



# 新天绿色能源股份有限公司

## China Suntien Green Energy Corporation Limited\*

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

Stock Code : 00956

Annual Report  
**2010**




*\*For identification purpose only*



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## Chairman's Statement

Dear shareholders,

Looking back on 2010, energy has been affecting China and the world more profoundly. In 2010, the economy of China maintained its momentum of steady and rapid development. Driven by the macro economy, the rebound of the energy economy is becoming stronger. The change in way of development of the energy industry accelerated, and the effort in structural adjustment has been strengthened. Due to policies on resources and environment and the target for energy-saving and emission-reduction, clean energy experienced rapid development, and China is taking the lead in the global clean energy competition.

As the leading clean energy enterprise in northern China, the Group is closely in line with development trends. Our forward-looking strategic planning has provided us the best timing and opportunities to enter the capital market. On 13 October 2010, China Suntien Green Energy Corporation Limited was successfully listed on the Main Board of the Hong Kong Stock Exchange.

After the Listing, the Company utilized the proceeds to accelerate the development of natural gas and wind power projects. With the joint efforts of the management and all staff in 2010, the Group experienced rapid development in its two major business lines and handed a pleasant result to all shareholders. As at 31 December 2010, the consolidated revenue of the Group was RMB2.243 billion, representing an increase of approximately 47.8% from 2009; net profit attributable to the owners of the Company was RMB280 million, representing an increase of 68.2% compared with 2009. The sales volume of natural gas of the Group was 935 million cubic meters in 2010, making us the leading natural gas distributor in Northern China; the size of the operating wind farms doubled, the consolidated operating capacity was 855.0MW, maintaining our position as one of the top ten wind power operators in China.

The Group is committed to the development and building of clean energy, so as to provide the society with clean energy. In 2010, the Group sold 935 million cubic meters of natural gases, generated 1.202 billion kilowatt of clean

power, the Group altogether reduced the emission of carbon dioxide by 4.21 million tons, contributing to energy saving and emission reduction.

In 2011, the implementation of the "12th Five-Year Plan" will definitely bring new vitality to the economic development of China. China will further change its way of development in energy, and start the development of the clean energy industry in full force. As the leading clean energy enterprise in Northern China, the Group will definitely benefit from the strong demand and growth in energy in China. We will strengthen the Company's competitiveness and realize another forward-leaping development.

Finally, on behalf of the Board, I would like to express our gratitude to our shareholders for their trust and support and our management and staff for their outstanding contributions. We hope to work together to achieve a sustainable future in 2011.

**Li Lian Ping**  
*Chairman*





## Corporate Profile

China Suntien Green Energy Corporation Limited was established on 9 February 2010 by the promoter shareholder HECIC with its assets in new energy and natural gas together with HECIC Water (a wholly-owned subsidiary of HECIC). The Company was listed on the Main Board of the Hong Kong Stock Exchange on 13 October 2010. After the exercise of the over-allotment options in full, the Company issued a total of approximately 1,238,000,000 H-shares. As at 31 December 2010, the Company had a total of approximately 3,238,000,000 shares, of which HECIC held approximately 1,876,000,000 domestic shares, representing 57.9% of the total number of shares, and is the controlling shareholder of the Company. HECIC is a state-wholly-owned enterprise under the direct supervision of the state-owned Assets Supervision and Administration Commission of Hebei Province, which is primarily engaged in the investment in and development of projects in the foundation industries, infrastructures and pillar industries of the province, such as energy, transportation, water supply and commercial real estates, etc.

The Group is a professional company engaged in the development and utilization of clean energy. Its scope of business include investment in natural gas, coalbed methane and coal-based gas development and utilization projects, etc.; investment in the development of new energy projects such as wind power and solar power, etc; development of new energy technology and technical services.

The Group is the largest distributor of natural gas in Hebei Province. Currently, the Group owns one long-distance natural gas transmission pipeline, 4 high-pressure branch pipelines, 5 city gas pipeline networks, 9 natural gas distribution stations and one CNG primary filling station. The gas transmission capacity of the pipelines is 1.5 billion cubic meters. The sales volume of natural gas of the Group was 935 million cubic meters in 2010.

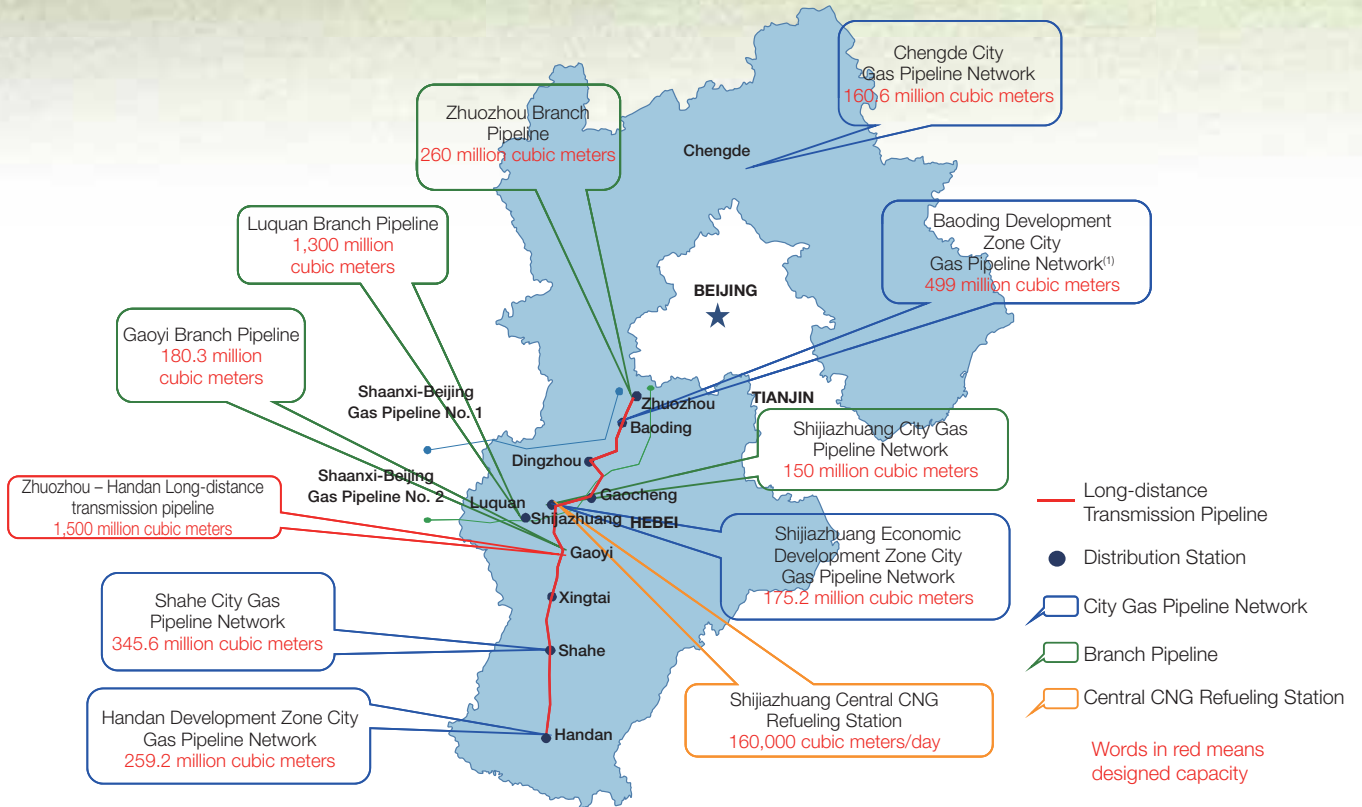
As at 31 December 2010, the Group controlled and operated 13 wind farms. The consolidated installed capacity was 855.0 MW and the attributable installed capacity was 804.7 MW. According to the research report of Sinohydro Corporation, we were the largest wind power operator in Hebei Province and one of the top 10 in the PRC in terms of consolidated installed capacity.

Moreover, the Group is actively following up the industrialization of the development of other renewable energies such as solar power. In 2010, a 1MW solar power project was launched in Baoding of Hebei Province.

As at 31 December 2010, the major operating projects and facilities of the Company were as follows:

# Corporate Profile

## (1) Major Natural Gas Operating Facilities



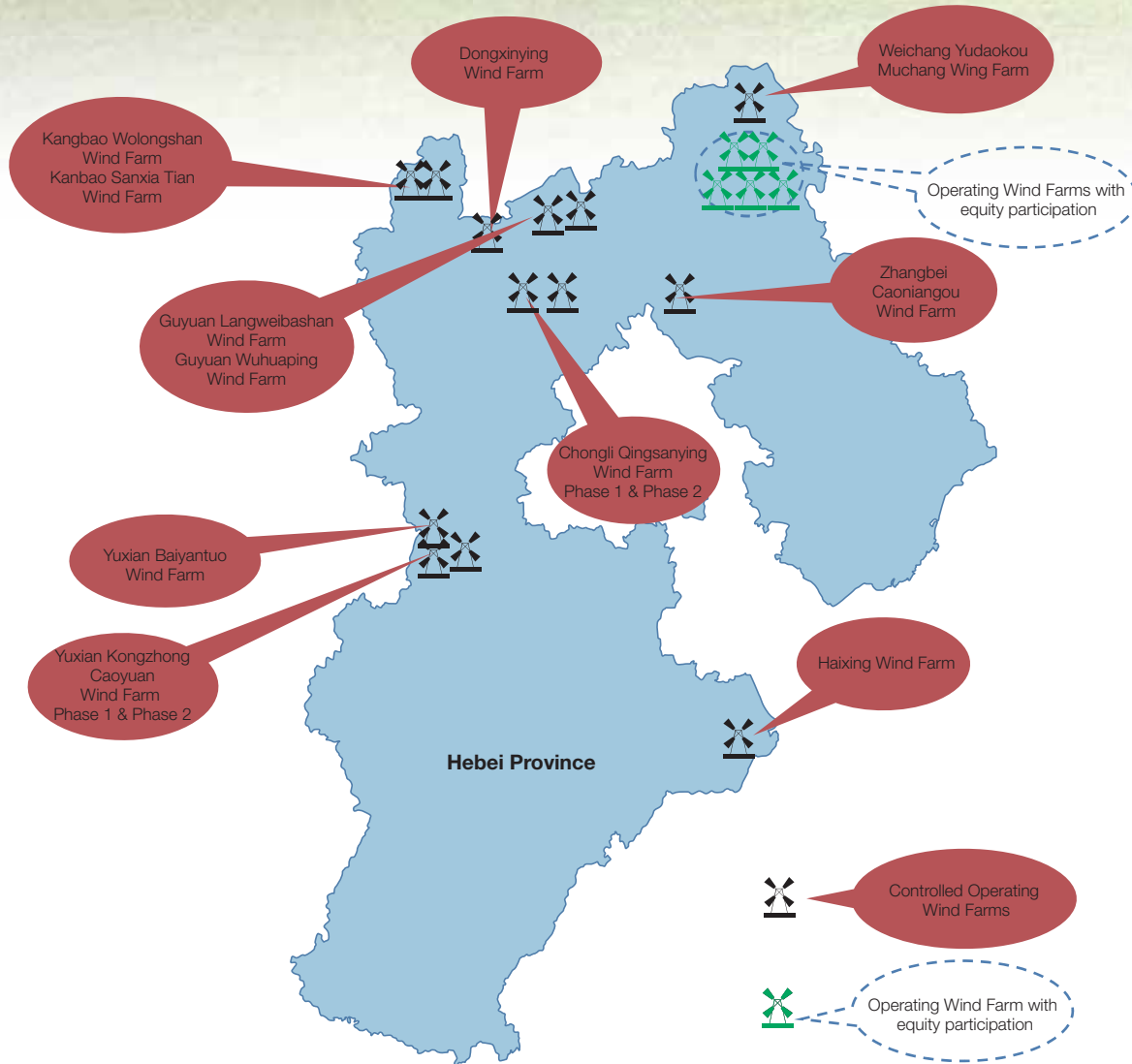
Note: (1) We hold 17% minority interests in the Baoding Industrial Development Zone Pipeline Network

## Corporate Profile

Facilities	Location	Ownership held by Hebei Natural Gas	Description	Specification
Long-distance transmission pipeline	Zhuozhou City to Handan City	100%	Transmits natural gas from our natural gas supplier to our various branch pipelines and city gas pipeline networks	6.3 MPa standard pipeline of 361 km in length, with an annual designed supply capacity of 1.5 billion m <sup>3</sup> .
Branch pipeline	Shijiazhuang City	100%	Distributes natural gas to an oil refinery, a retail industrial customer	2.5 to 6.3 MPa standard pipeline of 5.5 km in length with an annual designed supply capacity of 150 million m <sup>3</sup> .
	Gaoyi County	100%	Distributes natural gas to wholesale customers	6.3 MPa standard pipeline of 8 km in length, with an annual designed supply capacity of 180.3 million m <sup>3</sup> .
	Zhuozhou City	100%	Distributes natural gas to wholesale customers	2.5 to 6.3 MPa standard pipeline of 14.6 km in length with an annual designed supply capacity of 260 million m <sup>3</sup> .
	Luquan City	100%	Distributes natural gas to a thermal power plant, a retail industrial customer	4.0 MPa standard pipeline of 28.1 km in length, with an annual designed supply capacity of 1.3 billion m <sup>3</sup> .
City gas pipeline network	Shijiazhuang Economic Development Zone	100%	Distributes natural gas to our retail customers	0.4 MPa standard pipeline with an annual designed supply capacity of 175.2 million m <sup>3</sup>
	Shahe City (phase I)	100%	Distributes natural gas to our retail customers	0.4 MPa standard pipeline with an annual designed supply capacity of 345.6 million m <sup>3</sup> .
	Handan Development Zone	70%	Distributes natural gas to our retail customers	0.4 MPa standard pipeline with an annual designed supply capacity of 259.2 million m <sup>3</sup> .
	Chengde City	90%	Distributes natural gas to our retail customers	0.4 MPa standard pipeline with an annual designed supply capacity of 160.6 million m <sup>3</sup> .
	Baoding Development Zone	17%	Distributes natural gas to our retail customers	0.4 MPa standard pipeline with an annual designed supply capacity of 499 million m <sup>3</sup> .
Natural gas distribution station	Zhuozhou City, Baoding City, Dingzhou City, Gaocheng City, Shijiazhuang City, Luquan City, Xingtai City, Shahe City and Handan City	100%	Regulates gas pressure within our transmission and distribution networks	
CNG primary filling station	Shijiazhuang	100%	Serves vehicular, industrial, commercial and residential end-users	Total designed capacity of compressing 0.16 million m <sup>3</sup> per day.

## Corporate Profile

### (2) Operating wind farms



## Corporate Profile

Project Name	Installed capacity (MW)	Ownership held by the Company %	Location	Date of commencement of operation <sup>(1)</sup>	Date of commercial operation <sup>(2)</sup>
1 Kangbao Wolongshan Wind Farm	30	100%	Zhangjiakou	October 2006	November 2006
2 Guyuan Langweibashan Wind Farm	30.6	100%	Zhangjiakou	July 2007	October 2007
3 Haixing Wind Farm	49.5	70%	Cangzhou	April 2008	September 2008
4 Chongli Qingsanying Wind Farm Phase 1	49.3	50%	Zhangjiakou	August 2008	November 2008
5 Yuxian Kongzhong Caoyuan Wind Farm Phase 1	49.5	55.92%	Zhangjiakou	September 2008	January 2009
6 Chongli Qingsanying Wind Farm Phase 2	49.3	51%	Zhangjiakou	January 2009	March 2009 and June 2009 <sup>(3)</sup>
7 Yuxian Kongzhong Caoyuan Wind Farm Phase 2	49.5	55.92%	Zhangjiakou	July 2009	November 2009
8 Kanbao Sanxia Tian Wind Farm	49.5	100%	Zhangjiakou	November 2009	January 2010
9 Guyuan Wuhuaping Wind Farm	49.5	75%	Zhangjiakou	December 2009	January 2010
10 Guyuan Dongxinying Wind Farm	199.5	100%	Zhangjiakou	May 2010	October 2010
11 Weichang Yudaokou Muchang Wind Farm	150	100%	Chengde	November 2010	January 2011
12 Yuxian Baiyantuo Wind Farm	49.3	55.92%	Zhangjiakou	December 2010	January 2011
13 Zhangbei Caoniangou Wind Farm	49.5	49%	Zhangjiakou	December 2010	January 2011
14 Weichang Zhangjiawan Wind Farm*	49.5	50%	Chengde	December 2009	January 2010
15 Weichang Guangfayong Wind Farm*	49.5	45%	Chengde	December 2009	January 2010
16 Weichang Shanwanzi Wind Farm*	49.5	50%	Chengde	December 2009	February 2010
17 Weichang Zhuzi Xia Wind Farm*	49.5	45%	Chengde	December 2009	February 2010
18 Weichang Dishuihu Wind Farm*	49.5	45%	Chengde	October 2010	December 2010

Note: the wind farms marked with \* are the wind farms controlled by our business partners.

(1) The date of connection to the power grid and commencement of power generation of the first wind turbine in a wind farm.

(2) The date on which revenue is generated from electricity sales after all wind turbines of the wind farm were connected to the power grid and passed the trial stage.

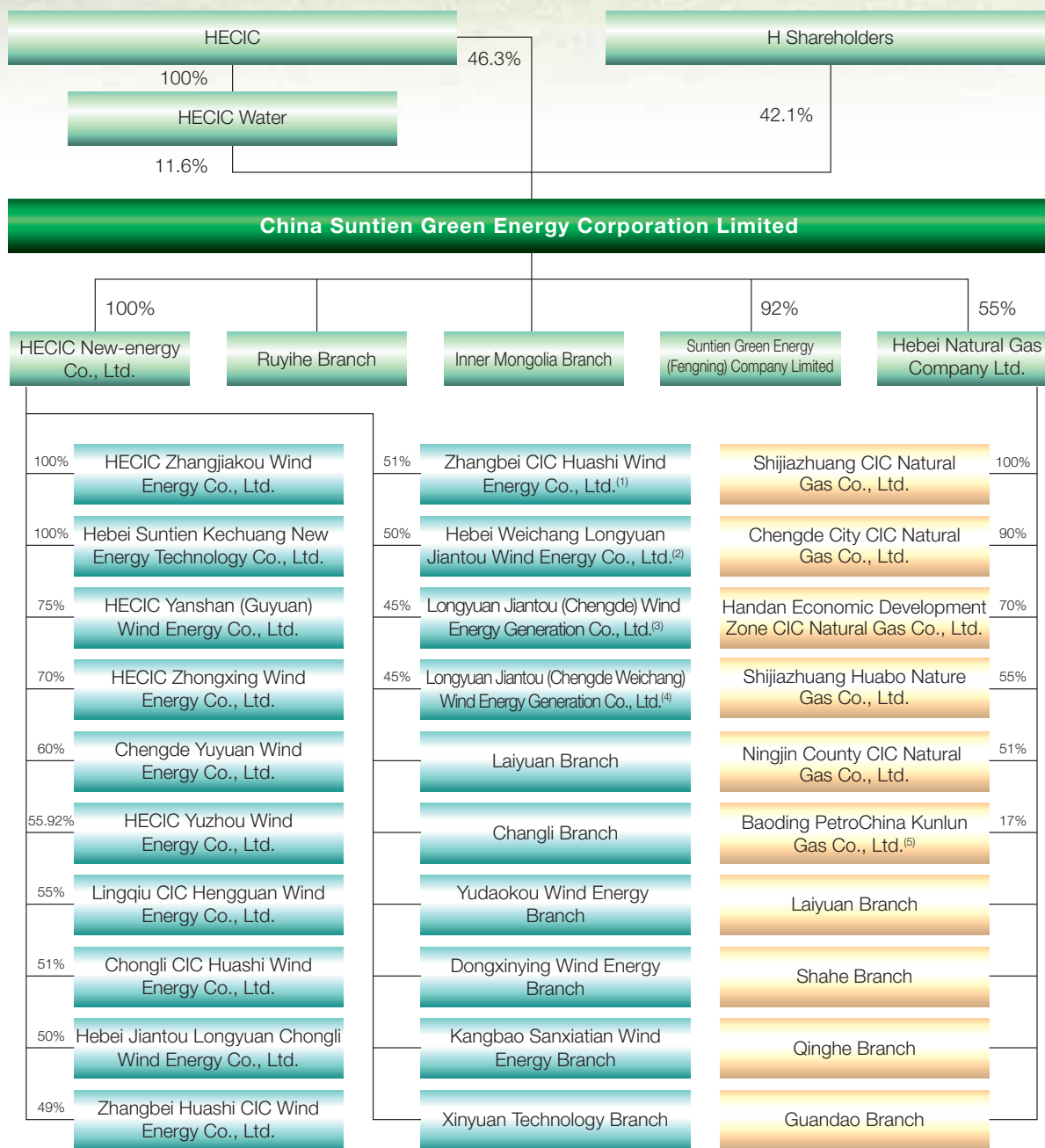
(3) As at 31 December 2008, half of the wind turbines in Chongli Wind Farm Phase 2 have been installed, and commenced operation in March 2009. The other half of the wind turbines were installed in 2009, and commenced commercial operation on June 2009.



# Corporate Profile

## CORPORATE STRUCTURE

As at 31 December 2010, the corporate structure of the Group is as follows:



(1) Zhangbei CIC Huashi Wind Energy Co., Ltd. is a joint venture of the Company  
 (2) Hebei Weichang Longyuan Jiantou Wind Energy Co., Ltd. is an associate of the Company  
 (3) Longyuan Jiantou (Chengde) Wind Energy Generation Co., Ltd. is an associate of the Company  
 (4) Longyuan Jiantou (Chengde Weichang) Wind Energy Generation Co., Ltd. is an associate of the Company  
 (5) Baoding PetroChina Kunlun Gas Co., Ltd. is a long-term investment of the Company

## Financial Highlights and Major Operation Data

### FINANCIAL HIGHLIGHTS:

#### Consolidated Comprehensive Income

	(Unit: RMB'000)			
	2007	2008	2009	2010
Revenue	628,789	1,018,733	1,517,261	<b>2,242,757</b>
Profit before taxation	45,713	161,162	305,839	<b>489,872</b>
Income tax	(8,252)	(9,936)	(18,735)	<b>(58,181)</b>
Profit for the year	37,461	151,226	287,104	<b>431,691</b>
Total comprehensive income for the year, net of taxation	37,461	151,226	287,104	<b>431,691</b>
Attributable to:				
Owners of the Company	25,475	86,850	166,322	<b>279,719</b>
Non-controlling interests	11,986	64,376	120,782	<b>151,972</b>
Earnings per share	1.27 cents	4.34 cents	8.32 cents	<b>12.38 cents</b>
Diluted	1.27 cents	4.34 cents	8.32 cents	<b>12.38 cents</b>

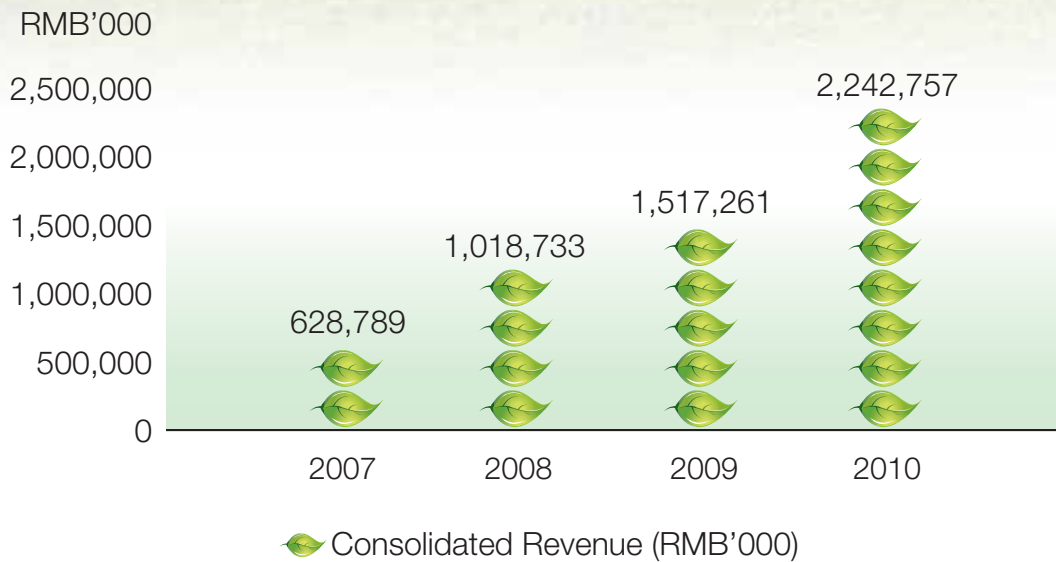
#### Consolidated Financial Position (as at 31 December)

	(Unit: RMB'000)			
	2007	2008	2009	2010
Total non-current assets	1,758,811	3,585,399	5,241,464	<b>8,800,910</b>
Total current assets	158,001	480,452	542,025	<b>2,911,182</b>
<b>TOTAL ASSETS</b>	<b>1,916,812</b>	<b>4,065,851</b>	<b>5,783,489</b>	<b>11,712,092</b>
Total current liabilities	538,784	788,522	1,728,290	<b>2,696,046</b>
Total non-current liabilities	625,928	1,885,829	2,177,398	<b>3,577,457</b>
<b>TOTAL LIABILITIES</b>	<b>1,164,712</b>	<b>2,674,351</b>	<b>3,905,688</b>	<b>6,273,503</b>
<b>NET ASSETS</b>	<b>752,100</b>	<b>1,391,500</b>	<b>1,877,801</b>	<b>5,438,589</b>
Equity				
Equity attributable to the owners of the Company	548,169	995,019	1,343,718	<b>4,810,732</b>
Non-controlling interests	203,931	396,481	534,083	<b>627,857</b>
<b>TOTAL EQUITY</b>	<b>752,100</b>	<b>1,391,500</b>	<b>1,877,801</b>	<b>5,438,589</b>

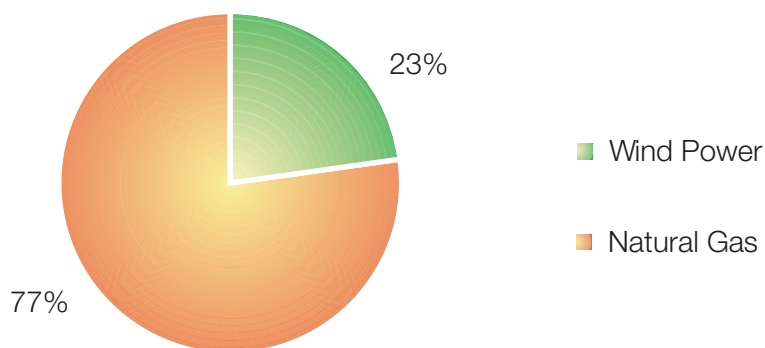
## Financial Highlights and Major Operation Data

### MAJOR OPERATION DATA:

#### 1. Consolidated Revenue

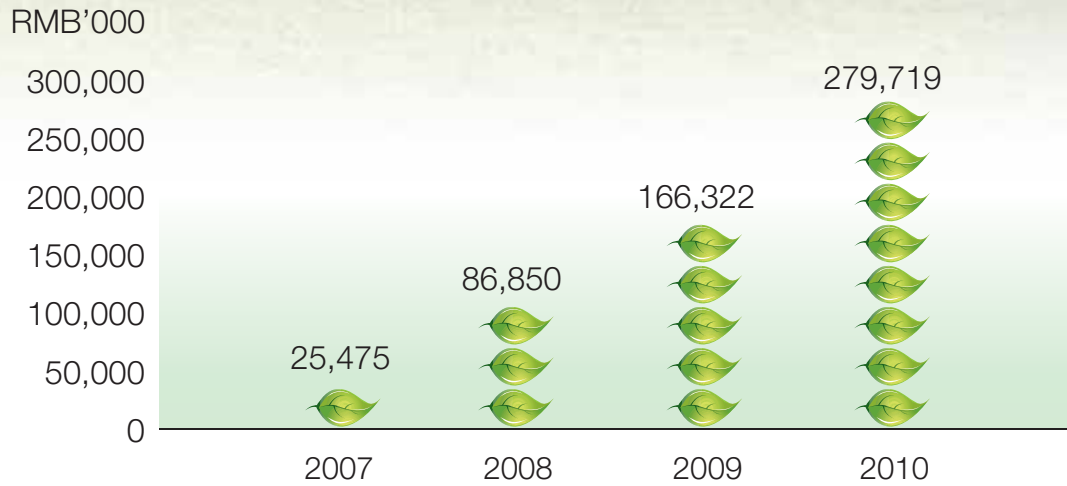


#### 2. 2010 Revenue Pie Chart by Business Segments



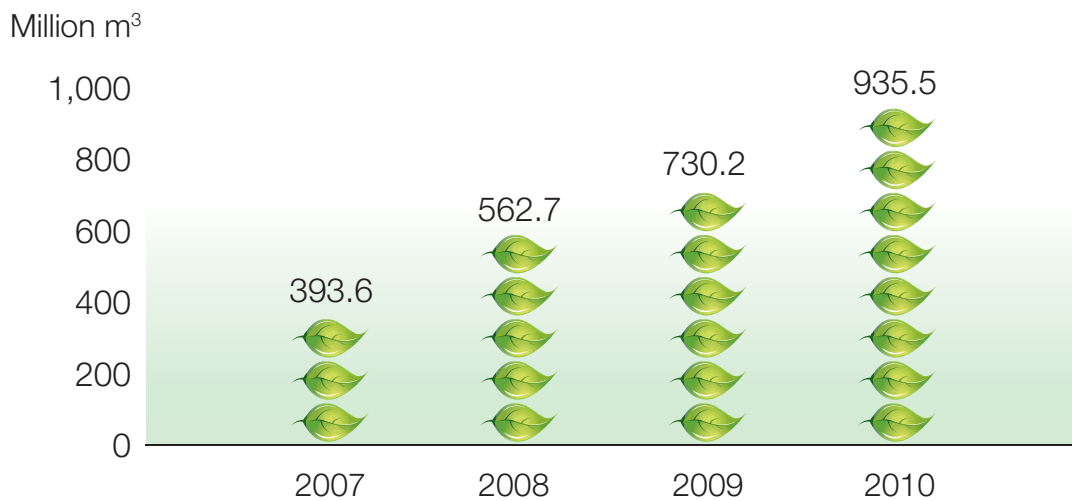
## Financial Highlights and Major Operation Data

### 3. Net Profit Attributable to Owners of the Company



 Net profit attributable to owners of the Company (RMB'000)

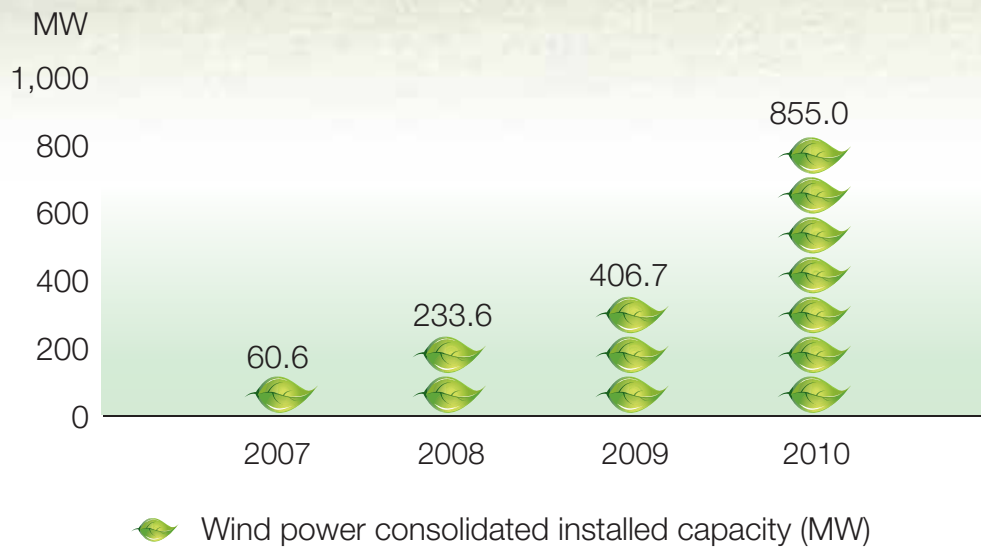
### 4. Natural Gas Sales Volume:



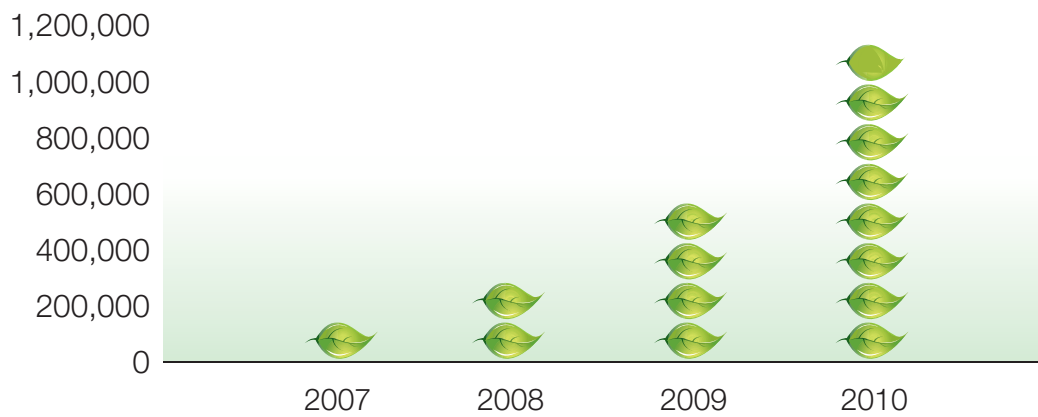
 Natural Gas sales volume (million m<sup>3</sup>)


## Financial Highlights and Major Operation Data

### 5. Wind Power Consolidated Installed Capacity



### 6. Consolidated Net Power Delivered to Grid





## Management Discussion and Analysis

In 2010, the Chinese economy continued to maintain the good development trend, recording a GDP growth of 10.3%. While maintaining rapid economic growth, each province and city of China has taken a change in the way of economic growth as an important direction for development. In the structure of energy consumption, the utilization rate of renewable energy such as wind power, solar power and high quality energy such as natural gas has been increasing. In 2010, 13,990MW of installed capacity of wind power was added for the whole country, representing a growth of 82% from last year; the national consumption of natural gas reached 106 billion cubic meters, a 19.5% increase from last year.

At present, the Group's wind power and natural gas businesses are concentrated in Hebei Province of China. In 2010, the economic income of Hebei Province exceeded RMB2,000 billion, recording an economic growth of 12.2%. Its total economic volume and growing speed are also top-ranked in the country. The good external economic environment and the society's advocacy of green development have provided the Group's clean energy businesses, such as wind power and natural gas, with a solid foundation for development. In 2010, under the leadership of the Board, the Group took advantage of the strengths of Hebei Province, such as extensive wind power resources and grid connection as well as its status of gradually becoming a major natural gas consumption area of the country to promote the development of key projects of wind power and natural gas, strengthened the management of production and operation as well as the management of project construction, actively confirmed sources of natural gas supply and accelerated the expansion of regional market, thereby achieving outstanding operating results.

### I. NATURAL GAS BUSINESS

#### (I) Business Review

##### 1. Active confirmation of sources of natural gas supply, steady growth in sales volume of gas

During the reporting period, the Group actively coordinated with the upstream supplier PetroChina to confirm the source of natural gas supply. During the year ended 31 December 2010, the Group sold 935 million cubic meters of gas, representing an increase of 28.1% from 2009, of which, the piped natural gas sold to wholesale customers was 637 million cubic meters, accounting for 68.1% of the total sales volume of gas of the Group. The wholesale business has covered 24 counties and cities within Hebei Province; the sales volume of gas in retail business, including city natural gas, was 249 million cubic meters, accounting for 26.6% of the total sales volume of gas of the Group. CNG business remained stable, and CNG sold was 49 million cubic meters, accounting for 5.3% of the total sales volume. In terms of gas sales volume of the Group, the Group is the largest natural gas distributor in Hebei Province and ranks third among 67 natural gas distributors of PetroChina in Northern China, holding a leading market position in Northern China.

## Management Discussion and Analysis

### Gas Sales Volume in 2010 and 2009 (cubic meters in millions)

Type of Business	2010 gas sales volume	2009 gas sales volume	Growth %
Wholesale	637	491	29.7
Retail	249	193	29.0
CNG	49	46	6.5
Total	935	730	28.1

### 2. Appropriate adjustment to sales price of natural gas

On 31 May 2010, the National Development and Reform Committee issued a notice, which, effective from 1 June 2010, 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 industrial, commercial and CNG customers (except retail resident users) accordingly, effective retroactively from 1 June 2010, pursuant to the requirement of relevant government authorities which permit natural gas distributors to adjust the sales price of their natural gas to be sold 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, including value-added tax)	After Adjustment (RMB, including value-added tax)
Industrial	1.983	2.276
Commercial	1.583	1.836
CNG	2.1	2.35

Apart from the above price increase in natural gas, the average gas sales price of the Group (excluding value-added tax) remained stable.

### Average gas sales price in 2010 and 2009 (RMB/cubic meter)

Business Type	2010 gas sales price	2009 gas sales price	Growth %
Wholesale	1.66	1.53	8.5
Retail	2.08	1.85	12.4
CNG	2.06	1.85	11.4
Average gas sales price	1.79	1.63	9.8



## Management Discussion and Analysis

### 3. Further expansion of city natural gas market

In 2010, the Group's city natural gas business successfully entered into four areas and signed natural gas cooperation framework agreements with the local governments of Ningjin county, Qinghe county, Laiyuan county and Shanqian Industrial Zone of Southern Shijiazhuang, respectively, for the construction and operation of local natural gas utilization projects. The Group also established project companies in the above areas to start the preliminary works and reached an intent or signed contracts with a number of local units and resident users in relation to the supply of natural gas.

As of 31 December 2010, the city natural gas project of the Group expanded to nine areas, namely, Shijiazhuang National High-Tech Industrial and Development Zone, Shahe City, Handan Eastern Development Zone, Baoding Development Zone, Ningjin County, Qinghe County, Laiyuan County, Shanqian Industrial Zone of Southern Shijiazhuang, Chengde City, five of which were commissioned markets and four were new markets.

### 4. Smooth progress of the construction of pipeline network projects

In 2010, the work of the natural gas infrastructure management of the Group progressed smoothly. The progress of the construction of three key projects, namely Gaoyi-Qinghe long-distance transmission pipeline, Shahe Natural Gas Utilization Phase II and Chengde Natural Gas Utilization Phase I were well underway as expected. In particular, the main part of the Gaoyi-Qinghe long-

distance transmission pipeline construction project was completed; the construction of Shahe Phase II was basically completed; 12 km of the medium-pressure pipeline of Chengde Natural Gas Utilization project was completed, the gas refilling station and secondary high-pressure pipeline projects were in progress as planned.

After the Gaoyi-Qinghe long-distance transmission project is completed and commences operation, the coverage of the Group's long-distance transmission pipelines will extend to over 10 counties and cities (areas) in the south-eastern part of Hebei Province.

### 5. Progress in the development of gas resources projects

- (1) Tangshan Caofeidian LNG project has received the approval of the National Development and Reform Committee. The Group's subsidiary Hebei Natural Gas Company Ltd has 20% equity investment in the project, and the joint venture is in the process of formation;
- (2) The Group entered into a cooperation agreement with Shanxi International Energy Gas Investment & Management Co., Ltd. (山西國際能源氣化投資管理有限公司) and established a preparation office to commence the preliminary works. The parties will cooperate in the construction and operation of two provincial coalbed methane pipelines – Shanxi Heshun-Hebei Xingtai and Shanxi Licheng-Hebei Handan, bringing coalbed methane in Shanxi to Hebei market; and





## Management Discussion and Analysis

- (3) The Group has also achieved some progress in the utilization of coal-based natural gas by entering into a framework agreement for use of natural gas with GD Construction and Investment Inner Mongolia Energy Company Limited (國電建投內蒙古能源有限公司) and a cooperation agreement with CNOOC New Energy Investment Co., Ltd (中海油新能源投資有限責任公司), respectively.

### (II) Major financial indicators of the Natural Gas Business

#### 1. Revenue

During the year ended 31 December 2010, the Group achieved natural gas sales revenue of RMB1.727 billion, a 37.9% increase from last year. This was mainly due to the increase in gas sales volume and sales price during the year. In particular, pipeline wholesale business achieved a sales revenue of RMB1.056 billion, representing 61.1% of the total sales revenue of the Group; retail business, such as city natural gas, recorded sales revenue of RMB517 million, representing 29.9% of the Group's total sales revenue. CNG business remained stable, recording a sales revenue of RMB101 million, representing 5.8% of the Group's total sales revenue. Other income was RMB53 million, representing 3.1% of the total sales revenue.

#### 2. Operating cost

During the year ended 31 December 2010, the operating cost (including cost of sales, selling and distribution cost, administrative expenses and other expenses) of the Group's natural gas business was RMB1.429 billion, representing a 40.4% increase from RMB1.018 billion of last year. This was mainly due to the increase in the

volume of gas purchased and the purchase price of gases during the year.

#### 3. Operating profit

During the year ended 31 December 2010, the operating profit of the natural gas business was approximately RMB318 million, representing a 34.3% increase from RMB237 million last year. The increase was mainly due to the increase in gas sales volume.


Gross profit margin was 20.2%, representing an approximately 2.2% decrease from 22.4% last year. This was mainly due to the price increase by Petro China on 1 June 2010 and the increase in gas sales price as a result of the price adjustment made by the Group. However, there was no change in gross profit for per cubic metre of gas sales, thus the gross profit margin decreased.

## II WIND POWER BUSINESS

### (I) Business Review

#### 1. Significant growth in the installed capacity of wind power

In 2010, the Group's installed capacity of wind power increased rapidly, with additional consolidated installed capacity of wind power amounting to 448.3MW and additional attributable installed capacity amounting to 423.6MW. As at 31 December 2010, the total installed capacity of wind power of the Group reached 1,102.5MW, representing a 82.3% increase from last year, and consolidated installed capacity was 855.0MW, representing a 110.2% increase from last year. The attributable installed capacity was 804.7MW, representing an increase of 111.2% compared with last year.



## Management Discussion and Analysis

### 2. Enhanced level of operation, maintenance and management

The Group has established a subsidiary – Hebei Suntien Kechuang New Energy Technology Co., Ltd. that is specialized in the operation and maintenance of wind farms to be responsible for the professional management of operation and maintenance of all wind farms of the Group. The independent and unified management resulted in obvious effects. The operation efficiency of wind farms was greatly enhanced. As of 31 December 2010, the Group's average comprehensive auxiliary power rate was controlled at 2.5%, the average availability factor<sup>1</sup> of the wind farms amounted to 96.9%, representing an increase of 2.1% from 2009; the full-year average utilization hours was 2,360 hours, an increase of 84 hours from 2009, which is significantly higher than the industry average of the country.

### 3. Steady growth in power generation

Benefited from the significant growth of the Group's wind power operating capacity and operation maintenance efficiency, the power generation of the Group grew significantly. As at 31 December 2010, the aggregate power generation of the Group amounted to 1.202 billion KWh, a 89.6% increase from last year; the net power sales of the Group was 1.099 billion KWh, a 98.2% increase from last year.

### 4. Significant progress in wind resources development and reserve projects

During the reporting period, the Group reinforced the work of wind resources development and reserve. We took the development approach of combining the development department and the regional companies to actively explore new paths for self-development with particular focus on the exploration and development of wind resources outside Hebei Province and offshore. The Group also signed agreements with respect to the development of wind resources subsequently with relative local governments of Xinjiang Uygur Autonomous Region, Inner Mongolia Autonomous Region, Shanxi Province, Shandong Province and Shaanxi Province. In 2010, the Group had a new wind resources reserve project with capacity of 4,400MW outside Hebei Province and a new reserve project with capacity of 775MW within Hebei Province, and the accumulated capacity of wind resources reserve projects exceeded ten million kW, reaching 11,963MW.

The Group also commenced the preliminary works of 300MW offshore wind farm at Puti Island, Tangshan, an offshore wind power project. The initial feasibility study report of the project has been prepared and submitted to the National Energy Administration for the application of the establishment of the project.

During the reporting period, the Group had four newly approved wind power projects, 26 newly established projects and the accumulated capacity of the established reserve projects reached 1,849.9MW.

<sup>1</sup> The availability factor of wind farm is a percentage calculated as follow: "a statistical period of time minus the time which the wind turbines stop operation due to the malfunction of any equipment in the wind farm (wind turbines, equipment in the booster station, electric circuit, wind turbines adapters)" divided by "a statistical period of time".



## Management Discussion and Analysis

### 5. Significant effect in infrastructure management

During the reporting period, infrastructure management of the Group gradually matured, and the construction of projects accelerated steadily. There were 4 wind power projects that were completed and commenced operation, 2 projects under construction and 10 projects being planned during the year. Based on the goal of “quality works, exquisite works” for infrastructure, the Group implemented whole-process management and invested RMB3.403 billion. The overall quality of construction works were excellent without any safety incidents occurred.

For infrastructure development, the Group stucked to the development principle of “grid connection upon project completion”, and strived hard to maximize economic benefits. In 2010, the wind power projects that were completed and commenced operation generated the power of 448.3MW, with grid connection rate maintaining at 100%. As Shanxi Lingqiu Hanfengling Wind Farm under construction was not able to be connected as planned due to changes in the local grid construction plan, the Group made timely adjustments and postponed the construction of the project to save unnecessary expenses. At present, the new grid connection plan for this project has been confirmed, and it is expected to commence its operation around October 2011.

The Group strived hard to control production cost. As the key customer of all large scale wind turbine manufacturers, the Group could obtain wind turbines equipment with the highest performance-to-price ratio through tendering.

In 2010, the procurement cost of wind turbines of the Group declined significantly, of which, the average procurement price of domestic wind turbines decreased by 21.3% from 2009; the average procurement price of imported wind turbines decreased by 17.0% from 2009.

### 6. Steady growth in the earnings of CDM

In 2010, the Group had two new CDM registered projects, and the accumulated number of CDM projects that were registered with the CDM Executive Board and generated CER income reached 7. There were also 4 new CDM development projects and another 8 projects that had obtained reply from the National Development and Reform Commission, and were at the stage of DOE review. The Group developed a total of 19 CDM projects.

In 2010, the Group’s CER income from the registered CDM projects amounted to RMB42.44 million, and its VER income reached RMB2.25 million. CDM income contributed 19.6% of the total profit of wind power business of the Group.

### 7. Adoption of diversified financing channels

During the Reporting Period, the Group took various measures to broaden financing channels to support the rapid development of wind power business. As a premier customer of a number of banks in China, the Group was entitled to an interest rate lower than the prevailing benchmark lending rates for its loans in those banks, which effectively reduced the cost of its capital. In March 2010, the Group entered into an insurance loan investment agreement in relation to a RMB1.3 billion



## Management Discussion and Analysis

seven-year insurance loan product. Such insurance loan product was jointly provided by Pacific Asset Management and guaranteed by HECIC without consideration. The interest rate was 13% lower than the prevailing benchmark lending rate. In July 2010, the Group completed the offering of RMB500 million one-year short-term financing bonds at an annual interest rate of 3.2%. The diversification of financing channel not only effectively reduced the Group's financing cost, but also guaranteed the capital requirement for wind power development.

### (II) Major financial indicators of the Wind Power Business

#### 1. Revenue

During the reporting period, the Group achieved wind power sales revenue of RMB516 million, an increase of 95.0% from last year. The sales revenue of wind power business accounted for 23.0% of the total sales revenue of the Group. The increase was mainly due to the increase in operating capacity and power generation volume.

#### 2. Operating cost

During the reporting period, the operating cost (including cost of sales, selling and distribution cost, administrative expenses and other expenses) of the Group's wind power business was RMB244 million, representing a 71.0% increase from last year. This was mainly due to the addition of new operating wind farms during the year. With the increase in power generation volume, the operating cost increased correspondingly.

#### 3. Operating profit

During the reporting period, the operating profit of the wind power business was RMB332 million, a 93.9% increase from the same period last year. The increase was mainly due to the increase in operating capacity and power generation volume; gross profit margin was 60.7%, a 5.5% increase from the same period last year. The main reason was that as the number of operating wind farms increased, the level of operation management continued to improve. Moreover, the building cost of wind turbine equipments was lowered, which as a result reduced production cost.

### III. Other Renewable Energy Business

The Group has long been concerned about the development of other renewable energy technologies and actively facilitated the building of model projects so as to accumulate experiences for industrialization in the future. In March 2010, the Group obtained an approval for the 1MW solar power project in Baoding, Hebei Province. Such project successfully generated power in December 2010.

### IV. ANALYSIS OF COMBINED OPERATING RESULTS

#### Overview

During the reporting period, the profitability of the Group increased significantly. According to the audited consolidated statement, net profit for the year was RMB432 million, a 50.4% increase from 2009; net profit attributable to owners of the Company was RMB280 million, representing a 68.2% increase from 2009.

## Management Discussion and Analysis

### Revenue

In 2010, the Group recorded a revenue of RMB2.243 billion, a 47.8% increase from 2009, of which:

1. natural gas business recorded sales income of RMB1.727 billion, a 37.9% increase from 2009. This was mainly attributable to the increase in gas sales volume and gas sales price during the year; while ensuring the natural growth of

	2010 RMB'000	2009 RMB'000	Percentage Change %
Revenue			
Natural gas	<b>1,726,918</b>	1,252,685	37.9
Wind power	<b>515,839</b>	264,576	95.0
	<b>2,242,757</b>	1,517,261	47.8

### Operating costs

During the year, the Group's operating cost, including cost of sales, selling and distribution cost, administrative expenses and other expenses aggregated to approximately RMB1.719 billion, representing an increase of 48.1% from last year. This was 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 year, the Group's cost of sales was RMB1.581 billion, representing an increase of 44.9% from 2009. This was 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 1 June 2010.

gas consumption, we reinforced new market development and pipeline construction, which directly increased gas sales volume of the year.

2. wind power business achieved sales income of RMB516 million, a 95.0% increase from 2009. This was mainly the result of significant increase in the capacity of the operating wind farms and thus raise the net sale of electricity significantly when compared with last year.

- 2) during the year, the Group's administrative expenses was RMB101 million, representing an increase of 45.5% from 2009. This was mainly due to the corresponding increase in staff costs and management costs as a result of the Group's business expansion.
- 3) during the year, the Group's other expense was approximately RMB38 million, representing an increase of RMB37.6 million from 2009. This was mainly due to the exchange losses on the Listing proceeds of the Company in Hong Kong dollar and the foreign currency revenue from the CERs receivables of our wind power business as a result of exchange rate fluctuations.



## Management Discussion and Analysis

### Finance cost

During the year, the Group's finance cost was RMB168 million, representing an increase of 61.7% from RMB104 million in 2009. This was mainly because bank and other borrowings of the Group increased, and the interest expenses capitalized for wind power 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 Affiliates

During the year, the Group's share of profit of associates was RMB50 million, representing an increase of RMB48 million from RMB2 million in 2009. This was mainly because most of the associates' wind power projects commenced commercial operation this year.

### Income tax expense

During the year, the Group's net income tax expense was approximately RMB58 million, representing an increase of 210.5% from RMB19 million for the corresponding period in 2009. This was 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 year, the Group recorded a net profit of RMB432 million. Net profit attributable to owners of the Company was RMB280 million, representing an increase of 68.2% from 2009. Basic earnings per share attributable to owners of the Company was RMB0.1238, representing an increase of RMB0.0406 from 2009.

### Interest-bearing bank and other borrowings

As of 31 December 2010, the Group's long-term and short-term borrowings totaled RMB5,019 million, representing an increase of RMB1,994 million compared with the end of 2009. Among the total borrowings, the short-term borrowings (including current portion of long-term borrowings) aggregated to RMB1,443 million and long-term borrowings amounted to RMB3.576 billion.

### Liquidity and capital resources

As of 31 December 2010, the Group's net current assets was RMB215 million. The net increase in cash and cash equivalents was RMB2.145 billion. The Group has banking facilities of RMB11.167 billion granted by various domestic banks, of which RMB5.255 billion was utilised.

In addition, the Company obtained gross proceeds amounting to HK\$3.294 billion from the initial public offering and the over-allotment option of its H shares on The Hong Kong Stock Exchange on 13 October and 2 November 2010, respectively.

## Management Discussion and Analysis

### Net gearing ratio

As of 31 December 2010, the net gearing ratio of the Group was 41.0%, representing a 24.4% decrease from 65.4% as at 31 December 2009. The main reasons were that the Company was successfully listed on the Hong Kong Stock Exchange on 13 October 2010 and the proceeds was approximately HK\$3.294 billion. Since there is an increasing number of wind power projects of the Group commencing operation and the number of natural gas customers is growing steadily, the profitability of the Group is continuously enhancing, which significantly improve the net debt and equity structure of the Group.

### 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 bank borrowings, bonds issue, insurance loan plan and cash flow from the Group's operating activities. During the year, the Group's capital expenditures were RMB3.403 billion, representing an increase of 129.9% from RMB1,480 million in 2009. Segment information of capital expenditures is as follows:

	2010	2009	Percentage
	RMB'000	RMB'000	Change
Capital expenditures			%
Natural gas	231,857	94,242	146.0
Wind power	3,171,004	1,386,215	128.8
	3,402,861	1,480,457	129.9

### Material investments

Apart from the above capital expenditures, the Group had no other material investments during the year.

### Material acquisitions and disposals

During the reporting period, a subsidiary of the Group-HECIC New Energy Co., Ltd. entered into an acquisition working plan with Hebei Green Energy Limited (a subsidiary of HECIC, the controlling shareholder of the Group) in respect of the acquisition of 25% equity interest in HECIC Yanshan (Guyuan) Wind Energy Co., Ltd. held by Hebei Green Energy Limited (which has been disclosed in the

section "Relationship with HECIC" in the Group's prospectus dated 30 September 2010), confirmed the terms of the equity transfer agreement, started the arrangement for asset valuation setting 31 December 2010 as the valuation benchmark date, and started the works for matters regarding the required internal and external departmental approval.

On 28 March 2011, HECIC New Energy Co., Ltd. and Hebei Green Energy Limited formally entered into an equity transfer agreement. The transfer price of the equity interest was determined based on the corresponding appraised asset value, which was RMB46.68 million. After completion of this acquisition, HECIC New Energy Co., Ltd. will,

together with the equity interest held previously, own 100% equity interest of HECIC Yanshan (Guyuan) Wind Energy. For details, please refer to the announcement of the Company titled “Connected Transaction – Acquisition of 25% Equity Interest of HECIC Yanshan (Guyuan) Wind Energy” on 28 March 2011.

#### **Asset charge**

During the year, the Group had no charge on its assets.

#### **Contingent liabilities**

During the year, the Group had no significant contingent liabilities.

## **V. OPERATIONAL RISKS**

#### **Risks in the natural gas market**

As the demand for quality energy in different regions in China is increasing in future, it is expected that the demand for natural gas in the whole society will increase continually. Restricted by factors such as the natural gas production condition of the State, the market fluctuation of imported natural gas and contingent impacts that may be brought about by extreme weather, certain market risks will be brought to the long-term steady supply of natural gas. As a bulk resources product, the price of natural gas would fluctuate due to the effect of various factors. It will show a general increasing trend as affected by the growth in demand in future years. Natural gas distributors could transfer the price-increase factor downstream, but increase in end-price would also suppress the market demand.

## **Management Discussion and Analysis**

#### **Risks of wind power grid connection**

Wind power has entered a large-scale development phase in China, but ancillary works for power grids lagged behind relatively. If the construction speed of wind power projects and power grid ancillary works do not match with each other, it would lead to risks of extended construction cycle. To ensure the orderly development of wind power, the government of the PRC proposed the idea of “unified planning, power grid support” for the management of wind power project development and construction on an unified basis and issued measures for the administration of power grid approval planning, and increased certain approval procedures for preliminary development of wind power. In the short term, the additional unified planning and approval procedures will prolong the approval process wind power projects. However, in the long run, the enhanced unified planning of the wind power industry on country level will avoid disorderly competition and benefit to the healthy development of the industry and the protection of reasonable interests of investors. The Group, as a top-ten wind power operator in China, will also benefit from the increasingly regulated wind power development policies of the PRC government. The Group will actively adapt to the changes of policies, enhance the connection between the projects developed and the power grids, and adequately accelerate the preliminary works for projects so as to ensure the smooth implementation of annual development plans of 2011.

#### **Power restriction risks of wind power**

As impacted by the grid structural factors of some regions, the power generation volume of certain projects of the Group in Zhangjiakou is restricted occasionally in winter. The Group strives to minimize





## Management Discussion and Analysis

the impact of power restriction by adopting measures to enhance the coordination with power grids and optimize the operation of wind farms, and actively construct “resource-friendly” wind farm.

### Financial risk

The Group’s natural gas pipeline construction and wind farm construction require significant capital expenditure. Most of the capital needed comes from banking facilities. It is expected that the People’s Bank of China will keep implementing a prudent monetary policy in 2011. The increase of the benchmark lending rate would affect the Group’s financing cost to a certain extent. The Group has a good credit history among local banks and can always obtain loans at the most preferential rate in a period. The Group will actively keep track of credit policies, enhance capital management, continue to implement diversified financing methods and control financial costs.

Regarding exchange rates, most of the Group’s income is in RMB. However, CDM income is in foreign currencies. At the same time, the Group’s Listing proceeds are deposited in Hong Kong dollars, and has to be exchanged before utilizing for project investments. Hence, fluctuations in exchange rate would cause exchange losses or gains in the Group’s foreign currency business. The Group will keep track of changes in exchange rates, improve the settlement and use of foreign exchange and control foreign exchange risks.

## VI. WORKING PLAN FOR 2011

In 2011, under the leadership of the Board of the Group, we will further reinforce the effort in operation management, strive to raise efficiency, greatly push forward project developments and achieve rapid business growth. In 2011, the Group will make efforts to achieve the following:

### (1) Natural Gas Business

1. Actively promote the market development of natural gas, maintain growth in total wholesale volume, actively expand city natural gas business to enter into more new markets so as to achieve the continuing growth in annual natural gas sales volume and sales income. At the same time, coordinate gas supply and aim to achieve an annual gas sales volume of 1.17 billion cubic metres.
2. Push forward the development and construction of Gaoyi-Qinghe pipeline; aiming to commission within the year; rapidly commence marketing in the area along the Gaoyi-Qinghe pipeline.
3. Press ahead with the implementation of gas resources projects. We strive to obtain approval for the commencement of preliminary works of Shanxi coalbed methane project within the year, confirm the investment and construction of LNG project in Caofeidian, actively push forward the utilization of coal-made natural gas in Shanxi Province and Inner Mongolia Autonomous Region.

## Management Discussion and Analysis

### (2) Wind Power Business

1. Strengthen the management of operation and maintenance of wind farms, maintain a higher availability factor and average utilisation hour of wind farms, strive to achieve power generation volume of over 1.9 billion kwh.
2. Accelerate the construction of approved wind farm projects, ensure that projects such as Shanxi Lingqiu Hanfengling Wind Farm, Shanxi Lingqiu Baicaoowan Wind Farm, Yuxian Dongdianziliang Wind Farm, Yuxian Yongshengzhuang Wind Farm, Yuxian Chashan Wind Farm, Zhangbei Daxishan Wind Farm, Chongli Jiaocheshan Wind Farm commence operation as planned; follow up with the plan of the wind farm industry and the local power grid plans, accelerate the process of obtaining preliminary approvals and formal approval of the Pipeline Projects and commencement of the construction, strive for the commission of 400-500MW of wind power installed capacity for the year.
3. Expand the financing system of the Company, enhance financing planning. We will supplement project construction funds and reduce finance cost through the issue of a combination of bonds such as short-term financing bonds, company bonds, etc. so as to continue to raise the efficiency in the use of internal funds within the Group.



## Biographies of Directors, Supervisors and Senior Management

### NON-EXECUTIVE DIRECTORS



**Dr. Li Lian Ping**, aged 48, is a non-executive Director and chairman of the Board of the Company. He was appointed as non-executive Director on 9 February 2010. Since July 2009, he has been the chairman of HECIC. Prior to that, he served as chairman of Handan Iron & Steel Group Co., Ltd. and director and deputy general manager of Hebei Iron & Steel Group Co., Ltd. from June 2008 to July 2009. From January 2006 to June 2008, he was the vice-chairman and general manager of Handan Iron & Steel Group Co., Ltd. Dr. Li graduated from Hebei College of Electrical and Mechanical Engineering with a bachelor degree of engineering in hydraulics transmission and control in July 1983, and obtained his master degree in management from Hebei University of Technology and doctorate in materials processing engineering from the University of Science and Technology Beijing in August 1999 and June 2005, respectively.



**Mr. Zhao Hui Ning**, aged 43, is a non-executive Director and vice chairman of the Board of the Company. He was appointed as non-executive Director on 9 February 2010. Since July 2009, he has also been the vice chairman and general manager of HECIC. From January 2005 to July 2009, Mr. Zhao was the executive-director and general manager of Hebei Information Industry Investment Co., Ltd. Prior to that, he was an executive director and general manager of Hebei Economic and Trade Investment Co., Ltd. from November 2001 to January 2005. Mr. Zhao graduated from Northern Jiaotong University in July 1990 with a bachelor degree in transportation administration. He obtained a master degree from Flinders University in a post-graduate course on international trade relations jointly offered by Nankai University and Flinders University, Australia in October 2004.



**Mr. Xiao Gang**, aged 52, is a non-executive Director and vice chairman of the Board of the Company. He was appointed as non-executive Director on February 9, 2010. Mr. Xiao Gang has been supervising the overall business development and operation of HECIC New-energy and Hebei Natural Gas during the track record period. He has also been the deputy general manager and manager for Beijing operations of HECIC since June 2007, and was in various positions of HECIC from April 1994 to June 2007, including officer, deputy manager of capital department, manager of agricultural projects, manager for Beijing operations and assistant to the general manager. Mr. Xiao worked for the key development department, industry department and investment department of the Planning and Economics Committee of Hebei Province from December 1990 to April 1994. Mr. Xiao graduated from Hebei Radio and TV University with a diploma in electronics and the mechanical engineering department of Tianjin University with a bachelor degree in welding technology in July 1982 and July 1985, respectively. He obtained a master degree in business administration (EMBA) from Beijing Jiaotong University in July 2010.

## Biographies of Directors, Supervisors and Senior Management

### EXECUTIVE DIRECTORS



**Dr. Cao Xin**, aged 39, is an executive Director and president of the Company. He was appointed as executive Director on 9 February 2010. He has been the general manager of HECIC New-energy since June 2006. Dr. Cao was the assistant to the general manager of HECIC from May 2008 to July 2010. He was manager for the second public utilities department of HECIC from February 2004 to October 2009. He worked for HECIC and its subsidiaries at various posts from July 1992 to February 2004. Dr. Cao graduated from Huazhong University of Science and Technology with a bachelor degree in engineering, majoring in management information systems, in July 1992. He obtained his master degree and doctorate in economics majoring in national economic management, from Renmin University of China in July 1999 and July 2003, respectively.



**Mr. Gao Qing Yu**, aged 47, is an executive Director and vice president of the Company. He was appointed as executive Director on 9 February 2010. He has been the general manager of Hebei Natural Gas since April 2010 and chairman of the labour union in Hebei Natural Gas since October 2004. From October 2004 to April 2010, he was the deputy general manager of Hebei Natural Gas. He held various posts of Hebei Natural Gas from July 2000 to September 2004. Mr. Gao graduated from Hebei College of Chemistry with a diploma in chemical engineering and machinery and Hebei Radio and TV University with a diploma in human resources management in July 1985 and 1989, respectively. Mr. Gao pursued his undergraduate studies (by way of distance learning) in economic management and graduated from Correspondence Institute of Party School of Central Committee of Communist Party of China in 2005. He obtained a master degree in business administration from The Open University of Hong Kong in December 2006.



**Mr. Zhao Hui**, aged 38, is an executive Director, vice president, secretary to the Board and the joint company secretary of the Company. He was appointed as executive Director on 9 February 2010. Immediately prior to joining the Company, he was the secretary to the board and manager of the investment development department of JEI. He held this position since July 2003 and resigned from JEI on 2 September 2010. From June 2001 to March 2003, he was the director of the board office of Shijiazhuang International Building (Group) Co., Ltd. of JEI. From July 1995 to June 2001, he held various positions in HECIC. Mr. Zhao graduated from Hebei University of Technology with a bachelor degree of engineering majoring in thermal energy engineering in July 1995. He obtained a master degree in business administration from Nankai University in December 2003.

## Biographies of Directors, Supervisors and Senior Management



**Mr. Sun Xin Tian**, aged 46, is an executive Director and vice president of the Company. He was appointed as executive Director on 28 June 2010. Mr. Sun has been the deputy general manager of HECIC New-energy since May 2008. He was the chief engineer of HECIC New-energy from June 2007 to May 2008, the deputy general manager of HECIC Zhangjiakou Wind Energy from January 2006 to September 2008. Between July 1984 and January 2006, Mr. Sun held various positions in Hebei Xingtai Power Co., Ltd. (formerly known as Xingtai Power Factory), including technician, engineer, deputy factory manager of power engineering branch factory, deputy director of equipment and technology department, and deputy chief engineer. Mr. Sun obtained his master degree of engineering, majoring in power engineering, and bachelor of engineering, majoring in power plant thermal measurement and automation, from Huabei Electricity University in June 2005 and July 1984, respectively. Mr. Sun is a senior engineer conferred by the Senior Engineer Assessment Committee of Hebei Provincial Electricity Industry Bureau (河北電力工業局高級工程師評審委員會).

## INDEPENDENT NON-EXECUTIVE DIRECTORS



**Mr. Qin Hai Yan**, aged 40, is an independent non-executive Director of the Board of the Company. He was appointed as independent non-executive Director on 5 March 2010. He has also been an independent non-executive director of Huaneng Renewables Corporation Limited since 6 August 2010. Mr. Qin is the deputy director of Climatic Resources Utilization Research Institute of Chinese Meteorological Society (中國氣象學會氣候資源應用研究委員會), the deputy secretary-general of Renewable Energy Committee of China Association of Resource Comprehensive Utilization (中國資源綜合利用協會可再生能源專業委員會) and the honorary president of Wind Energy Industry Association of Huishan District, Wuxi City (無錫市惠山區風能行業協會). He is also an executive director of the Eighth China Renewable Energy Society (第八屆中國可再生能源學會), the Second Solar Energy Committee (第二屆太陽能專業委員會) and the Fourth Solar Energy Utilization Committee (第四屆太陽能熱能利用專業委員會). In addition, he is a member of the National Wind Power Machinery Standardization and Technology Commission (全置風力機械標準化委員會). Mr. Qin is also a part-time professor of Nanjing University of Technology. Mr. Qin obtained a bachelor degree in engineering from Shanghai Jiaotong University in July 1994 and a master degree in business management from Renmin University in July 2002.



**Mr. Ding Jun**, aged 48, is an independent non-executive Director of the Board of the Company. He was appointed as independent non-executive Director on 5 March 2010. Mr. Ding is an associate researcher of Beijing Academy of Social Sciences Economics Research Institute, which he joined in 1992. Mr. Ding graduated from the department of mechanical engineering of Tongji University with a bachelor degree in urban gas energy supply engineering in December 1983 and from the Graduate School of China Academy of Social Sciences with a master degree in economics in August 1990.

## Biographies of Directors, Supervisors and Senior Management



**Mr. Wang Xiang Jun**, aged 46, is an independent non-executive Director of the Board of our Company. He was appointed as independent non-executive Director on 5 March 2010. Mr. Wang has been an associate professor of Hebei University of Economics and Business since November 2005 and a part-time teacher of Accountant Service Centre Hebei Finance Office (河北省財政廳會計人員服務中心). He is currently also a financial consultant of Hebei Information Industry and Accounting Association (河北省信息產業會計學會), Hebei Grain Group Co., Ltd., China Construction Bank (Hebei Branch), Finance Department of Hebei Publishing Group and Hebei Products (Group) Co., Ltd.. Mr. Wang has performed, and will continue to perform, functions similar to that of a financial controller, including advising on macro-economic as well as internal control matters in these roles. He obtained a bachelor degree in economics from Central University of Finance and Economics in June 1989. The Board of Directors considers that such experience meets the requirement for relevant financial management experience as stipulated under Rule 3.10(2) of the Listing Rules.



**Mr. Yue Man Yiu Matthew**, aged 49, is an independent non-executive Director of the Company. He was appointed as independent non-executive Director on 28 June 2010. Mr. Yue has been the chief financial officer of Ko Shi Wai Holdings Limited since September 2009. He has been a director of China-Link Capital Management Limited since September 2009 and was the chief financial officer of the same firm from August 2005 to August 2009. Mr. Yue is currently an independent non-executive director of two Hong Kong listed companies, namely, China Financial Leasing Group Limited (Stock Code: 2312) and Asia Cassava Resources Holdings Limited (Stock Code: 841). He graduated from the Chinese University of Hong Kong with a bachelor degree in business administration in 1984. He is a fellow of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute. He has extensive experience in financial control, project analysis and management functions and has the related financial expertise as required under Rule 3.10(2) of the Listing Rules.

### SUPERVISORS



**Mr. Yang Hong Chi**, aged 54, is a Supervisor of the Company. Since January 2006, Mr. Yang has been the chairman of the labour union of HECIC. From July 2000 to January 2006, he served as director of the general office of the Organization Department of Hebei Provincial Committee. Mr. Yang graduated from Tianjin University in September 1977.

## Biographies of Directors, Supervisors and Senior Management



**Mr. Qiao Guo Jie**, aged 48, is a Supervisor of the Company. He has been the chairman of the labour union of HECIC New-energy since September 2007. He was deputy manager of the second public utilities department of HECIC from February 2004 to October 2009. Mr. Qiao was also a director of Tangshan Sanyou Chemical Industries Co., Ltd. from December 2005 to September 2008. Mr. Qiao graduated from the Agricultural University of Hebei with a bachelor degree in agricultural machinery engineering in July 1984, and obtained his master degree in business administration from Tianjin University in July 2007.



**Mr. Mi Xian Wei**, aged 45, is a Supervisor of the Company. Since June 2008, he has been the deputy general manager of HECIC Water. Prior to that, Mr. Mi served as the deputy manager of the business management department of HECIC from March 2007 to June 2008 and the finance department of HECIC from March 2005 to March 2007. Mr. Mi obtained his bachelor and master degrees of science from Hebei Normal University in June 1986 and July 1989, respectively.

### SENIOR MANAGEMENT

**Dr. Cao Xin** is the president of the Company. For details of Dr. Cao, please see the sub-section headed “Executive Directors” above.

**Mr. Gao Qing Yu** is the vice president of the Company. For details of Mr. Gao, please see the sub-section headed “Executive Directors” above.

**Mr. Zhao Hui** is the vice president, joint company secretary and secretary to the Board of the Company. For details of Mr. Zhao, please see the sub-section headed “Executive Directors” above.

**Mr. Sun Xin Tian** is the vice president of the Company. For details of Mr. Sun, please see the sub-section headed “Executive Directors” above.

## Biographies of Directors, Supervisors and Senior Management



**Mr. Feng Chun Xiao**, aged 48, is the financial controller of the Group responsible for its overall financial management. Mr. Feng was appointed as the financial controller on 5 March 2010. He first became involved in HECIC New-energy in September 2006 when he was appointed as the financial controller of the company. Before joining the Group, he held various positions in HECIC Group from August 2002, including the chief financial officer of Hebei International Investments Limited and Hebei Enterprise Limited as appointed in September 2005. Prior to joining the HECIC Group, Mr. Feng was the assistant to general manager of Shijiazhuang Jinshi Accounting Firm from June 1998 to July 2002. Prior to that, Mr. Feng worked as the accountant-in-charge at Shijiazhuang Mian'Er Jinhong Textile Co., Ltd. from September 1994 to February 1997. Mr. Feng obtained a master degree in business administration from Beijing Jiaotong University and a diploma in financial accounting from Central University of Finance & Economics in July 2001 and June 1985, respectively. He is a certified public accountant of China and senior accountant. He is also a certified assets appraiser conferred jointly by the MOF and Ministry of Personnel of the PRC (中華人民共和國人事部).

### JOINT COMPANY SECRETARIES

**Mr. Zhao Hui** is one of the Company's joint company secretaries. Mr. Zhao has substantial knowledge and understanding of the PRC power industry and abundant operational and management experience. For Mr. Zhao's biography, please see the sub-section headed "Executive Directors" above.



**Ms. Lam Yuen Ling, Eva**, aged 44, was appointed as the joint company secretary of the Company on 1 April 2010. Ms. Lam has worked in Norcola Company Limited as a senior company secretary since September 2005. Prior to that, she was a senior company secretary of Premier Corporate Services Limited from May 2005 to August 2005 and worked at Ho and Ho & Company as assistant company secretary from April 1993 to May 2005. Ms. Lam obtained a higher certificate in company secretaryship and administration from the Hong Kong Polytechnic University in 1993. She is an associate of The Hong Kong Institute of Chartered Secretaries and also an associate of The Institute of Chartered Secretaries and Administrators.





## Report of the Board of Directors

The Board of the Company hereby presents to shareholders the annual report and the audited Financial Statements for the year ended 31 December 2010.

### SHARE ISSUE AND LISTING

On 13 October 2010, the shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange upon an issue of an aggregate of 1,076,900,000 H shares to Hong Kong and overseas investors, at the price of HKD2.66 per share by way of an initial public offering. In October of the same year, the Company issued an aggregate of 161,535,000 H shares at the price of HKD2.66 per share upon exercise of over-allotment option. As of 31 December 2010, the total share number of the Company was 3,238,435,000 shares, including 1,876,156,000 domestic shares (representing 57.9%) and 1,362,279,000 H shares (representing 42.1%).

### SHARE CAPITAL

As of 31 December 2010, the total share capital of the Company was RMB3,238,435,000, divided into 3,238,435,000 shares of RMB1.00 each. Details of movements in the share capital of the Company during the year are set out in Note 29 to the Financial Statements.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

### PRE-EMPTIVE RIGHTS

Shareholders of the Company have no pre-emptive rights under the Articles of Association of the Company and the PRC law.

### USE OF NET PROCEEDS

The Company first issued shares to the public on the Hong Kong Stock Exchange in October 2010. The net proceeds raised was RMB2.658 billion. As of now, RMB1.749 billion of the net proceeds was used for investment in the Group's wind power project and natural gas project in China, representing 65.8% of the net proceeds.

### PRINCIPAL BUSINESS

The Group is principally engaged in the transmission and sale of piped natural gas, liquefied and compressed natural gas as well as investment, construction and operation of wind farms and sale of electricity to grid companies. Details of major subsidiaries of the Company is set out in Note 16 to the Financial Statements.

### RESULTS

The audited results of the Company and its subsidiaries for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 58. The financial position of the Company and its subsidiaries as of 31 December 2010 is set out in the consolidated statement of financial position on pages 59 to 60. The consolidated cash flows of the Company and its subsidiaries for the year ended 31 December 2010 is set out in the consolidated statement of cash flows on pages 62 to 63.

A discussion and analysis of the Group's performance and financial position during the year are set out in the Management Discussion and Analysis on page 13 of this annual report.

## Report of the Board of Directors

### PROFIT DISTRIBUTION

Pre-establishment dividend of RMB38.50 million (tax included) was distributed to the controlling shareholder of the Company – HECIC, and a special dividend of RMB84.70 million (tax included) from the date of incorporation of the Company up to the date immediately prior to Listing were paid to HECIC and HECIC Water, pursuant to a resolution passed in the general meeting on 9 February 2010. The Board recommends the distribution of a final dividend of RMB0.005 per share (RMB16.20 million in total) (tax included) for the year ended 31 December 2010 to all shareholders, details of which are set out in Note 11 to the Financial Statements.

According to the terms of the *Circular on Questions Concerning Tax on the Profits Earned by Enterprise with Foreign Investment, Foreign Enterprises and Foreign Individuals From Transfer of Stocks (Stock Rights) and on Dividend Income as promulgated by the State Administration of Taxation* (Guoshuifa 1993 No.045), the income from dividends (bonuses) received by foreign individuals who hold H-shares from China's domestic enterprises which issue H-shares is temporarily exempted from individual income tax.

According to the *Circular on Questions Concerning Withholding and Remitting Enterprise Income Tax for Dividends Received by Oversea H-share Holders (Enterprise Shareholders) from Chinese Resident Enterprises* (Guoshuihan 2008 No.897) issued by the State Administration of Taxation, enterprise income tax at the rate of 10% shall be levied on dividends paid in or after 2008 by Chinese resident enterprises to overseas H-share shareholders that are non-resident enterprises.

### PROPOSED SECOND SPECIAL DIVIDEND

Reference is made to section headed "Financial Information – Pre-establishment Distribution and Special Dividends" of the prospectus of the Company dated 30 September 2010. Pursuant to an ordinary resolution passed by the shareholders on 9 February 2010, the shareholders of the Company approved that the Second Special Dividend will be declared and paid to the promoters of the Company, HECIC and HECIC Water according to their respective shareholding interests in the Company 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.

Based on the consolidated financial statements of the Group for the three-month period ended 31 March 2010 and for the ten-month period ended 31 October 2010 audited by Ernst & Young, the Group calculates the consolidated income statements of the Group for the seven-month period ended 31 October 2010. According to the results, the Second Special Dividend will be paid to HECIC and HECIC Water in an aggregate amount of approximately RMB41,978,000, which is determined based on (1) 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 or IFRSs, whichever is lower, after deducting any appropriation to the statutory and discretionary reserve funds, if any, for the seven months period ending 31 October 2010, minus (2) the net 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 net profit of the Group attributable to the owners of the Company, as stated in the audited consolidated financial statements of the Company,



## Report of the Board of Directors

prepared in accordance with PRC GAAP or IFRSs, whichever is lower, after deducting any appropriation to the statutory and discretionary reserve funds, if any, for the seven-month period ended 31 October 2010.

The Company will finance the Second Special Dividend to HECIC and HECIC Water from its then available cash and cash equivalents on hand. The Company does not expect to incur any significant one off capital commitment, revenue or expenses outside the ordinary course of business in the second and third quarters of 2011 and expects to have sufficient cash or cash equivalent generated internally to settle the Second Special Dividend. Payment of the Second Special Dividend is expected to take place before 30 June 2011. The Company will take all necessary steps and also fulfill all necessary legal and regulatory requirements prior to settlement of the Second Special Dividend.

The Board has approved the proposed Second Special Dividend on 28 March 2011. The final declaration and payment of the Second Special Dividend are subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Company and its subsidiaries during the year are set out in Note 13 to the Financial Statements.

### RESERVES

Details of the movement in reserves of the Company during the year are set out in Note 30 to the Financial Statements, among which, details of reserves distributable to shareholders are set out in Note 30 to the Financial Statements.

### BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company and its subsidiaries as of 31 December 2010 are set out in Note 28 to the Financial Statements.

### DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### BOARD OF DIRECTORS

Our Board consists of eleven Directors, of whom four are executive Directors, three are non-executive Directors and four are independent non-executive Directors. The Company has entered into service contracts with each of our executive Directors, non-executive Directors and independent non-executive Directors. The following table presents certain information in respect of our Directors.

## Report of the Board of Directors

Name	Age	Position	Date of Appointment
Li Lian Ping.....	48	Chairman of the Board, non-executive Director	9 February 2010
Zhao Hui Ning .....	43	Vice chairman of the Board, non-executive Director	9 February 2010
Xiao Gang .....	52	Vice chairman of the Board, non-executive Director	9 February 2010
Cao Xin .....	39	Executive Director, President	9 February 2010
Gao Qing Yu.....	47	Executive Director, Vice President	9 February 2010
Zhao Hui.....	38	Executive Director, Vice President, Joint Company Secretary, Secretary to the Board	9 February 2010
Sun Xin Tian .....	46	Executive Director, Vice president	28 June 2010
Qin Hai Yan .....	40	independent non-executive Director	5 March 2010
Ding Jun.....	48	independent non-executive Director	5 March 2010
Wang Xiang Jun .....	46	independent non-executive Director	5 March 2010
Yue Man Yiu Matthew .....	49	independent non-executive Director	28 June 2010

### BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, supervisors and senior management are set out on pages 26 to 31 of this annual report.

### SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

None of the Directors or supervisors has entered into a service contract with the Company which cannot be terminated by the Company within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' AND SUPERVISORS' REMUNERATION

Details of the remuneration of the Company's Directors and supervisors are set out in Note 8 to the Financial Statements.

### INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS OF SIGNIFICANCE

At the end of the year 2010 or at any time during the year 2010, none of the Directors and supervisors of the Company had any personal interest, either directly or indirectly, in any subsisting contract of significance to which the Company or any of its subsidiaries was a party.

### INTEREST OF DIRECTORS IN COMPETING BUSINESS

During the year of 2010, none of the Directors and their associates had any competing interests in any business which competed, either directly or indirectly, with the business of the Group.

## Report of the Board of Directors

### INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

On 31 December 2010, none of the Directors, supervisors or senior management of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO"))) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors).

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

On 31 December 2010, to the best knowledge of the Directors, the following persons (other than the Directors, senior management or supervisors of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Class of Share	Capacity	Number of Shares Held (Share)	Percentage in the Relevant Class of Share Capital (%)	Percentage in the Total Share Capital (%)
HECIC Group	Domestic shares	Interests of beneficial owner and controlled company	1,876,156,000 (Long position)	100%	57.93%
National Social Security Fund	H shares	Beneficial owner	107,690,000 (Long position)	7.91%	3.30%
JPMorgan Chase	H shares	Beneficial owner	245,172,059 (Long position)	17.99%	7.57%
China Credit Trust Co., Ltd.	H shares	Interest of controlled company	90,692,000 (Long position)	6.66%	2.80%
Harvest Fund	H shares	Investment Manager	90,692,000 (Long position)	6.66%	2.80%

## Report of the Board of Directors

### MANAGEMENT CONTRACTS

The Company did not enter into any contract in respect of the management or administration of the entire or any significant part of the business of the Company nor any such contract subsisted at any time during 2010.

### SUBSEQUENT EVENTS

On 28 March 2011, HECIC New-energy, a subsidiary of the Company, signed an equity transfer agreement with Hebei Green Energy Limited to acquire its 25% equity interest in HECIC Yanshan (Guyuan) Wind Energy at a price of RMB 46.68 million. Hebei Green Energy Limited is an indirect wholly-owned subsidiary of HECIC and is an associate of HECIC. Therefore, Hebei Green Energy Limited is a connected person of the Company and this transaction is a connected transaction under the definition of Chapter 14A of the Listing Rules. Since the percentage ratio (other than profits ratio) required by the Listing Rules applicable to this acquisition is less than 5%, this acquisition is a connected transaction exempt from the Independent Shareholders' approval requirement under Rule 14A.33 of the Listing Rules. Matters related to this acquisition have been reported and announced pursuant to the requirements of Chapter 14A of the Listing Rules.

### CONNECTED TRANSACTIONS

#### 1. CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

During the reporting period, the Group has entered into certain continuing connected transactions subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement according to Rule 14A.34 of the Listing Rules. The table below has set out the annual caps and the actual transaction amount of such kind of connected transactions:

Connected transaction	Connected person	Annual cap for 2010 (RMB million)	Actual transactions amount for 2010 (RMB million)
(a) Properties leased by HECIC Group to the Group	HECIC	3.6	3.5
(b) Provision of wind farm operation and maintenance services by the Group to HECIC Yanshan (Guyuan) Wind Energy	HECIC Yanshan (Guyuan) Wind Energy	3.6	1.7
(c) Provision of financial assistance by the Group to HECIC Yanshan (Guyuan) Wind Energy	HECIC Yanshan (Guyuan) Wind Energy	70.0	70.0



## Report of the Board of Directors

### (a) Properties leased by HECIC Group to the Group

On 19 September 2010 the Company and HECIC, the Company's controlling shareholder entered into the Tenancy Agreement, pursuant to which we agreed to lease up to a total of three and a half floors, four floors and five floors of office space at Yu Yuan Plaza, No. 9 Yuhua West Road, Shijiazhuang City, Hebei Province, PRC for the three years ended 31 December 2012 respectively. In the same agreement, HECIC also agreed to provide the Group certain ancillary office support services. The Tenancy Agreement will expire on 31 December 2012. HECIC or its subsidiaries is responsible for insurance and maintenance of such properties. The Company is responsible for the costs of utilities.

Jones Lang LaSalle Sallmans, an independent property valuer, has issued a property valuation report on 30 September 2010 in respect of the Tenancy Agreement we entered into with HECIC and has confirmed that the rental rates payable as at 1 July 2010 are on normal commercial terms, fair and reasonable, and represent the relevant market rents of similar properties in similar locations.

During the reporting period, the annual cap of this continuing connected transaction for 2010 was RMB3,600,000 and the actual transaction amount was RMB3,472,330.

### (b) Provision of wind farm operation and maintenance services to HECIC Yanshan (Guyuan) Wind Energy

On 19 September 2010, the Company and HECIC Yanshan (Guyuan) Wind Energy entered into the Operation and Maintenance Framework Agreement to provide wind farm operation and maintenance services to HECIC Yanshan (Guyuan) Wind Energy. The term of such Operation and Maintenance Services Framework Agreement shall expire on 31 December 2012.

The Company and/or its subsidiaries will enter into individual wind farm services contracts with HECIC Yanshan (Guyuan) Wind Energy (or its subsidiaries) with respect to the specific operation and maintenance services HECIC Yanshan (Guyuan) Wind Energy require.

HECIC Yanshan (Guyuan) Wind Energy is a non wholly-owned subsidiary of HECIC New-energy, which is also owned as to 25% by Hebei Green Energy Limited, an indirect wholly-owned subsidiary of HECIC. Accordingly, HECIC Yanshan (Guyuan) Wind Energy is a connected person of the Group pursuant to Rule 14A.11(5).

During the reporting period, the annual cap of this continuing connected transaction for 2010 was RMB3,600,000 and the actual transaction amount was RMB1,663,613.

## Report of the Board of Directors

### (c) Provision of financial assistance to HECIC Yanshan (Guyuan) Wind Energy

On 21 September 2010, the Company, HECIC Yanshan (Guyuan) Wind Energy and Hebei Branch of China Construction Bank entered into the first entrusted loan for a term expiring on 31 December 2012, pursuant to which the Company agreed to provide RMB 30.0 million to HECIC Yanshan (Guyuan) Wind Energy to finance the construction and development of wind power plant. Such loan bears interest equivalent to PBOC's 3-year benchmark rate, which is currently at 5.76%, over the term of the first entrusted loan.

On 21 September 2010, HECIC New-energy, HECIC Yanshan (Guyuan) Wind Energy and Hebei Branch of China Construction Bank entered into the second entrusted loan for a term expiring on 31 December, 2012, pursuant to which HECIC New-energy agreed to provide RMB 40.0 million to HECIC Yanshan (Guyuan) Wind Energy to finance the construction and development of wind farms. Such loan bears interest equivalent to PBOC's 3-year benchmark rate, which is currently at 5.76%, over the term of the second entrusted loan.

The Company's PRC legal advisers have confirmed that such entrusted loan arrangement does not contravene any applicable laws and regulations of the PRC. As the Group is not licensed to carry out money lending business in the PRC, we have to make the entrusted loans by way of an entrusted loan arrangement. We believe that such arrangements are not uncommon in the PRC. Further, as the interest rates charged by the Company are equivalent to the three-year

benchmark interest rates set by the PBOC, namely, 5.76%, the Directors are further of the view that the first entrusted loan and the second entrusted loan are made on normal commercial terms as required under Rule 14A.66(2).

HECIC Yanshan (Guyuan) Wind Energy is a non wholly-owned subsidiary of HECIC New-energy, which is also owned as to 25% by Hebei Green Energy Limited, an indirect wholly-owned subsidiary of HECIC. Accordingly, HECIC Yanshan (Guyuan) Wind Energy is a connected person of the Group pursuant to Rule 14A.11(5).

During the reporting period, the annual cap of this continuing connected transaction for 2010 was RMB70,000,000 and the actual transaction amount was RMB70,000,000.

### 2. Non-exempt Continuing Connected Transactions:

During the report period, the Group entered into certain non-exempt continuing connected transactions. Pursuant to Chapter 14A of the Listing Rules, such transactions are subject to the reporting, announcement and independent shareholders' approval requirements. At the time of the listing of the Group's H shares, the Hong Kong Stock Exchange approved the annual caps of those continuing connected transactions and granted a waiver to the Company from strict compliance with the announcement and independent shareholders' approval requirements. The table below has set out the annual caps and the actual transaction amount of such kind of connected transactions:



## Report of the Board of Directors

Connected transaction	Connected person	Annual cap for 2010 (RMB million)	Actual transactions amount for 2010 (RMB million)
(a) Electricity Sales to State Grid Corporation and its subsidiaries	State Grid corporation	650.0	512.8
(b) Provision of wind farm related services by State Grid Corporation and its subsidiaries to the Group	State Grid corporation	502.4	222.8

### (a) Electricity Sales to State Grid Corporation and its subsidiaries

In the ordinary and usual course of business, the Company and its subsidiaries have been and will be selling electricity generated by the Company's wind farms to local power grid companies in accordance with applicable PRC laws.

The Company and/or its subsidiaries will enter into written agreements (i.e. power purchase agreements) with relevant local power grid companies in respect of the sales of electricity when the on-grid tariff has been determined by the NDRC and approved by the relevant pricing authorities. A power purchase agreement typically contains various standard terms, such as an on-grid tariff. A power purchase agreement also contains standard terms on the procedure for measurement and payment. A power purchase agreement usually provides that the relevant local power grid company shall purchase the full amount of electricity generated by the relevant wind farm.

North China Grid Company Limited is the controlling shareholder of Beijing Hua Bei Power Industrial Company which in turn is the substantial shareholder of two of the Company's non-wholly owned subsidiaries, Zhangbei Huashi CIC Wind Energy Co., Ltd. and Chongli CIC Huashi Wind Energy Co., Ltd., by virtue of its shareholdings of 48% and 49% respectively therein.

Therefore, North China Grid is a connected person of the Company under Chapter 14A of the Listing Rules. State Grid Corporation, the ultimate controlling shareholder of North China Grid Company Limited, is therefore also a connected person of the Company under Chapter 14A of the Listing Rule. Furthermore, Hebei Electric Power Corporation and Shanxi Electric Power Corporation are both wholly-owned subsidiaries of State Grid Corporation. Therefore, Hebei Electric Power Corporation and Shanxi Electric Power Company are associates of the Group and will be deemed to be connected persons of the Company under Chapter 14A of the Listing Rules.

## Report of the Board of Directors

During the reporting period, the annual cap of this continuing connected transaction for 2010 was RMB650,000,000 and the actual transaction amount was RMB512,808,259.

### **(b) Provision of wind farm related services to the Group**

In the ordinary and usual course of business, the Group has been receiving wind farm related services from various service providers, including those independent of the Group and subsidiaries of State Grid Corporation. As the State Grid Corporation group of companies are the leading wind farm service providers in the locations where we operate, we expect that we will continue to invite them to bid for wind farm service contracts for our wind farms in the future.

Upon winning a bid for wind farm service contracts for our wind farms, the Company and/or its subsidiaries will enter into written wind farm services contracts with the relevant subsidiaries of State Grid Corporation with respect to the specific wind farm related services required by the Company. Such services typically include construction and installation, exploration services, design and planning services, surveying services, quality surveillance, repair and maintenance and other operation related services. A wind farm service contract typically contains various standard terms, such as payment method and warranties, but the scope of service, cost of service and other terms will vary from project to project. As these wind farm service contracts will be entered into in the future and the terms and conditions of such service

contracts will change and evolve during a competitive bidding process, the Company and the subsidiaries of State Grid Corporation are therefore unable to pre-execute these wind farm service contracts. We believe it is industry practice for wind farm service providers to only enter into services agreements upon the completion of the relevant bidding process and such service providers are not accustomed to enter into long term framework agreements to govern future bids and service contracts.

State Grid Corporation is the ultimate controlling shareholder of Beijing Hua Bei Power Industrial Company which in turn is the substantial shareholder of two of the Company's non-wholly owned subsidiaries, Zhangbei Huashi CIC Wind Energy Co., Ltd. and Chongli CIC Huashi Wind Energy Co., Ltd., by virtue of its shareholdings of 48% and 49% respectively therein. Therefore, State Grid Corporation is a connected person of the Company under Chapter 14A of the Listing Rules. Subsidiaries of State Grid Corporation are associates of the Group and will be deemed to be connected persons of the Company under Chapter 14A of the Listing Rules.

During the reporting period, the annual cap of this continuing connected transaction for 2010 was RMB502,400,000 and the actual transaction amount was RMB222,848,414.



## Report of the Board of Directors

### 3. CONFIRMATION OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the Company have reviewed each of the abovementioned continuing connected transactions and confirmed that the transactions have been conducted:

- (1) in the usual course of business of the Group;
- (2) on normal commercial terms or, if there are no sufficient comparable transactions to determine whether they are on normal commercial terms, from the perspective of the Group, on terms no less favorable than the terms available to or from independent third parties; and
- (3) in accordance with relevant agreed terms governing the relevant transactions, on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

### 4. CONFIRMATION OF THE AUDITOR

The auditor of the Company has provided a letter to the Board, confirming that for the year ended 31 December 2010, the aforementioned transactions:

- (1) have been approved by the Board of the Company;
- (2) are in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;
- (3) have been entered into in accordance with the terms of the agreements governing such transactions; and

- (4) have not exceeded the relevant annual caps for 2010 as disclosed in the Prospectus of the Company.

### COMPLIANCE WITH NON-COMPETITION AGREEMENT

The Company entered into a Non-Competition Agreement with HECIC on 19 September 2010. Pursuant to the Non-competition Agreement, HECIC agreed not to and shall procure its subsidiaries (other than the Company, JEI and their respective subsidiaries) not to compete with the Group in the Relevant Businesses, and granted to the Company the options to acquire any retained business and new business opportunities and pre-emptive rights to acquire the equity interest of HECIC in certain new businesses.

Pursuant to the undertakings in the Non-Competition Agreement, HECIC has complied with its undertakings therein. The independent non-executive Directors of the Company have reviewed the implementation of the Non-Competition Agreement during 2010 and confirmed that HECIC has been in full compliance with the Agreement and there was no breach by HECIC.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2010, the purchase amount from the Group's five largest suppliers in aggregate contributed 99.7% of the Group's total purchase amount for the year, among which, the total purchase amount from the largest supplier contributed 99.5% of the Group's total purchase amount for the year.

## Report of the Board of Directors

For the year ended 31 December 2010, the sales to the Group's five largest customers in aggregate contributed 47.1% of the Group's total sales for the year, among which, the sales to the largest customer contributed 16.4% of the Group's total sales for the year.

So far as the Directors are aware, none of the Directors, associates of Directors or any shareholders of the Company (who to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in the Company's five largest suppliers or five largest customers.

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

As a company listed on the Hong Kong Stock Exchange, the Company strives to maintain a high standard of corporate governance practices and complies with the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules. Please refer to the Corporate Governance Report of this annual report for details.

### PUBLIC FLOAT

Based on information publicly available to the Company and so far as the Directors are aware, not less than 25% of the issued shares of the Company were held by the public as at the latest practicable date prior to the issue of this annual report, which was in compliance with the requirements under the Listing Rules.

### MATERIAL LITIGATION

As of 31 December 2010, the Company was not involved in any material litigation or arbitration. So far as the Directors are aware, no such litigation or claims are pending or threatened against the Company.

### AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the 2010 annual results of the Group and the financial statements for the year ended 31 December 2010 prepared in accordance with the IFRSs.

### AUDITORS

Ernst & Young and Zhonglei Certified Public Accountants (中磊會計師事務所) were appointed as auditors for the Financial Statements prepared in accordance with International Financial Reporting Standards and Accounting Standards for Business Enterprises of PRC for the year ended 31 December 2010, respectively. The enclosed Financial Statements prepared in accordance with the International Financial Reporting Standards have been audited by Ernst & Young.

### DONATIONS

In active support of charity, the Company donated HK\$ 1 million to the Community Chest of Hong Kong in October 2010.

By order of the Board of  
**China Suntien Green Energy Corporation Limited**

**Li Lian Ping**

*Chairman*

Beijing • 28 March 2011

# Corporate Governance Report

## 1. BOARD OF DIRECTORS

The Company was established on 9 February 2010 and listed on the Hong Kong Stock Exchange on 13 October 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 PRC Company Law, the Mandatory Provisions for the Articles of Association of Company Seeking a Listing outside the PRC, the code provisions set out in the Code on Corporate Governance Practice as set out in the Listing Rules, etc.

### 1.1 Composition of the Board

The Board of the Company comprises 11 Directors, which includes 3 non-executive Directors, 4 executive Directors and 4 independent non-executive Directors. Biographical details of the Directors as at the reporting date are included in page 26 to page 29 of this annual report.

The functions and duties of the Board include: convening shareholders' meetings, reporting the Board's work at shareholders' meetings, implementing the resolutions passed at shareholders' meetings, determining our business plans and investment plans, formulating our annual budget and final accounts, formulating our proposals for profit distributions, the change of registered capital as well as exercising other powers, functions and duties conferred by our Articles of Association.

We have entered into service contracts with each of the Directors. Each of the service contracts with our Director is for three years from the relevant date of appointment.

Name	Age	Position	Date of Appointment
Li Lian Ping	48	Chairman of the Board, non-executive Director	9 February 2010
Zhao Hui Ning	43	Vice chairman of the Board, non-executive Director	9 February 2010
Xiao Gang	52	Vice chairman of the Board, non-executive Director	9 February 2010
Cao Xin	39	Executive Director, President	9 February 2010
Gao Qing Yu	47	Executive Director, Vice president	9 February 2010
Zhao Hui	38	Executive Director, Vice President, Joint Company Secretary, Secretary to the Board	9 February 2010
Sun Xin Tian	46	Executive Director, Vice President	28 June 2010
Qin Hai Yan	40	Independent non-executive Director	5 March 2010
Ding Jun	48	Independent non-executive Director	5 March 2010
Wang Xiang Jun	46	Independent non-executive Director	5 March 2010
Yue Man Yiu Matthew	49	Independent non-executive Director	28 June 2010

## Corporate Governance Report

Since the listing of the Company, the Board has been in compliance with the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Moreover, the Company has received from each independent non-executive Director an annual confirmation of his independence, and considers that all the independent non-executive Directors are independent of the Company.

### 1.2 Board Meetings

Pursuant to the Articles of Association, Board meetings are classified into regular meetings and extraordinary meetings. The Board is required to hold at least four Board meetings each year, to be convened by the Chairman of the Board. A notice of at least 14 days shall be given for a regular board meeting. The notice shall state the time, venue and means by which the Board meeting will be convened. There is no restriction on the time of notice for extraordinary meetings.

Except for the Board's consideration of matters in relation to connected transactions as stipulated by the Articles of Associations, the quorum for a Board meeting is the presentation of at least half of the total number of the Directors. A Director may attend the Board meeting in person, or appoint another director in writing as his proxy to attend the Board meeting. The secretary to the Board is responsible for arranging Board office staff to keep record of Board meetings. The secretary to the Board of the Company is responsible for preparing and keeping the minutes of board meetings and ensuring that such minutes are available for inspection by any Director.

In 2010, nine meetings were held by the Board. Details of Directors' attendance to Board meetings are as follows:

Name	Position in the Company	Number of Meetings attended/held	Attendance rate
Li Lian Ping	Chairman of the Board, non-executive Director	9/9	100%
Zhao Hui Ning	Vice chairman of the Board, non-executive Director	9/9	100%
Xiao Gang	Vice chairman of the Board, non-executive Director	9/9	100%
Cao Xin	Executive Director, President	9/9	100%
Gao Qing Yu	Executive Director, Vice president	9/9	100%
Zhao Hui	Executive Director, Vice president, Joint Company Secretary, Secretary to the Board	9/9	100%
Sun Xin Tian	Executive Director, Vice President	4/4	100%
Qin Hai Yan	Independent non-executive Director	6/6	100%
Ding Jun	Independent non-executive Director	6/6	100%
Wang Xiang Jun	Independent non-executive Director	6/6	100%
Yue Man Yiu Matthew	Independent non-executive Director	4/4	100%



## Corporate Governance Report

### 1.3 Powers Exercised by the Board and the Management

The powers and duties of the Board and the management have been clearly defined in the Articles of Association. The Board is responsible for executing the resolutions of shareholders meetings, formulating the general management system of the Company, deciding on the Company's business and investment plans, determining other material business and administrative matters of the Company and monitoring the performance of the management.

Led by the President Dr. Cao Xin (who is also an executive Director), the management of the Company is responsible for implementing the resolutions approved by the Board and administering the Company's day-to-day operation and management.

### 1.4 Chairman and President

Dr. Li Lian Ping acts as the Chairman of the Board and Dr. Cao Xin acts as the President. The Rules and Procedures of the Board Meeting have defined the division of duties between the Chairman and the President.

Dr. Li Lian Ping, the Chairman of the Board, is responsible for leading the Board in determining the overall development strategies of the Company, developing good corporate governance system and ensuring the best interest of the Company and all of its shareholders. Dr. Cao Xin, the President, is mainly responsible for the Company's daily operation and management.

### 1.5 Directors' Remuneration

The remuneration and assessment committee makes recommendations in respect of Directors' remuneration according to criteria such as educational background and work experience. Directors' remuneration is determined by the Board with reference to Directors' experience, work performance, position and market condition and subject to approval of general meeting.

### 2. BOARD COMMITTEES:

#### 2.1 Audit Committee

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 currently serves as the Chairman of the audit committee. The primary responsibilities of the audit committee are to review and supervise the Company's financial reporting procedure, which include, among others,

- appointing and supervising the work of the Company's independent auditors and pre-approving all non-audit services to be provided by our independent auditors;
- reviewing the Company's annual and interim financial statements, earnings releases, critical accounting policies and practices used to prepare financial statements;
- 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 the Company's risk assessment and management policies.

During the reporting period, the major responsibilities of the audit committee was to review and supervise the implementation of the Company's internal control system and review the results report of the Company. 2 meetings were convened by the audit committee for reviewing the 2010 interim report and the auditing plan for the 2010 annual report, respectively. On 25 March 2011, the audit committee reviewed the Company's 2010 financial report at its meeting, and all of its members attended the meeting.

#### 2.2 Remuneration and Assessment Committee

The remuneration and assessment committee of the Company consists of three Directors: Dr. Li Lian Ping (non-executive Director), Mr. Qin Hai Yan (independent non-executive Director) and Mr. Ding Jun (independent non-executive Director). Dr. Li Lian Ping serves as the chairman of the remuneration and assessment committee of the Company. The primary responsibilities of the remuneration and assessment committee are to formulate the evaluation standards and conduct evaluation of Directors and senior management; review the compensation policies and schemes for Directors and senior management, which includes, among others,





## Corporate Governance Report

- approve and oversee the overall compensation package for Directors and senior management, assess the performance of senior management, set and approve the remunerations to be paid to the senior management;
- review the compensation for Directors and make recommendations to the Board in respect thereof;
- review and make recommendations to the Board with respect to the compensation policies, strategies or principles for Directors and senior management.

During the reporting period, the remuneration and assessment committee was mainly responsible for formulating the remuneration policies for executive Directors, assess the performance of executive Directors and review the service contracts of Directors.

### 2.3 Nomination Committee

The nomination committee of the Company consists of three Directors: Dr. Li Lian Ping (non-executive Director), Mr. Zhao Hui Ning (non-executive Director) and Mr. Ding Jun (independent non-executive Director). Dr. Li Lian Ping currently serves as the chairman of the nomination committee. The primary responsibilities of the nomination committee are to formulate the nomination procedures and standards for candidates for Directors and senior management, conduct preliminary review of the qualifications and other credentials of the candidates for Directors and senior management, assess the independence of the independent non-executive Directors and regularly review the structure of the Board and the senior managements.

During the reporting period, the nomination committee was mainly responsible for reviewing the composition of the Board and the senior managements, formulating the nomination policies for Directors and assessing the independence of the independent non-executive Directors, etc. On 25 March 2011, the Company convened a nomination committee meeting to assess the independence of the independent non-executive Directors.

### 2.4 Strategic and Investment Committee

The strategic and investment committee consists of three Directors: Dr. Li Lian Ping (non-executive Director), Mr. Zhao Hui Ning (non-executive Director) and Dr. Cao Xin (executive Director). Dr. Li Lian Ping currently serves as the chairman of the strategic and investment committee. The primary responsibilities of the strategic and investment committee are to formulate the Company's overall development plans and investment decision-making procedures, which includes, among others, review the Company's long-term development strategies, review the Company's strategic investment and implementation reports, and review significant capital expenditure, etc.

During the reporting period, the strategic and investment committee was mainly responsible for reviewing the Group's development plan and significant investments, etc. On 25 March 2011, the Company convened a strategic and investment committee meeting to review the strategic planning of the Group for the "12th Five-Year Plan".

### 3. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. None of the Directors are aware of any information that would reasonably indicate that the Company or any Director 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 Practices.

### 4. DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Board acknowledges its responsibility for preparing the Financial Statements of the Group for the year ended 31 December 2010. There are also no material uncertainties relating to events or conditions that may affect the Company's ability to continue as a going concern.



## Corporate Governance Report

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules. After making specific enquiries to all of the Directors and Supervisors, all Directors and Supervisors confirmed that they had fully complied with the Model Code for Securities Transactions by Directors of Listed Companies since the Listing of the Company.

### 6. INTERNAL CONTROL

The Company has attached prime importance to internal control. After establishment of the Company, a professional consulting company was immediately engaged to assess the internal control system and work flow of the Company. The Company has adopted the recommendations made by the internal control consultant, improved the various rules and regulations, as well as workflows of the Company, and formulated a sound and healthy internal control system.

The Company's internal control system mainly includes the "Rules and Procedures of the Board Meeting" (《董事會工作規程》), "Detailed Rules of Board Committees" (《董事委員會工作細則》), "Manual for Management with Authorization" (《授權管理手

冊》, "Measures for the Administration of Information Disclosure" (《信息披露管理辦法》), "Measures for the Administration of Connected Transactions" (《關連交易管理辦法》), "Risk Management System" (《風險管理制度》), "Internal Audit Regulations" (《內部審計條例》), "Employee Code of Conduct and Reporting System" (《員工行為規範及舉報制度》) and "Emergency Management System" (《突發事件應急管理制度》).

The Board has assessed the internal control system of the Group, and considers that the internal control system of the Group are effective.

### 7. AUDITORS AND REMUNERATION

Ernst & Young and Zhong Lei Certified Public Accountants were appointed as auditors for the financial statements prepared in accordance with International Financial Reporting Standards and Accounting Standards for Business Enterprises of PRC for the year ended 31 December 2010, respectively. The Company has not changed its auditors during the past three financial years. Ernst & Young and Zhong Lei Certified Public Accountants have not provided any non-audit service. For the year ended 31 December 2010, the fees payable to Ernst & Young and Zhong Lei Certified Public Accountants for audit services were RMB1.10 million and RMB0.20 million, respectively.

The Company's external auditor, Ernst & Young's responsibility to the Financial Statements are set out on pages 56 to 57 of this annual report.

# Human Resources

## SUMMARY OF HUMAN RESOURCES

As of 31 December 2010, the Group had a total of 678 staff. The staff structure is as follows:

### By business segments

Staff of the Company	53
Natural Gas Business Staff	298
Wind Power Business Staff	327
Total	678

### By position

Management	87
General Executive	149
Staff for Production and Construction	442
Total	678

### By academic qualifications and age

Category	Number of staff	Percentage
Postgraduate or above	57	8.4%
Undergraduate	334	49.3%
College diploma or below	287	42.3%
Total	678	100%

Category	Number of Staff	Percentage
40 years old and above	49	7.2%
30-40 years old	169	24.9%
30 years old and below	460	67.9%
Total	678	100%

## STAFF INCENTIVES

In order to cater for its development needs, the Group, on the basis of its existing position-based accountability system, has further established and perfected an effective mechanism for staff performance appraisal and management. By maintaining a clear division of duties, the Group develops different assessment methods according to business objectives, identifies the performance targets of different positions, formulates performance standards, strengthens the effort of assessment, assesses staff performance in an objective and accurate manner and stimulates the potential and enthusiasm of the employees so as to show the emphasis on both motivation and regulation, which has laid a solid foundation for developing staff's career path.



## Human Resources

### STAFF TRAINING

Envisioning the Group's future development and talents needs, a sound staff training system was established, in a bid to duly implement the strategy of strengthening the enterprise by talents, and standardise and strengthen the education and training of the Group's system. The Group has organised and formulated training programmes and designed various training courses tailored for management, technical and skilled personnel, which created a learning atmosphere that is positive, motivated and harmonious, and formed a team that is learning continuously.

In 2010, the Group continued its efforts in training all kinds of talents by providing its staff with various forms of training, which primarily included trainings for enhancing management skills for management, orientation training and business knowledge training for new staff, work skills training, competition and technology seminars for technical staff, Changfeng engineers training and others. The total number of employees participating in these training courses amounted to 762 people during the year, rendering the percentage of total staff training to over 100%.

Through continuous development of various training courses, the Group continuously improved staff quality, reinforced the modern management concept among its management and further enhanced the overall management efficiency.

### SAFETY PROTECTION FOR STAFF

To provide our staff with a safe working environment is one of the important tasks of the Group. The Group has established its people-oriented safe production philosophy, safeguarded the operational safety of its staff in electricity and gas production, and pressed ahead with the systemisation, normalisation and standardisation of safety and production management.

In 2010, the Group made great efforts in safeguarding staff safety and improving their safety standards. The Group further implemented all sorts of safety and production management systems, with each unit having established a sound accountability system for safe production and carried out regular safe production inspections and safety assessments to get rid of any safety incidents effectively. There was no incident occurred during the year.

Meanwhile, the Group provided its staff with regular safety training such as educational training and training on specific operations, arranged them to participate in the training for safety production and management organized by the State Administration of Work Safety. At present, production safety management staff and special operation staff at different levels take part in the training courses for certificates organized by the relevant departments of the State, which makes the goal of the production safety management staff and special operation staff working with licenses come true. The Group also provided its staff with various social insurance and commercial accident injury insurance to protect their safety and safeguard their interests.

### STAFF REMUNERATION POLICY

The staff remuneration of the Group comprises basic salary and bonus payment, which is determined pursuant to the value of the staff's position, their own abilities and work performances, the salary levels of the market and the operating condition of the Company.

The basic salary of the staff is classified into 3 levels – management, expert and general staff, which provides different promotion opportunities for the staff. The basic salary of each level of staff is determined based on the job nature. To encourage staff with outstanding performances and who are hardworking, and to share with the staff our operating results, the Company offers incentive salary to those who have made special contribution to the daily management and business expansion of the Company.

## Investor Relations

The Company attaches great importance to maintaining investor relations. On the date of its establishment, the Company set up the capital operation and investor relations department to be specifically responsible for information disclosure and investor relations. The management of the Company also regularly has an in-depth communication with investors and analysts in order to maintain good relationship. The Company has established both Chinese and English websites as the platform for the disclosure of the Company's information. We have enhanced the maintenance of the websites so as to ensure a smooth communication channel with our investors. Pursuant to the Listing Rules of Hong Kong and its Articles of Association, the Company formulated

the "Measures for the Administration of Information Disclosure" (《信息披露管理办法》) to ensure the provision of comprehensive and accurate information to investors in a timely and fair manner, and the performance of the information disclosure obligations of listed companies on a continuing basis.

Since the launch of the roadshow for listing on 26 September 2010 until 31 December 2010, the Company made direct contact with over 100 institutional investors and analysts by way of press conferences, presentations to investor, one-on-one meetings and teleconferences and has developed sound, continuing and stable relationships with them.





## Report of the Board of Supervisors

The board of Supervisors of the Company consists of three members. Except for the employee representative supervisor elected by employees, the other Supervisors are elected by the shareholders of the Company for a term of three years, which is renewable upon re-election and re-appointment. The major duties of the board of Supervisors include, but not limited to: reviewing and verifying financial reports, business reports and profit distribution proposals prepared by the Board; and, if in doubt, appointing certified public accountants and practicing auditors to re-examine the Company's financial information; monitoring the financial activities of the Company; supervising the performance of Directors, president and senior management members; requesting the Directors, president and senior management to rectify actions which cause damages to the Company's interests; and exercising other rights given to them under the Articles of Association.

All of our existing supervisors were elected to their current term to the Board of Supervisors by our shareholders on 9 February 2010.

### SUPERVISORS

Name	Age	Position	Date of Appointment
Yang Hong Chi	54	Chairman of the board of Supervisors	9 February 2010
Qiao Guo Jie	48	Employee Representative Supervisor	9 February 2010
Mi Xian Wei	45	Supervisor	9 February 2010

#### I. MEETINGS CONVENED BY THE BOARD OF SUPERVISORS

The first meeting of the first session of the Board of Supervisors was held on 9 February 2010 in Shijiazhuang, at which the Resolutions Regarding the Election of the Chairman of the First Session of the Board of Supervisors of China Suntien Green Energy Corporation Limited (《關於選舉新天綠色能源股份有限公司第一屆監事會主席的議案》) was considered and approved.

#### II. WORK INFORMATION OF THE BOARD OF SUPERVISORS

The current session of the board of Supervisors mainly carried out the following work:

## Report of the Board of Supervisors

### 1. Monitoring the Company's Operation

During the reporting period, members of the board of Supervisors of the Company attended all of the general meetings and board meetings, exercised supervision over the convention and compliance of decision making of the meetings. The board of Supervisors is of the opinion that the Company was in compliance with all laws, regulations and rules in 2010. All of its business were operated normally the internal control systems were well established, none of the Directors and members of the senior management of the Company were found in violation of laws and regulations.

### 2. Monitoring the disclosure of Information

During the reporting period, the board of Supervisors reviewed the information disclosure system and disclosed documents of the Company, and considers that the Company performed the ongoing information disclosure obligations in accordance with the Listing Rules and no false information was found.

### 3. Monitoring the Company's Financial Condition

During the reporting period, the board of Supervisors reviewed the 2010 Financial Statements audited by Ernst & Young. The board of Supervisors is of the opinion that the statements were prepared in compliance with relevant requirements of accounting systems and accounting standards, and objectively and truly reflected the financial position and results of operations of the Group.

**Yang Hong Chi**

*Chairman of the board of Supervisors*

Beijing, 28 March 2011







## Independent Auditors' Report



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### To the shareholders 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 consolidated financial statements of China Suntien Green Energy Corporation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 142, which comprise the consolidated and the company's statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.



## Independent Auditors' Report

### To the shareholders 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 consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010, and of the Group's profit and cash flows for the year 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

28 March 2011

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
<b>REVENUE</b>	5	<b>2,242,757</b>	1,517,261
Cost of sales	6	<b>(1,580,715)</b>	(1,090,969)
Gross profit		<b>662,042</b>	426,292
Other income and gains, net	5	<b>84,048</b>	51,350
Selling and distribution costs		<b>(358)</b>	(408)
Administrative expenses		<b>(100,572)</b>	(69,131)
Other expenses		<b>(37,591)</b>	(5)
<b>PROFIT FROM OPERATIONS</b>		<b>607,569</b>	408,098
Finance costs	7	<b>(168,066)</b>	(103,951)
Share of profits of associates		<b>50,369</b>	1,692
<b>PROFIT BEFORE TAX</b>	6	<b>489,872</b>	305,839
Income tax expense	9	<b>(58,181)</b>	(18,735)
<b>PROFIT FOR THE YEAR</b>		<b>431,691</b>	287,104
Other comprehensive income		<b>-</b>	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b>431,691</b>	287,104
Total comprehensive income for the year attributable to:			
Owners of the Company		<b>279,719</b>	166,322
Non-controlling interests		<b>151,972</b>	120,782
		<b>431,691</b>	287,104
<b>EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic (RMB)	12	<b>12.38 cents</b>	8.32 cents
Diluted (RMB)	12	<b>12.38 cents</b>	8.32 cents

Details of the dividends payable and proposed for the year are disclosed in note 11 to the financial statements.

# Consolidated Statement of Financial Position

31 December 2010

	Notes	31 December 2010 RMB'000	31 December 2009 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	6,079,374	4,357,558
Prepaid land lease payments	14	71,106	70,022
Intangible assets	15	1,423,436	3,353
Investments in associates	17	337,941	222,807
Investment in a jointly-controlled entity	18	10,200	–
Held-to-maturity investment	19	5,000	2,000
Available-for-sale investments	20	3,400	3,400
Deferred tax assets	21	227	412
Prepayments and other receivable	24	870,226	581,912
Total non-current assets		8,800,910	5,241,464
<b>CURRENT ASSETS</b>			
Prepaid land lease payments	14	1,973	2,093
Inventories	22	25,264	21,548
Trade receivables	23	189,430	84,776
Prepayments, deposits and other receivables	24	219,545	88,717
Pledged deposits	25	63	14,733
Cash and cash equivalents	25	2,474,907	330,158
Total current assets		2,911,182	542,025
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	26	326,108	439,669
Other payables and accruals	27	901,420	395,863
Interest-bearing bank and other borrowings	28	1,442,655	879,000
Tax payable		25,863	13,758
Total current liabilities		2,696,046	1,728,290
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>215,136</b>	<b>(1,186,265)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>9,016,046</b>	<b>4,055,199</b>

continued/...

## Consolidated Statement of Financial Position

31 December 2010

	Notes	31 December 2010 RMB'000	31 December 2009 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	28	3,576,256	2,145,808
Other payables and accruals	27	1,201	31,590
Total non-current liabilities		3,577,457	2,177,398
Net assets		5,438,589	1,877,801
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Owner's equity		–	1,343,718
Issued share capital	29	3,238,435	–
Reserves	30(a)	1,514,127	–
Proposed dividends	11	58,170	–
		4,810,732	1,343,718
<b>Non-controlling interests</b>		627,857	534,083
Total equity		5,438,589	1,877,801

Director

**Li Lian Ping**

Director

**Cao Xin**

# Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Owner's equity	Issued share capital	Capital reserve	Reserve funds	Retained profits	Proposed dividend			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2010	1,343,718	-	-	-	-	-	1,343,718	534,083	1,877,801
Total comprehensive income for the year	38,495	-	-	-	241,224	-	279,719	151,972	431,691
Distributions (note 11(b))	(38,495)	-	-	-	-	-	(38,495)	-	(38,495)
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	(162,974)	(162,974)
Cash contributions received (note (i))	610,178	-	-	-	-	-	610,178	-	610,178
Cash contributions by non-controlling shareholders	-	-	-	-	-	-	-	104,776	104,776
Capitalisation upon the Restructuring (note (ii))	(1,953,896)	2,000,000	(46,104)	-	-	-	-	-	-
Proposed First Special Dividend (note 11(c))	-	-	-	-	(42,718)	42,718	-	-	-
First Special Dividend declared (note 11(c))	-	-	-	-	-	(42,718)	(42,718)	-	(42,718)
Issue of H shares (note 29(iii))	-	1,238,435	1,419,895	-	-	-	2,658,330	-	2,658,330
Proposed Second Special Dividend (note 11(d))	-	-	-	-	(41,978)	41,978	-	-	-
Proposed final 2010 dividend (note 11(e))	-	-	-	-	(16,192)	16,192	-	-	-
Transfer from retained profits	-	-	-	15,413	(15,413)	-	-	-	-
As at 31 December 2010	-	3,238,435	1,373,791*	15,413*	124,923*	58,170	4,810,732	627,857	5,438,589
As at 1 January 2009	995,019	-	-	-	-	-	995,019	396,481	1,391,500
Total comprehensive income for the year	166,322	-	-	-	-	-	166,322	120,782	287,104
Distributions (note 11(a)(b))	(169,013)	-	-	-	-	-	(169,013)	-	(169,013)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	(54,975)	(54,975)
Cash contributions by HECIC	352,400	-	-	-	-	-	352,400	-	352,400
Cash contributions by non-controlling shareholders	-	-	-	-	-	-	-	83,155	83,155
Acquisition of non-controlling interests	(1,010)	-	-	-	-	-	(1,010)	(11,360)	(12,370)
As at 31 December 2009	1,343,718	-	-*	-*	-*	-	1,343,718	534,083	1,877,801

\* These reserve accounts comprise the consolidated reserves of RMB1,514,127,000 (2009: nil) in the consolidated statement of financial position as at 31 December 2010.

## Notes:

- (i) Cash contributions received by China Suntien Green Energy Corporation Limited (the "Company") during the year ended 31 December 2010 represent cash contributions by Hebei Construction & Investment Group Co., Ltd. (河北建設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 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. (河北建設水務投資有限公司, "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 to the financial statements below.
- (ii) As further described in note 2 to the financial statements 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 to the financial statements below.

# Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		489,872	305,839
Adjustments for:			
Finance costs	7	168,066	103,951
Foreign exchange differences, net	6	35,701	(352)
Interest income	5	(5,928)	(2,172)
Share of profits of associates		(50,369)	(1,692)
Depreciation of items of property, plant and equipment	6	229,193	149,460
Amortisation of prepaid land lease payments	6	2,062	1,400
Amortisation of intangible assets	6	5,591	442
Loss/(gain) on disposal of items of property, plant and equipment, net	6	1,561	(61)
		<b>875,749</b>	556,815
Increase in inventories		(3,716)	(2,593)
Increase in trade receivables		(104,654)	(42,367)
Increase in prepayments, deposits and other receivables		(141,436)	(61,856)
Increase in trade and bills payables		57,434	23,707
Increase in other payables and accruals		16,857	39,815
Cash generated from operations		<b>700,234</b>	513,521
Income tax paid		(45,891)	(11,762)
Net cash flows from operating activities		<b>654,343</b>	501,759

continued/...

## Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for acquisition of items of property, plant and equipment		(3,402,578)	(1,346,121)
Payments for acquisition of prepaid land lease payments		(2,422)	(31,566)
Payments for acquisition of an intangible asset		(1,152)	(2,386)
Payments for acquisition of available-for sale investments		–	(3,400)
Proceeds from disposal of items of property, plant and equipment		2,357	349
Capital contributions to a jointly-controlled entity		(10,200)	–
Capital contributions to associates		(65,682)	(127,796)
Payments for acquisition of held-to-maturity investments		(713,000)	(53,214)
Payments for acquisition of non-controlling interests		–	(12,370)
Proceeds from settlement of held-to-maturity investments		710,000	51,463
Interest from held-to-maturity investments		401	–
Decrease in an amount due from HECIC, net		–	164,894
Decrease/(increase) in pledged bank balances	25	14,670	(14,733)
Decrease in non-pledged time deposits with original maturity of three months or more when acquired		–	20,000
Dividends received from associates		917	–
Interest received		5,928	2,172
Net cash flows used in investing activities		(3,460,761)	(1,352,708)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital contributions by HECIC and HECIC Water		610,178	352,400
Capital contributions by non-controlling shareholders		102,276	83,155
New bank and other borrowings		4,450,007	1,567,808
Repayment of bank and other borrowings		(2,448,475)	(749,000)
Interest paid		(202,120)	(147,986)
Dividends paid to non-controlling shareholders		(26,652)	(54,975)
Distributions to HECIC		(164,215)	(83,511)
Commission charge paid for debt financing		(8,000)	–
Proceeds from issue of H shares		2,722,029	–
Listing expenses paid		(52,623)	–
Net cash flows from financing activities		4,982,405	967,891
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		330,158	213,078
Effect of exchange rate changes on cash and cash equivalents		(31,238)	138
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	25	<b>2,474,907</b>	<b>330,158</b>



# Statement of Financial Position

31 December 2010

	Notes	31 December 2010 RMB'000
<b>NON-CURRENT ASSETS</b>		
Investments in subsidiaries	16	2,129,269
Intangible assets	15	379
Property, plant and equipment	13	5,268
Prepayments and other receivable	24	2,000
Total non-current assets		2,136,916
<b>CURRENT ASSETS</b>		
Prepayments, deposits and other receivables	24	666,270
Cash and cash equivalents	25	2,016,780
Total current assets		2,683,050
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	27	16,295
Total current liabilities		16,295
<b>NET CURRENT ASSETS</b>		
		2,666,755
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		
		4,803,671
Net assets		
		4,803,671
<b>EQUITY</b>		
Issued share capital	29	3,238,435
Reserves	30(b)	1,507,066
Proposed dividend	11	58,170
Total equity		4,803,671

# Notes to Financial Statements

31 December 2010

## 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.

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 interest indirectly held by HECIC in HECIC Yanshan (Guyuan) Wind Energy Co., Ltd., a 75%-owned subsidiary of the Group.

The Company's H shares were issued and listed on the main board of The Stock Exchange of Hong Kong Ltd. ("The Hong Kong Stock Exchange") in the last quarter of 2010 (note 29(ii)).

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

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the investment, development, management and operation of wind power generation, sale of natural gas and gas appliances, and connection and construction of natural gas pipelines.

In the opinion of the directors of the Company (the "Directors"), HECIC is the ultimate holding company of the Company.



## Notes to Financial Statements

31 December 2010

### 2.1 BASIS OF PRESENTATION

- (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 a pooling-of-interests method. As a result, the consolidated statement of financial position has 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 statement of comprehensive income and consolidated statement 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board ("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.
- (c) These consolidated financial statements have been prepared under the historical cost convention. In addition, these consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

### Basis of consolidation

#### Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

### 2.1 BASIS OF PRESENTATION (CONTINUED)

#### Basis of consolidation (continued)

##### Basis of consolidation from 1 January 2010 (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

##### Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

## Notes to Financial Statements

31 December 2010

### 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 (Revised)	<i>First-time Adoption of International Financial Reporting Standards</i>
IFRS 1 Amendments	<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
IFRS 2 Amendments	<i>Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
IFRS 3 (Revised)	<i>Business Combinations</i>
IAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
IAS 39 Amendment	<i>Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
IFRIC-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
IFRS 5 Amendments included in <i>Improvements to IFRSs</i> issued in May 2008	<i>Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
<i>Improvements to IFRSs 2009</i>	<i>Amendments to a number of IFRSs issued in April 2009</i>

Other than as further explained below regarding the impact of IFRS 3 (Revised), IAS 27 (Revised), amendments to IAS 7 and IAS 17 included in *Improvements to IFRSs 2009*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

- (a) IFRS 3 (Revised) *Business Combinations* and IAS 27 (Revised) *Consolidated and Separate Financial Statements*

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes 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. Consequential amendments were made to various standards, including, but not limited 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*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

### 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(b) *Improvements to IFRSs 2009* issued in April 2009 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.
- IAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in IAS 17.

### 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendment	Amendment to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i> <sup>2</sup>
IFRS 1 Amendment	Amendment to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> <sup>4</sup>
IFRS 1 Amendments	Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards – Replacement of ‘fixed dates’ for certain exceptions with ‘the date of transition to IFRSs’ and additional exemption for entities ceasing to suffer from severe hyperinflation</i> <sup>4</sup>
IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> <sup>4</sup>
IFRS 9	<i>Financial Instruments</i> <sup>6</sup>
IAS 12 Amendments	Amendments to IAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> <sup>5</sup>
IAS 24 (Revised)	<i>Related Party Disclosures</i> <sup>3</sup>
IAS 32 Amendment	Amendment to IAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> <sup>1</sup>
IFRIC-Int 14 Amendments	Amendments to IFRIC-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> <sup>3</sup>
IFRIC-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> <sup>2</sup>



## Notes to Financial Statements

31 December 2010

### 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Apart from the above, the IASB has issued *Improvements to IFRSs 2010* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

- <sup>1</sup> Effective for annual periods beginning on or after 1 February 2010
- <sup>2</sup> Effective for annual periods beginning on or after 1 July 2010
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2011
- <sup>4</sup> Effective for annual periods beginning on or after 1 July 2011
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2012
- <sup>6</sup> Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to significantly affect the Group is as follows:

IFRS 9 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2013.

IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt IAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

### 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures.

*Improvements to IFRSs 2010* issued in May 2010 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

- (a) *IFRS 3 Business Combinations*: Clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- (b) *IAS 1 Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.
- (c) *IAS 27 Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.





## Notes to Financial Statements

31 December 2010

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

- (a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;
- (b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with IAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

#### Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities 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 jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Jointly-controlled entities (continued)

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in a jointly-controlled entity is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

#### 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 investments 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 investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

#### Business combinations and goodwill

##### Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.



## Notes to Financial Statements

31 December 2010

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Business combinations and goodwill (continued)

##### Business combinations from 1 January 2010 (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Business combinations and goodwill (continued)

##### Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

#### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), 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.

## Notes to Financial Statements

31 December 2010

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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).

#### 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%

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Property, plant and equipment and depreciation (continued)

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, which 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.

#### 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 concession

Operating concession represents the right to operate a wind power plant and is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the period of the operating concession granted to the Group of 25 years.



## Notes to Financial Statements

31 December 2010

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the 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.

#### Service concession arrangement

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge for usage of the concession infrastructure. The intangible (operating concession) is accounted for in accordance with the policy set out for “intangible assets (other than goodwill)” above.

Revenue and costs relating to operating service are accounted for in accordance with the policy for “Revenue recognition-sale of electricity” below.

The Group has contractual obligation which it must fulfill as a condition of its right, that is to restore the site of the infrastructures to a specified condition at the end of the service concession arrangement. The contractual obligation to restore the site of the infrastructures is recognised and measured in accordance with the policy set out for “Provisions” below.

#### 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 investments, 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.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Investments and other financial assets (continued)

##### 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 by taking into account any discount or premium on acquisition and includes fees or costs 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.

##### 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 includes 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. 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 in other operating expenses 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 as other income in accordance with the policies set out for "Revenue recognition" below.





## Notes to Financial Statements

31 December 2010

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Investments and other financial assets (continued)

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.

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.

#### 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.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.

#### 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 yet 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.



## Notes to Financial Statements

31 December 2010

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Impairment of financial assets (continued)

##### Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

##### 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.

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.

#### Financial liabilities

##### Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, 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.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial liabilities (continued)

##### Subsequent measurement

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

##### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

##### 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.



## Notes to Financial Statements

31 December 2010

### 2.4 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.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 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. These 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.

#### 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.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.

#### 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 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 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.



## Notes to Financial Statements

31 December 2010

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Income tax (continued)

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.

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 to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value 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 or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

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.

### 2.4 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.





## Notes to Financial Statements

31 December 2010

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Revenue recognition (continued)

##### (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

##### (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.

### 2.4 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.

### 3. 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 31 December 2010 was approximately RMB6,079,374,000 (31 December 2009: RMB4,357,558,000). More details are given in note 13.



## Notes to Financial Statements

31 December 2010

### 3. 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 31 December 2010 was RMB25,863,000 (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 31 December 2010 was RMB227,000 (31 December 2009: RMB412,000). More details are given in note 21.

##### 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 31 December 2010 was RMB189,430,000 (31 December 2009: RMB84,776,000). More details are given in note 23.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

#### Estimation uncertainty (continued)

##### Provision for restoring the site of the infrastructures to a specified level of serviceability

The Group has contractual obligations which it must fulfill as a condition of its right and among which is to restore the site of the infrastructures to a specified condition at the end of the service concession arrangement. The contractual obligation to restore the site of the infrastructures is recognised and measured in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The estimation of the expenditure that would be requires the Group to estimate the expected future cash outlays regarding the obligation over the service concession period and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the provision carried as a liability in the consolidated statement of financial position as at 31 December 2010 was approximately RMB24,090,000 (2009: nil).

### 4. 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. The adjusted profit or loss after tax is measured consistently with the Group's profit or loss after tax 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.

## Notes to Financial Statements

31 December 2010

### 4. OPERATING SEGMENT INFORMATION (CONTINUED)

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 December 2010 and 2009.

#### Year ended 31 December 2010

	Natural gas RMB'000	Wind power RMB'000	Total RMB'000
<b>Segment revenue:</b>			
Sales to external customers	1,726,918	515,839	2,242,757
Intersegment sales	–	–	–
<b>Total revenue</b>	<b>1,726,918</b>	<b>515,839</b>	<b>2,242,757</b>
<b>Segment results</b>	<b>316,975</b>	<b>381,177</b>	<b>698,152</b>
Interest income	1,057	1,341	2,398
Finance costs	(14,000)	(154,066)	(168,066)
Income tax expense	(38,700)	(19,481)	(58,181)
Profit of segments for the year	265,332	208,971	474,303
Unallocated interest income			3,530
Corporate and other unallocated expenses			(46,142)
<b>Profit for the year</b>			<b>431,691</b>
<b>Segment assets</b>	<b>1,160,235</b>	<b>8,524,006</b>	<b>9,684,241</b>
Corporate and other unallocated assets			2,027,851
<b>Total assets</b>			<b>11,712,092</b>
<b>Segment liabilities</b>	<b>735,515</b>	<b>5,521,693</b>	<b>6,257,208</b>
Corporate and other unallocated liabilities			16,295
<b>Total liabilities</b>			<b>6,273,503</b>
<b>Other segment information:</b>			
Depreciation and amortisation	(46,779)	(189,985)	(236,764)
Unallocated depreciation and amortisation			(82)
			(236,846)
Share of profit of associates	–	50,369	50,369
Investment in a jointly-controlled entity	–	10,200	10,200
Investments in associates	–	337,941	337,941
Capital expenditure *	231,857	3,171,004	3,402,861

## Notes to Financial Statements

31 December 2010

### 4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2009

	Natural gas RMB'000	Wind power RMB'000	Total RMB'000
<b>Segment revenue:</b>			
Sales to external customers	1,252,685	264,576	1,517,261
Intersegment sales	–	–	–
Total revenue	1,252,685	264,576	1,517,261
<b>Segment results</b>			
Interest income	235,430	172,188	407,618
Finance costs	1,393	779	2,172
Income tax expense	(14,879)	(89,072)	(103,951)
	(1,401)	(17,334)	(18,735)
Profit for the year	220,543	66,561	287,104
<b>Segment assets</b>			
	763,943	5,019,546	5,783,489
<b>Segment liabilities</b>			
	378,674	3,527,014	3,905,688
<b>Other segment information:</b>			
Depreciation and amortisation	(40,721)	(110,581)	(151,302)
Share of profits of associates	–	1,692	1,692
Investments in associates	–	222,807	222,807
Capital expenditure *	94,242	1,386,215	1,480,457

Note:

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

## Notes to Financial Statements

31 December 2010

### 4. OPERATING SEGMENT INFORMATION (CONTINUED)

#### Information about major customers

For the year ended 31 December 2010, revenue generated from one of the Group's customers in the wind power segment amounting to RMB367,497,000 individually accounted for over 10% of the Group's total revenue. For the year ended 31 December 2009, the revenue generated from one of the Group's customers in the natural gas segment amounting to RMB173,685,000 and one of the Group's customers in the wind power segment amounting to RMB165,875,000 individually accounted for over 10% of the Group's total revenue.

### 5. 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 value of services rendered.

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

	2010 RMB'000	2009 RMB'000
<b>Revenue</b>		
Sales of natural gas	1,673,340	1,192,084
Sales of electricity*	515,839	264,576
Construction and connection of natural gas pipelines	23,483	26,476
Others**	30,095	34,125
	<b>2,242,757</b>	1,517,261
<b>Other income and gains, net</b>		
Government grants:		
– CERs income, net	42,441	34,762
– Value-added tax refunds	13,176	13,595
Bank interest income	5,928	2,172
Others	22,503	821
	<b>84,048</b>	51,350

\* Including other revenue from wind power business of RMB3,031,000 related to the provision of wind power consulting and technology services for the year ended 31 December 2010 (2009:Nil).

\*\* Mainly including natural gas transportation revenue from natural gas business.

## Notes to Financial Statements

31 December 2010

### 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2010 RMB'000	2009 RMB'000
Cost of goods sold		<b>1,563,192</b>	1,078,487
Cost of services rendered		<b>17,523</b>	12,482
<b>Total cost of sales</b>		<b>1,580,715</b>	1,090,969
Depreciation of items of property, plant and equipment (note (a))	13	<b>229,193</b>	149,460
Amortisation of prepaid land lease payments	14	<b>2,062</b>	1,400
Amortisation of intangible assets	15	<b>5,591</b>	442
<b>Total depreciation and amortisation</b>		<b>236,846</b>	151,302
Minimum lease payments under operating leases of land and buildings		<b>3,544</b>	1,796
Auditors' remuneration		<b>2,162</b>	768
Employee benefit expenses (including directors' and supervisors' remuneration):			
Wages, salaries and allowances		<b>45,027</b>	29,991
Pension scheme contributions (defined contribution schemes) (note (b))		<b>2,780</b>	2,181
Welfare and other expenses		<b>14,952</b>	12,599
Loss/(gain) on disposal of items of property, plant and equipment, net		<b>1,561</b>	(61)
Foreign exchange loss/(gain), net		<b>35,701</b>	(352)

Notes:

- (a) Depreciation of approximately RMB214,574,000 (2009: RMB144,381,000) is included in the cost of sales on the face of the consolidated statement of comprehensive income for the year ended 31 December 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 31 December 2010 and 2009, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.



## Notes to Financial Statements

31 December 2010

### 7. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interest on bank loans and other borrowings and discount on bills receivable wholly repayable within five years	103,540	102,410
Interest on bank loans and other borrowings wholly repayable beyond five years	147,960	45,776
Total interest expense	251,500	148,186
Less: Interest capitalised to items of property, plant and equipment	(83,434)	(44,235)
	168,066	103,951

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

	2010	2009
Capitalisation rates	4.4%-5.7%	4.8%-6.6%

### 8. 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 (the "Supervisors") during the year are as follows:

	2010 RMB'000	2009 RMB'000
Fees	253	–
Other emoluments:		
– Salaries, allowances and benefits in kind	774	355
– Performance-related bonuses	457	461
– Pension scheme contributions (defined contribution scheme)	41	18
	1,525	834

## Notes to Financial Statements

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### 8. 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 year ended 31 December 2010 and 2009 are as follows:

#### 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
<b>Executive Directors</b>					
Dr. Cao Xin	–	136	–	–	136
Mr. Gao Qing Yu	–	281	357	17	655
Mr. Zhao Hui	–	113	–	–	113
Mr. Sun Xin Tian	–	244	100	24	368
	–	774	457	41	1,272
<b>Non-executive Directors</b>					
Dr. Li Lian Ping (Chairman)	–	–	–	–	–
Mr. Zhao Hui Ning	–	–	–	–	–
Mr. Xiao Gang	–	–	–	–	–
	–	–	–	–	–
<b>Independent Directors</b>					
Mr. Qin Hai Yan	70	–	–	–	70
Mr. Ding Jun	70	–	–	–	70
Mr. Wang Xiang Jun	70	–	–	–	70
Mr. Yue Man Yiu Matthew	43	–	–	–	43
	253	–	–	–	253
<b>Supervisors</b>					
Mr. Yang Hong Chi	–	–	–	–	–
Mr. Qiao Guo Jie	–	–	–	–	–
Mr. Mi Xian Wei	–	–	–	–	–
	–	–	–	–	–
	253	774	457	41	1,525

## Notes to Financial Statements

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### 8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

#### (a) Directors' and supervisors' remuneration (continued)

2009

	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
<b>Executive Directors</b>					
Dr. Cao Xin	–	–	–	–	–
Mr. Gao Qing Yu	–	164	290	12	466
Mr. Zhao Hui	–	–	–	–	–
Mr. Sun Xin Tian	–	191	171	6	368
	–	355	461	18	834
<b>Non-executive Directors</b>					
Dr. Li Lian Ping (Chairman)	–	–	–	–	–
Mr. Zhao Hui Ning	–	–	–	–	–
Mr. Xiao Gang	–	–	–	–	–
	–	–	–	–	–
<b>Independent Directors</b>					
Mr. Qin Hai Yan	–	–	–	–	–
Mr. Ding Jun	–	–	–	–	–
Mr. Wang Xiang Jun	–	–	–	–	–
Mr. Yue Man Yiu Matthew	–	–	–	–	–
	–	–	–	–	–
<b>Supervisors</b>					
Mr. Yang Hong Chi	–	–	–	–	–
Mr. Qiao Guo Jie	–	–	–	–	–
Mr. Mi Xian Wei	–	–	–	–	–
	–	–	–	–	–
	–	355	461	18	834

Those Directors or Supervisors, who received no emoluments for the year ended 31 December 2010 and 2009, did not receive any remuneration for their service in the capacity as Directors and Supervisors during the years.

## Notes to Financial Statements

31 December 2010

### 8. 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:

	2010	2009
Directors	1	1
Non-director and non-supervisor employees	4	4
	<b>5</b>	<b>5</b>

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

	2010 RMB'000	2009 RMB'000
Salaries, allowances and benefits in kind	816	649
Performance-related bonuses	1,358	1,354
Pension scheme contributions	24	26
	<b>2,198</b>	<b>2,029</b>

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

	2010	2009
Nil to HK\$1,000,000	4	4

During the years ended 31 December 2010 and 2009, 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.

## Notes to Financial Statements

31 December 2010

### 9. 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 *Notice of the State Council on the Implementation of the Transitional Preferential Tax Policies* (國務院關於實施企業所得稅過渡優惠政策的通知) (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、國家稅務總局關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通告), 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 31 December 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 years ended 31 December 2010 and 2009.

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong for the years ended 31 December 2010 and 2009.

	2010 RMB'000	2009 RMB'000
Current income tax – Mainland China	57,996	18,933
Deferred income tax (note 21)	185	(198)
Tax charge for the year	58,181	18,735

## Notes to Financial Statements

31 December 2010

### 9. INCOME TAX EXPENSE (CONTINUED)

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 year is as follows:

	2010 RMB'000	2009 RMB'000
Profit before tax	489,872	305,839
Income tax charge at the statutory income tax rate of 25%	122,468	76,460
Effect of tax exemption for specific locations or enacted by local authorities	(68,944)	(59,679)
Tax effect of share of profits of associates	(12,592)	(423)
Expenses not deductible for tax purposes	796	931
Adjustments in respect of current income tax of previous periods	2,002	209
Tax losses not recognised	14,451	1,237
Tax charge for the year at the effective rate	58,181	18,735

### 10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the company for the year ended 31 December 2010 includes a profit of RMB154,132,000 which has been dealt with in the financial statements of the company (note 30(b)).

### 11. DISTRIBUTIONS AND DIVIDENDS

The distributions and dividends for the year are set out below:

	2010 RMB'000	2009 RMB'000
Distributions:		
Cash distributions prior to the Reorganisation (note (a))	–	83,511
Pre-establishment cash distribution pursuant to the Reorganisation (note (b))	38,495	85,502
	38,495	169,013
Dividends:		
Declared First Special Dividend (note (c))	42,718	–
Proposed:		
– Second Special Dividend (note (d))	41,978	–
– Final 2010 dividend – RMB 0.5 cent per ordinary share (note (e))	16,192	–
	58,170	–
	100,888	–

## Notes to Financial Statements

31 December 2010

### 11. DISTRIBUTIONS AND DIVIDENDS (CONTINUED)

Notes:

- (a) The cash distributions prior to the Reorganisation during the year ended 31 December 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 Provisional Regulation Relating to Corporate Restructuring of Enterprises and Related Management of State-owned Capital and Financial Treatment* (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) issued by the Ministry of Finance (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 the Accounting Standards for Business Enterprises issued by MOF of the PRC in 2006, and other related regulations issued by the MOF (collectively "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 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 27). The 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, was RMB38,495,000 and was paid to HECIC in September 2010.

- (c) 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 was 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 was 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 PRC GAAP and IFRSs, whichever is lower, after deducting any appropriation 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 (b) above).

The First Special Dividend payable to HECIC and HECIC Water was declared on 19 September 2010 in an aggregate amount of RMB42,718,000 and was settled in full on 20 September 2010.

- (d) 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 would 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 Hong Kong Stock Exchange (the "Listing").

The Second Special Dividend paid to HECIC and HECIC Water was in an aggregate amount of approximately RMB42.0 million, which is determined based on (1) 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 and IFRSs, whichever is lower, after deducting any appropriation 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 net 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 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 and IFRSs, whichever is lower, after deducting any appropriation to the statutory and discretionary reserve funds, if any, for the seven-month period ended 31 October 2010.

The declaration of the Second Special Dividend of RMB41,978,000 was approved by the board of Directors on 28 March 2011 and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

- (e) The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

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:

### 11. DISTRIBUTIONS AND DIVIDENDS (CONTINUED)

- (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.

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.

Pursuant to the State Administration of Taxation Circular Guoshuihan [2008] Number 897, the Company is required to withhold a 10% enterprise income tax when it distributes dividends to its non-resident enterprise shareholders out of profit earned in 2008 and beyond. In respect of all shareholders whose names appear on the Company's register of members who are not individuals, which are considered as non-resident enterprise shareholders, the Company will distribute the dividend after deducting enterprise income tax of 10%.

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

The calculation of basic earnings per share amount for the year ended 31 December 2010 is based on the profit attributable to equity holders of the Company amounting to RMB279,719,000 and the weighted average number of 2,259,193,603 ordinary shares in issue during the year.

The calculation of basic earnings per share for the year ended 31 December 2009 is based on the profit attributable to equity holder of the Company amounting to RMB166,322,000 and the number of ordinary shares in issue on the assumption that the 2,000,000,000 ordinary shares in issue upon the incorporation of the Company on 9 February 2010 had been in issue throughout the year ended 31 December 2009.

The Company did not have any dilutive potential ordinary shares during the year.



## Notes to Financial Statements

31 December 2010

### 13. PROPERTY, PLANT AND EQUIPMENT

#### Group

	Buildings RMB'000	Wind turbines and related equipment RMB'000	Natural gas pipelines RMB'000	Other machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Leasehold improve- ments RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2010</b>									
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	78	2,859	1,005	2,061	10,649	5,402	6,979	3,328,986	3,358,019
Disposals	(53)	(529)	(5,159)	(598)	-	(639)	-	-	(6,978)
Transfers to prepaid land lease payments (note 14)	-	-	-	-	-	-	-	(13,139)	(13,139)
Transfers to intangible assets (note 15)	-	(1,395,749)	-	-	-	-	-	-	(1,395,749)
Transfers	6,269	1,450,309	50,032	664	-	-	-	(1,507,274)	-
At 31 December 2010	148,038	3,522,877	639,036	79,146	51,419	26,333	11,713	2,209,033	6,687,595
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 year (note 6)	(6,455)	(170,716)	(31,309)	(6,169)	(6,426)	(3,346)	(4,772)	-	(229,193)
Transfers to intangible assets (note 15)	-	5,796	-	-	-	-	-	-	5,796
Disposals	12	52	1,991	417	-	588	-	-	3,060
At 31 December 2010	(20,448)	(310,980)	(210,304)	(28,466)	(22,850)	(9,200)	(5,973)	-	(608,221)
Net carrying amount:									
At 31 December 2010	127,590	3,211,897	428,732	50,680	28,569	17,133	5,740	2,209,033	6,079,374
At 1 January 2010	127,739	3,319,875	412,172	54,305	24,346	15,128	3,533	400,460	4,357,558

## Notes to Financial Statements

31 December 2010

### 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### Group (continued)

	Buildings RMB'000	Wind turbines and related equipment RMB'000	Natural gas pipelines RMB'000	Other machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Leasehold improve- ments RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2009									
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 intangible assets (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 (note 6)	(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 RMB83,434,000 was capitalised to construction in progress for the year ended 31 December 2010 (2009: RMB44,235,000) prior to being transferred to buildings and machinery (note 7).

Up to the date of these 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 RMB3,634,000. 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 31 December 2010.

## Notes to Financial Statements

31 December 2010

### 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### Company

	Motor vehicles RMB'000	Office equipment and others RMB'000	Leasehold improve- ments RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2010</b>					
Cost:					
At 1 January 2010	-	-	-	-	-
Additions	250	818	858	3,418	5,344
At 31 December 2010	250	818	858	3,418	5,344
Accumulated depreciation:					
At 1 January 2010	-	-	-	-	-
Depreciation provided during the year	-	(28)	(48)	-	(76)
At 31 December 2010	-	(28)	(48)	-	(76)
Net carrying amount:					
At 31 December 2010	250	790	810	3,418	5,268
At 1 January 2010	-	-	-	-	-

## Notes to Financial Statements

31 December 2010

### 14. PREPAID LAND LEASE PAYMENTS

#### Group

	2010 RMB'000	2009 RMB'000
Carrying amount at beginning of the year	72,115	38,483
Additions	366	31,566
Transfer from construction in progress (note 13)	13,139	3,466
Transfer to intangible assets (note 15)	(10,479)	–
Amortisation for the year (note 6)	(2,062)	(1,400)
Carrying amount at end of the year	73,079	72,115
Portion classified as current assets	(1,973)	(2,093)
Non-current portion	71,106	70,022

The leasehold land is situated in Mainland China and is held under a long term lease.

	31 December 2010 RMB'000	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	73,079	72,115
Short term leases of less than 10 years	–	–
	73,079	72,115

## Notes to Financial Statements

31 December 2010

### 15. INTANGIBLE ASSETS

#### Group

	Office software RMB'000	Operating concession RMB'000 (note)	Total RMB'000
<b>31 December 2010</b>			
Cost:			
At beginning of the year	4,062	–	4,062
Additions	1,152	24,090	25,242
Transfer from property, plant and equipment, net (note 13)	–	1,389,953	1,389,953
Transfer from prepaid land lease payments (note 14)	–	10,479	10,479
At end of the year	5,214	1,424,522	1,429,736
Accumulated amortisation:			
At beginning of the year	(709)	–	(709)
Amortisation for the year (note 6)	(843)	(4,748)	(5,591)
At end of the year	(1,552)	(4,748)	(6,300)
Net carrying amount:			
At end of the year	3,662	1,419,774	1,423,436
At beginning of the year	3,353	–	3,353

## Notes to Financial Statements

31 December 2010

### 15. INTANGIBLE ASSETS (CONTINUED)

#### Group (continued)

	Office software RMB'000
<hr/>	
31 December 2009	
Cost:	
At beginning of the year	1,219
Additions	2,386
Transfer from construction in progress (note 13)	457
At end of the year	4,062
Accumulated amortisation:	
At beginning of the year	(267)
Amortisation for the year (note 6)	(442)
At end of the year	(709)
Net carrying amount:	
At end of the year	3,353
At beginning of the year	952

#### Note:

On 30 November 2010, the Group entered into a service concession arrangement with a governmental authority concerning the operation of one of its self-constructed wind power plants. Pursuant to this service concession arrangement, the Group transferred the carrying amount of the related property, plant and equipment and the prepaid land lease payments to operating concession as an intangible asset. The arrangement involves the Group as an operator operating and maintaining the infrastructure at a specified level of serviceability for a period of 25 years (the "service concession period") and restoring the site of the infrastructure at a specified level of serviceability at the end of the service concession period, and the Group will be paid for its service over the relevant period of the service concession arrangement at price stipulated through a pricing mechanism.

## Notes to Financial Statements

31 December 2010

### 15. INTANGIBLE ASSETS (CONTINUED)

#### Company

	Office software RMB'000
<b>31 December 2010</b>	
Cost:	
At beginning of the year	-
Additions	386
At end of the year	386
Accumulated amortisation:	
At beginning of the year	-
Amortisation for the year	(7)
At end of the year	(7)
Net carrying amount:	
At end of the year	379
At beginning of the year	-

### 16. INVESTMENTS IN SUBSIDIARIES

#### Company

	31 December 2010 RMB'000
Unlisted investments, at cost	2,129,269

## Notes to Financial Statements

31 December 2010

### 16. INVESTMENTS 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. (河北建設新能源有限公司)		The PRC/ Mainland China 17 July 2006	RMB1,836,300,000	100	–	Wind power generation, wind farms investing and service consulting
HECIC Zhangjiakou Wind Energy Co., Ltd. (河北建設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. (河北建設中興風能有限公司)		The PRC/ Mainland China 20 April 2006	RMB163,000,000	–	70	Wind power generation
HECIC Yuzhou Wind Energy Co., Ltd. (河北建設蔚州風能有限公司)	(i)	The PRC/ Mainland China 18 January 2007	RMB364,000,000	–	55.92	Wind power generation
Hebei Jiantou Longyuan Chongli Wind Energy Co., Ltd. (河北建設龍源崇禮風能有限公司)	(i)	The PRC/ Mainland China 26 March 2007	RMB95,000,000	–	50	Wind power generation
HECIC Yanshan (Guyuan) Wind Energy Co., Ltd. (建設燕山(沽源)風能有限公司)		The PRC/ Mainland China 3 March 2009	RMB172,000,000	–	75	Wind power generation
Chongli CIC Huashi Wind Energy Co., Ltd. (崇禮建設華實風能有限公司)	(i)	The PRC/ Mainland China 26 March 2008	RMB98,600,000	–	51	Wind power generation
Lingqiu CIC Hengguan Wind Energy Co., Ltd. (靈丘建設衡冠風能有限公司)	(i)	The PRC/ Mainland China 18 July 2008	RMB70,000,000	–	55	Wind power generation



## Notes to Financial Statements

31 December 2010

### 16. INVESTMENTS 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	
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
Suntien Green Energy (Fengning) Co., Ltd. (新天綠色能源(豐寧)有限公司)		The PRC/ Mainland China 9 December 2010	RMB6,000,000	92	–	Wind power generation
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

## Notes to Financial Statements

31 December 2010

### 16. INVESTMENTS 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	
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	RMB50,000,000	–	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
Shijiazhuang Hua Bo Nature Gas Co., Ltd. ("Hua Bo") (石家莊華博燃氣有限公司)		The PRC/ Mainland China 21 December 2010	RMB5,000,000	–	30.25*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines

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

\*\* Except for Hebei Natural Gas which is an equity joint venture in which a 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 year ended 31 December 2010 or formed a substantial portion of the net assets of the Group as at 31 December 2010. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

## Notes to Financial Statements

31 December 2010

### 16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Notes:

- (i) The Company indirectly either owns half or less than half of the 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 have the power to control these companies. A subsidiary of the Company, which holds the shareholding interests in these companies, signed shareholders voting agreements with certain equity owners of these companies during the years ended 31 December 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 shareholders voting agreements are valid under the relevant PRC laws. On top of the shareholders voting agreements, 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 years ended 31 December 2010 and 2009. Therefore the financial statements of these companies are consolidated by the Company during the years ended 31 December 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 31 December 2010).
- (ii) Since the shareholders voting agreement signed between a subsidiary of the Company, 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) became 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 a 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 years ended 31 December 2010 and 2009.

### 17. INVESTMENTS IN ASSOCIATES

Group

	<b>31 December 2010 RMB'000</b>	31 December 2009 RMB'000
Share of net assets	<b>337,941</b>	222,807

## Notes to Financial Statements

31 December 2010

### 17. INVESTMENTS IN ASSOCIATES (CONTINUED)

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		Principal activities
			Direct	Indirect	
Hebei Weichang Longyuan Jiantou Wind Energy 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 Energy Generation Co., Ltd. (龍源建投(承德)風力發電有限公司)	The PRC/ Mainland China 27 March 2009	RMB295,685,000	–	45	Wind power generation
Longyuan Jiantou (Chengde Weichang) Wind Energy 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.

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

	<b>31 December 2010 RMB'000</b>	31 December 2009 RMB'000
Aggregate of associates' financial position:		
Assets	<b>2,093,406</b>	1,723,091
Liabilities	<b>(1,363,358)</b>	(1,249,078)

## Notes to Financial Statements

31 December 2010

### 17. INVESTMENTS IN ASSOCIATES (CONTINUED)

	2010 RMB'000	2009 RMB'000
The associates' results:		
Revenue	259,079	–
Profit for the year	107,855	3,384

### 18. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

#### Group

	31 December 2010 RMB'000	31 December 2009 RMB'000
Share of net assets	10,200	–

Particular of the jointly-controlled entity of the Group is as follows:

Company name*	Place and date of establishment/ operations	Fully paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Zhangbei CIC Huashi Wind Energy Co., Ltd. (張北建投華實風能有限公司)	The PRC/ Mainland China 17 July 2010	RMB20,000,000	–	51	Wind power generation

\* The English name of this company registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese name of this company as no English name has been registered.

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31 December 2010

### 18. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY (CONTINUED)

The following tables illustrate the summarised financial information of the Group's jointly-controlled entity:

	<b>31 December 2010 RMB'000</b>	31 December 2009 RMB'000
Share of the jointly-controlled entity's assets and liabilities:		
Assets	10,225	–
Liabilities	(25)	–
	<b>10,200</b>	–
	<b>2010 RMB'000</b>	2009 RMB'000
Share of the jointly-controlled entity's results:		
Revenue	–	–
Profit for the year	–	–

### 19. HELD-TO-MATURITY INVESTMENT

#### Group

	<b>31 December 2010 RMB'000</b>	31 December 2009 RMB'000
Unlisted debt investment	5,000	2,000

Held-to-maturity investment is analysed as follows:

	<b>31 December 2010 RMB'000</b>	31 December 2009 RMB'000
Corporate entity	5,000	2,000

As at 31 December 2010, the effective interest rate of the held-to-maturity investment was 6.4% per annum (31 December 2009: 5.94%). The carrying amount of the held-to-maturity investment approximates to its fair value.

## Notes to Financial Statements

31 December 2010

### 20. AVAILABLE-FOR-SALE INVESTMENTS

#### Group

	<b>31 December 2010 RMB'000</b>	31 December 2009 RMB'000
Unlisted equity investments, at cost	<b>3,400</b>	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.

### 21. DEFERRED TAX ASSETS

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

#### Group

	<b>2010 RMB'000</b>	2009 RMB'000
Deferred tax assets:		
At beginning of the year	<b>412</b>	214
Deferred tax credited/(charged) to the statement of comprehensive income during the year (note 9)	<b>(185)</b>	198
At end of the year	<b>227</b>	412

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

	<b>31 December 2010 RMB'000</b>	31 December 2009 RMB'000
Deferred tax assets:		
Pre-operating expenses	<b>227</b>	412

As at 31 December 2010, deferred tax assets that had not been recognised in respect of tax losses of the Group arising in the PRC were RMB69,691,000 (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.

## Notes to Financial Statements

31 December 2010

### 22. INVENTORIES

#### Group

	<b>31 December 2010 RMB'000</b>	31 December 2009 RMB'000
Natural gas	4,420	3,708
Spare parts and others	20,715	17,740
Low-value consumables	129	100
	<b>25,264</b>	21,548

### 23. 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

	<b>31 December 2010 RMB'000</b>	31 December 2009 RMB'000
Trade receivables	189,430	84,776
Impairment	-	-
	<b>189,430</b>	84,776

Included in the trade receivables as at 31 December 2010 is a receivable under a service concession arrangement in the amount of RMB34,806,000 (31 December 2009: nil).



## Notes to Financial Statements

31 December 2010

### 23. TRADE RECEIVABLES (CONTINUED)

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

	<b>31 December 2010 RMB'000</b>	31 December 2009 RMB'000
Within 3 months	<b>188,860</b>	84,554
3 to 6 months	<b>304</b>	–
6 months to 1 year	<b>266</b>	–
1 to 2 years	<b>–</b>	222
	<b>189,430</b>	84,776

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

#### Group

	<b>31 December 2010 RMB'000</b>	31 December 2009 RMB'000
Neither past due nor impaired	<b>189,430</b>	84,554
1 to 2 years past due	<b>–</b>	222
	<b>189,430</b>	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.

## Notes to Financial Statements

31 December 2010

### 23. TRADE RECEIVABLES (CONTINUED)

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

	<b>31 December 2010 RMB'000</b>	31 December 2009 RMB'000
A fellow subsidiary	<b>593</b>	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.

### 24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>Group</b>		<b>Company</b>
	<b>31 December 2010 RMB'000</b>	31 December 2009 RMB'000	<b>31 December 2010 RMB'000</b>
Prepayments to suppliers	<b>416,520</b>	399,830	–
Deductible VAT (i)	<b>592,971</b>	232,146	–
CERs receivable	<b>64,319</b>	30,779	–
Deposits and other receivables (ii)	<b>8,982</b>	6,711	<b>587,738</b>
Distribution receivable	–	–	<b>77,809</b>
Other prepayments	<b>6,979</b>	1,163	<b>2,723</b>
	<b>1,089,771</b>	670,629	<b>668,270</b>
Portion classified as non-current assets	<b>(870,226)</b>	(581,912)	<b>(2,000)</b>
Current portion	<b>219,545</b>	88,717	<b>666,270</b>

- (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.

## Notes to Financial Statements

31 December 2010

### 24. 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
	31 December 2010 RMB'000	31 December 2009 RMB'000	31 December 2010 RMB'000
Fellow subsidiaries	1,413	601	–
Subsidiaries	–	–	662,846
	<b>1,413</b>	601	<b>662,846</b>

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 rates ranging from 4.86% to 5.76% per annum.

### 25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company
	31 December 2010 RMB'000	31 December 2009 RMB'000	31 December 2010 RMB'000
Cash and bank balances	2,474,970	344,891	2,016,780
Time deposits	–	–	–
	<b>2,474,970</b>	344,891	<b>2,016,780</b>
Less: Pledged bank balances for letters of guarantee	(63)	(14,733)	–
Cash and cash equivalents	<b>2,474,907</b>	330,158	<b>2,016,780</b>
Cash and bank balances and time deposits denominated in:			
– RMB	1,445,443	344,891	987,253
– Other currencies	1,029,527	–	1,029,527
	<b>2,474,970</b>	344,891	<b>2,016,780</b>

## Notes to Financial Statements

31 December 2010

### 25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (CONTINUED)

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.

### 26. TRADE AND BILLS PAYABLES

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

#### Group

	<b>31 December 2010 RMB'000</b>	31 December 2009 RMB'000
Bills payable	<b>208,916</b>	379,911
Trade payables	<b>117,192</b>	59,758
	<b>326,108</b>	439,669

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

	<b>31 December 2010 RMB'000</b>	31 December 2009 RMB'000
Within 6 months	<b>309,398</b>	432,293
6 months to 1 year	<b>11,757</b>	1,859
1 to 2 years	<b>3,644</b>	4,442
2 to 3 years	<b>479</b>	707
More than 3 years	<b>830</b>	368
	<b>326,108</b>	439,669

## Notes to Financial Statements

31 December 2010

### 27. 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.

	<b>Group</b>		<b>Company</b>
	<b>31 December</b>	31 December	<b>31 December</b>
	<b>2010</b>	2009	<b>2010</b>
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>
Retention money payables	<b>161,346</b>	95,011	–
Distribution payable to HECIC pursuant to the Reorganisation (note 11(b))	–	85,502	–
Dividend payable to non-controlling shareholders	<b>133,822</b>	–	–
Wind turbine and related equipment payables	<b>311,915</b>	104,684	–
Advances from customers	<b>67,613</b>	66,312	–
Construction payables	<b>87,517</b>	13,651	–
Accrued salaries, wages and benefits	<b>18,704</b>	16,287	<b>354</b>
Other taxes payable	<b>10,251</b>	8,167	<b>2,522</b>
Interest payable	<b>48,038</b>	835	–
Others	<b>63,415</b>	37,004	<b>13,419</b>
	<b>902,621</b>	427,453	<b>16,295</b>
Portion classified as current liabilities	<b>(901,420)</b>	(395,863)	<b>(16,295)</b>
Non-current portion	<b>1,201</b>	31,590	–

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 a related party included in other payables and accruals is as follows:

<b>Group</b>	31 December 2009 RMB'000
HECIC	85,652
Consisting of:	
(i) Distribution payable pursuant to the Reorganisation (note 11)	85,502
(ii) Others	150
	85,652

## Notes to Financial Statements

31 December 2010

### 28. INTEREST-BEARING BANK AND OTHER BORROWINGS

#### Group

	Effective interest rate (%)	Maturity	31 December 2010 RMB'000	31 December 2009 RMB'000
<b>Current</b>				
Short term bank loans:				
– Unsecured	4.8-4.9	2011	465,000	–
– Secured			–	–
			<b>465,000</b>	–
Short term other borrowings:				
– Unsecured	3.2-5.4	2011	698,900	631,000
– Secured			–	–
			<b>698,900</b>	631,000
Current portion of long term bank loans:				
– Unsecured	5.2-5.4	2011	126,955	15,000
– Secured	5.4-5.5	2011	151,800	228,000
			<b>278,755</b>	243,000
Current portion of long term other borrowings:				
– Unsecured			–	5,000
– Secured			–	–
			<b>1,442,655</b>	879,000
<b>Non-current</b>				
Long term bank loans:				
– Unsecured	5.2-5.5	2012-2024	514,677	533,000
– Secured	5.4-6.2	2012-2025	1,769,008	1,552,808
			<b>2,283,685</b>	2,085,808
Long term other borrowings:				
– Unsecured			–	60,000
– Secured	5.2	2017	1,292,571	–
			<b>3,576,256</b>	2,145,808
Total non-current portion			<b>5,018,911</b>	3,024,808

## Notes to Financial Statements

31 December 2010

### 28. 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

	<b>31 December 2010 RMB'000</b>	31 December 2009 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	<b>743,755</b>	243,000
In the second year	<b>263,948</b>	340,780
In the third to fifth years, inclusive	<b>714,374</b>	648,840
Beyond five years	<b>1,305,363</b>	1,096,188
	<b>3,027,440</b>	2,328,808
Other borrowings repayable:		
Within one year	<b>698,900</b>	636,000
In the second year	–	–
In the third to fifth years, inclusive	–	60,000
Beyond five years	<b>1,292,571</b>	–
	<b>1,991,471</b>	696,000
	<b>5,018,911</b>	3,024,808

Certain interest-bearing bank loans of the Group of RMB1,915,808,000 were secured by the right of future electricity fees collection as at 31 December 2010 (31 December 2009: RMB1,780,808,000).

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

A long term other borrowing of the Group of RMB1,292,571,000 was guaranteed by the ultimate holding company as at 31 December 2010 (note 34(a)).

## Notes to Financial Statements

31 December 2010

### 28. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

The interest-bearing borrowings from HECIC included in the Group's interest-bearing bank and other borrowings are as follows:

#### Group

	31 December 2009 RMB'000
HECIC	696,000

The borrowings from HECIC are unsecured, bear interest at rates ranging from 4.1% to 5.4% per annum and are repayable during years from 2010 to 2014. The loans from HECIC as at 31 December 2009 were early settled in full in 2010.

### 29. ISSUED SHARE CAPITAL

	31 December 2010	
	Number of shares '000	Nominal value RMB'000
Registered, issued and fully paid:		
– State legal person shares of RMB1.00 each	1,876,156	1,876,156
– H Shares of RMB1.00 each	1,362,279	1,362,279
	<b>3,238,435</b>	<b>3,238,435</b>



## Notes to Financial Statements

31 December 2010

### 29. ISSUED SHARE CAPITAL (CONTINUED)

The movement in the Company's issued share capital is as follows:

	31 December 2010	
	Number of shares '000	Nominal value RMB'000
Upon incorporation of the Company State legal person shares (note (i))	2,000,000	2,000,000
Addition of H shares (note (ii))	1,362,279	1,362,279
Reduction of state legal person shares (note (ii))		
State legal person shares converted to H shares	(123,844)	(123,844)
At the end of the year		
State legal person shares	1,876,156	1,876,156
H shares	1,362,279	1,362,279
	<b>3,238,435</b>	<b>3,238,435</b>

Notes:

- (i) 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 with the resulting difference dealt with in the capital reserve upon incorporation of the Company respectively pursuant to the Reorganisation as set out in note 1 to these financial statement above.
- (ii) During the period from 30 September to 6 October 2010, the Company issued 1,076,900,000 H shares. These new H shares together with 107,690,000 shares as transferred by the state legal person shareholder of the Company, HECIC, to the PRC National Council for Social Security Fund ("NSSF") for the reduction of state-owned shares which have been converted into H shares, were listed on The Hong Kong Stock Exchange on 13 October 2010. On 26 October 2010, the over-allotment option of H shares was exercised in full and an additional 161,535,000 H Shares were issued to the public. These additional H shares together with 16,154,000 shares additionally transferred by HECIC to NSSF for the reduction of state-owned shares which have been converted into H shares, were listed on The Hong Kong Stock Exchange on 2 November 2010. The issue price of the H shares was HK\$2.66 per share. The net proceeds received from the issue of 1,238,435,000 H shares amounted to RMB2,658,330,000. Part of the proceeds amounting to RMB1,238,435,000 was credited as issued share capital, and the remaining balance of the proceeds of RMB1,419,895,000 was credited to capital reserve. The registered capital of the Company increased from RMB2,000,000,000 to RMB3,283,435,000, accordingly, upon completion of the issue of the new shares.

## Notes to Financial Statements

31 December 2010

### 30. RESERVES

#### (a) Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2010 and 2009 are presented in the consolidated statement of changes in equity on page 61 of the financial statements.

#### (b) Company

	Capital reserve RMB'000	Reserve funds RMB'000	Retained earnings RMB'000	Proposed dividend RMB'000	Total RMB'000
Upon incorporation of the Company (note 29(i))	33,927	–	–	–	33,927
Total comprehensive income for the period from 9 February 2010 (date of incorporation of the Company) to 31 December 2010 (note 10)	–	–	154,132	–	154,132
Issue of new shares (note 29(ii))	1,594,790	–	–	–	1,594,790
Shares issue expenses (note 29(ii))	(174,895)	–	–	–	(174,895)
Transfer from retained profits	–	15,413	(15,413)	–	–
Proposed First Special Dividend (note 11(c))	–	–	(42,718)	42,718	–
First Special Dividend Declared	–	–	–	(42,718)	(42,718)
Proposed Second Special Dividend (note 11(d))	–	–	(41,978)	41,978	–
Proposed final 2010 dividend (note 11(e))	–	–	(16,192)	16,192	–
At 31 December 2010	1,453,822*	15,413*	37,831*	58,170	1,565,236

\* These reserve accounts comprise the reserve of RMB1,507,066,000 in the statement of financial position as at 31 December 2010.

## Notes to Financial Statements

31 December 2010

### 31. 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:

	<b>Group</b>		<b>Company</b>
	<b>31 December</b>	31 December	<b>31 December</b>
	<b>2010</b>	2009	<b>2010</b>
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>
Within one year	<b>3,519</b>	1,213	<b>1,315</b>
In the second to fifth years, inclusive	<b>6,930</b>	2,943	<b>2,631</b>
Beyond five years	<b>135</b>	158	<b>–</b>
	<b>10,584</b>	4,314	<b>3,946</b>

### 32. COMMITMENTS

In addition to the operating lease commitments detailed above, the Group had the following capital commitments as at the end of the reporting period:

	<b>31 December</b>	31 December
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	<b>1,572,148</b>	2,475,602
Capital contributions payable to associates	<b>7,299</b>	26,000
	<b>1,579,447</b>	2,501,602
Authorised, but not contracted for:		
Property, plant and equipment	<b>2,534,376</b>	1,962,889
Capital contributions payable to associates	<b>525,000</b>	94,970
	<b>3,059,376</b>	2,057,859

## Notes to Financial Statements

31 December 2010

### 32. COMMITMENTS (CONTINUED)

In addition, the Group's share of the jointly-controlled entity's own capital commitments, which are not included in the above, is as follows:

	<b>31 December 2010 RMB'000</b>
Contracted, but not provided for: Property, plant and equipment	<b>143,348</b>
Authorised, but not contracted for: Property, plant and equipment	<b>371,979</b>

The Company does not have any capital commitments as at 31 December 2010.

### 33. 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 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 for such contingencies.

## Notes to Financial Statements

31 December 2010

### 34. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the year ended 31 December 2010 and 2009:

	2010 RMB'000	2009 RMB'000
<b>Continuing transactions</b>		
Fellow subsidiaries		
Sales of natural gas	212	200
Connection of nature gas pipelines	1,314	2,586
Rental expenses (i)	3,472	2,767
<b>Non-continuing transactions</b>		
HECIC		
Interest income	294	1,301
Interest expenses	10,905	16,617

(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.

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 RMB1.3 billion from the Insurance Lender.

## Notes to Financial Statements

31 December 2010

### 34. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) The Group had the following material transactions with related parties during the year ended 31 December 2010 and 2009:  
(continued)

On 19 September 2010, the Company entered into an agreement with HECIC which governs the use of trademarks granted by HECIC to the Group.

#### (b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 23, 24, 27 and 28 to these financial statements.

#### (c) Compensation of key management personnel of the Group

Save as disclosed in note 8 to these financial statements, no remuneration has been paid or is payable to the Directors in respect of any of the period referred to in these consolidated financial statements by the Company or any of the companies now comprising the Group:

	2010 RMB'000	2009 RMB'000
Short term employee benefits	1,578	816
Pension scheme contributions	41	18
	1,619	834

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

#### Non-cash transaction

During the year ended 31 December 2010, a dividend payable to a non-controlling shareholder amounting to RMB2,500,000 was reinvested by the non-controlling shareholder into the respective subsidiary of the Company as further capital contribution by the non-controlling shareholder.

## Notes to Financial Statements

31 December 2010

### 36. 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
	31 December 2010 RMB'000	31 December 2009 RMB'000	31 December 2010 RMB'000
<b>Financial assets</b>			
Held-to-maturity investment	5,000	2,000	–
Available-for-sale investments	3,400	3,400	–
Loans and receivables:			
Trade receivables	189,430	84,776	–
Financial assets included in prepayments, deposits and other receivables	73,301	37,490	665,547
Pledged deposits	63	14,733	–
Cash and cash equivalents	2,474,907	330,158	2,016,780
	<b>2,746,101</b>	472,557	<b>2,682,327</b>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost:			
Trade and bills payables	326,108	439,669	–
Financial liabilities included in other payables and accruals	806,053	336,687	13,419
Interest-bearing bank and other borrowings	5,018,911	3,024,808	–
	<b>6,151,072</b>	3,801,164	<b>13,419</b>

## Notes to Financial Statements

31 December 2010

### 37. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

#### Group

	Carrying amount		Fair value	
	31 December 2010 RMB'000	31 December 2009 RMB'000	31 December 2010 RMB'000	31 December 2009 RMB'000
<b>Financial assets</b>				
Held-to-maturity investment	5,000	2,000	5,000	2,000
Available-for-sale investments	3,400	3,400	3,400	3,400
Loans and receivables:				
Trade receivables	189,430	84,776	189,430	84,776
Financial assets included in prepayments, deposits and other receivables	73,301	37,490	73,301	37,490
Pledged deposits	63	14,733	63	14,733
Cash and cash equivalents	2,474,907	330,158	2,474,907	330,158
	<b>2,746,101</b>	472,557	<b>2,746,101</b>	472,557
<b>Financial liabilities</b>				
Financial liabilities at amortised cost:				
Trade and bills payables	326,108	439,669	326,108	439,669
Financial liabilities included in other payables and accruals	806,053	336,687	805,987	335,069
Interest-bearing bank and other borrowings	5,018,911	3,024,808	5,018,911	3,024,586
	<b>6,151,072</b>	3,801,164	<b>6,151,006</b>	3,799,324



## Notes to Financial Statements

31 December 2010

### 37. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

#### Company

	Carrying amount 31 December 2010 RMB'000	Fair value 31 December 2010 RMB'000
<b>Financial assets</b>		
Loans and receivables:		
Financial assets included in prepayments, deposits and other receivables	665,547	665,547
Cash and cash equivalents	2,016,780	2,016,780
	<b>2,682,327</b>	<b>2,682,327</b>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost:		
Financial liabilities included in other payables and accruals	13,419	13,419

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values

Cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, the current portion of financial liabilities included in other payables and accruals and the current portion of interest-bearing bank and other borrowings, approximate to their carrying amounts largely due to the short term maturities of these instruments. The non-current portion of floating rate interest-bearing bank and other borrowing approximate to their carrying amounts.

The fair values of the non-current portion of fixed rate interest-bearing bank and other borrowings and the non-current portion of financial liabilities included in other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

### 38. 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 year. 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 RMB38,500,000 (2009: RMB23,238,000) for the year, 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.

## Notes to Financial Statements

31 December 2010

### 38. 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, Euro and Hong Kong dollar. As at 31 December 2010, the Group is also exposed to foreign currency risk on the Company's significant unused cash proceeds, denominated in currency different from its functional currency, from its H-share issuance during the year. The Directors do not anticipate any significant impact resulting from the changes in foreign exchange rates because except for CERs and proceeds from H-share issuance which are denominated in foreign currencies, the majority of the Group's business is 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 31 December 2009 and 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	2010 RMB'000	2009 RMB'000
If RMB weakens against United States dollar	5%	600	354
If RMB strengthens against United States dollar	5%	(600)	(354)
If RMB weakens against Hong Kong dollar	5%	51,476	–
If RMB strengthens against Hong Kong dollar	5%	(51,476)	–
If RMB weakens against Euro	5%	2,616	1,572
If RMB strengthens against Euro	5%	(2,616)	(1,572)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 31 December 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 year until the next reporting date. The sensitivity analysis is performed on the same basis for the years ended 31 December 2010 and 2009.

### 38. 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 at 31 December 2010, 61.3% (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 year (2009: nil).

#### (d) Liquidity risk

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 RMB11,167 million as at 31 December 2010 of which approximately RMB5,255 million has been utilised as at 31 December 2010. In addition, the Company obtained gross proceeds amounting to HK\$2,864.6 million and HK\$429.7 million from the initial public offering and the over-allotment option of its H shares on The Hong Kong Stock Exchange on 13 October and 2 November 2010, respectively.

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.

## Notes to Financial Statements

31 December 2010

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (d) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at 31 December 2010 and 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
<b>31 December 2010</b>					
Interest-bearing bank and other borrowings	1,442,655	263,948	714,374	2,597,934	5,018,911
Interest payments on financial liabilities	204,478	189,415	482,689	219,212	1,095,794
Trade and bills payables	326,108	–	–	–	326,108
Financial liabilities included in other payables and accruals	804,852	1,201	–	–	806,053
	<b>2,778,093</b>	<b>454,564</b>	<b>1,197,063</b>	<b>2,817,146</b>	<b>7,246,866</b>
<b>31 December 2009</b>					
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
	<b>1,760,457</b>	<b>483,839</b>	<b>952,827</b>	<b>1,288,756</b>	<b>4,485,879</b>

## Notes to Financial Statements

31 December 2010

### 38. 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.

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 the end of the reporting period were as follows:

	<b>31 December 2010 RMB'000</b>	31 December 2009 RMB'000
Trade and bills payables (note 26)	<b>326,108</b>	439,669
Other payables and accruals (note 27)	<b>902,621</b>	427,453
Interest-bearing bank and other borrowings (note 28)	<b>5,018,911</b>	3,024,808
Less: Cash and cash equivalents (note 25)	<b>(2,474,907)</b>	(330,158)
Less: Pledged deposits (note 25)	<b>(63)</b>	(14,733)
Net debt	<b>3,772,670</b>	3,547,039
Total equity	<b>5,438,589</b>	1,877,801
Capital and net debt	<b>9,211,259</b>	5,424,840
Gearing ratio	<b>41%</b>	65%



## Notes to Financial Statements

31 December 2010

### 39. EVENT AFTER THE REPORTING PERIOD

In addition to those disclosed elsewhere in the financial statements, the Group had the following significant subsequent events:

- (i) On 28 March 2011, the Group has entered into an agreement with Hebei Green Energy Limited. (an entity wholly owned by HECIC) to acquire the remaining 25% shareholding interest of HECIC Yanshan (Guyuan) Wind Energy Co., Ltd., a 75%-owned subsidiary of the Group. The purchase consideration would be RMB46.68 million. After the completion of the acquisition, HECIC Yanshan (Guyuan) Wind Energy Co., Ltd. will be a subsidiary wholly owned by the Group.
- (ii) On 11 February 2011, the registered capital of Hebei Natural Gas increased from RMB220 million to RMB420 million. The Company injected cash amounting to RMB110 million and the non-controlling shareholder converted part of its dividend receivable from Hebei Natural Gas at an amount of RMB90 million as their respective contributions to the increased registered capital of Hebei Natural Gas. Subsequent to the above capital contribution, the Company's equity interest in Hebei Natural Gas remains at 55%.

### 40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 28 March 2011.

## Definitions

<b>“Approved Wind Power Project”</b>	wind power project which has obtained a reply from the National Development and Reform Commission of the PRC or the relevant provincial Development and Reform Commission for their approval of commencing project construction
<b>“availability factor”</b>	the amount of time that a power plant is able to produce electricity after it starts commercial operations over a certain period divided by the amount of time in such period
<b>“average utilization hours”</b>	the consolidated gross power generation in a specified period (in MWh or GWh) divided by the consolidated installed capacity in the same period (in MW or GW)
<b>“CDM”</b>	the Clean Development Mechanism, an arrangement under the Kyoto Protocol allowing industrialized countries to invest in projects that reduce greenhouse gas emissions in developing countries in order to earn emission credits
<b>“CERs”</b>	certified emission reductions, which are carbon credits issued by CDM EB for emission reductions achieved by CDM projects and verified by a DOE under the Kyoto Protocol
<b>“Commercial operation date”</b>	the date on which a wind, farm begins commercial operations after the construction and testing period
<b>“CNG”</b>	compressed natural gas, a type of natural gas that is compressed to high density through imposing high-pressure to facilitate the ease and efficiency of transportation
<b>“ Company”, “we” or “us”</b>	China Suntien Green Energy Corporation Limited (新天綠色能源股份有限公司)
<b>“Consolidated installed capacity” or “consolidated operating capacity”</b>	the aggregate installed capacity or operating capacity (as the case may be) of our project companies that we fully consolidate in our consolidated financial statements. This is calculated by including 100% of the installed capacity or operating capacity of our project companies that we fully consolidate in our consolidated financial statements and are deemed as our subsidiaries. Consolidated installed capacity and consolidated operating capacity do not include the capacity of our associated companies
<b>“Consolidated gross power generation” or “consolidated net power delivered to grid”</b>	for a specified period, the aggregate gross power generation or net power delivered to grid (as the case may be) of our project companies that we fully consolidate in our financial statements.





## Definitions

<b>“Director(s)”</b>	the Director(s) of the Company
<b>“DOE”</b>	designated operating entity accredited for monitoring CDM projects under the Kyoto Protocol
<b>“Financial Statement”</b>	the audited financial statements for the year ended 31 December 2010
<b>“GW”</b>	unit of power, gigawatt. 1 GW = 1,000 MW
<b>“GWh”</b>	unit of energy, gigawatt-hour. 1 GWh = 1 million kWh. GWh is typically used as a measurement for the annual energy production of large power plants
<b>“gross power generation”</b>	for a specified period, the total amount of electricity produced by a power plant in that period, consisting of net power delivered to grid, auxiliary electricity and electricity generated during the construction and testing period
<b>“Group”</b>	the Company and its subsidiaries
<b>“HECIC”</b>	Hebei Construction & Investment Group Co., Ltd. (河北建設投資集團有限責任公司), a state-owned enterprise established in the PRC and the controlling shareholder of the Company, which invests in the energy and transportation infrastructure industries
<b>“HECIC Group”</b>	the businesses and companies in which HECIC and its subsidiaries (other than the Group) are interested
<b>“HECIC Water”</b>	HECIC Water Investment Co., Ltd. (河北建投水務投資有限公司), a wholly-owned subsidiary of HECIC
<b>“HECIC New Energy”</b>	HECIC New Energy Co., Ltd. (河北建投新能源有限公司), a wholly-owned subsidiary of the Company
<b>“HECIC Yanshan (Guyuan) Wind Power”</b>	HECIC Yanshan (Guyuan) Wind Energy Co., Ltd. (建投燕山(沽源)風能有限公司) a company incorporated in the PRC and a subsidiary 75% owned by HECIC New-energy and 25% owned by Hebei Green Energy Limited, and a connected person of the Company
<b>“Hong Kong Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“IAS”</b>	International Accounting Standards
<b>“IASB”</b>	the International Accounting Standard Board
<b>“IFRSs”</b>	the International Financial Reporting Standards, which include standards and interpretations approved by the IASB, and the IAS and interpretation issued by the international Accounting standards Committee

## Definitions

<b>“installed capacity”</b>	the capacity of the wind turbines that have been completely assembled and erected
<b>“JEI”</b>	Jointo Energy Investment Co., Ltd. (河北建投能源投資股份有限公司), a Stock Exchange listed company (Stock code: 000600) there is primarily engaged in the operating of coal-fixed power plants and is controlled by HECIC
<b>“kW”</b>	unit of power, kilowatt, 1 kW = 1,000 watts
<b>“kWh”</b>	unit of energy, kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be consumed by a 1 kW electrical appliance in one hour
<b>“Listing”</b>	listing of the H Shares of the Company on the Main Board of the Stock Exchange on 13 October 2010
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“MOF”</b>	Ministry of Finance of the PRC (中華人民共和國財政部)
<b>“MW”</b>	unit of power, megawatt. 1MW = 1,000 kW. The installed capacity of power plants is generally expressed in MW
<b>“net power delivered to grid”</b>	for a specified period, the total amount of electricity sold to the relevant local grid companies by a power plant in that period, which equals to gross power generation less auxiliary electricity and the electricity generated during the construction and testing period. Income attributable to the sales of electricity generated during the construction and testing period is not included in the revenue of electricity sales, but is offset against the cost of property, plant and equipment
<b>“operating capacity”</b>	the installed capacity of the wind turbines that have been connected to power grids and started generating electricity
<b>“Operating date”</b>	the date on which the first wind turbine of the wind farm was delivered to power grids and started generating electricity
<b>“PetroChina”</b>	PetroChina Company Limited (中國石油天然氣股份有限公司), a joint stock company incorporated in China with limited liability and listed on the Stock Exchange (Stock code: 857), and/or its subsidiaries, and an independent third party not connected with the Company



## Definitions

### **“Pipeline Projects”**

wind power projects that have been identified and reserved for future development pursuant to the wind energy investment and development agreements that we entered into with local governments, under which we are authorized to develop wind farms at specified sites with certain estimated total capacity

### **“Preliminary Approved Project”**

wind power project which has obtained a reply from the National Development and Reform Commission of the PRC or the relevant provincial Development and Reform Commission for their approval of commencing preliminary preparation for such wind power project

### **“PRC GAAP”**

the Accounting Standards for Business Enterprises issued by the MOF of the PRC in 2006, and other related regulations issued by the MOF

### **“projects under construction”**

projects for which the construction work on the roads, foundations or electrical infrastructure has commenced but not been completed, and the project company has received the project approval from the National Development and Reform Commission of the PRC or the relevant provincial Development and Reform Commission or local Development and Reform Commission and detailed engineering and construction blueprints have been completed

### **“Renminbi” or “RMB”**

the lawful currency of the PRC

### **“VERs”**

voluntary emission reductions, which are carbon credits that are not mandated by any law or regulation, but originated from an organization’s desire to take active part in climate change mitigation efforts

## 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:

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PRC

### PRINCIPAL PLACE OF BUSINESS IN HONGKONG:

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### COMPANY'S WEBSITE:

[www.suntien.com](http://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



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China Suntien Green Energy Corporation Limited\*