,776 |

## 22. TRADE RECEIVABLES *(Continued)*

An aged analysis of trade receivables, based on the invoice date, as at the reporting date is as follows:

| | **As at 30 June 2010** *RMB'000* | As at 31 December 2009 *RMB'000* |
|---|---|---|
| Within 3 months | **92,470** | 84,554 |
| 3 months to 6 months | **5,146** | — |
| 6 months to 1 year | **671** | — |
| 1 to 2 years | **—** | 222 |
| | **98,287** | 84,776 |

An aged analysis of the trade receivables, that are neither individually nor collectively considered to be impaired, is as follows:

**Group**

| | **As at 30 June 2010** *RMB'000* | As at 31 December 2009 *RMB'000* |
|---|---|---|
| Neither past due nor impaired | **98,287** | 84,554 |
| 1 to 2 years past due | **—** | 222 |
| | **98,287** | 84,776 |

Receivables that were neither past due nor impaired primarily relate to either those long-term customers or various local power grid companies for whom there was no recent history of default.

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

## 22. TRADE RECEIVABLES *(Continued)*

The amount due from a fellow subsidiary included in the trade receivables is as follows:

| | **As at 30 June 2010** | As at 31 December 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| A fellow subsidiary | **—** | 1,293 |

The above amount is unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group.

## 23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | **Group** | | **Company** |
|---|---|---|---|
| | **As at 30 June 2010** | As at 31 December 2009 | **As at 30 June 2010** |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** |
| Prepayments to suppliers | **1,252,724** | 399,830 | **—** |
| Deductible VAT (i) | **261,376** | 232,146 | **—** |
| CERs receivable | **45,870** | 30,779 | **—** |
| Deposits and other receivables (ii) | **10,920** | 6,711 | **232,000** |
| Other prepayments | **12,876** | 1,163 | **4,555** |
| | **1,583,766** | 670,629 | **236,555** |
| Portion classified as non-current assets | **(1,418,994)** | (581,912) | **(112)** |
| Current portion | **164,772** | 88,717 | **236,443** |

(i) Deductible VAT mainly represents the input VAT relating to acquisition of equipment subsequent to 1 January 2009, which is deductible from output VAT since 1 January 2009. Input VAT relating to acquisition of equipment before 1 January 2009 was recorded as part of the costs of the related assets.

## 23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

(ii) The amounts due from related parties included in the deposits and other receivables are as follows:

| | Group | | Company |
|---|---|---|---|
| | **As at 30 June 2010** | As at 31 December 2009 | **As at 30 June 2010** |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** |
| A fellow subsidiary | **590** | 601 | **—** |
| Subsidiaries | **—** | — | **230,000** |
| | **590** | 601 | **230,000** |

The Group does not have any prepayments, deposits and other receivables that were past due, and individually or collectively considered to be impaired. Prepayments, deposits and other receivables that were neither past due nor impaired relate to balances for which there was no recent history of default.

The above amounts are unsecured, non-interest-bearing and have no fixed terms of repayment, except for the amounts due from subsidiaries which bear interest at 4.86% to 5.31% per annum.

## 24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

| | Group | | Company |
|---|---|---|---|
| | **As at 30 June 2010** | As at 31 December 2009 | **As at 30 June 2010** |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** |
| Cash and bank balances | **1,126,743** | 344,891 | **183,972** |
| Time deposits | **—** | — | **—** |
| | **1,126,743** | 344,891 | **183,972** |
| Less: Pledged bank balances for letters of guarantee | **(63)** | (14,733) | **—** |
| Cash and cash equivalents in the consolidated statements of financial position and cash flows | **1,126,680** | 330,158 | **183,972** |
| Cash and bank balances and time deposits denominated in: | | | |
| — RMB | **1,126,743** | 344,891 | **183,972** |
| — Other currencies | **—** | — | **—** |
| | **1,126,743** | 344,891 | **183,972** |

The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and pledged deposits in the statement of financial position approximate to their fair values. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

## 25. TRADE AND BILLS PAYABLES

Trade and bills payables are non-interest-bearing and are normally settled within six months.

**Group**

| | **As at 30 June 2010** *RMB'000* | As at 31 December 2009 *RMB'000* |
|---|---|---|
| Bills payable | **271,206** | 379,911 |
| Trade payables | **55,806** | 59,758 |
| | **327,012** | 439,669 |
| Portion classified as current liabilities | **(327,012)** | (439,669) |
| Non-current portion | **—** | — |

An aged analysis of the Group's trade and bills payables, based on the invoice date, as at the reporting date is as follows:

| | **As at 30 June 2010** *RMB'000* | As at 31 December 2009 *RMB'000* |
|---|---|---|
| Within 6 months | **300,338** | 432,293 |
| 6 months to 1 year | **23,716** | 1,859 |
| 1 to 2 years | **1,196** | 4,442 |
| 2 to 3 years | **930** | 707 |
| More than 3 years | **832** | 368 |
| | **327,012** | 439,669 |

The carrying amounts of the current trade and bills payables approximate to their fair values.

## 26. OTHER PAYABLES AND ACCRUALS

For retention money payables in respect of warranties granted by the suppliers, the due dates usually range from one to three years after the completion of the construction work or the preliminary acceptance of equipment.

| | Group | | Company |
|---|---|---|---|
| | **As at 30 June 2010** | As at 31 December 2009 | **As at 30 June 2010** |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** |
| Retention money payables | **90,782** | 95,011 | **—** |
| Distribution payable to HECIC pursuant to the Reorganisation | **44,372** | 85,502 | **—** |
| Dividend payable to a non-controlling shareholder | **99,840** | — | **—** |
| Wind turbine and related equipment payables | **97,625** | 104,684 | **—** |
| Advances from customers | **18,858** | 66,312 | **—** |
| Construction payables | **34,216** | 13,651 | **—** |
| Accrued salaries, wages and benefits | **9,025** | 16,287 | **50** |
| Other taxes payable | **4,919** | 8,167 | **212** |
| Others | **32,261** | 37,839 | **—** |
| | **431,898** | 427,453 | **262** |
| Portion classified as current liabilities | **(409,971)** | (395,863) | **(262)** |
| Non-current portion | **21,927** | 31,590 | **—** |

## 26. OTHER PAYABLES AND ACCRUALS *(Continued)*

Except for retention money payables which have fixed repayment terms, the above amounts are unsecured, non-interest-bearing and have no fixed terms of repayment.

The amount due to HECIC included in other payables and accruals is as follows:

**Group**

| | | **As at 30 June 2010** *RMB'000* | As at 31 December 2009 *RMB'000* |
|---|---|---|---|
| HECIC | | **44,416** | 85,652 |
| Consisting of: | | | |
| (i) | Distribution payable pursuant to the Reorganisation *(note 11)* | **44,372** | 85,502 |
| (ii) | Others | **44** | 150 |
| | | **44,416** | 85,652 |

The above amount was unsecured, non-interest-bearing and had no fixed terms of repayment. The amount due to HECIC at 30 June 2010 was settled in full prior to the date of these interim financial statements.

## 26. OTHER PAYABLES AND ACCRUALS *(Continued)*

The weighted average effective interest rate on non-current other payables is as follows:

**Group**

| | **As at 30 June 2010** *RMB'000* | As at 31 December 2009 *RMB'000* |
|---|---|---|
| Effective interest rate | **5.4%** | 5.4% |

The weighted average effective interest rate is determined by reference to the prevailing commercial bank borrowing interest rates for unsecured bank loans with similar maturity.

The carrying amounts of the current portion of other payables and accruals approximate to their fair values. In addition, as the non-current portion of other payables and accruals has been discounted based on the effective interest rate, the carrying amounts of the non-current other payables approximate to their fair values.

## 27. INTEREST-BEARING BANK AND OTHER BORROWINGS

**Group**

| | Effective interest rate (%) | Maturity | As at 30 June 2010 RMB'000 | As at 31 December 2009 RMB'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Short term bank loans: | | | | |
| — Unsecured | 4.8-4.9 | 2010-2011 | **700,000** | — |
| — Secured | | | **—** | — |
| | | | **700,000** | — |
| Short term other borrowings: | | | | |
| — Unsecured | 4.1-5.4 | 2010 | **200,000** | 631,000 |
| — Secured | | | **—** | — |
| | | | **200,000** | 631,000 |
| Current portion of long term bank loans: | | | | |
| — Unsecured | 5.4 | 2010-2011 | **38,955** | 15,000 |
| — Secured | 4.9-5.4 | 2010-2011 | **198,700** | 228,000 |
| | | | **237,655** | 243,000 |
| Current portion of long term other borrowings: | | | | |
| — Unsecured | 4.9 | 2010 | **—** | 5,000 |
| — Secured | | | **—** | — |
| Total current portion | | | **1,137,655** | 879,000 |
| **Non-current** | | | | |
| Long term bank loans: | | | | |
| — Unsecured | 5.2-6.2 | 2011-2020 | **774,510** | 533,000 |
| — Secured | 5.4 | 2011-2025 | **1,604,108** | 1,552,808 |
| | | | **2,378,618** | 2,085,808 |
| Long term other borrowings: | | | | |
| — Unsecured | 5.4 | 2013-2014 | **—** | 60,000 |
| — Secured | 5.3 | 2017 | **1,292,000** | — |
| Total non-current portion | | | **3,670,618** | 2,145,808 |
| | | | **4,808,273** | 3,024,808 |

## 27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

The maturity profile of the interest-bearing bank and other borrowings as at the reporting date is as follows:

**Group**

| | **As at 30 June 2010** ***RMB'000*** | As at 31 December 2009 *RMB'000* |
|---|---|---|
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year | **937,655** | 243,000 |
| In the second year | **291,056** | 340,780 |
| In the third to fifth years, inclusive | **778,366** | 648,840 |
| Beyond five years | **1,309,196** | 1,096,188 |
| | **3,316,273** | 2,328,808 |
| Other borrowings repayable: | | |
| Within one year | **200,000** | 636,000 |
| In the second year | **—** | — |
| In the third to fifth years, inclusive | **—** | 60,000 |
| Beyond five years | **1,292,000** | — |
| | **1,492,000** | 696,000 |
| | **4,808,273** | 3,024,808 |

As at 30 June 2010 certain interest-bearing bank borrowings of the Group of RMB1,802,808,000 were secured by the right of future electricity fees collection (31 December 2009: RMB1,780,808,000).

An Interest-bearing bank borrowing of the Group of RMB5,000,000 was guaranteed by a non-controlling shareholder of a subsidiary of the Company as at 30 June 2010 (31 December 2009: RMB5,000,000).

A long term other borrowing of the Group of RMB1,292,000,000 was guaranteed by the ultimate holding company as at 30 June 2010 (note 33(a)).

## 27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Other interest rate information:

**Group**

| | As at 30 June 2010 | | As at 31 December 2009 | |
|---|---|---|---|---|
| | Fixed rate | Floating rate | Fixed rate | Floating rate |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Bank loans: | | | | |
| — Secured | — | 1,802,808 | — | 1,780,808 |
| — Unsecured | 705,000 | 808,465 | 5,000 | 543,000 |
| | 705,000 | 2,611,273 | 5,000 | 2,323,808 |
| Other borrowings: | | | | |
| — Secured | — | 1,292,000 | — | — |
| — Unsecured | 200,000 | — | 696,000 | — |
| | 200,000 | 1,292,000 | 696,000 | — |
| | 905,000 | 3,903,273 | 701,000 | 2,323,808 |

The carrying amounts of the Group's current bank loans and other borrowings as well as non-current floating rate bank and other borrowings approximate to their fair values.

The carrying amounts and fair values of the Group's non-current unsecured fixed rate bank loans and other borrowings are as follows:

**Group**

| | As at 30 June 2010 | | As at 31 December 2009 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Bank loans - Unsecured | — | — | 5,000 | 4,916 |
| Other borrowings - Unsecured | — | — | 60,000 | 59,862 |
| | — | — | 65,000 | 64,778 |

The fair values of the Group's non-current fixed rate bank and other borrowings have been calculated by discounting the expected future cash flows at the prevailing interest rates as at the reporting date.

## 27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

The interest-bearing loans from HECIC included in the above are as follows:

**Group**

| | **As at 30 June 2010** *RMB'000* | As at 31 December 2009 *RMB'000* |
|---|---|---|
| HECIC | — | 696,000 |

The above loans form HECIC are unsecured, bear interest at rates ranging from 4.1% to 5.4% per annum and are repayable during years 2010 to 2014. The loans from HECIC as at 31 December 2009 were early settled in full before the date of these interim financial statements.

## 28. ISSUED SHARE CAPITAL

| | **As at 30 June 2010** | | As at 31 December 2009 | |
|---|---|---|---|---|
| | **Number of shares** | **Nominal value** *RMB'000* | Number of shares | Nominal value *RMB'000* |
| Registered, issued and fully paid:<br>— State legal person shares of RMB1.00 each | **2,000,000,000** | **2,000,000** | — | — |

The Company was incorporated on 9 February 2010 with an initial registered share capital of RMB2,000 million divided into 2,000 million shares with a par value of RMB1.00 each. 1,600 million State legal person shares and 400 million State legal person shares with a par value of RMB1.00 each were issued to HECIC and HECIC Water, respectively, all of which were credited as fully paid, in consideration for the transfer of the Clean Energy Business Operations and cash contribution to the Company by HECIC and HECIC Water upon incorporation of the Company respectively pursuant to the Reorganisation as set out in note 1 above.

## 29. RESERVES

### (a) Group

The amounts of the Group's reserves and the movements therein during the six-month periods ended 30 June 2010 and 2009 are presented in the consolidated statement of changes in equity.

### (b) Company

| | Capital reserve | Retained earnings | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'0000* |
| Upon incorporation of the Company *(i)* | **33,927** | **—** | **33,927** |
| Total comprehensive income for the period from 9 February 2010 (date of incorporation of the Company) to 30 June 2010 | **—** | **60,087** | **60,087** |
| At 30 June 2010 | **33,927** | **60,087** | **94,014** |

*Note:*

(i) Upon incorporation of the Company on 9 February 2010, 2,000 million shares were issued to HECIC and HECIC Water at RMB1.00 each as the Company's registered capital in return for the net value of the Clean Energy Business Operations transferred to the Company by HECIC and HECIC Water upon its incorporation as set out in note 28 above with the resulting difference dealt with in the capital reserve.

## 30. OPERATING LEASE ARRANGEMENTS

**As lessee**

At the reporting date, the Group and the Company had the following total future minimum lease payments under non-cancellable operating leases in respect of land and buildings:

| | Group | | Company |
|---|---|---|---|
| | **As at 30 June 2010** | As at 31 December 2009 | **As at 30 June 2010** |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** |
| Within one year | **1,366** | 1,213 | **252** |
| In the second to fifth years, inclusive | **2,600** | 2,943 | **—** |
| Beyond five years | **149** | 158 | **—** |
| | **4,115** | 4,314 | **252** |

## 31. COMMITMENTS

In addition to the operating lease commitments detailed above, the Group had the following capital commitments as at 30 June 2010 and 31 December 2009:

| | **As at 30 June 2010** | As at 31 December 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Contracted, but not provided for: | | |
| Property, plant and equipment | **2,542,328** | 2,475,602 |
| Capital contributions payable to associates | **58,383** | 26,000 |
| | **2,600,711** | 2,501,602 |
| Authorised, but not contracted for: | | |
| Property, plant and equipment | **3,238,838** | 1,962,889 |
| Capital contributions payable to associates | **520,000** | 94,970 |
| | **3,758,838** | 2,057,859 |

The Company does not have any capital commitments as at 30 June 2010

## 32. CONTINGENT LIABILITIES

(a) Pursuant to the reorganisation agreement entered into between HECIC, HECIC Water and the Company (the "Reorganisation Agreement"), except for liabilities constituting or arising out of or relating to the businesses undertaken by the Company after the Reorganisation, no liabilities were assumed by the Company and the Company is not liable, whether severally, or jointly and severally, for debts and obligations incurred prior to the Reorganisation by HECIC. HECIC has also undertaken to indemnify the Company in respect of any loss or damage incurred relating to the Clean Energy Business Operations prior to their transfer by HECIC to the Company in the Reorganisation, and any loss or damage suffered or incurred by the Company as a result of any breach by HECIC of any provision of the Reorganisation Agreement. The Company has also undertaken to indemnify HECIC and HECIC Water in respect of any damage suffered or incurred by HECIC and HECIC Water as a result of any breach by the Company of any provision of the Reorganisation Agreement.

(b) Up to the date of these interim consolidated financial statements, there have been no rules issued on whether CERs is subject to any VAT or business tax. Based on the discussions with local tax authorities, the Directors of the Company are of the opinion that no such taxes will be applicable to CERs. Therefore, the Group has not made any provision on such contingencies.

## 33. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the six-month periods ended 30 June 2010 and 2009:

| | Six-month period ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | | (Unaudited) |
| **Continuing transactions** | | |
| **Fellow subsidiaries** | | |
| Sales of natural gas | **94** | 110 |
| Rental expenses *(i)* | **1,044** | 1,221 |
| **Non-continuing transactions** | | |
| **HECIC** | | |
| Interest income | **294** | 777 |
| Interest expenses | **9,429** | 7,352 |

(i) The related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing.

In the opinion of the Directors, the above related party transactions were conducted in the ordinary course of business.

## 33. RELATED PARTY TRANSACTIONS *(Continued)*

(a) The Group had the following material transactions with related parties during the six-month periods ended 30 June 2010 and 2009: *(Continued)*

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Enterprises" ("SOEs")). During the period, the Group had transactions with other SOEs including, but not limited to, sales of electricity and natural gas, depositing and borrowing money and purchase of natural gas, materials and receiving construction work services. The Directors consider that these transactions with other SOEs are activities in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its services and products and such pricing policies do not depend on whether or not the customers are SOEs. Having due regard to the substance of the relationships, the Directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

On 31 March 2010, HECIC, China Pacific Asset Management Co., Ltd. (the "Insurance Lender") and HECIC New-energy Co., Ltd. ("HECIC New-energy", a subsidiary of the Company) entered into a secured insurance loan investment agreement pursuant to which the Insurance Lender agreed to syndicate and lend to HECIC New-energy RMB1.3 billion for a term of seven years and HECIC irrevocably agreed to guarantee the payment obligations of HECIC New-energy under the insurance loan investment agreement (the "Insurance Loan Guarantee"). No fee is payable or charged by HECIC in relation to its provision of the Insurance Loan Guarantee to HECIC New-energy. On 18 June 2010, HECIC New-energy fully drew down the syndicated loan of RMB 1.3 billion from the Insurance Lender.

On 19 September 2010, the Company entered into two agreements with HECIC which govern the use of trademarks granted by HECIC to the Group and the leasing of properties from HECIC.

(b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 22, 23, 26 and 27 above.

## 33. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel of the Group

Save as disclosed in note 9 above, no remuneration has been paid or is payable to the Directors in respect of any of the period referred to in these interim financial statements by the Company or any of the companies now comprising the Group:

| | Six-month period ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | | (Unaudited) |
| Short term employee benefits | **235** | 471 |
| Pension scheme contributions | **9** | 8 |
| | **244** | 479 |

## 34. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

**Non-cash transaction**

During the six-month period ended 30 June 2010, a dividend payable to a non-controlling shareholder amounting to RMB2.5 million was reinvested by the non-controlling shareholder into the respective subsidiary of the Company as further capital contribution by the non-controlling shareholder.

## 35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

| | Group | | Company |
|---|---|---|---|
| | **As at 30 June 2010** | As at 31 December 2009 | **As at 30 June 2010** |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** |
| **Financial assets** | | | |
| Held-to-maturity investments | **152,677** | 2,000 | **—** |
| Available-for-sale investments | **3,400** | 3,400 | **—** |
| Loans and receivables: | | | |
| Trade receivables | **98,287** | 84,776 | **—** |
| Financial assets included in prepayments, deposits and other receivables | **56,790** | 37,490 | **232,000** |
| Pledged deposits | **63** | 14,733 | **—** |
| Cash and cash equivalents | **1,126,680** | 330,158 | **—** |
| | **1,437,897** | 472,557 | **232,000** |
| **Financial liabilities** | | | |
| Financial liabilities at amortised cost: | | | |
| Trade and bills payables | **327,012** | 439,669 | **—** |
| Financial liabilities included in other payables and accruals | **399,096** | 336,687 | **—** |
| Interest-bearing bank and other borrowings | **4,808,273** | 3,024,808 | **—** |
| | **5,534,381** | 3,801,164 | **—** |

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are fair value and cash flow interest rate risks, foreign currency risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the senior management of the Group holds meetings regularly to analyse and approve the proposals made by the management of the Company. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group did not use any derivatives and other instruments for hedging purposes and the Group did not hold or issue derivative financial trading purposes for the period. The senior management of the Group reviews and agrees policies for managing each of these risks and they are summarised below.

### (a) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. With its borrowings issued at fixed and floating interest rates, the Group is exposed to both fair value and cash flow interest rate risks.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. The Group's interest-bearing bank loans and short term deposits are stated at amortised cost and not revalued on a periodic basis. Floating rate interest expenses are charged to the statement of comprehensive income as incurred.

If there would be a general increase/decrease in the interest rates of bank loans with floating interest rates by one percentage point, with all other variables held constant, the consolidated pre-tax profit would have decreased/increased by approximately RMB39,033,000 (six-month period ended 30 June 2009: RMB22,770,000 (unaudited)) for the period, and there is no impact on other components of the consolidated equity, except for retained profits, of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred as at the end of the reporting period and has applied the exposure to interest rate risk to those financial instruments in existence at those dates. The estimated one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

**(b) Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk on trade receivables and cash balances which are derived from sales that are denominated in a currency other than the respective functional currencies of the Group's entities. The currencies giving rise to this risk are primarily the United States dollar and Euro. The Directors of the Company do not anticipate any significant impact resulting from the changes in foreign exchange rates because except for CERs which are denominated in foreign currencies, the majority of the Group's businesses are transacted in RMB, the Group's functional currency. RMB is not freely convertible into foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. The Group has not entered into any hedging transactions in order to reduce the Group's exposure to foreign currency risk in this regard.

The following table indicates the appropriate change in the Group's profit before tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at 30 June 2009 and 30 June 2010. The sensitivity analysis includes bank deposits, trade receivables and other receivables in foreign currencies.

***Effect on profit before tax***

| | **Increase/ (decrease) in foreign exchange rate** | **Six-month period ended 30 June** | |
|---|---|---|---|
| | | **2010** | 2009 |
| | | ***RMB'000*** | RMB'000 |
| | | | (Unaudited) |
| If RMB weakens against | | | |
| United States dollar | 5% | **436** | 100 |
| If RMB strengthens against | | | |
| United States dollar | 5% | **(436)** | (100) |
| If RMB weakens against Euro | 5% | **1,992** | 1,200 |
| If RMB strengthens against Euro | 5% | **(1,992)** | (1,200) |

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 30 June 2010 and has applied the exposure to foreign currency risk to those monetary assets and liabilities in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in foreign exchange rates over the period until the next reporting date. The sensitivity analysis is performed on the same basis for the period.

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### (c) Credit risk

Credit risk is derived from the losses incurred if the holders of financial assets cannot fulfill their obligation.

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The carrying amounts of cash and cash equivalents, pledged deposits, trade receivables, other receivables, investments and other financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

As the Group's major customers are either with long history of business or various local power grid companies, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. As 30 June 2010, 38.2% (31 December 2009: 65.7%) of the Group's trade receivables were due from the provincial power grid companies. Management keeps reviewing and assessing the creditworthiness of the Group's existing customers on an ongoing basis.

The Group did not have impairment of trade receivables for the period.

### (d) Liquidity risk

The Group's net current liabilities amounted to approximately RMB330 million as at 30 June 2010, and its net cash inflow from operating activities and financing activities amounted to approximately RMB262 million and RMB2,234 million, respectively, and its net cash outflow from investing activities was approximately RMB1,700 million for the period then ended. The Group recorded an increase in cash and cash equivalents of approximately RMB797 million for the six-month period ended 30 June 2010.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Group has already obtained banking facilities from several PRC banks of amounts up to RMB13,084 million as at 30 June 2010 of which approximately RMB4,219 million has been utilised as at 30 June 2010. In addition, the Company obtained gross proceeds of approximately HK$2,864.6 million from the initial public offering of its H shares on The Hong Kong Stock Exchange prior to the date of issurance of these financial statements.

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

**(d) Liquidity risk** *(Continued)*

In addition, the Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

After taking into account the above, the Directors are of the view that the Group is able to meet its debt obligations as they fall due in the normal course of business and to continue as a going concern.

The maturity profile of the Group's financial liabilities as at 30 June 2010 and 31 December 2009, based on the contractual undiscounted payments, is as follows:

**Group**

| | Within 1 year RMB'000 | 1 to 2 years RMB'000 | 2 to 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **As at 30 June 2010** | | | | | |
| Interest-bearing bank and other borrowings | **1,137,655** | **291,056** | **778,366** | **2,601,196** | **4,808,273** |
| Interest payments on financial liabilities | **223,314** | **186,972** | **476,861** | **335,567** | **1,222,714** |
| Trade and bills payables | **327,012** | **—** | **—** | **—** | **327,012** |
| Financial liabilities included in other payables and accruals | **377,169** | **21,927** | **—** | **—** | **399,096** |
| | **2,065,150** | **499,955** | **1,255,227** | **2,936,763** | **6,757,095** |
| **As at 31 December 2009** | | | | | |
| Interest-bearing bank and other borrowings | 879,000 | 340,780 | 708,840 | 1,096,188 | 3,024,808 |
| Interest payments on financial liabilities | 136,691 | 111,469 | 243,987 | 192,568 | 684,715 |
| Trade and bills payables | 439,669 | — | — | — | 439,669 |
| Financial liabilities included in other payables and accruals | 305,097 | 31,590 | — | — | 336,687 |
| | 1,760,457 | 483,839 | 952,827 | 1,288,756 | 4,485,879 |

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### (e) Capital management

The Group's primary objective for managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services and products commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No change was made in the objectives, policies or processes for managing capital during the period.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings, less cash and cash equivalents and pledged deposits. Capital includes the equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position.

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### (e) Capital management *(Continued)*

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The Group's policy is to maintain the gearing ratio of no higher than 70%. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios at balance sheet date were as follows:

| | **As at 30 June 2010** *RMB'000* | As at 31 December 2009 *RMB'000* |
|---|---|---|
| Trade and bills payables *(note 25)* | **327,012** | 439,669 |
| Other payables and accruals *(note 26)* | **431,898** | 427,453 |
| Interest-bearing bank and other borrowings *(note 27)* | **4,808,273** | 3,024,808 |
| Less: Cash and cash equivalents *(note 24)* | **(1,126,680)** | (330,158) |
| Less: Pledged deposits *(note 24)* | **(63)** | (14,733) |
| Net debt | **4,440,440** | 3,547,039 |
| Total equity | **2,587,450** | 1,877,801 |
| Capital and net debt | **7,027,890** | 5,424,840 |
| Gearing ratio | **63%** | 65% |

## 37. EVENT AFTER THE REPORTING PERIOD

(i) On 7 July 2010, HECIC New-energy received the approval from the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) to register a short-term financial bond of an amount up to RMB500 million to be issued in the following two years. Accordingly, on 22 July 2010, HECIC New-energy issued a short term financial bond at an amount of RMB500 million which is repayable on 23 July 2011. The financial bond is not subject to any security and its applicable interest rate is 3.2% per annum.

(ii) Pursuant to the Reorganisation, the First Special Dividend was declared to HECIC and HECIC Water on 19 September 2010 in an aggregate amount of approximately RMB42.7 million and was fully settled prior to the date of these interim financial statements.

## 38. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were approved and authorised for issue by the Board of Directors on 18 October 2010.

By order of the Board
**China Suntien Green Energy Corporation Limited***
**Zhao Hui**
*Joint Company Secretary*

Hong Kong, 18 October 2010

*As at the date of this announcement, the non-executive directors of the Company are Dr. Li Lian Ping, Mr. Zhao Hui Ning and Mr. Xiao Gang; the executive directors of the Company are Dr. Cao Xin, Mr. Gao Qing Yu, Mr. Zhao Hui and Mr. Sun Xin Tian; and the independent non-executive directors of the Company are Mr. Qin Hai Yan, Mr. Ding Jun, Mr. Wang Xiang Jun and Mr. Yue Man Yiu Matthew.*