OVERVIEW

We are one of the leading clean energy companies in Northern China. We own and operate natural gas transmission and distribution facilities in Hebei Province and sell natural gas through our natural gas distribution channels. We also plan, develop and operate wind farms and sell electricity generated by our wind farms to local grid companies. The key characteristics of our businesses involve the following:

- we benefit from preferential PRC government policies for the clean energy industry;
- we are an integrated mid-stream and downstream natural gas pipeline operator;
- we own and operate one of the largest natural gas distribution networks in Hebei Province;
- our wind power business has a long track record in Hebei Province and has access to abundant wind resources in Northern China;
- all of our operating wind farms were connected to power grids as of March 31, 2010; and
- our products are subject to government price controls.

We are one of the largest operators of natural gas transmission and distribution facilities in Hebei Province, as measured by sales volume in 2007 and 2008.(1) We jointly operate our natural gas business with HK & China Gas (Hebei), an indirect wholly-owned subsidiary of HK & China Gas, the largest city gas company in China and Hong Kong. We engage in the sale of piped natural gas to wholesale and retail customers through our long-distance transmission pipeline, branch pipelines, city gas pipeline networks and natural gas distribution stations, as well as the sale of CNG through our central CNG refueling station in Shijiazhuang City, Hebei Province.

As of the Latest Practicable Date, we owned and operated a long-distance transmission pipeline, four branch pipelines, four city gas pipeline networks, nine natural gas distribution stations and a central CNG refueling station in Hebei Province, covering 23 cities and counties. As of the Latest Practicable Date, we also owned a minority stake in a city gas pipeline network controlled by our business partner in the Baoding Development Zone. In 2007, 2008 and 2009 and the three months ended March 31, 2010, we sold an aggregate of 393.6 million m^3, 562.7 million m^3, 730.2 million m^3 and 249.2 million m^3 of natural gas through our distribution facilities, respectively, representing a CAGR of 36.2% from 2007 to 2009. Our natural gas sales volumes in 2007 and 2008 accounted for 32.7% and 32.9% of the total natural gas consumption in Hebei Province in 2007 and 2008, respectively.

Up to the Latest Practicable Date, we had purchased from PetroChina all of the natural gas that we had sold to our customers. On November 11, 2001, we entered into a master purchase agreement with PetroChina for a 20 year term for the supply of natural gas from the Shaanxi-Beijing gas pipelines, under which PetroChina agreed to supply us with a pre-determined volume of natural gas for each of 2002, 2003 and 2004 and a mutually agreed volume in subsequent years, subject to adjustments in the relevant annual gas purchase contracts. We aim to expand our natural gas business by building additional distribution facilities, especially city gas pipeline networks. As of the Latest Practicable Date, we had obtained government approvals or established project companies to develop eight new natural gas projects, as described in "— Our Natural Gas Business — Projects under Construction and Planned Projects."

We own a large portfolio of operating and developing wind farms concentrated in Northern China. According to HydroChina Corporation, we were among the top ten largest wind power operating companies in the PRC as of December 31, 2009 in terms of consolidated installed capacity. In addition, according to HydroChina Corporation,

(1) As of the Latest Practicable Date, the natural gas sales volume in Hebei Province for 2009 is not yet available.

as of December 31, 2009, we ranked first in consolidated operating capacity and third in consolidated installed capacity in Hebei Province, where all of our operating wind farms are located. As of the Latest Practicable Date, our consolidated installed capacity and consolidated capacity under construction were 606.2 MW and 347.8 MW, respectively. As of the Latest Practicable Date, our total installed capacity and total capacity under construction were 804.2 MW and 397.3 MW, respectively. We expect to complete a majority of our wind farms under construction by the end of 2010, increasing our consolidated installed capacity to approximately 900 MW.

We identify potential sites for wind farm development based on a range of criteria, including wind conditions, topography, proximity to and available capacity of grid systems, size of estimated installed capacity, access to transportation, availability and ownership of land and environmental characteristics. As of June 30, 2010, we had a portfolio of wind power pipeline projects with an estimated consolidated installed capacity for future development of 8,563.0 MW. For a detailed description of the Phase 1, Phase 2 and Phase 3 pipeline projects, please see "— Our Wind Power Business — Pipeline Projects."

We operate our wind farms at high efficiency. In 2009, the average utilization hours[(1)] of our wind farms with a full-year operating record reached 2,276 hours, compared to the PRC wind power industry average of 1,800 hours, according to BTM. In 2007, 2008 and 2009 and the first three months of 2010, the availability factor[(2)] of our wind farms amounted to 92.9%, 93.5%, 94.8% and 95.2%, respectively.

We focus on the development of the clean energy business, including natural gas and wind power, and intend to allocate the net proceeds from the Global Offering to these business segments based on their potential development opportunities. Given the large size of our wind farm portfolio, we intend to use a majority of the net proceeds from the Global Offering to invest in the construction of our wind power projects. For details on our future plans and intended use of proceeds, please see the section headed "Future Plans and Use of Proceeds."

As we make substantial investments in our wind farm portfolio, we anticipate that the expected sales contribution of our wind power business will increase, resulting in a higher percentage of revenue and net profit from our wind power business. We also expect that the development of our large wind farm portfolio will lead to higher depreciation and finance costs and will require significant capital expenditures. For a detailed discussion of the impact of the capital expenditure requirements on our business, operation and financial position and performance, please see "Risk Factors — Risks Related to Our Business — Our business requires significant start-up capital expenditures, and any failure to obtain sufficient funding may materially adversely affect our business, financial performance and prospects."

Our wind power business benefits from preferential PRC government policies for the clean energy industry. The application of the Wind Farm Preferential Measures may involve uncertainties and vary from region to region. Any reduction, discontinuation or unfavorable alteration of the policies and incentives for the wind power industry could materially adversely affect our business, financial condition and results of operations, and could significantly limit our growth. Further, if we experience any adverse changes to the Wind Farm Preferential Measures before we achieve economies of scale in a non-subsidized market, we could be forced to compete directly against traditional power companies in the sale of electricity and the setting of on-grid tariffs, including against our controlling shareholder, HECIC, which operates a coal power business in the PRC, which could materially adversely affect our business, financial condition, results of operations and prospects. For details of HECIC's coal power business,

(1) Represents 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).

(2) Represents the amount of time that a wind turbine or 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.

please refer to the section headed "Relationship with HECIC — Delineation of Business and Competition — Businesses conducted by HECIC."

We derive most of our revenue from the sale of purchased natural gas through our distribution facilities and the sale of electricity generated by our wind farms. For the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, our total revenue amounted to RMB628.8 million, RMB1,018.7 million, RMB1,517.3 million and RMB548.8 million, respectively, and our net profit (including profit attributable to non-controlling interests) amounted to RMB37.5 million, RMB151.2 million, RMB287.1 million and RMB135.7 million, respectively.

On May 31, 2010, the NDRC issued the NDRC Price Increase Notice, which, effective from June 1, 2010, will increase all benchmark ex-plant prices of our natural gas supply, including for commercial, industrial and residential uses, by RMB230 per thousand m^3. The NDRC Price Increase Notice also permitted natural gas purchasers and sellers to contractually agree on a selling price not exceeding 110% of the New Benchmark Price. On June 2, 2010, the Hebei Provincial DRC issued the Hebei Provincial DRC Price Increase Notice, which permitted natural gas distributors in Hebei Province to adjust their natural gas sales price to downstream wholesale customers in Hebei Province in accordance with their costs of purchase, effective retroactively from June 1, 2010. In response to the NDRC Price Increase Notice and the Hebei DRC Price Increase Notice, on August 5, 2010, the Hebei Provincial Price Control Bureau issued a notice setting a deadline (i) for the relevant price adjustments for natural gas sold to wholesale and CNG customers and (ii) for the completion of the relevant hearing processes in relation to the price adjustment for retail residential customers.

PetroChina has already implemented the new pricing scheme, which took effect retroactively from June 1, 2010. We in turn applied the relevant price adjustments retroactively from June 1, 2010 to all our wholesale, retail and CNG customers, except for retail residential customers. These adjustments together represent increases of approximately 30.6%, 27.7% and 16.1% in the benchmark ex-plant prices for industrial, commercial and residential uses, respectively.

With regard to our retail residential customers, we are awaiting the relevant local authorities to commence the relevant hearing process in respect of applying the full amount of the sales price adjustment on them. As soon as such hearing process is complete and we obtain confirmation from the relevant local pricing authorities endorsing the final price adjustment accepted at the relevant hearing, we will apply the final price adjustment to our retail residential customers. We are not able to pass the sales price adjustment on natural gas for residential use to retail residential customers unless we obtain confirmation from the relevant local pricing authorities after successful completion of the relevant hearing process. We also cannot assure you that the full amount of the price adjustment applicable to natural gas for retail residential use will be accepted at the hearing, or a lower adjustment will be approved instead or at all. Please see "Risk Factors — Risks Relating to Our Natural Gas Business — The obligations of our customers under existing customer contracts may not correspond with our obligations under the supply contracts with our natural gas supplier."

In case our proposed price adjustment for natural gas for retail residential use is not accepted at the hearing, but a lower adjustment is approved, we will apply the lower price adjustment for affected retail residential customers. In case our proposed price adjustment is not accepted at the hearing and no lower adjustment is approved, we will assume the additional costs on natural gas for retail residential use imposed on us by our supplier and continue to apply the existing sale price for natural gas for our retail residential customers. In 2009, our sales volume to retail residential customers accounted for only 0.3% of our total natural gas sales volume. Accordingly, in

the event that no price adjustment or lower price adjustment for natural gas for retail residential use is approved at the hearing, we do not expect that the corresponding financial impact on our business will be material.

As we have passed on the Price Increase to all our wholesale, retail and CNG customers (except for retail residential customers) on a retroactive basis and sales to retail residential customers do not account for a material portion of our total natural gas sales volume, our Directors believe that the Price Increase will not materially adversely affect the profitability of our business.

The following table sets forth certain items from our consolidated statement of comprehensive income and related margins for our natural gas and wind power segments for the periods indicated:

	Year Ended December 31,						Three Months Ended March 31,			
	2007		2008		2009		2009		2010	
	(RMB in thousands)	(%)	(RMB in thousands)	(%)	(RMB in thousands)	(%)	(RMB in thousands) (Unaudited)	(%)	(RMB in thousands)	(%)
Revenue										
Natural gas	590,758	94.0	932,229	91.5	1,252,685	82.6	309,733	83.8	417,771	76.1
Wind power	38,031	6.0	86,504	8.5	264,576	17.4	59,962	16.2	131,046	23.9
	628,789	100.0	1,018,733	100.0	1,517,261	100.0	369,695	100.0	548,817	100.0
Cost of sales										
Natural gas	(506,349)	96.1	(730,298)	95.1	(972,374)	89.1	(237,879)	90.9	(326,247)	87.9
Wind power	(20,451)	3.9	(37,488)	4.9	(118,595)	10.9	(23,929)	9.1	(45,029)	12.1
	(526,800)	100.0	(767,786)	100.0	(1,090,969)	100.0	(261,808)	100.0	(371,276)	100.0
Gross profit										
Natural gas	84,409	82.8	201,931	80.5	280,311	65.8	71,854	66.6	91,524	51.6
Wind power	17,580	17.2	49,016	19.5	145,981	34.2	36,033	33.4	86,017	48.4
	101,989	100.0	250,947	100.0	426,292	100.0	107,887	100.0	177,541	100.0
Gross margin										
Natural gas		14.3		21.7		22.4		23.2		21.9
Wind power		46.2		56.7		55.2		60.1		65.6
Operating profit										
Natural gas	58,205	75.0	167,426	78.4	236,823	58.0	61,423	62.6	90,699	50.6
Wind power	19,351	25.0	46,164	21.6	171,275	42.0	36,705	37.4	89,306	49.9
Corporate[1]	—	—	—	—	—	—	—	—	(904)	(0.5)
	77,556	100.0	213,590	100.0	408,098	100.0	98,128	100.0	179,101	100.0
Operating margin										
Natural gas		9.9		18.0		18.9		19.8		21.7
Wind power		50.9		53.4		64.7		61.2		68.1
Profit for the year/period										
Natural gas	26,657	71.2	141,497	93.6	220,543	76.8	56,835	83.2	77,639	57.2
Wind power	10,804	28.8	9,729	6.4	66,561	23.2	11,487	16.8	59,011	43.5
Corporate[1]	—	—	—	—	—	—	—	—	(904)	(0.7)
	37,461	100.0	151,226	100.0	287,104	100.0	68,322	100.0	135,746	100.0
Net profit margin										
Natural gas		4.5		15.2		17.6		18.3		18.6
Wind power		28.4		11.2		25.2		19.2		45.0

	Year Ended December 31,						Three Months Ended March 31,			
	2007		2008		2009		2009		2010	
	(RMB in thousands)	(%)	(RMB in thousands)	(%)	(RMB in thousands)	(%)	(RMB in thousands) (Unaudited)	(%)	(RMB in thousands)	(%)
Profit and total comprehensive income for the year/period attributable to the owners of the Company										
Natural gas	14,671	57.6	77,780	89.6	121,525	73.1	31,339	77.6	42,680	49.7
Wind power	10,804	42.4	9,070	10.4	44,797	26.9	9,046	22.4	44,183	51.4
Corporate[(1)]	—	—	—	—	—	—	—	—	(904)	(1.1)
	25,475	100.0	86,850	100.0	166,322	100.0	40,385	100.0	85,959	100.0
Net profit margin attributable to the owners of the Company										
Natural gas		2.5		8.3		9.7		10.1		10.2
Wind power		28.4		10.5		16.9		15.1		33.7

Note:

(1) Represents unallocated data of our head office.

OUR STRENGTHS

We believe the following strengths have contributed to our leading position in the clean energy industry in Northern China:

Rapidly growing company with a leading position in the clean energy industry in Northern China

We are a leading clean energy company in Northern China, where we conduct substantially all of our business. We are one of the largest operators of natural gas transmission and distribution facilities in Hebei Province as measured by total natural gas sales volume in 2007 and 2008. As of the Latest Practicable Date, we owned and operated a long-distance transmission pipeline, four branch pipelines, four city gas pipeline networks, nine natural gas distribution stations and a central CNG refueling station. As of the Latest Practicable Date, we owned a minority stake in a city gas pipeline network controlled by our business partner in the Baoding Development Zone. In 2007, 2008 and 2009 and the three months ended March 31, 2010, we sold an aggregate of 393.6 million m^3, 562.7 million m^3, 730.2 million m^3 and 249.2 million m^3 of natural gas through our distribution facilities, respectively, representing a CAGR of 36.2% from 2007 to 2009. Our natural gas sales volumes in 2007 and 2008 accounted for 32.7% and 32.9% of the total natural gas consumption in Hebei Province in 2007 and 2008, respectively. In addition, as of the Latest Practicable Date, we had obtained government approvals or established project companies to develop eight new natural gas projects and entered into framework agreements or letters of intent to develop additional natural gas projects in four locations. We operate our natural gas business through a strategic alliance with HK & China Gas, the largest city gas company in China and Hong Kong.

According to HydroChina Corporation, we were among the top ten largest wind power operating companies in the PRC as of December 31, 2009, in terms of consolidated installed capacity. In addition, according to HydroChina Corporation, we ranked first in consolidated operating capacity and third in consolidated installed capacity as of December 31, 2009 in Hebei Province, where all of our operating wind farms are located. From the end of 2007 to the end of 2009, our consolidated installed capacity grew from 60.6 MW to 406.7 MW, representing a CAGR of 159.1%. As of the Latest Practicable Date, we were constructing five additional wind farms controlled by us in Hebei Province and Shanxi Province. We expect to increase our consolidated installed capacity to

approximately 900 MW by the end of 2010. We also had a portfolio of wind power pipeline projects with an estimated consolidated installed capacity for future development of 8,563.0 MW as of June 30, 2010. Our in-house capability to plan, develop, operate and maintain wind farms enables us to develop and operate our wind farms at high efficiency. For the year 2009, the average utilization hours of our operating wind farms with a full-year operating record reached 2,276 hours, well above the PRC wind power industry average of 1,800 hours according to BTM.

Our history in the natural gas and wind power sectors traces back to 2001 and 2003, respectively. Our early entry into, and successful track record in the clean energy industry in Hebei Province provide competitive advantages, including our ability to obtain National Gigawatt-base Projects and National 10GW-base Projects, access to desirable locations for natural gas distribution facilities and wind farms, an established reputation and brand recognition, strong cooperative relationships with suppliers and in-depth knowledge of the clean energy industry, all of which have enhanced our leading position in the clean energy industry in Northern China.

Operation in the fast growing clean energy industry of China, which benefits from favorable regulatory policies and increasing demand for electricity and natural gas

Our business benefits from regulatory support from the PRC government. The PRC government has actively promoted natural gas as an alternative energy, particularly as a substitute for coal and other fossil fuels. In August 2007, the NDRC issued a policy paper entitled Policies on Natural Gas Utilization (天然氣利用政策), which categorized the priority of sectors and projects for natural gas use. The policy paper called for the rationalization of natural gas prices in line with the prices of other substitutable energy sources. Furthermore, subject to possible limitations on the dispatch of our electricity output, according to PRC laws and regulations, grid companies generally must purchase all the electricity generated from renewable energy projects in their grid coverage, and must provide grid-connection services and related technical support to renewable energy companies. Please see "Risk Factors — Risks Relating to Our Wind Power Business — We rely on local grid companies to provide connection and dispatch services and to purchase the electricity we generate and we may experience limitations on the dispatch of our electricity output in the future due to grid congestion or other grid constraints." In 2007, the NDRC released the Renewable Energy Development Plan, targeting 10% and 15% of national energy consumption to be contributed by renewable energy by 2010 and 2020, respectively. The Amendments for the Renewable Energy Law, which became effective on April 1, 2010, established the respective responsibilities and obligations of the government, power companies and grid companies under this system. Please see "Industry Overview — China's Wind Power Industry Development" for more details. Please also see "Regulatory Environment" for a detailed description of PRC laws and regulations applicable to our business.

China's fast growing economy has led to increasing natural gas and electricity consumption in recent years. According to the BP Statistical Review of World Energy June 2010, China's natural gas consumption rose at a CAGR of 15.4% between 2000 and 2009, outpacing the CAGR of China's real GDP of 10.1% during the same period. In line with the rapid growth in natural gas demand in China, our natural gas sales volume increased from 393.6 million m^3 in 2007 to 730.2 million m^3 in 2009, representing a CAGR of 36.2% from 2007 to 2009. Our natural gas sales volumes in 2007 and 2008 account for 32.7% and 32.9% of the total natural gas consumption in Hebei Province in 2007 and 2008, respectively[(1)] . In addition, the three major cities in which we have a significant presence (Shijiazhuang, Baoding and Handan) accounted for an aggregate of 36.0% of the 2008 nominal GDP of the major cities of Hebei Province according to Hebei Statistics Year Book 2009, which reflects our leading position and potential opportunities in the rapidly growing economy of Hebei Province. According to BP Statistical Review

(1) As of the Latest Practicable Date, the natural gas sales volume in Hebei Province for 2009 is not yet available.

of World Energy June 2010, China's electricity generation grew at a CAGR of 11.9% from 2000 to 2009, outpacing the growth rate of China's real GDP during the same period. Benefiting from growth in demand, as well as favorable government policies, China's wind power industry has grown rapidly in recent years. According to BTM, from 2000 to 2009, total installed capacity for wind power in the PRC grew from 352 MW to 25,853 MW, representing a CAGR of 61.2%. From the end of 2007 to the end of 2009, our total installed capacity for wind power grew from 60.6 MW to 604.7 MW, representing a CAGR of 215.9%. We expect to continue to benefit from the growing demand for natural gas and electricity in China.

Strategic locations with access to abundant wind power resources and well-developed power grids

China's wind resources are unevenly distributed across the country, and Northern China offers significant development potential for wind farms. All of our wind farms in operation and most of our wind farms under construction are located in Hebei Province, which has a total technical exploitable capacity of over 40 GW, according to 2008 China Wind Power Report. As the flagship clean energy company of the HECIC Group, one of the largest state-owned enterprises controlled by the Hebei Provincial SASAC, we believe our established presence in the province and strong support from HECIC Group, our Controlling Shareholder, will enable us to compete effectively in securing new projects and investment opportunities in Hebei Province. Our wind farms are also strategically located near local power grids to ensure that we effectively dispatch the electricity we generate. As of March 31, 2010, we have been able to connect all of our operating wind farms to local power grids immediately upon completion of their construction, benefiting from well-developed power grids in Hebei Province. According to Mott MacDonald Limited, an independent technical consultant, all of the operating wind farms controlled by us were connected to power grids as of May 2010, compared with the wind power industry average of 73.3% in China for 2009, according to HydroChina Corporation. We believe that the proximity of our wind farms to well-developed power grids in Hebei Province reduces our exposure to grid congestion and limitations on electricity transmission.

Nonetheless, the grid infrastructure in the PRC wind power industry is underdeveloped, which has often resulted in installed capacity not being fully utilized to generate electricity for sale because grids have been unable to absorb additional electricity. Therefore, even if our wind farms are properly connected to power grids, the output of our wind farms may be limited as a result of grid congestion or other limitations on a grid's maximum transmission capacity. Please see "Risk Factors — Risks Relating to Our Wind Power Business — We rely on local grid companies to provide connection and dispatch services and to purchase the electricity we generate and we may experience limitations on the dispatch of our electricity output in the future due to grid congestion or other grid constraints."

Strong operating cash inflows from ongoing expansion of our natural gas business

We own one of the largest natural gas distribution networks in Hebei Province, enabling us to sell natural gas to a large and diverse consumer base, located in 23 cities and counties as of the Latest Practicable Date. We believe that strong support from HECIC Group, our Controlling Shareholder, will enable us to compete effectively in securing target locations for new natural gas projects. In 2007, 2008 and 2009 and the three months ended March 31, 2010, we sold an aggregate of 393.6 million m^3, 562.7 million m^3, 730.2 million m^3 and 249.2 million m^3, respectively, of natural gas through our distribution facilities. Our customers have generated strong and stable cash flows for our business. We bill our wholesale and some retail customers in advance based on their estimated natural gas consumption for the following billing cycle. Our other retail customers, including residential customers, prepay their gas consumption with rechargeable stored value cards.

We have rarely experienced bad debt problems and have faced minimal credit and collection risks. For the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, we recorded net cash flows from operating activities of our natural gas business of RMB71.9 million, RMB238.5 million, RMB330.6 million and RMB29.4 million, respectively, and recorded no bad debt expenses. Furthermore, our strong position in natural gas distribution benefits from our Zhuozhou-Handan Pipeline, a 361km long-distance transmission pipeline with a design supply capacity of 1.5 billion m^3 per annum. The Zhuozhou-Handan Pipeline is strategically located near big cities and counties in Hebei Province and creates a natural barrier to entry for potential entrants.

Strategic alliances with leading suppliers and business partners

We have forged strategic alliances with reputable partners in each business sector in which we operate. We have a longstanding history of close cooperation with PetroChina, our sole supplier of natural gas up to the Latest Practicable Date. On November 11, 2001, we entered into a master framework purchase agreement with PetroChina for a 20 year term for the supply of natural gas from the Shaanxi-Beijing gas pipelines. In addition, we entered into a gas volume confirmation letter with PetroChina on an annual basis to specify our purchase volume each year. We believe that our longstanding relationship with PetroChina provides a stable supply of natural gas for our natural gas business. Our natural gas business has also significantly benefited from our strategic alliance with HK & China Gas since 2005, when its indirect wholly-owned subsidiary, HK & China Gas (Hebei), and HECIC established a natural gas joint venture, Hebei Natural Gas. HK & China Gas, the largest city gas company in China and Hong Kong, brings extensive experience in developing and operating natural gas projects. We send our technicians and members of management to HK & China Gas' headquarters in Hong Kong as part of our professional development program.

In our wind power business, we have established strategic alliances with leading wind turbine suppliers, such as Dongfang Turbine, Sinovel and XEMC Windpower, to secure high-quality wind turbine supply and to jointly develop wind power projects. In addition, we formed joint ventures with affiliates of power grid companies, such as Beijing Hua Shi, and well-established local investment companies, such as Chengde Urban Construction Investment Company Limited, to access grid resources and strengthen our local presence.

Experienced, professional and motivated management team supported by highly-skilled employees

Our management team possesses extensive knowledge in developing and operating natural gas and wind power projects. Prior to the establishment of our company, several of our senior managers served on management positions at other energy companies, such as HECIC and JEI, and accumulated extensive experience in the PRC's clean energy industry. In addition, as of March 31, 2010, we had a dedicated and dynamic team of 526 employees, 215 of whom have obtained at least an undergraduate qualification. Furthermore, we possess significant operating expertise through a team of 274 production and technical services professionals as of March 31, 2010. Our in-house training center provides continuing training to our technicians and management in the natural gas and wind power businesses.

OUR STRATEGIES

We intend to reinforce our position as a leading clean energy company in Northern China and expand our natural gas and wind power businesses by entering into new markets in China. The principal components of our strategy include the following:

Strengthen our leading position in China's wind power industry by expanding our project portfolio and maximizing operational efficiency

We expect our revenue derived from sales of electricity generated by our wind farms to grow significantly in future years. We believe that by expanding our project portfolio and maximizing our operational efficiency, we can capitalize on the rapid expansion of the PRC wind power market and become a leading wind power company in China. Wind power has undergone rapid expansion in China. BTM estimates that by the end of 2014, China's cumulative installed wind power capacity will increase to 104,853 MW, accounting for 23.4% of global cumulative installed wind power capacity. BTM also estimates that by 2011, China will surpass the U.S. and become the largest country in terms of cumulative installed wind power capacity. Our total installed wind power capacity has experienced rapid growth since building our first wind farm in 2006. From the end of 2007 to the end of 2009, our consolidated installed wind power capacity grew from 60.6 MW to 406.7 MW, representing a CAGR of 159.1%.

We intend to grow our consolidated installed wind power capacity to approximately 900 MW by the end of 2010 by completing a majority of our wind power projects under construction. We also seek to develop our portfolio of wind power pipeline projects with an estimated consolidated installed capacity of 8,563.0 MW as of June 30, 2010 and to identify and evaluate new projects as part of our core business strategy. For instance, we recently signed investment and development agreements with local governments of Inner Mongolia to develop new wind farms with an estimated consolidated installed capacity of 800 MW. We believe the expansion of our wind power business into other provinces and regions will help diversify our revenue base and increase our growth potential.

In addition to expanding our operations, we seek to improve our efficiency in developing and operating wind farms. We plan to leverage our in-house expertise in planning, developing, operating and maintaining wind farms. For example, starting from the planning stages, our experienced management team is able to develop plans that maximize the production of wind energy relative to the development and operating costs of our wind farms. For operation and maintenance, we have assembled a self-sufficient operation and maintenance team that provides 24-hour wind farm management services and repair and maintenance support. We also plan to develop our operation and maintenance team to provide such services to other wind power companies. Finally, to utilize technical know-how related to wind power technology that we have accumulated and to retain talent, we have entered into agreements with three of our turbine suppliers regarding future cooperation with respect to the assembly, testing, operation and maintenance of wind turbines. We are also in discussions with a university in Hebei Province to establish a research center to develop technology for the operation and maintenance of wind farms. We believe these measures will enable us to compete effectively with respect to scale, technology and operational efficiency.

Expand in China's natural gas market by developing and investing in additional city gas pipeline networks

We seek to expand our city gas pipeline networks to transmit and distribute natural gas to more consumers, by leveraging our access to natural gas supply sources through our existing long-distance transmission pipeline. For example, we plan to commence construction of a branch pipeline in the fourth quarter of 2010 connecting Gaoyi County and Qinghe City, which, once completed, will transmit natural gas from our long-distance transmission

pipeline to our planned city gas pipeline network project in Qinghe City. As of the Latest Practicable Date, we have obtained government approvals or established project companies to develop five new city gas pipeline network projects, as described in "— Our Natural Gas Business — Projects under Construction and Planned Projects." Furthermore, we have entered into framework agreements or letters of intent to develop natural gas projects in four locations, including Qinhuangdao City, Handan City, the industrial development zone of Xingtai City and South Development Zone of Shijiazhuang City in Hebei Province. We believe that the expansion of our natural gas business into new markets will increase our growth potential and enhance our brand recognition, and that our integrated capabilities in developing and operating natural gas projects will enable us to successfully compete in these new markets.

Diversify natural gas supply sources and existing natural gas business

PetroChina was our sole supplier of natural gas as of the Latest Practicable Date. We are exploring other natural gas supply sources, such as coal-based natural gas. We signed a letter of intent in October 2008 with Chengde municipal government and Datang Natural Gas, under which Datang Natural Gas agreed to supply coal-based natural gas to us for our sole distribution in Chengde City, where we have obtained the exclusive right to distribute natural gas. In June 2009, we and Chengde City Construction and Investment Company established a joint venture, in which we contributed 90% of the registered capital, for the construction of a city gas pipeline network in Chengde City. Once completed, the pipeline network will distribute coal-based natural gas that we purchase from Datang Natural Gas to our customers in Chengde City. Furthermore, we entered into a framework agreement with Guodian Construction & Investment Inner Mongolia Energy Limited Company in May 2010, under which Guodian Construction & Investment Inner Mongolia Energy Limited Company agreed to supply us with all of the coal-based natural gas to be produced from its proposed project in Dalu Industrial Zone in Zhunge'erqi in Inner Mongolia. This project is estimated to reach an annual production capacity of 2 billion m^3 of coal-based natural gas in 2013 and 4 billion m^3 in 2015. In February 2010, we entered into a letter of intent with a subsidiary of CNOOC, under which the seller agreed to supply coal-based natural gas that the seller will produce from a proposed project in Inner Mongolia and Shanxi Province for no fewer than 20 years. We are entitled to purchase 3 billion m^3, 3.5 billion m^3 and 8 billion m^3 of coal-based natural gas from the subsidiary in 2013, 2014 and 2015, respectively.

We also intend to start our LNG business by developing LNG stations and terminals, both independently and through joint ventures. Hebei Natural Gas, together with PetroChina and Beijing Enterprises Group Company Limited, will form a joint venture to build a LNG terminal in the Caofeidian industrial zone of Tangshan City, Hebei Province. In addition, we expect to begin construction in 2011 of a LNG liquefaction station in Shahe City, Hebei Province. Once this LNG station becomes operational in 2012, we will be able to sell LNG into regions in or near Hebei Province that are not covered by our existing natural gas pipelines.

Develop other clean energy businesses

We are exploring opportunities to expand our capabilities in electricity generation from other clean energy sources, such as solar power. We intend to develop and enhance our capabilities in other clean energy projects, allowing us to diversify our project portfolio and exploit new business opportunities. We have entered into investment and development agreements with the local government of Baoding City, Hebei Province, to develop two solar power generation projects in Laiyuan County. We believe that the clean energy market in the PRC holds significant potential in light of recent legislation and policies promoting the use of clean energy sources. We also believe that our expertise in power generation, track record and in-depth knowledge of local electricity markets provide us with competitive advantages to capture market opportunities in the clean energy market. Furthermore,

our experience and expertise in operating and managing wind farms and our strong relationships with local power grid companies will enhance our ability to efficiently operate and manage other clean energy projects.

Diversify financing sources and reduce financing costs

The rapid growth of our business requires sufficient and stable financing. By leveraging our established credit history and close relationships with domestic financial institutions and centralizing our loan application process, we are able to obtain competitive terms to finance our wind power and natural gas projects. In April 2010, HECIC New-energy, our wholly-owned subsidiary, received a credit rating of AA from China Cheng Xin International Credit Rating Co. Ltd., one of the most reputable credit rating agencies in China and an Independent Third Party. We intend to utilize other financing options to diversify our sources of funding, improve our capital structure and lower our financing costs. For example, in June 2010, we obtained from a leading asset management company in China a seven-year loan at an interest rate of 5.17%, representing 87% of the prevailing benchmark interest rate of 5.94% set by the PBOC for RMB loans with similar terms as of the Latest Practicable Date. On July 7, 2010, HECIC New-energy received an approval from the NAFMII, which allows HECIC New-energy to register short-term financial bonds of up to RMB500 million to be issued in the following two years. Accordingly, on July 22, 2010, HECIC New-energy issued short-term financial bonds in an amount of RMB500 million that are repayable on July 23, 2011. The financial bonds are not subject to any security and the applicable interest rate is 3.2% per annum. Upon repayment of the financial bonds, pursuant to the same approval from NAFMII, HECIC New-energy may issue additional short-term financial bonds in an aggregate amount up to RMB500 million. Proceeds from the financial bonds are being used for the development of our wind power projects, repayment of loans and as general working capital.

OUR NATURAL GAS BUSINESS

We own and operate natural gas transmission and distribution facilities in Hebei Province. We engage in the sale of piped natural gas to wholesale and retail customers through our long-distance transmission pipeline, branch pipelines, city gas pipeline networks and natural gas distribution stations, as well as the sale of CNG through our central CNG refueling station in Shijiazhuang City. Revenue generated from our natural gas business amounted to RMB590.8 million, RMB932.2 million, RMB1,252.7 million and RMB417.8 million for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively, representing 94.0%, 91.5%, 82.6% and 76.1%, respectively, of our total revenue for the corresponding periods. Profit from our natural gas business amounted to RMB26.7 million, RMB141.5 million, RMB220.5 million and RMB77.6 million for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively, representing 71.2%, 93.6%, 76.8% and 57.2%, respectively, of our net profit (including profit attributable to non-controlling interests) for the corresponding periods. Profit from our natural gas business attributable to the owners of our Company amounted to RMB14.7 million, RMB77.8 million, RMB121.5 million and RMB42.7 million for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively, representing 57.6%, 89.6%, 73.1% and 49.7%, respectively, of our profit attributable to the owners of our Company for the corresponding periods.

The sale of piped natural gas to wholesale customers, such as local gas companies, and retail customers, such as industrial, commercial and residential customers, contributed the largest portion of our revenue in our natural gas business. We also own and operate a central CNG refueling station located in Shijiazhuang City, the capital of Hebei Province, providing CNG refueling services to vehicular, industrial, commercial and residential end-users. In 2007, 2008 and 2009 and the three months ended March 31, 2010, we sold an aggregate of 393.6 million m^3, 562.7 million m^3, 730.2 million m^3 and 249.2 million m^3, respectively, of natural gas through our distribution

facilities. In addition, we provide transportation services to a limited number of customers located within our distribution network and charge fees for transporting natural gas purchased or owned by these customers through our long-distance transmission pipeline to their facilities. We also charge fees for connecting natural gas pipelines to industrial, commercial and residential customers.

The table below sets forth key data of our natural gas sales for the indicated periods:

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
Sales volume (m^3 in million)	393.6	562.7	730.2	190.1	249.2
Wholesale	266.6	379.5	491.0	136.0	172.7
Retail	92.2	139.9	193.2	41.8	63.2
CNG	34.8	43.3	46.0	12.3	13.3
Weighted average selling price per m^3 (RMB, VAT exclusive)	1.46	1.61	1.63	1.58	1.63
Wholesale	1.40	1.51	1.53	1.51	1.53
Retail	1.53	1.82	1.85	1.75	1.85
CNG	1.72	1.75	1.85	1.73	1.92

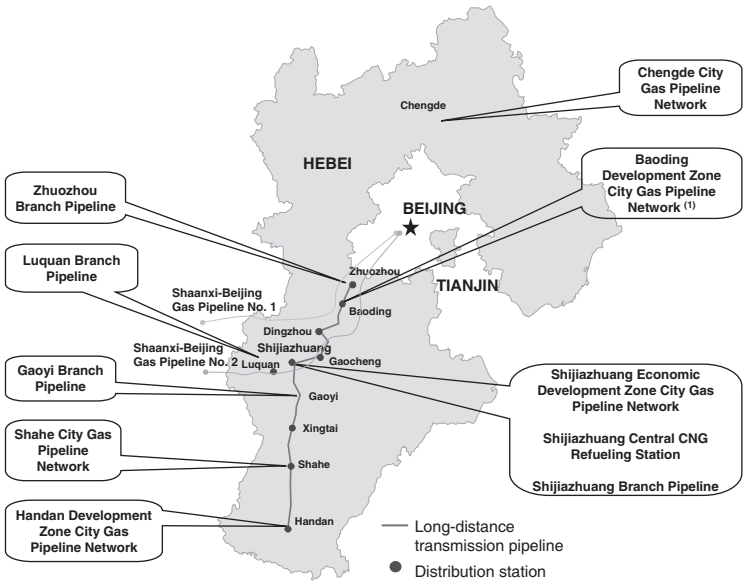
The table below sets forth a breakdown of revenue generated from our natural gas business for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2007		2008		2009		2009		2010	
	(RMB in thousands)	(%)	(RMB in thousands)	(%)	(RMB in thousands)	(%)	(RMB in thousands) (Unaudited)	(%)	(RMB in thousands)	(%)
Revenue from natural gas business										
Sales of piped natural gas to wholesale customers	374,227	63.4	574,469	61.6	749,993	59.9	205,897	66.5	263,619	63.1
Sales of piped natural gas to retail customers	140,654	23.8	255,308	27.4	356,747	28.5	73,374	23.7	117,214	28.1
Sales of CNG	59,697	10.1	75,656	8.1	85,344	6.8	21,269	6.9	25,461	6.1
Construction and connection of natural gas pipelines	16,042	2.7	22,326	2.4	26,476	2.1	897	0.3	1,228	0.3
Provision of gas transportation services	—	—	4,207	0.5	33,871	2.7	8,276	2.6	10,189	2.4
Others[(1)]	138	—	263	—	254	—	20	—	60	—
Total	590,758	100.0	932,229	100.0	1,252,685	100.0	309,733	100.0	417,771	100.0

Note:

(1) Primarily consisting of sales of gas appliances and pipeline maintenance and services fees.

The map below shows the approximate locations of our operating natural gas transmission and distribution facilities:



Facilities	Location
Long-distance transmission pipeline	Zhuozhou City to Handan City
Branch pipeline	Shijiazhuang City, Gaoyi County, Zhuozhou City and Luquan City
City gas pipeline network	Shijiazhuang economic development zone, Shahe City, Handan development zone and, Chengde City and Baoding Development Zone
Natural gas distribution station	Zhuozhou City, Baoding City, Dingzhou City, Gaocheng City, Shijiazhuang City, Luquan City, Xingtai City, Shahe City and Handan City
Central CNG refueling station	Shijiazhuang City

Note:

(1) Controlled by our business partner.

Development of Natural Gas Pipelines

Preliminary review and feasibility studies

Our business development team explores and identifies investment opportunities by conducting market research on potential locations where the demand for natural gas is apparent. Many areas in Hebei Province do not have access to piped natural gas. Due to the capital intensive nature of natural gas investments, we must be selective in our investments. We attempt to identify locations with existing or developing demand for natural gas or access to long distance transmission pipelines where we can strategically expand our natural gas business. We typically select new locations after conducting a preliminary review and extensive feasibility studies on a target location and assessing the projected return on investment.

In order to identify locations for further investigation, we conduct preliminary reviews based on the following factors:

- size and concentration of population and concentration of industrial and commercial activities;
- expected level of connection fees and gas usage charges;
- the local government's commitment to environmental protection, environmental policies and the local population's awareness of environmental protection;
- types of gas supply (piped natural gas or CNG);
- current level of penetration of natural gas usage;

- economic statistics of the relevant locations; and
- when acquiring existing gas projects, the cost of acquisition, quality of assets and/or business to be acquired, extent of liabilities of the business and any other material issues.

We usually require approximately two months to complete the preliminary review and feasibility studies of a potential location. Based on our preliminary review covering the factors above, the business development team will decide whether to recommend that we obtain management approval to proceed with discussions and negotiations for a new project.

Securing a new operational location

After completing a preliminary review for a natural gas project, we usually commence negotiations with potential local joint venture partners or, if we propose to take over an existing gas project, owners of the gas project. We have entered into framework agreements or letters of intent to develop natural gas projects in four locations as of the Latest Practicable Date. Once our Board approves a potential project, we typically prepare and submit a detailed gas project proposal to the local government for approval. Approvals from the NDRC or provincial DRCs are typically required for building long-distance transmission pipelines, whereas approvals of local DRCs are usually required for the development of city gas pipeline networks. We try to discuss and reach agreement with the local government on the proposed connection fees and gas usage charges, subject to approval of the relevant local pricing authorities.

After we receive local government approval for a new project, we generally form a project company to secure gas supply for the project. We typically supply our new projects with natural gas purchased from PetroChina and transmitted through our long-distance transmission pipeline. This location-securing step normally takes about six months to one year.

Designing natural gas pipeline infrastructure

We appoint qualified design institutes, such as PetroChina Engineering Design Company-Huabei Branch, a government-approved design institute and an affiliate of PetroChina, to carry out the design of the gas pipeline infrastructure for our gas projects (including main pipelines, intermediate pipelines, branch pipelines, distribution stations and other ancillary facilities). The design takes into consideration our technical requirements, the size and needs of the local population, the utilization of energy resources and the environmental conditions of the area covered by the design. The master design is subject to approval by experts appointed by the local city construction department. The design stage normally takes one to three months.

Constructing natural gas pipelines

Once the master design is approved, we will invite independent qualified contractors to bid for the construction work. The selection criteria for the contractors include their qualifications, experience, expertise, reputation, familiarity with the local environment, prior relationship with us and bidding price. We generally enter into contracts with independent contractors for construction and installation of gas pipes. We usually make a down payment of 10%-30% of the total price to a contractor with the remainder payable by installment based on an agreed schedule. We usually keep a retainer of 5% of the total contract price, which we will pay the contractors within one year after completion of the construction.

If a contractor delays or fails to complete the project, we are entitled to damages or, in some instances, rescission of the contract. We provide the main raw materials such as pipes, gas regulating equipment and

machinery and maintain strict quality control procedures for sourcing supplies for construction purposes. Our internal engineers and third-party inspection companies monitor the construction process to ensure that each stage of construction meets our quality and safety standards and relevant legal requirements.

Although the gas pipeline infrastructure is designed to cover the entire location, our construction program generally focuses on gas connection and delivery to areas with concentrated customer demand, so that gas supply can commence after the essential gas pipeline infrastructure and facilities are completed, inspected and approved by the relevant government authorities. Depending on the length of pipelines and complexity of construction, the construction stage takes from several months to a couple of years. Due to its complexity, construction of long-distance transmission pipelines usually takes longer than that of city gas pipeline networks. Construction work in a newly developed area will gradually extend to cover the entire location over several years.

Connection to customers

Gas supply to local gas companies is complete upon transmission of natural gas through our long-distance transmission pipeline to the customers' processing stations. Once we enter into a gas supply contract with a retail customer, we begin the design and construction of the pipelines necessary to connect our natural gas to such customer, a process that normally takes about four months.

Sales of Natural Gas

Sales of piped natural gas to wholesale customers

Historically, wholesaling piped natural gas constituted a major source of revenue from our natural gas business. The majority of our wholesale customers of piped natural gas are local gas companies located in various cities or counties of Hebei Province. For the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, we had 22, 23, 24 and 24 wholesale customers, respectively.

We generally enter into natural gas sales contracts with our wholesale customers each year. We usually agree on the sales volume for the next year before October of each year and sign a contract with each wholesale customer for a mutually agreed volume close to year end. Our contracts with the wholesale customers generally contain a "take or pay" clause. If the actual consumption volume of a wholesale customer in any year is less than 85% of the purchase volume stipulated in the contract, the customer must pay for the unconsumed volume in such year, with a right to take the paid unconsumed volume in the remaining years of the contract term. However, in line with the industry practice, we did not enforce such "take or pay" clause against our wholesale customers during the Track Record Period, and may not be able to successfully enforce it in the future. Please see "Risk Factors — Risks Relating to Our Natural Gas Business — The obligations of our customers under existing customer contracts may not correspond with our obligations under the supply contracts with our natural gas supplier." We are generally responsible for measuring the volume transmitted under the contracts. Furthermore, sales prices are fixed under the contracts and adjustable according to any new government pricing policies. During the Track Record Period, our wholesale customers typically made prepayments to us approximately every ten days, based on their estimated purchase volume for the following billing cycle.

The table below sets forth key data of our sales of piped natural gas to wholesale customers for the indicated periods:

	For the year ended December 31,			For the three months ended March 31,	
	2007	2008	2009	2009	2010
Sales volume (m^3 in millions)	266.6	379.5	491.0	136.0	172.7
As a percentage of total gas sales volume (%)	67.7	67.4	67.2	71.5	69.3
Weighted average selling price per m^3 (RMB, VAT exclusive)	1.40	1.51	1.53	1.51	1.53
Revenue (RMB in millions)	374.2	574.5	750.0	205.9	263.6
As a percentage of revenue from natural gas business (%)	63.3	61.6	59.9	66.5	63.1

Sales of piped natural gas to retail customers

We have accumulated a large and stable retail customer base for our sales of piped natural gas. During the Track Record Period, our sales of piped natural gas to industrial customers in Hebei Province, including carbon black and glass manufacturers, accounted for a majority of our revenue derived from sales of piped natural gas to retail customers. For the year ended December 31, 2009, our sales to industrial, commercial and residential customers amounted to RMB348.9 million, RMB3.3 million and RMB4.6 million, respectively, accounting for 97.8%, 0.9% and 1.3%, respectively, of our total revenue derived from our sales of piped natural gas to retail customers for the year. To increase our customer base, we promote the benefits of natural gas, in terms of price, convenience, safety, cleanness and environmental friendliness by organizing promotional activities, such as broadcasting advertisements through media and distributing brochures and posters.

We generally enter into natural gas sales contracts with our retail industrial customers on an annual basis. We usually agree on the sales volume for the next year before October of each year and sign a contract with each retail industrial customer for a mutually agreed volume close to the year end. Our contracts with retail customers do not contain a "take or pay" clause or a penalty clause if our retail customers fail to purchase the mutually agreed volume. While the arrangement with our customers conforms with industry practice, there is an inherent mismatch between our obligations to our supplier and the obligations of our customers to us, because our agreement with PetroChina contains a "take or pay" clause. Please see "Risk Factors — Risks Relating to Our Natural Gas Business — The obligations of our customers under existing customer contracts may not correspond with our obligations under the supply contracts with our natural gas supplier." We are generally responsible for measuring the volume transmitted under the contracts. Furthermore, sales prices are fixed under the contracts and adjustable according to any new government pricing policies. During the Track Record Period, our retail industrial customers typically made prepayments to us ten days in advance, based on their estimated purchase volume for the following billing cycle. Most of our retail commercial and residential customers prepaid their gas consumption with rechargeable stored value cards.

The table below sets forth key data of our sales of piped natural gas to retail customers for the indicated periods:

	For the year ended December 31,			For the three months ended March 31,	
	2007	2008	2009	2009	2010
Sales volume (m^3 in millions)	92.2	139.9	193.2	41.8	63.2
Industrial	90.1	135.9	188.8	39.5	59.5
Residential	1.2	2.4	2.5	1.3	2.5
Commercial	0.9	1.6	1.9	1.0	1.2
As a percentage of total gas sales volume (%)	23.4	24.9	26.5	22.0	25.4
Weighted average selling price per m^3 (RMB, VAT exclusive)	1.53	1.82	1.85	1.75	1.85
Revenue (RMB in millions)	140.7	255.3	356.8	73.4	117.2
As a percentage of revenue from natural gas business (%)	23.8	27.4	28.5	23.7	28.1

Sales of CNG

In order to broaden the use of natural gas, we established a central CNG refueling station in Shijiazhuang City to meet the demand for CNG from vehicular, industrial, commercial and residential end-users. Our refueling station is connected to our natural gas pipeline and is equipped with compressors, storage cylinders, dispensers and control panels. It has the designed capacity to compress approximately 160,000 m^3 of natural gas per day.

During the Track Record Period, most of our CNG was sold to local distributors. Our CNG sales contracts with CNG distributors typically have a term of 12 months. The volume and price are fixed under the contracts, with the price adjustable according to any new government pricing policies. Our contracts with CNG customers do not contain a "take or pay" clause or a penalty clause if our CNG customers fail to purchase the mutually agreed volume. While the arrangement with our customers conforms with industry practice, there is an inherent mismatch between our obligations to our supplier and the obligations of our customers to us, because our agreement with PetroChina contains a "take or pay" clause. Please see "Risk Factors — Risks Relating to Our Natural Gas Business — The obligations of our customers under existing customer contracts may not correspond with our obligations under the supply contracts with our natural gas supplier." During the Track Record Period, most of our CNG customers made lump sum prepayments, from which we deducted sales revenue of the actual consumed gas every ten days.

The table below sets forth key data of our sales of CNG for the indicated periods:

	For the year ended December 31,			For the three months ended March 31,	
	2007	2008	2009	2009	2010
Sales volume (m^3 in millions)	34.8	43.3	46.0	12.3	13.3
As a percentage of total gas sales volume (%)	8.9	7.7	6.3	6.5	5.3
Weighted average selling price per m^3 (RMB, VAT exclusive)	1.72	1.75	1.85	1.73	1.92
Revenue (RMB in millions)	59.7	75.7	85.3	21.3	25.5
As a percentage of revenue from natural gas business (%)	10.1	8.1	6.8	6.9	6.1

Selling Price of Natural Gas

According to the PRC Pricing Law, the PRC government may direct, guide or fix the prices of public utilities according to a pricing schedule prescribed by the central or the local governments. China's pricing regime for domestic natural gas comprises three components: ex-plant price, pipeline transportation tariff and end-user price. The NDRC determines the benchmark ex-plant price as well as the transportation tariff for national long-distance transmission pipelines, but also permits natural gas purchasers and sellers to contractually agree on an ex-plant price not exceeding 110% of its benchmark ex-plant price. Provincial price control bureaus determine transportation tariff for provincial gas pipelines, including provincial long-distance transmission pipelines. Local governments determine the end-user price.

The pipeline transportation tariff of our piped natural gas available for wholesale is determined by the Hebei Provincial Price Control Bureau, based on a price schedule released by the NDRC. We also take into account the types of end users of a wholesale customer when determining the sales price of our natural gas to the customer. We obtain approval from the relevant local pricing authorities for the retail price of our piped natural gas that we sell in a particular region, as well as any adjustment of the retail price. In the case of natural gas for residential use, the relevant local pricing authorities determine the end-user price and any price adjustment are subject to a hearing process that involves the affected residence. The price of CNG in China is also determined by local pricing authorities.

Our natural gas sales contracts generally state that the stipulated selling price of natural gas is subject to adjustment according to any new government pricing policies.

The weighted average selling prices (excluding VAT) per m^3 of natural gas for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2009 and 2010 are set out below:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2007	2008	2009	2009	2010
	RMB per m^3				
Weighted average selling price (excluding VAT)	1.46	1.61	1.63	1.58	1.63
Wholesale	1.40	1.51	1.53	1.51	1.53
Retail	1.53	1.82	1.85	1.75	1.85
CNG	1.72	1.75	1.85	1.73	1.92

During the Track Record Period, the NDRC imposed three price adjustments affecting our selling price of natural gas respectively on November 8, 2007, May 1, 2009 and May 31, 2010.

Price Adjustment Dated May 31, 2010

On May 31, 2010, the NDRC issued the NDRC Price Increase Notice, which, effective from June 1, 2010, will increase all benchmark ex-plant prices of our natural gas supply, including for commercial, industrial and residential uses, by RMB230 per thousand m^3. The NDRC Price Increase Notice also permitted natural gas purchasers and sellers to contractually agree on a selling price not exceeding 110% of the New Benchmark Price. On June 2, 2010, the Hebei Provincial DRC issued Price Increase Notice, which permitted natural gas distributors in Hebei Province to adjust their natural gas sales price to downstream wholesale customers in Hebei Province in accordance with their costs of purchase, effective retroactively from June 1, 2010. In response to the NDRC Price Increase Notice and the Hebei DRC Price Increase Notice, on August 5, 2010, the Hebei Provincial Price Control Bureau issued a notice setting a deadline (i) for the relevant price adjustments for natural gas sold to wholesale and

CNG customers and (ii) for the completion of the relevant hearing processes in relation to the price adjustment for retail residential customers.

PetroChina has already implemented the new pricing scheme, which took effect retroactively from June 1, 2010. We in turn applied the relevant price adjustments retroactively from June 1, 2010 to all our wholesale, retail and CNG customers, except for retail residential customers. With regard to our retail residential customers, we are awaiting the relevant local authorities to commence the relevant hearing process in respect of the full amount of the sales price adjustment on them. As soon as such hearing process is complete and we obtain confirmation from the relevant local pricing authorities endorsing the final price adjustment accepted at the relevant hearing, we will be able to apply the final price adjustment to our retail residential customers. In 2009, sales volume to retail residential customers accounted for only 0.3% of our total natural gas sales volume.

As we have passed the Price Increase to all our wholesale, retail and CNG customers (except for retail residential customers) on a retroactive basis and sales to retail residential customers do not account for a material portion of our total natural gas sales volume, our Directors believe the Price Increase will not materially adversely affect the profitability of our business.

Price Adjustment Dated May 1, 2009

On August 14, 2005, the NDRC issued the Notice on the Adjustment of Natural Gas Price of the Shaanxi-Beijing Gas Pipelines, which allowed for a 10% increase of the then benchmark ex-plant price of natural gas transported via the Shaanxi-Beijing Gas Pipelines, equivalent to an increase of RMB83 per thousand m^3. In April 2009, PetroChina issued a notice to us that it decided to implement the increase of selling price of natural gas for non-industrial use by RMB83 per thousand m^3, effective from May 1, 2009. With regard to such increase, the Group had already applied for and obtained approvals from the Hebei Provincial Price Bureau with respect to the additional costs to our downstream customers.

As the Group was able to pass on the additional costs to its downstream customers on the same day as PetroChina applied its price increase on us, the Group did not experience any materially adverse financial and operational effect due to this price adjustment.

Price Adjustment Dated November 8, 2007

On November 8, 2007, NDRC issued a notice on the adjustment of natural gas price which increased the then benchmark ex-plant price of natural gas for industrial use by RMB400 per thousand m^3. On November 9, 2007, the Group obtained approvals from Hebei Provincial Price Bureau to pass on the additional cost to its downstream industrial customers. On December 17, 2007, PetroChina issued a notice to us that it decided to implement such increase, effective retroactively on November 10, 2007. We in turn applied such increase to our downstream customers. As the Group was able to pass on the additional costs to its downstream customers on the same day as PetroChina applied its price increase on us, the Group did not experience any material adverse financial and operational effect due to this price adjustment.

Generally, where the Group receives notices for any price adjustments from the relevant pricing authorities, the Group will seek to take all necessary steps, including the making of applications to Hebei Provincial DRC or local price control authorities and arranging the necessary hearing processes, to pass on the corresponding additional costs to its downstream customers in a timely manner. If we are unable to pass on the applicable price adjustments to our downstream customers, we will have limited room to minimize our costs to maintain profitability including minimizing our peripheral costs, such as administrative expenses, financial expenses and selling and

distribution costs to maintain profitability of our natural gas business. If our cost saving efforts do not allow us to offset the effect of the applicable price adjustment, our profitability may be affected. Please see "Risk Factor — We are affected by risks arising from PRC government's price control regime for natural gas."

Additionally, on August 20, 2010 , the Hebei Provincial Price Control Bureau issued the Trial Measures. The Trial Measures stated that future natural gas prices for natural gas operators in Hebei Province will be determined with reference to industry average costs (including production, selling, administration and financial costs), reasonable return on equity (which shall not, for the purpose of their calculation, exceed 8%) and tax. Following our consultation with Hebei Provincial Price Control Bureau, we understand that the Trial Measures are primarily targeted at and applicable to city gas pipeline network operators. Our natural gas business is primarily focused on long-distance natural gas transmission. On September 4, 2010, Hebei Provincial Price Control Bureau issued a letter to us confirming that the existing prices on long-distance transmission of natural gas remain unchanged. Therefore, we do not expect the Trial Measures to materially affect on our long-distance natural gas transmission business. The PRC legal advisers of the Company, Jiayuan Law Firm, have confirmed that, as of September 4, 2010, the Trial Measures do not affect the legal validity of existing prices as stipulated in Hebei Provincial DRC's Price Notice on June 2, 2010. As our city gas pipeline business is not material compared to our long-distance transmission business, we do not expect that the Trial Measures would materially adversely affect the financial performance and operation of our natural gas business in the near future. For the three years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, the net profits attributable to our city gas pipeline business amounted to 12.5%, 8.0%, 6.1% and 3.7% respectively of the total net profits of our Group.

The Trial Measures also established a price linkage mechanism between upstream and downstream natural gas prices and permitted an annual adjustment to prices for natural gas for residential use. Such price adjustment pursuant to the price linkage mechanism no longer requires the approval of local pricing authorities via a hearing process.

Other Businesses

Construction and connection of natural gas pipelines

We charge a fee for constructing and connecting natural gas pipelines to industrial, commercial and residential customers. These fees amounted to RMB16.0 million, RMB22.3 million, RMB26.5 million and RMB1.2 million, respectively, for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, representing 2.7%, 2.4%, 2.1% and 0.3%, respectively, of our total revenue derived from our natural gas business for the corresponding periods.

Natural gas transportation

In addition to sales of natural gas, since 2008, we have charged a fee for transporting natural gas purchased or owned by a limited number of customers through our long-distance transmission pipeline to their facilities. We usually agree with our customers on the natural gas volume to be transported for the following year before October of each year and sign contracts for a mutually agreed volume close to the year end. The contracts provide fixed unit prices for transportation services. We have the right to suspend provision of transportation services if a customer misses two consecutive payments. During the Track Record Period, we either received lump sum prepayments normally equivalent to the price of natural gas transported over a ten-day period, from which we deducted our fees after providing the transportation services, or billed customers after providing transportation services. Our natural gas transportation fees amounted to RMB4.2 million, RMB33.9 million and RMB10.2 million, respectively, for the

years ended December 31, 2008 and 2009 and the three months ended March 31, 2010, representing 0.5%, 2.7% and 2.4%, respectively, of our total revenue derived from our natural gas business for the corresponding periods.

Purchases of Natural Gas, Appliances and Equipment

Natural gas

Up to the Latest Practicable Date, we had purchased all of the natural gas sold by us from PetroChina through the Shaanxi-Beijing Gas Pipeline No. 1 and Shaanxi-Beijing Gas Pipeline No. 2. Our natural gas purchase price comprises the ex-plant price and the pipeline transportation tariff, both determined by the NDRC, after taking into account the types of our customers who purchase natural gas from us at different prices.

On November 11, 2001, we entered into a master purchase agreement with PetroChina for a 20 year term for the supply of natural gas from the Shaanxi-Beijing gas pipelines, under which PetroChina agreed to supply us with a pre-determined volume of natural gas for each of 2002, 2003 and 2004 and a mutually agreed volume in subsequent years, subject to adjustments in the relevant annual gas purchase contracts. The agreement requires us to purchase 90% of the confirmed annual purchase volume on "take or pay" basis starting in 2004. If our actual consumption volume is less than 90% of confirmed annual purchase volume in a year, we must pay for the unconsumed volume in such year, with a right to purchase such unconsumed volume in the remaining years of the contract term by paying the excess of the then prevailing price over the previous price on an interest-free basis. As disclosed above, our contracts with wholesale customers contain a similar "take or pay" clause. However, in line with the industry practice, such "take or pay" clause as set forth in our contracts with PetroChina and customers was not enforced during the Track Record Period. Because our contracts with the retail or CNG customers do not contain a "take or pay" clause, we may not be able to pass on the cost of the unconsumed volume that we purchase from PetroChina to such customers. If a material percentage of our customers decides not to purchase or purchase significantly lower amounts of natural gas from us and we are unable to secure alternative customers to make up such shortfall, our business, financial condition and results of operations will be materially adversely affected. Please see "Risk Factors — Risks Relating to Our Natural Gas Business — The obligations of our customers under existing customer contracts may not correspond with our obligations under the supply contacts with our natural gas supplier." On the other hand, if PetroChina fails to supply at least 90% of the confirmed annual purchase volume in any year, it must make up the shortage in the following years at the previous price. The parties shall determine the purchase price in the annual gas purchase contracts based on relevant government policies. Either party has the right to terminate the agreement upon any material breach of the agreement by the other party, or one year after the occurrence of force majeure events that materially affect a party's ability to perform the obligations under the agreement. This agreement with PetroChina does not prohibit us from purchasing natural gas from other suppliers.

We usually sign a gas volume confirmation letter with PetroChina before April of each year to set our monthly volume of natural gas that we will purchase for the next twelve months, based on our estimates. We purchased 390.5 million m^3, 558.9 million m^3, 724.0 million m^3 and 249.5 million m^3 of natural gas from PetroChina for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively, and weighted average costs (excluding VAT) per m^3 of natural gas were RMB1.14, RMB1.18, RMB1.23 and RMB1.25 for the corresponding periods. Our annual natural gas purchase volumes differed slightly from our annual natural gas sales volumes during the Track Record Period, due primarily to (i) minor measurement variations and (ii) changes in the volume of base gas stored in our pipeline networks. When we and PetroChina negotiate the relevant Blended Unit Price for our natural gas purchases, the parties will consider a number of factors, including the applicable Percentage Allotment, the relevant government guided benchmark prices and settlement terms.

We intend to diversify our natural gas supply sources by exploring other sources, such as coal-based natural gas. We signed a letter of intent in October 2008 with Chengde municipal government and Datang Natural Gas, under which Datang Natural Gas agreed to supply coal-based natural gas to us for our sole distribution in Chengde City, where we have obtained the exclusive right to distribute city gas. In June 2009, we and Chengde City Construction and Investment Company established a joint venture with registered capital of RMB50 million, in which we contributed 90% of the registered capital, for the construction of a city gas pipeline network in Chengde City. The construction of this project started in July 2009. We expect the pipeline network to be connected by the end of 2011. When completed, we expect that the pipeline network will distribute coal-based natural gas that we purchased from Datang Natural Gas to our customers in Chengde City.

Furthermore, we entered into a framework agreement with Guodian Construction & Investment Inner Mongolia Energy Limited Company in May 2010, under which Guodian Construction & Investment Inner Mongolia Energy Limited Company agreed to supply us with the entire volume of coal-based natural gas produced from its proposed project in Dalu Industrial Zone in Zhunge'erqi in Inner Mongolia. This project is estimated to reach an annual production capacity of 2 billion m^3 of coal-based natural gas in 2013 and 4 billion m^3 in 2015. We plan to enter into a formal purchase agreement with Guodian Construction & Investment Inner Mongolia Energy Limited Company regarding the purchase amounts after the project starts operating. In February 2010, we entered into a letter of intent with a subsidiary of CNOOC, under which the seller agreed to supply coal-based natural gas that the seller will produce from a proposed project in Inner Mongolia and Shanxi Province for no fewer than 20 years. The agreement entitles us to purchase from the subsidiary coal-based natural gas of 3 billion m^3 in 2013, 3.5 billion m^3 in 2014 and 8 billion m^3 annually from 2015 to 2033.

We also intend to start our LNG business by developing LNG stations and terminals, both independently and through joint ventures. Hebei Natural Gas, together with PetroChina and Beijing Enterprises Group Company Limited, will form a joint venture to build a LNG terminal in the Caofeidian industrial zone of Tangshan City, Hebei Province. In addition, we expect to begin construction in 2011 of a LNG liquefaction station in Shahe City, Hebei Province. Once this LNG station becomes operational in 2012, we will be able to sell LNG into certain regions in or near Hebei Province that are not covered by our existing natural gas pipelines.

Pipes, machinery and equipment

We purchase pipes of various diameters and thicknesses for installation in the gas pipeline infrastructure (the specifications of which must comply with PRC standards and regulations). Our pipe suppliers include steel pipe manufacturers in China, such as North China Petroleum Steel Pipe Co., Ltd. and Anshan Delong Steel Pipe Co., Ltd. We also purchase machinery and equipment, both domestically and abroad, for construction of our pipeline infrastructure and installation in our distribution stations. We have adopted a centralized procurement policy for the purchase of pipes, machinery and equipment for our natural gas business. We select suppliers through a bidding process for our procurements of pipes, machinery and equipment with value of RMB500,000 or more and through a comparison of multiple suppliers for procurements with lower values.

Operating Facilities

Our principal operating facilities include a long-distance transmission pipeline, four branch pipelines, four city gas pipeline networks, nine natural gas distribution stations and a central CNG refueling station. As of the Latest Practicable Date, we owned a minority stake in a city gas pipeline network in the Baoding Development Zone.

We primarily use our long-distance transmission pipeline for the transmission of natural gas to our wholesale customers and, through our city gas pipeline networks, to our retail customers in central and southern Hebei Province. Our main natural gas distribution stations for the transmission of natural gas to the central and southern Hebei Province serve the following functions:

Purifying natural gas — we need to purify natural gas transmitted to us;

Regulating pressure — because natural gas from gas fields is transmitted through the long-distance transmission pipelines at high pressure and pressure volatility, we need to control pressure at the natural gas distribution station prior to the transmission of natural gas into the city gas pipeline network; and

Quantifying natural gas — we need to quantify accurately the amount of gas for the purpose of settlement with the gas supplier and customers.

As gas consumption in urban areas varies across different seasons and at different times of the day, we purchase natural gas from PetroChina based on our monthly estimates. Natural gas demand for a year peaks when the temperature in Hebei Province reaches its low levels from November to April of the following year. Demand then decreases during the warmer seasons, which typically lasts for five to six months from May to October.

The following table sets out our existing principal operating facilities, all located in Hebei Province:

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^3
Branch pipeline	Shijiazhuang City	100%	Distributes natural gas to an oil refinery, an retail industrial customer	2.5~6.3 MPa standard pipeline of 5.5 km in length with an annual designed supply capacity of 150 million m^3
	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^3
	Zhuozhou City	100%	Distributes natural gas to wholesale customers	2.5~6.3 MPa standard pipeline of 14.6 km in length with an annual designed supply capacity of 260 million m^3
	Luquan City	100%	Distributes natural gas to a cogeneration 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^3

Facilities	Location	Ownership held by Hebei Natural Gas	Description	Specification
City gas pipeline network	Shijiazhuang economic development zone	100%	Distributes gas to our retail customers	0.4 MPa standard pipeline with an annual designed supply capacity of 175.2 million m^3
	Shahe City (phase I)	100%	Distributes gas to our retail customers	0.4 MPa standard pipeline with an annual designed supply capacity of 345.6 million m^3
	Handan development zone	70%	Distributes gas to our retail customers	0.4 MPa standard pipeline with an annual designed supply capacity of 259.2 million m^3
	Chengde City	90%	Distributes gas to our retail customers	0.4 MPa standard pipeline with an annual designed supply capacity of 160.6 million m^3
	Baoding Development Zone[(1)]	17%	Distributes gas to our retail customers	0.4 MPa standard pipeline with an annual designed supply capacity of 499 million m^3
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	
Central CNG refueling station	Shijiazhuang City	100%	Serves vehicular, industrial, commercial and residential end-users	Total designed capacity of compressing 160,000 m^3 per day

Note:

(1) Controlled by our business partner and operated by a joint venture established in July 2009 by PetroChina Kunlun, Baoding Yingli Group, Hebei Natural Gas and Baoding Zhongyou Gas & Petroleum Sales Company, each holding 51%, 17%, 17% and 15% of the equity interests in the joint venture, respectively. Under the cooperation agreement among the parties, we agreed to transmit natural gas for this project through our Zhuozhou-Handan Pipeline and cooperate with Baoding Yingli Group and Baoding Zhongyou Gas & Petroleum Sales Company to obtain government approvals for the joint venture; PetroChina Kunlun agreed to use its best efforts to secure natural gas supply from its parent company PetroChina from the Shaanxi-Beijing gas pipelines; and the Management Committee of the Baoding Development Zone agreed to provide the joint venture with various favorable policies and tax treatment. The city gas pipeline network started operating in October 2009.

We maintain various policies in connection with the maintenance of our long-distance transmission pipeline, city gas pipeline networks, the central CNG refueling station and related facilities. These policies require onsite inspection of the facilities on regular basis by designated personnel. For example, our engineers inspect our long-distance transmission pipeline four times a month and our city gas pipeline networks daily. Furthermore, our system records various parameters of our pipelines, such as age, thickness and depth, so that we can detect early signs of corrosion and take preventive measures if necessary. In addition, we have established emergency reporting and handling plans to ensure that urgent accidents will be handled on an effective and timely basis and damages will be prevented or minimized to the extent possible.

Projects under Construction and Planned Projects

We aim to expand our natural gas business by building additional distribution facilities, especially city gas pipeline networks. We have obtained government approvals or established project companies to develop the following natural gas projects as of the Latest Practicable Date:

Projects under construction

Facilities	Ownership held by Hebei Natural Gas	Location (within Hebei Province)	Description	Annual designed supply capacity (million m^3)	Construction commencement date	Expected Commission date
Shahe City project (phase II)	100%	Shahe City	City gas pipeline network	1,380.0	11/2009	2011
Chengde City project	90%	Chengde City	Branch pipeline, CNG refueling station, natural gas distribution station and city gas pipeline network expansion	160.6	07/2009	2011

As of July 31, 2010, we incurred capital expenditures of approximately RMB66.8 million on the above natural gas projects under construction and expected to incur additional RMB366.4 million until completion of these projects. As of the same date, our total investment in the Chengde City project amounted to RMB18 million. We expect to fund approximately 50% of the estimated additional capital expenditures using the proceeds from the Global Offering and the remaining amount using bank borrowings and cashflow from our operating activities.

Planned projects

Facilities	Ownership held by Hebei Natural Gas	Location (within Hebei Province)	Description	Annual designed supply capacity	Expected construction commencement date	Expected Commission date
Qinghe City project	100%	Qinghe City	City gas pipeline network	45.6 million m^3	second half of 2010	2011
Ningjin County project	51%	Ningjin County	City gas pipeline network and natural gas distribution	48.6 million m^3	second half of 2010	2011
Gaoyi-Qinghe project	100%	Gaoyi County, Boxiang County, Ningjin County, Dacaozhuang County, Xinhe County, Nangong County, Qinghe City	Branch pipeline and natural gas distribution stations	495.0 million m^3	second half of 2010	2011
Tangshan Caofeidian project	20%	Caofeidian industrial zone of Tangshan City	Central LNG terminal	Phase I: 6 million tonnes/year Phase II: 4 million tonnes/year	second half of 2010	2012
Laiyuan County project	100%	Laiyuan County	City gas pipeline network	39.5 million m^3	second half of 2010	2011

Facilities	Ownership held by Hebei Natural Gas	Location (within Hebei Province)	Description	Annual designed supply capacity	Expected construction commencement date	Expected Commission date
Shahe City LNG project	100%	Shahe City	Central LNG liquefaction station	Process 0.7 million m^3 of natural gas into 0.12 million m^3 of LNG per day	2011	2012

We expect to incur capital expenditures of approximately RMB1,112 million on the above planned projects, which we expect to fund using capital contributions from our Company and HK & China Gas, bank borrowings and cash from our operating activities.

Strategic Alliance with HK & China Gas

Our natural gas business has significantly benefited from our strategic alliance with HK & China Gas. In July 2005, HECIC entered into a joint venture agreement with HK & China Gas (Hebei), an indirect wholly-owned subsidiary of HK & China Gas, to transform Hebei Natural Gas into a sino-foreign joint venture company, in which we held a 55% equity interest and HK & China Gas (Hebei) held a 45% equity interest.

HK & China Gas, the largest city gas company in China and Hong Kong, brings extensive experience in developing and operating natural gas projects. After entering into our joint venture agreement with HK & China Gas, we began to make investments to develop our downstream natural gas business, strengthening our reputation as a leading natural gas supplier in Hebei Province. From time to time, we send our technicians and members of management to HK & China Gas' headquarters in Hong Kong as part of our professional development program.

In March 2010, HECIC and HK & China Gas, the ultimate parent shareholders of Hebei Natural Gas, entered into a letter of intent pursuant to which they agreed to invest and develop new natural gas projects through Hebei Natural Gas. The two parties will contribute capital via the direct shareholders of Hebei Natural Gas in accordance with their shareholdings in Hebei Natural Gas. The two parties further agreed that either party is entitled to a right of first refusal under this letter, if the other party intends to transfer the right to invest in the projects to a third party that is not a subsidiary of such party. Both parties agreed to enter into project cooperation agreements that stipulate each party's rights and obligations, after further study and discussion on issues including cooperation methods and investment amount. The Group will comply with the Listing Rules and announce the development of these natural gas projects as necessary.

OUR WIND POWER BUSINESS

We plan, develop, manage and operate wind farms, and sell electricity generated by our wind farms to local grid companies. As of December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, our consolidated installed capacity was 60.6 MW, 233.6 MW, 406.7 MW and 406.7 MW, respectively, representing a CAGR of 159.1% from 2007 to 2009. Revenue from our wind power business amounted to RMB38.0 million, RMB86.5 million, RMB264.6 million and RMB131.0 million for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively, representing 6.0%, 8.5%, 17.4% and 23.9%, respectively, of our total revenue for the corresponding periods. Profit derived from our wind power business amounted to RMB10.8 million, RMB9.7 million, RMB66.6 million and RMB59.0 million for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively, representing 28.8%, 6.4%, 23.2% and 43.5%, respectively, of our net profit (including profit attributable to non-controlling interests) for the corresponding periods.

We own a large portfolio of operating and developing wind power projects concentrated in Northern China. As of the Latest Practicable Date, we operated ten wind power projects with consolidated installed capacity of 606.2 MW, and were constructing five wind power projects that we control with a consolidated capacity under construction of 347.8 MW. As of the Latest Practicable Date, we owned a minority stake in four operating projects with an aggregate of 94.1 MW of attributable installed capacity and one project under construction with 22.3 MW of attributable capacity. As of June 30, 2010, we had a portfolio of wind power pipeline projects for future development with an estimated consolidated installed capacity of 8,563.0 MW, including 6,840.7 MW of Phase 1 pipeline projects, 947.0 MW of Phase 2 pipeline projects and 775.3 MW of Phase 3 pipeline projects. Please see "— Pipeline Projects" for definitions of Phase 1, Phase 2 and Phase 3 pipeline projects. We expect the consolidated installed capacity of our wind power business to increase by approximately 500 MW in 2010, contributing to an estimated consolidated installed capacity of approximately 900 MW by the end of 2010.

The table below sets forth our key operational data relating to our wind power business as of the dates or for the periods indicated:

	As of December 31,			As of March 31,	As of the Latest Practicable Date
	2007	2008	2009	2010	
				(MW)	
Total installed capacity	60.6	233.6	604.7	604.7	804.2
Consolidated installed capacity[(1)]	60.6	233.6	406.7	406.7	606.2
Attributable installed capacity[(2)]	60.6	160.1	381.1	381.1	580.7

Notes:

(1) Represents the aggregate installed capacity of our wind power project companies that we fully consolidate in our consolidated financial statements. This is calculated by including 100% of the installed capacity of our wind power project companies that we fully consolidate in our consolidated financial statements and are deemed as our subsidiaries. Consolidated installed capacity do not include the capacity of our associated companies.

(2) Represents the aggregate installed capacity of our project companies or individual projects under one project company in which we have an interest in proportion to the level of our ownership in each of those companies. This is calculated by multiplying our percentage ownership in each project company in which we have an interest, whether or not such interest is a controlling interest, by the total installed capacity. Attributable installed capacity includes the capacity of our subsidiaries and associated companies but only to the extent of our equity ownership.

	For the year ended December 31,			For the three months ended March 31,	
	2007	2008	2009	2009	2010
Consolidated gross power generation (MWh)[(1)]	81,356.7	221,463.8	634,698.1	140,597.2	284,908.3
Consolidated gross power delivered to grid (MWh)[(2)]	78,921.5	214,942.7	622,346.3	135,910.4	277,384.2[(4)]
Consolidated net power delivered to grid (MWh)[(3)]	75,752.5	166,638.8	554,840.7	124,557.2	277,384.2[(4)]
Average utilization hours[(5)]	2,044.8	2,129.5	2,276.4	636.6	700.5
Availability factor[(6)]	92.9%	93.5%	94.8%	89.5%	95.2%

Notes:

(1) Represents the aggregate gross power generation of our wind power projects that we fully consolidate in our financial statements for a specified period, consisting of (i) net power delivered to grid, (ii) auxiliary electricity (i.e. the electricity consumed by our wind farms between generation and transmission and not sold to local grid companies) and (iii) electricity generated during the construction and testing period.

(2) Represents the aggregate gross power delivered to grid of our wind power projects that we fully consolidate in our financial statements for a specified period, consisting of (i) net power delivered to grid and (ii) electricity generated during the construction and testing period.

(3) Represents the aggregate net power delivered to grid of our wind power projects that we fully consolidate in our financial statements for a specified period, representing the electricity we sold to local grid companies which contributes to our revenue, and equal to gross power generation less (i) auxiliary electricity (i.e. the electricity consumed by our wind farms between generation and transmission and not sold to local grid companies) and (ii) 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, and is offset against the cost of property, plant and equipment.

(4) For the three months ended March 31, 2010, our consolidated gross power delivered to grid equals our consolidated net power delivered to grid, because during these three months there was no electricity generated during the construction and testing period of our wind farms, as all of our operating wind farms during the three months ended March 31, 2010 had passed their respective construction and testing periods.

(5) Represents the average utilization hours of our wind farms that operate over an entire given period. The average utilization hours of a wind farm are calculated based on 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). Average utilization hours reflect the number of hours that a wind farm would need to operate during a period if such wind farm generated electricity at full capacity during such period. Average utilization hours are not the actual hours that a wind farm operates, because wind farms often operate at less than full capacity due to the intermittent nature of wind.

(6) Represents the amount of time that a wind farm is able to produce electricity after it starts commercial operations over a certain period divided by the amount of time in such period.

Standard Wind Farm Development Phases

The average development period for a wind power project is approximately two to three years, although the actual development period may differ significantly among regions. Although the process may differ depending on the specific project, our standard wind farm development generally involves (i) entering into an investment and development agreement, (ii) conducting wind tests, (iii) obtaining government approval and (iv) constructing the project and undergoing testing.

Investment and development agreement

The first phase in our standard wind farm development process is identifying a site and assessing its potential for becoming a wind farm. We evaluate potential sites based on a range of criteria, including wind conditions, topography, proximity to and available capacity of grid systems, size of estimated installed capacity, access to transportation, availability and ownership of land, and environmental characteristics. Once we have identified a potential site, we enter into an investment and development agreement with the relevant local government. Under the investment and development agreement, the local government usually agrees to reserve the specified site and facilitates our wind farm development and construction process.

Wind test

After we enter into the investment and development agreement, our development team conducts a detailed site survey and a wind test. We typically require a minimum of one year of wind data to assess the feasibility of constructing a wind power project. Based on the results of the wind test, our development team seeks internal approval from our management. After our management approves the proposal, our development team commences the preliminary work for developing a wind farm, which includes preparing a feasibility study report.

Government approvals

Before we begin to construct a wind farm, we must obtain preliminary and final approvals from the NDRC for wind power projects with installed capacity of 50 MW or above or approval from the relevant Provincial DRC for the wind power projects with installed capacity of less than 50 MW. In addition, we are required to obtain a number

of government permits, licenses and other approvals, relating to matters such as environmental protection, construction and site-selection. This process generally involves the following major steps;

(a) preliminary approval from the NDRC or the relevant Provincial DRC for conducting preliminary work and obtaining supporting documents relating to matters such as land use, environmental impact assessment, water reservation and grid connection;

(b) approval from the state or local environmental protection agency with respect to the environmental impact assessment of the construction of a wind power project;

(c) preliminary approval with respect to the wind farm's construction land from the Ministry of Land and Resources or its local counterpart;

(d) approval for site-selection of the wind power project from the construction planning authorities;

(e) a memorandum of understanding with banks that agree in principle to provide project financing;

(f) the local grid company's consent to connect the proposed wind farm to their network, if required by local government;

(g) other applicable government approvals including those applicable to forest preservation, water preservation, mineral resources preservation, earthquake risk assessment and historical relics protection;

(h) final approval from the NDRC or the relevant Provincial DRC for commencing construction of the project; and

(i) an Electric Power Business License from the SERC within three months after a wind power project begins commercial operations.

Construction and testing

Construction and testing represent the final phase in a wind farm's development. Construction generally involves engineering and design, construction of access roads, tower foundations and other structures and buildings, laying of connection cables, and installation of transformers and wind turbines. Our wind turbine suppliers typically carry out installation and testing of the wind turbines with our assistance. After a successful test-run and obtaining necessary approvals, the wind farm starts commercial operations.

The National Gigawatt-base Projects

Wind farm developers must obtain the NDRC's approval for wind power projects with installed capacity of 50 MW or above, including National Gigawatt-base Projects. Obtaining such projects, which generally have large capacities, reflects one's competitive strength in the wind power industry in China. As of the Latest Practicable Date, we had four National Gigawatt-base Projects for which we have received from the NDRC final approval or preliminary approval for commencing preliminary work, such as applying for government permits relating to environmental protection or construction. Our National Gigawatt-base Projects, upon completion of their construction, will contribute to 649.5 MW of consolidated installed capacity.

The table below sets forth the details of our National Gigawatt-base Projects:

National Gigawatt-base Projects	Location (City within Hebei Province unless indicated otherwise)	Estimated consolidated installed capacity (MW)	Project status
Dongxinying Wind Farm	Zhangjiakou	199.5	Received final approval from the NDRC on June 4, 2008 and started generating electricity in May 2010
Weichang Yudaokou Muchang Wind Farm	Chengde	150.0	Received final approval from the NDRC on November 28, 2008
Yudaokou Ruyihe Wind Farm	Chengde	200.0	Received preliminary approval from the NDRC on September 2, 2008. Expect to receive final approval from the NDRC in 2011
Kangbao Wind Farm Phase III	Zhangjiakou	100.0	Received preliminary approval from the NDRC on January 18, 2009. Expect to receive final approval from the NDRC in 2011

As of the Latest Practicable Date, Dongxinying Wind Farm started generating electricity and we had started construction on Weichang Yudaokou Muchang Wind Farm. We expect to start construction on the other two projects after we receive necessary approvals. For a detailed description of our wind power projects under construction and in the pipeline, please see "— Wind Farms under Construction" and "— Pipeline Projects."

Wind Farms in Operation

As of the Latest Practicable Date, we had ten operating wind farms with consolidated installed capacity of 606.2 MW and held interests in four wind farms controlled by our business partners with 94.1 MW of attributable installed capacity. All of the wind farms are located in Hebei Province. Please refer to the table below for details of our operating wind farms:

Operating wind farms controlled by us	Ownership held by the Group	Location (City within Hebei Province unless indicated otherwise)	In-service date[1]	Commercial operation date[2]	On-grid tariff (RMB/kWh, including VAT)	Consolidated installed capacity (MW)	Consolidated installed capacity (%)	Attributable installed capacity (MW)	Attributable installed capacity (%)
Kangbao Wind Farm Phase I	100.0%	Zhangjiakou	10/2006	11/2006	0.6000	30.0	4.9	30.0	6.2
Guyuan Wind Farm Phase I	100.0%	Zhangjiakou	07/2007	10/2007	0.5600	30.6	5.0	30.6	6.3
Haixing Wind Farm	70.0%	Cangzhou	04/2008	09/2008	0.6100	49.5	8.2	34.7	7.1
Chongli Wind Farm Phase I	50.0%	Zhangjiakou	08/2008	11/2008	0.5400	49.3	8.1	24.7	5.1
Yuxian Wind Farm Phase I	55.9%	Zhangjiakou	09/2008	01/2009	0.5400	49.5	8.1	27.7	5.7
Chongli Wind Farm Phase II	51.0%	Zhangjiakou	01/2009	03/2009 & 06/2009[3]	0.5400	49.3	8.1	25.1	5.2
Yuxian Wind Farm Phase II	55.9%	Zhangjiakou	07/2009	11/2009	0.5400	49.5	8.2	27.7	5.7
Kangbao Wind Farm Phase II	100.0%	Zhangjiakou	11/2009	01/2010	0.5400	49.5	8.2	49.5	10.2
Guyuan Wind Farm Phase II	75.0%	Zhangjiakou	12/2009	01/2010	0.5400	49.5	8.2	37.1	7.6
Dongxinying Wind Farm	100.0%	Zhangjiakou	05/2010	10/2010	0.5006	199.5	32.9	199.5	41.0
Total						**606.2**	**100.0**	**486.6**	**100.0**

Operating wind farms controlled by our business partners[4]	Ownership held by the Group	Location (City within Hebei Province unless indicated otherwise)	In-service date[1]	Commercial operation date[2]	On-grid tariff (RMB/kWh, including VAT)	Total installed capacity (MW)	Total installed capacity (%)	Attributable installed capacity (MW)
Weichang Zhangjiawan Wind Farm	50.0%	Chengde	12/2009	01/2010	0.5400	49.5	25.0	24.75
Weichang Shanwanzi Wind Farm	50.0%	Chengde	12/2009	02/2010	0.5400	49.5	25.0	24.75
Weichang Zhuzixia Wind Farm	45.0%	Chengde	12/2009	02/2010	0.5400	49.5	25.0	22.3
Weichang Guangfayong Wind Farm	45.0%	Chengde	12/2009	01/2010	0.5400	49.5	25.0	22.3
Total						**198.0**	**100.0**	**94.1**

Notes:

(1) Represents the date on which the first wind turbine of a wind farm starts generating electricity.

(2) Represents the date on which a wind farm begins commercial operations after the construction and testing period.

(3) Half of the wind turbines in Chongli Wind Farm Phase II was installed as of December 31, 2008 and started commercial operations in March 2009. The other half was installed in 2009 and started commercial operation in June 2009.

(4) These business partners are Independent Third Parties.

Wind Farms under Construction

As of the Latest Practicable Date, we had five wind farms controlled by us under construction with a consolidated capacity under construction of 347.8 MW and held interests in one wind farm controlled by our business partner with 22.3 MW of attributable capacity under construction. Five of the wind farms are located in Hebei Province and one is located in Shanxi Province. The tables below set forth the details of our wind farms under construction that are controlled by us and by our business partner:

Projects under construction controlled by us	Ownership held by the Group	Location (City within Hebei Province unless indicated otherwise)	Construction start date	Estimated in-service date[1]	Estimated commercial operation date[2]	Consolidated capacity under construction (MW)	Attributable capacity under construction (MW)	On-grid tariff (RMB/KWh, including VAT)
Weichang Yudaokou Muchang Wind Farm	100.0%	Chengde	08/2008	fourth quarter of 2010	fourth quarter of 2010	150.0	150.0	0.5510
Yuxian Wind Farm Phase III	55.9%	Zhangjiakou	05/2010	fourth quarter of 2010	fourth quarter of 2010	49.3	27.6	0.5400
Caoniangou Wind Farm	49.0%	Zhangjiakou	05/2010	fourth quarter of 2010	fourth quarter of 2010	49.5	24.3	0.5400
Hanfengling Wind Farm	55.0%	Datong, Shanxi Province	06/2010	fourth quarter of 2010	first quarter of 2011	49.5	27.2	0.6100
Yuxian Dongdianziliang Wind Farm Phase I	55.9%	Zhangjiakou	06/2010	first quarter of 2011	second quarter of 2011	49.5	27.7	0.5400
Total						347.8	256.8	

Notes:

(1) Represents the estimated date on which the first wind turbine of a wind farm starts generating electricity.

(2) Represents the estimated date on which a wind farm begins commercial operations after the construction and testing period.

As of July 31, 2010, we incurred capital expenditures of approximately RMB1,581 million on our wind power projects under construction and expected to incur additional RMB1,547 million until completion of these projects. In addition, as of July 31, 2010, we had incurred capital expenditures of approximately RMB1,216 million and

expected to incur an additional RMB471 million on Dongxinying Wind Farm, which was in its construction and testing period. Therefore, in total, as of July 31, 2010, we had incurred capital expenditures of approximately RMB2,797 million and expected to incur an additional RMB2,018 million on our wind farms under construction and Dongxingying Wind Farm. We expect to fund approximately 80% of such amount using proceeds from the Global Offering and the remaining amount using bank borrowings and other financings and cashflow from our operating activities.

Projects under construction controlled by our business partner[1]	Ownership held by the Group	Location (City within Hebei Province unless indicated otherwise)	Construction start date	Estimated in-service date[2]	Estimated commercial operation date[3]	Total capacity under construction (MW)	Attributable capacity under construction (MW)
Weichang Dishuihu Wind Farm	45.0%	Chengde	05/2010	fourth quarter of 2010	fourth quarter of 2010	49.5	22.3

Notes:

(1) Our business partner is an Independent Third Party.

(2) Represents the estimated date on which the first wind turbine of a wind farm starts generating electricity.

(3) Represents the estimated date on which a wind farm begins commercial operations after the construction and testing period.

We expect the total capital expenditures of this project to be approximately RMB426.3 million. We have incurred RMB43.8 million as of July 31, 2010 and expect to incur additional RMB19.5 million until the completion of the project, representing 45% of the required capital contribution for the project. We expect to fund the additional RMB19.5 million using bank borrowings and other financings and cashflow from our operating activities.

Pipeline Projects

We refer to our wind power projects reserved for future development as pipeline projects. We have acquired the rights to develop pipeline projects pursuant to investment and development agreements with local governments. We classify our pipeline projects into Phase 1, Phase 2 and Phase 3 projects based on milestones achieved prior to construction and testing. We believe our project classification methodology reflects an objective approach and indicates the maturity of our pipeline projects, which in turn helps us pursue our growth targets. We may elect not to proceed with pipeline projects that we deem unsuitable for development. See "Risk Factors — Risk relating to our wind power business — The basis and underlying assumptions we adopt to classify our wind power projects are internally developed, and have not been audited or verified by any third party."

Phase 1 pipeline projects are in their earliest stage of development and for which we have only entered into investment and development agreements with local governments. As of June 30, 2010, our Phase 1 pipeline projects collectively had an estimated consolidated installed capacity of 6,840.7 MW.

Phase 2 pipeline projects have achieved moderate progress on the critical phases of development before construction and testing. At this phase, we have entered into investment and development agreements with local governments and commenced wind tests. As of June 30, 2010, our Phase 2 pipeline projects collectively had an estimated consolidated installed capacity of 947.0 MW.

Phase 3 pipeline projects are closest to the construction and testing stage, the final step in wind farm development. Phase 3 pipeline projects have completed all of the critical phases of development before construction and testing. At this phase, we have entered into investment and development agreements with local governments, commenced wind tests and obtained preliminary approval from either the NDRC or the relevant Provincial DRC for conducting preliminary work and obtaining supporting documents relating to matters such as land use,

environmental impact assessment, water reservation and grid connection. As of June 30, 2010, our Phase 3 pipeline projects collectively had an estimated consolidated installed capacity of 775.3 MW.

As of July 31, 2010, we incurred capital expenditures of approximately RMB1 million, RMB6 million and RMB92 million on our Phase 1, Phase 2 and Phase 3 pipeline projects and expect to incur additional RMB14,789 million on our Phase 2 pipeline projects by 2014 and RMB6,041 million on our Phase 3 pipeline projects in the next two years. We expect to fund approximately 5% of the estimated additional capital expenditures on our Phase 3 pipeline projects using proceeds from the Global Offering and the remaining amount using bank borrowings and other financings and cash flow from our operating activities. We are unable to estimate the amount to be incurred for Phase 1 wind power pipeline projects, which are in their earliest stage of development and for which we have only entered into investment and development agreements with local governments. We are unable to estimate capital expenditures for a wind power project until we have conducted wind tests and decided to obtain necessary governmental approvals for such project.

The table below sets forth the details of our Phase 1, 2 and 3 pipeline projects as of June 30, 2010.

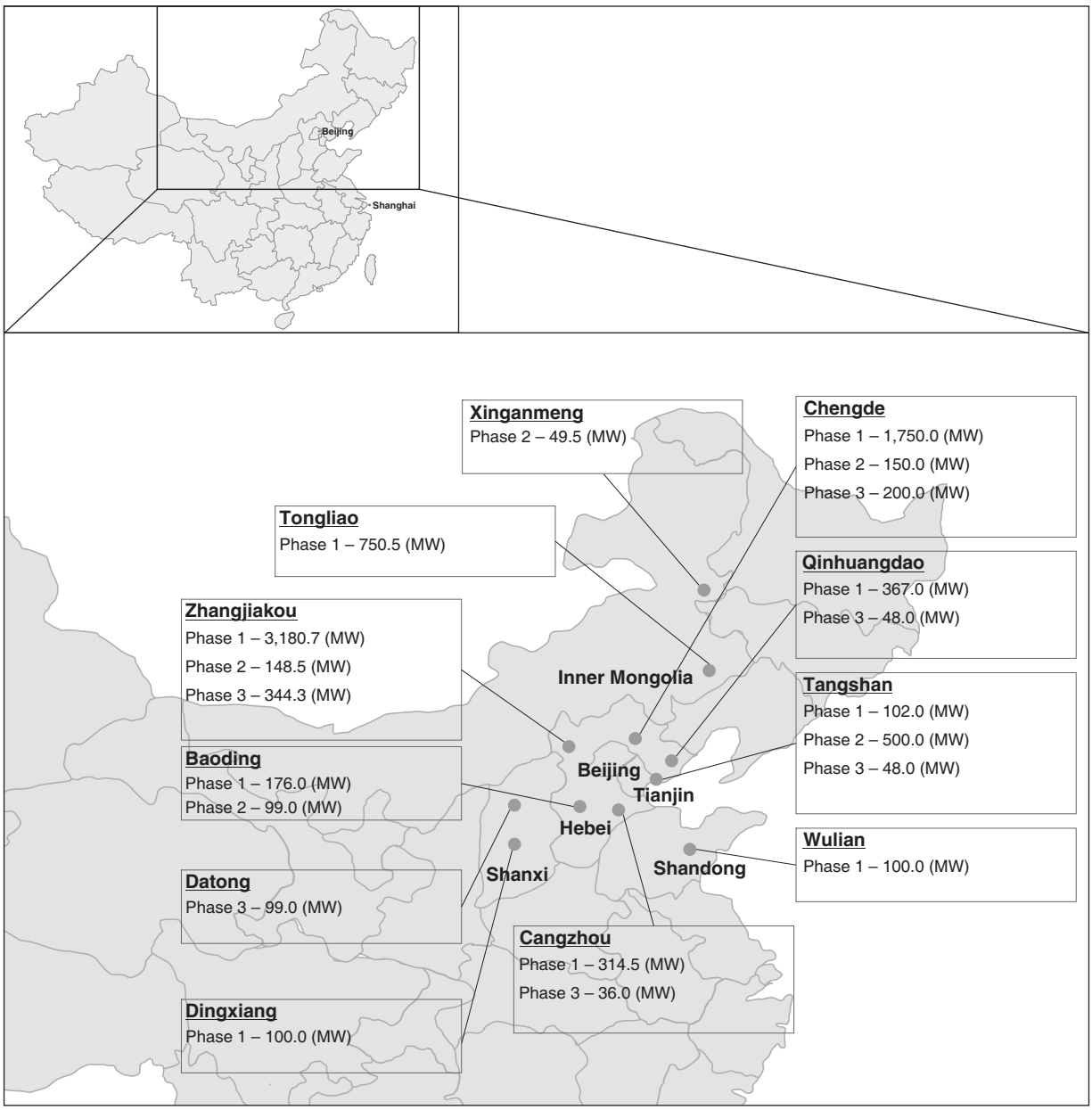
Project type	Location (City within Hebei Province unless indicated otherwise)	Estimated consolidated installed capacity (MW)	Expected On-grid Tariff[1] (RMB/KWh, including VAT)
Phase 1 pipeline projects	Baoding	176.0	0.6100
	Cangzhou	314.5	0.6100
	Chengde	1,750.0	0.5400
	Qinhuangdao	367.0	0.6100
	Dingxiang, Shanxi Province	100.0	0.6100
	Tangshan	102.0	0.6100
	Zhangjiakou	3,180.7	0.5400
	Tongliao, Inner Mongolia	750.5	0.5400
	Wulian, Shandong Province	100.0	0.6100
		6,840.7	
Phase 2 pipeline projects	Baoding	99.0	0.6100
	Chengde	150.0	0.5400
	Tangshan	500.0[2]	N.A.
	Zhangjiakou	148.5	0.5400
	Xinganmeng, Inner Mongolia	49.5	0.5400
		947.0	
Phase 3 pipeline projects	Cangzhou	36.0	0.6100
	Chengde	200.0	0.5400
	Qinhuangdao	48.0	0.6100
	Datong, Shanxi Province	99.0	0.6100
	Tangshan	48.0	0.6100
	Zhangjiakou	344.3	0.5400
		775.3	
Total		**8,563.0**	

Notes:

(1) Estimated based on the NDRC's On-grid Pricing Policy for on-shore wind power projects approved after August 1, 2009, not taking into account possible local government subsidies.

(2) Representing the estimated consolidated installed capacity of two off-shore wind farms, to which the On-grid Pricing Policy does not apply.

The map below shows the approximate location of our wind power pipeline projects as of June 30, 2010:



We are unable to estimate the construction commencement, in-service and commercial operation dates of our wind power pipeline projects. Government approvals for wind power projects in the PRC are time consuming and can vary significantly depending on a number of factors, including capacity of power grid, timing of land use rights approvals and status of the overall government planning and development in the vicinity of the relevant construction sites. As a result, we cannot reasonably estimate when it could obtain final governmental approvals for such projects.

We may decide to bring in business partners to develop some of our wind power pipeline projects for which we entered into bilateral investment and development agreements with local governments. As of the Latest

Practicable Date, we have not made such decisions on any of our pipeline projects, our interest in these projects remains unknown at this stage.

Sale of Electricity

We derive revenue from our wind power business primarily from the sale of electricity generated from our wind farms. Our sales price is based on the on-grid tariff of electricity. According to the Renewable Energy Law and (as amended from time to time), grid companies generally must purchase all the electricity generated from renewable energy projects in their grid coverage. Our wind farms sell all of the electricity that they generate, except for auxiliary electricity (i.e., the electricity consumed by our wind farms between generation and transmission and not sold to local grid companies), to local grid companies, rather than directly to industrial, commercial or residential end-users. Our wind farms need to connect to local power grids and rely on local grid companies to provide dispatch services and purchase the electricity we generate. Please see "Risk Factors — Risks Relating to Our Wind Power Business — We rely on local grid companies to provide connection and dispatch services and to purchase the electricity we generate and we may experience limitations on the dispatch of our electricity output in the future due to grid congestion or other grid constraints." Grid companies generally must provide grid-connection services and related technical support to renewable power plants in their grid coverage. All of our operating wind farms were connected to local power grids as of March 31, 2010.

We sell electricity based on the PPAs we enter into with local grid companies in accordance with applicable PRC regulations. A PPA typically has various standard terms, such as on-grid tariff, metering and payment. The PPAs usually have a term of one year and the parties discuss the renewal of the PPAs prior to the expiration of the one-year term. The PPAs that our wind farms have entered into do not provide for any compensation by the relevant grid companies for any financial losses due to grid congestion or other shortfalls in purchasing the full amount of electricity generated by our wind farms.

Nonetheless, in the PRC wind power industry, underdeveloped grid infrastructure has often resulted in installed capacity not being fully utilized to generate electricity for sale because grids have been unable to absorb additional electricity. Therefore, even if our wind farms are properly connected to power grids, the output of our wind farms may be limited as a result of grid congestion or other limitations on a grid's maximum transmission capacity. Such congestion or limitations generally result from underdeveloped power infrastructure (such as power grids or substations) maintained by local grid companies. In the second half of 2008 and the first half of 2009, grid congestion resulting from underdevelopment of the local power infrastructure caused temporary limitations on the electricity sale of wind farms located in certain regions of China. Our wind farms have experienced temporary limitations on electricity output due to underdeveloped grid infrastructure during the Track Record Period and may experience such limitations in the future. Please see "Risk Factors — Risks Relating to Our Wind Power Business — We rely on local grid companies to provide connection and dispatch services and to purchase the electricity we generate and we may experience limitations on the dispatch of our electricity output in the future due to grid congestion or other grid constraints." As we cannot store electricity generated from our wind farms, we must turn off some or all of the wind turbines when we are unable to transmit electricity due to grid congestion or other grid constraints. Accordingly, neither our gross power generation nor our net power delivered to grid includes the electricity that we would have otherwise produced without grid congestion or other limitations on a grid's maximum transmission capacity. However, we cannot reliably quantify the possible financial impact of grid congestion because the amount of electricity that the we would have otherwise produced without grid congestion or other grid constraints is also affected by other factors such as wind speed, wind direction and other climate conditions, and

such factors are not quantifiably distinguishable from each other. In addition, there exists no established industry standard to quantify the potential loss of revenue arising from grid congestion or other grid constraints alone.

The difference between the gross power generation and the net power delivered to grid of our wind farms includes auxiliary electricity (i.e., the electricity consumed by our wind farms between generation and transmission and not sold to local grid companies) and the electricity generated during the construction and testing period. Auxiliary electricity of our wind farms generally accounted for approximately 2-4% of the gross power generation of our wind farms during the Track Record Period. Except for auxiliary electricity, we sell all the electricity generated by our wind farms to grid companies. 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. Our wind farms begin commercial operations after the construction and testing period, and after such period, net power delivered to grid typically accounts for approximately 96-98% of the gross power generation.

The tables below set forth the key data of our operating wind power projects for the periods indicated:

	In-service date[1]	Commercial operation date[2]	Net power delivered to grid (MWh)[3]					On-grid tariff
			For the year ended December 31,			For the three months ended March 31,		(RMB/kWh, including VAT)
			2007	2008	2009	2009	2010	
Kangbao Wind Farm Phase I	10/2006	11/2006	59,500.3	56,701.9	68,019.3	20,658.0	19,612.0	0.6000
Guyuan Wind Farm Phase I	07/2007	10/2007	16,252.2	69,256.4	75,609.5	21,405.1	17,779.9	0.5600
Haixing Wind Farm	04/2008	09/2008		25,131.1	92,111.7	25,146.8	27,303.8	0.6100
Chongli Wind Farm Phase I	08/2008	11/2008		15,549.4	119,046.4	31,157.5	34,720.0	0.5400
Yuxian Wind Farm Phase I	09/2008	01/2009			90,244.9	19,058.0	30,483.6	0.5400
Chongli Wind Farm Phase II	01/2009	03/2009 & 06/2009[4]			85,429.9	7,131.8	38,633.7	0.5400
Yuxian Wind Farm Phase II	07/2009	11/2009			24,379.0		33,399.4	0.5400
Kangbao Wind Farm Phase II	11/2009	01/2010					40,516.1	0.5400
Guyuan Wind Farm Phase II	12/2009	01/2010					34,935.7	0.5400
Total			75,752.5	166,638.8	554,840.7	124,557.2	277,384.2	

Notes:

(1) Represents the date on which the first wind turbine of a wind farm starts generating electricity.

(2) Represents the date on which a wind farm begins commercial operations after the construction and testing period.

(3) The amount of net power delivered to grid of a wind farm does not include the electricity generated during the construction and testing period of such wind farm.

(4) Half of the wind turbines in Chongli Wind Farm Phase II was installed as of December 31, 2008 and started commercial operations in March 2009. The other half was installed in 2009 and started commercial operation in June 2009.

	For the year ended December 31,			For the three months ended March 31,	
	2007	2008	2009	2009	2010
Net power delivered to grid (MWh)	75,752.5	166,638.8	554,840.7	124,557.2	277,384.2
Weighted average on-grid tariff (RMB per kWh)[1]					
Excluding VAT[2]	0.502	0.492	0.477	0.481	0.472
Including VAT[3]	0.587	0.576	0.558	0.563	0.552
Revenue derived from sales of electricity (RMB in thousands)[4]	38,031	82,004	264,576	59,962	131,046

Notes:

(1) The weighted average on-grid tariff gives an average on-grid tariff that takes into account the proportional contribution of each of our operating wind power project, based on the net power delivered to grid and the approved on-grid tariff of each operating wind power project.

(2) Calculated by dividing revenue derived from sales of electricity (RMB in thousands) in a specified period by net power delivered to grid (MWh) in the same period.

(3) Calculated by multiplying the weighted average on-grid tariff (excluding VAT) for a specific period by 1.17, representing the 17% VAT applicable to sales of electricity that our wind farms generated.

(4) For details of our revenue generated from the wind power business, please see "Financial Information — Description of Key Income Statement Line Items — Revenue."

On-grid Tariffs

Under the Renewable Energy Law and the Price and Cost Sharing Regulation (可再生能源發電價格和費用分攤管理試行辦法), for wind power projects approved by the NDRC or provincial DRCs after December 31, 2005 but prior to August 1, 2009, the on-grid tariff was based on the "government guided price." The PRC government determined the on-grid tariff for concession projects through public tender. For concession projects, the government provides access to land in return for stipulated services or for which the land will be used for a specific purpose. For the on-grid tariff of non-concession projects, the pricing authority typically determined the on-grid tariff by reference to the on-grid tariff of concession projects in neighboring areas. The pricing authority also considered other factors when determining the on-grid tariff, such as the wind resources of the sites, the size of the proposed projects and construction conditions. Historically, average on-grid tariffs for wind power projects varied significantly from province to province.

Pursuant to the Renewable Energy Law and the Price and Cost Sharing Regulation, with respect to renewable energy projects approved after January 1, 2006, end users will pay a price premium for on-grid renewable power over on-grid desulfurized coal power in the same province, together with the grid connection cost of on-grid renewable power. Grid companies impose a surcharge on retail tariffs to reflect their extra costs for purchasing and inter-connecting renewable power. According to notices issued by the NDRC, the tariff surcharge generally increased to RMB0.004 per kWh effective from November 20, 2009. We believe our wind business will benefit from the increased tariff surcharge as grid companies will have additional funds available to settle receivables for the sale of electricity generated by our wind farms.

In July 2009, the NDRC issued the On-grid Pricing Policy, which came into effect on August 1, 2009 and applies to all onshore wind power projects approved after such date. In accordance with this circular, the NDRC changed the on-grid tariff setting mechanism from government guided price to a geographically unified tariff, a form of "government fixed price." China is categorized into four zones, and the same standard on-grid tariff (including VAT) (RMB0.5100/kWh, RMB0.5400/kWh, RMB0.5800/kWh or RMB0.6100/kWh) applies to all wind power projects in the same zone. Our operating wind farms are located in two zones with standard on-grid tariff (including VAT) of RMB0.5400/kWh and RMB0.6100/kWh as of the Latest Practicable Date. The new on-grid tariff continues to be subsidized by on-grid tariff premiums enjoyed by renewable power projects in general. See "Regulatory Environment — Regulation on the Wind Power Industry — Price and Cost Sharing Program." We did not experience any adjustments to the approved on-grid tariffs applicable to our operating wind farms during the Track Record Period.

Suppliers

Turbine suppliers

Wind turbines used in our wind farms constitute the primary operating equipment in our wind power business. On average, turbine costs represent approximately 60% to 70% of our wind farm investment costs.

We have established long-term relationships with leading international turbine suppliers, such as Gamesa, Vestas and GE, and their subsidiaries in the PRC and domestic turbine suppliers, such as Dongfang Turbine and

Sinovel. Our turbine procurement strategy leverages our scale and relationships with leading turbine suppliers to secure our supply needs on the best possible terms and to provide access to advanced technical features. We generally select our turbine suppliers through a bidding process based on factors such as product quality, price, technology, production capabilities and after-sales support. Turbine costs have generally declined over the past few years as the supply of turbines has increased. According to a notice issued by the NDRC and several other ministries of the PRC in September 2009, wind installed capacity in China is estimated to increase by 10 GW in 2010, whereas the aggregate production capacity of wind power equipment manufacturers in China is expected to exceed 20 GW in 2010. We believe that our turbine procurement strategy, coupled with the current surplus in turbine supply in China, provide us with a competitive advantage in turbine procurement and in negotiating favorable terms in turbine supply contracts.

Our contracts with turbine suppliers usually cover the production, transportation and testing of turbines, including a performance warranty ranging from one to five years after a minimum of 240-hour test run. We usually pay 10% of the wind turbine purchase price upon signing of a contract, 85% in installments based on certain milestones such as delivery and completion of testing and 5% upon the end of warranty period. As of the Latest Practicable Date, we entered into supply agreements to secure the full supply of wind turbines for our wind farms under construction.

Other suppliers

Other important suppliers include substation equipment suppliers and third party contractors who provide construction and installation services during the construction phase of our wind farms. For the supply of our substation equipment, we usually obtain competitive bids for high quality products from nationwide suppliers.

Operation and Maintenance

We strive to improve our operational efficiency and increase the average utilization hours of our wind farms by systematically monitoring performance of our wind turbines, implementing initiatives to mitigate systematic failures, performing repair and maintenance and enhancing our monitoring systems.

Each of our wind farms has a timetable for routine maintenance, inspections and repairs. With our extensive operational experience and technical know-how, we established a subsidiary in March 2010 with a specialized operation and maintenance team. We aim to increase our key operation and maintenance activities rather than outsourcing these services to turbine manufacturers. This enables us to reduce our overall operation and maintenance costs and improve the efficiency of our wind farms.

Carbon Credit Transactions

CDM is an arrangement under the Kyoto Protocol to the UNFCCC. Each of Annex I Countries, which include certain developed countries, is assigned an emission reduction target. Non-Annex I Countries, which include certain developing countries, have no emission reduction targets but are encouraged to adopt environment-friendly technologies to reduce greenhouse gas emissions. The CDM arrangement allows Annex I Countries to invest in emission reduction projects in non-Annex I Countries in order to earn CERs. CERs are carbon credits issued by CDM EB for emission reductions achieved by CDM projects and verified by a DOE under the Kyoto Protocol. CERs can be used by investors from Annex I Countries to satisfy domestic emission reduction targets or sold to other interested parties, and therefore it provides an alternative to emission reductions in their own countries, which is generally more expensive than investing in emission reduction projects in developing countries. The PRC government ratified the Kyoto Protocol in 2002, as a non-Annex I Country. The first commitment period of the

Kyoto Protocol is five years from 2008 to 2012. See "Risk Factors — Risks Relating to Our Wind Power Business — Sales of CERs depend on the CDM arrangements under the Kyoto Protocol, and any change or expiration of these CDM arrangements could materially adversely affect our financial condition and results of operation."

In order to issue and sell CERs, a CDM project in the PRC generally has to:

- obtain the approval of the NDRC, the designated national authority for the PRC;
- validate the project design by a third party agency accredited by the CDM EB, referred to as a DOE, to ensure the project results in sustainable, measurable and verifiable emission reductions;
- register the project with the CDM EB;
- oversee the emission reductions and periodically obtain verification and certification by the DOE of the emission reductions attributable to the project after the project is registered with the CDM EB;
- obtain CERs issued by the CDM EB with respect to the emission reductions verified and certified by the DOE (after deduction of 2% of the CERs by the CDM EB to cover its administrative expenses); and
- deliver CERs to the buyers according to the agreed delivery schedule with the buyers and receive payment from the buyers for CERs purchased.

According to the CDM Measures jointly issued by the NDRC and other ministries, only companies wholly-owned or controlled by Chinese parties may carry out CDM projects in the PRC. All of our wind power project companies meet this requirement. See "Regulatory Environment — Regulation on the Wind Power Industry — CDMs."

According to the CDM Measures, for CDM projects approved on or after October 12, 2005, the PRC government imposes a levy on the proceeds from sale of CERs under a CDM project at various levels depending on the type of project. With respect to wind and other renewable projects that develop and utilize renewable energy and are encouraged as a matter of the government policy, only 2% of the proceeds from sale of CERs are payable to the PRC government. We are not subject to any annual examination by the relevant authorities in respect of our CDM projects registered with CDM EB except for the periodical verification and certification by the DOE.

Since 2007, we have started to generate other net income from the sales of CERs and VERs, for the emission reductions attributable to the electricity output of our certain wind farms. As of the Latest Practicable Date, we applied for the registration of 15 CDM projects, six of which have successfully registered with the CDM EB and another five of which have obtained NDRC approval. To centralize the management of our carbon credit transactions, we have established a carbon asset management team that manages the application and registration of our CDM projects and the sale of CERs, including finding and negotiating with potential CER buyers (such as energy companies, investment banks and government buyers in Europe and Japan) and coordinating government approvals and the registration, verification, issuance and delivery of CERs. As of March 31, 2010, we had entered into 15 emission reduction purchase agreements with eight buyers, who are independent third parties from us, primarily consisting of well-known energy companies in Europe and Japan. The estimated total amount of CERs to be delivered under these CER purchase agreements from 2010 to 2012 totals approximately 3.7 million tons. As of March 31, 2010, five registered CDM projects have generated other net income. For the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, our aggregate sales of CERs generated other net income of RMB5.4 million, RMB10.7 million, RMB34.8 million and RMB11.4 million, respectively. Based on our experience, we expect other net income generated from sales of CERs on each of our

wind power projects registered with the CDM EB to account for approximately 15% of the income derived from sales of electricity produced by such wind farm. We plan to apply for registration of more CDM projects as we develop additional wind power projects and expect the income generated from our CDM projects to increase in the future.

VERs are carbon credits developed by carbon offset providers that are not certified. The VER market is an emerging market for carbon credits outside the Kyoto Protocol regime. Through purchase of VERs, institutions and individuals voluntarily compensate their emissions or provide an additional contribution to mitigating climate change. Wind power companies sell VERs attributable to electricity output from wind power projects before they are registered as CDM projects with the CDM EB or from other wind power projects that are not eligible for being registered as CDM projects, as long as a DOE verifies the emission reductions. Therefore, the quantity of VERs available for sale in a project depends on when the project is registered with the CDM EB. We cannot reasonably estimate the quantity of VERs available for sale as we cannot reasonably estimate when the wind power projects can be registered as CDM projects. VERs verified by a DOE are not subject to any annual review. We sold VERs to one purchaser in 2007 that generated other net income of RMB0.5 million for the year ended December 31, 2007. We did not sell any VERs in 2008, 2009 and the first three months ended March 31, 2010.

We cannot assure you that the CDM EB will approve any of our pending and future applications for the CDM project registration in a timely manner, or at all. Please see "Risk Factors — Risks Relating to Our Wind Power Business — Sales of CERs depends on the CDM arrangements under the Kyoto Protocol, and any change or expiration of these CDM arrangements could materially adversely affect our financial condition and results of operation." We have been closely following the development of the CDM arrangement, especially the status of the Kyoto Protocol, in order to update our CDM strategies accordingly.

OUR OTHER BUSINESSES

We have entered into investment and development agreements with the local government of Baoding City, Hebei Province, to develop two solar power projects in Laiyuan County. As of July 31, 2010, we have invested RMB0.6 million for the construction of one 1 MW solar power trial project and expect to invest additional RMB21.1 million. We started construction of this project in August 2010 and anticipate that this project will start commercial operations by the end of 2010. As of the Latest Practicable Date, we had not obtained government approvals for developing the other solar power project with an estimated installed capacity of 10MW. We are unable to estimate the cost and the expected construction commencement and commercial operation dates of the 10MW solar power project because we cannot reasonably estimate when we could receive necessary governmental approvals for this project. For both solar power projects, we plan to fund 80% of the estimated costs with bank borrowings and the rest with cash flow from our operating activities. We plan to develop our solar power generation projects cautiously until the PRC's solar on-grid tariff policies become clearer. We believe that the solar power market in the PRC holds significant potential in light of recent legislation and policies promoting the use of clean energy sources, and that our wind power expertise, track record and in-depth knowledge of local electricity markets provide us with competitive advantages to capture market opportunities in the solar power market.

We are also exploring opportunities to expand our capabilities in electricity generation from other renewable energy sources for future commercial development. We intend to develop and enhance our capabilities in operating other renewable energy projects, allowing us to diversify our project portfolio and exploit new business opportunities.

TOP CUSTOMERS AND SUPPLIERS

Top Customers

We derive our revenue primarily from the sale of natural gas that we distribute through our gas distribution facilities and the sale of electricity generated by the wind farms we control and operate. We sell our natural gas primarily to local gas companies or vehicular, industrial, commercial and residential customers. Our wind farms sell all of their net power delivered to grid pursuant to PPAs. In 2007, 2008 and 2009 and the three months ended March 31, 2010, our five largest customers contributed to 50.3%, 47.1%, 44.1%, and 52.3%, respectively, of our total revenue for the corresponding periods. Our largest customer contributed to 12.1%, 12.7%, 11.5% and 20.1%, respectively, of our total revenue during the same periods.

None of our Directors or Supervisors, their respective associates or any of shareholders holding more than 5% of our issued capital, to the knowledge of our Directors, held any interest in any of the above five largest customers as of the Latest Practicable Date.

Top Suppliers

Our primary procurement consists of piped natural gas for our natural gas business and spare parts of wind turbines for our wind power business.

During the Track Record Period, our natural gas procurement represented the largest portion of our total purchases and PetroChina remained our largest supplier. In 2007, 2008 and 2009 and the three months ended March 31, 2010, our five largest suppliers accounted for 99.0%, 98.8%, 98.5% and 99.6%, respectively, of our total purchases for the corresponding periods. Our largest supplier accounted for 98.7%, 97.0%, 97.6% and 97.9%, respectively, of our total purchases during the same periods.

None of our Directors or Supervisors, their respective associates or any of shareholders holding more than 5% of our issued capital, to the knowledge of our Directors, held any interest in any of the above five largest suppliers as of the Latest Practicable Date.

COMPETITION

Gas transmission and distribution companies are our principal competitors in the natural gas market in Hebei Province. In the wholesale natural gas market in Hebei Province, PetroChina and us are the principal operators. As regulatory authorities closely control the development of long-distance transmissions pipelines to prevent duplicative investments and uneconomic use of resources, our competitors will not likely build long-distance transmission pipelines covering the same areas and customers we currently serve. We also face competition from other city gas pipeline network operators in retail natural gas market, such as Baoding PetroChina Kunlun Gas Corporation and Xinao Gas, in developing or acquiring city gas pipeline network projects. We face competition from existing operators and new entrants in the CNG market, but our long-distance pipeline, which provides a stable and reliable sources of natural gas, allows us to compete effectively in this sector. Factors that could affect our competitiveness include, among others, technical capability, financial resources, experience and track record and access to natural gas resources.

A few major operators dominate the wind power industry with a large number of players competing for the remaining small part of the industry. We face competition mainly from top players, such as China Longyuan Power Group Corporation Limited, China Guangdong Nuclear Power Company and China Energy Conservation and Environmental Protection Group (formerly known as China Energy Conservation Investment Corporation). Factors

that could affect our competitiveness may include, among others, our access to wind resources, operational capability, financial resources, experience and track record. We also intend to develop or acquire projects outside Northern China and may face competitors who have more resources than we do. Our ability to acquire additional projects will depend on our ability to evaluate, select and develop suitable projects.

INTELLECTUAL PROPERTY

As of March 31, 2010, we had registered three trademarks in PRC. We have not filed any patent applications.

We recognize the importance of protecting and enforcing our intellectual property rights. We seek to maintain the registration of intellectual property rights that are material to our business in appropriate jurisdictions. We were not aware of any material infringement of our intellectual property rights for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, and we believe that we have taken reasonable measures to prevent infringement of our intellectual property rights. We are not aware of any pending or threatened claims against us or our subsidiaries relating to the infringement of intellectual property rights that we license from third parties. Some of our employment contracts and procurement contracts contain confidentiality provisions to protect our confidential information and know-how. For further details of our intellectual property, please see "Appendix IX — Statutory and General Information."

INSURANCE

Our assets are covered by various types of insurance, such as property all risks insurance and machinery breakdown insurance. We carry third party liability insurance to cover claims in respect of personal injury, property or environmental damages arising from accidents on our natural gas facilities and wind farms or relating to the operation of our wind farms and natural gas facilities. We carried business interruption insurance for all of our operating wind farms as of the Latest Practicable Date. We review our insurance policies annually.

We believe that the insurance coverage of our natural gas facilities and wind farms is adequate and standard for their respective industries in the PRC. See "Risk Factors — Risks Relating to Our Business — Our assets and operations are subject to hazards customary to the electricity generation and natural gas industry, and we may not have adequate insurance to cover all these hazards."

PROPERTIES

Owned Properties

Land

As of June 30, 2010, we held or occupied 83 parcels of land with a total site area of 634,234.28 m^2, including the land for our operational projects and also for projects under construction, all of which are located in the PRC. Among the 83 parcels of land, we have obtained state-owned land use rights certificates for 81 parcels of land with a total site area of 587,875.49 m^2, and we have not obtained state-owned land use rights certificates for two parcels with a total site area of 46,358.79 m^2, which accounted for 7.3% of the total site area of our land. These two parcels of land relate to our Caoniangou Wind Farm and Yuxian Wind Farm Phase III, which commenced construction in May 2010, respectively. As these wind farms remain at an early stage of their development, our Directors do not expect that our failure to obtain underlying state-owned land use rights certificates for these two projects would materially adversely affect our wind farm business. The Company is in the process of obtaining state-owned land use rights certificates for the two parcels of land and our PRC legal advisers have confirmed that there is no material

legal impediment for us to obtain the relevant land use rights certificates upon meeting the applicable procedural requirements.

Buildings

As of June 30, 2010, we owned 80 buildings and office units with a total gross floor area of 52,747.01 m^2, including the buildings for operational purpose, buildings for ancillary purpose and buildings for construction in progress, all of which are located in the PRC.

Buildings held and occupied for operational purposes

As of June 30, 2010, we owned 43 buildings and office units with a total gross floor area 24,359.15 m^2 for operational and office purposes. Among the 43 buildings and office units, we have obtained building ownership certificates for 42 buildings and office units with a total gross floor area 23,812.41 m^2, and we have not obtained the title certificates for one office unit with a gross floor area 546.74 m^2, which accounted for 2.2% of the total gross floor area of our buildings and units used for operational and office purposes.

The office unit for which we have not obtained a building ownership certificate is located in Handan City, which we originally acquired from a property developer independent from HECIC and the Group. The property developer is in the process of obtaining the relevant approval for change of use (from industrial use to commercial use), following which the Company will be able to apply for and obtain the building ownership certificates. Our PRC legal advisers have confirmed that there is no material legal impediment for us to obtain the aforesaid building ownership certificates for such office unit upon meeting the applicable procedural requirements. As such office can be replaced by other office units available in the vicinity, the Directors do not consider such offer as crucial to the Group.

The underlying land use right of the office unit was injected by HECIC as part of the Reorganization and HECIC has undertaken that it will assist us in obtaining the outstanding title certificate of such office unit, HECIC has further undertaken that it will indemnify us against all losses, claims, charges, or expenses arising from our failure to obtain such outstanding title certificate. Our PRC legal advisers have confirmed that the above undertakings by HECIC are legal, valid and enforceable under PRC law.

Buildings held and occupied for ancillary purpose

As of June 30, 2010, we owned 27 buildings with a total gross floor area 7,941.61 m^2 for ancillary purposes, all of which we have legally obtained building ownership certificates.

Buildings for construction in progress

As of June 30, 2010, we had ten buildings under construction with a total planned gross floor area of 20,446.25 m^2 located on three parcels of land. HECIC transferred the underlying land use rights of seven of these buildings under construction to us as part of the Reorganization and the construction of the remaining three buildings under construction commenced following the Reorganization. As of June 30, 2010, we had obtained (i) construction land planning permits (建設用地規劃許可證) and construction work planning permits (建設工程規劃許可證) for seven of these buildings and (ii) written confirmations with respect to the three of the seven buildings from relevant local land authorities that we are permitted to commence construction even though we do not possess the requisite construction permits. We have not obtained any permits for the construction of the remaining three buildings.

We are in the process of applying for and obtaining the necessary construction permits for all these ten buildings. Based on the advice of our PRC legal counsel, after obtaining the necessary construction permits, we will not face any risk of any material penalty or sanction. Our PRC legal advisers have confirmed that there is no material legal impediment for us to obtain building ownership certificates for such buildings upon meeting the applicable procedural requirements.

According to the Reorganization Agreement, HECIC has undertaken to us that it will assist us in obtaining the relevant building ownership certificates, and indemnify us against all losses, claims, charges or expenses from our failure to obtain the outstanding building ownership certificates in a timely manner. Our PRC legal advisers have confirmed that the above undertakings by HECIC are legal, valid and enforceable.

Potential penalties for defective titles

For the above buildings or buildings under construction which we do not have the requisite building ownership certificates and/or the construction permits, our PRC legal advisers have advised us that competent local authorities have discretion to order the Company to cease any construction, demolish any construction already erected, forfeit illegal income and/or impose a penalty up to 10% of the total construction costs. Excluding the buildings under construction for which we have obtained written confirmation from the relevant local land authorities that we are permitted to commence construction even though we do not have the requisite construction permits, the maximum potential penalty is approximately RMB791,000.

Leased Properties

As of June 30, 2010, we leased 20 buildings and units in the PRC with a total gross floor area of 5,784.88 m^2, The landlords have not obtained Building Ownership Certificates for nine of their buildings and units, accounting for approximately 3.2% of the total gross floor area of the buildings we currently utilize, all of which are located in the PRC. These nine buildings and units without building ownership certificates are used for temporary offices and employee quarters. 11 out of the 20 lease agreements are not duly registered with the local housing administration authorities.

Properties leased from connected parties

As of June 30, 2010, among the 20 above mentioned properties we leased, five of which were leased from HECIC Group, with a total gross floor area of 3,679.60 m^2. The landlords have registered the five lease agreements for these five leased properties with the local housing administration authority. HECIC Group has obtained building ownership certificates of these five buildings. For details regarding the lease between HECIC and the Group, please refer to the section headed "Connected Transactions" in this prospectus.

Properties leased from independent third parties

As of June 30, 2010, we leased 15 buildings and units with a total gross floor area of 2,105.28 m^2 from 11 independent third parties. Of the 15 lease agreements for these leased buildings and units, the landlords have not registered 14 with the local housing administration authorities. For leases for which the landlords have obtained the relevant building ownership certificates, our PRC legal advisers have confirmed that (i) the lease agreements are legal and valid; (ii) registration is procedural and does not constitute a condition of effectiveness of such lease agreements and (iii) the property owners have the legal responsibility to carry out the necessary registrations. We believe that will not be subject to any material penalties in connection with these leases.

However, in respect of leases of buildings and units for which the landlords have not obtained the relevant building ownership certificates, our PRC advisers have advised that local housing administration authorities may penalize the relevant owners of the buildings and units and require the Group to vacate the leased properties.

Our Directors believe that the lack of building ownership certificates for such leased properties is unlikely to materially adversely affect our business, because such leased properties are not material to our operations and there exist alternatives in the market. HECIC has undertaken that it will deal with all title related disputes derived from lack of building ownership certificates and will cover all relevant expenses, and that the third parties will indemnify us against any losses, claims, charges or expenses. In addition, HECIC has also undertaken to us that it will indemnify us against all losses, claims, charges or expenses from our failure to obtain indemnification from the third parties. Our PRC legal advisers have confirmed that the above undertakings by HECIC are legal, valid and enforceable under PRC law.

EMPLOYEES AND EMPLOYEE BENEFITS

As of December 31, 2007, 2008, 2009 and March 31, 2010, we had 237, 373, 516 and 526 full-time employees, respectively.

Our full-time employees in China participate in various employee benefit plans including pension, work-related injury benefits, medical benefit plans, unemployment insurance and childbirth insurance. The employment contracts generally specify the employees' responsibilities, remuneration and grounds for termination. We also recruit part-time staff primarily for production to ensure we have a sufficient labor force, particularly during peak seasons. We did not experience any material labor shortages for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010.

Compensation for our full-time employees typically consists of base salary, performance-based salary and other allowances such as seniority pay and subsidies. In addition, based on our results of operations, we may award year-end bonuses to our employees solely at our discretion. We conduct performance appraisals for administrative and technical staff on a quarterly basis to provide our employees with feedback on their performance. We invest in continuing education and training programs for our management and other employees to update periodically their skills and knowledge. We also hire third-party consultants to provide training to our employees.

We have a workers' union in accordance with PRC laws and regulations. We have not had any strikes or other labor disturbances that have materially interfered with our operations, and we believe that we have maintained a good working relationship with our employees.

LEGAL COMPLIANCE AND PROCEEDINGS

There are no pending or threatened litigation matters or other proceedings, and we are not involved in litigation or other proceedings, that we believe would materially adversely affect on our business, financial condition or results of operations as of the Latest Practicable Date. As of the Latest Practicable Date, our Directors confirmed and Jiayuan Law Firm, our PRC legal adviser, opined that we have complied with applicable PRC laws and regulations in all material respects during the Track Record Period and have obtained permits, licenses, qualifications, authorizations and approvals material to our business operations.

ENVIRONMENTAL REGULATION

We are committed to conducting our operations to comply with applicable environmental laws and regulations, and endeavor to mitigate any negative effects of our operations on the environment. Our

operations are subject to environmental laws and regulations relating to the construction and operation of wind farm and natural gas pipelines and stations, noise control, air and water emissions, water and ground protection, hazardous substances and waste management.

As the clean energy industry in which we operate is not a major source of environmental pollution, we believe that the impact of our operations on the environment is not material and that we have taken necessary internal environmental protection measures. Wind power is a renewable energy source that generally causes less pollution than fossil fuels. Environmental requirements relating to emissions, hazardous substances and waste management do not materially affect the operations of our wind farms. Construction and operation of wind farms are subject to national and local PRC environmental laws and regulations, including Interim Administrative Measures on Utilization of Construction Land of Wind Farm and Environmental Protection (風電場工程建設用地和環境保護管理暫行辦法).

Typically, before we submit a wind power or natural gas project application report to the government, environmental laws and regulations require that we submit an environmental impact assessment to the relevant environmental protection authorities for approval, a task our project team in charge of preliminary work typically carries out. We conduct environmental impact studies throughout the design and construction phases of our projects. The environmental impact studies include a determination of the most appropriate configuration of the facility based on the projects' location, appropriate measures of environment management to make sure the emission of pollutant reach required standards, ecological rehabilitation schemes and measures for conservation of water and soil. After a project completes construction, the local environmental bureau must inspect the project during the testing period before it can start commercial operations. When we operate our projects, we attempt to comply with applicable environmental laws and regulations and endeavor to minimize any negative impact of its operation on the environment. The Company did not incur material costs to comply with applicable environmental rules and regulations during the Track Record Period and does not expect to incur material costs to with respect to such rules and regulations in the future.

Our PRC legal adviser, Jiayuan Law Firm, has confirmed that as of the Latest Practicable Date, we were in material compliance with relevant environmental protection rules and regulations and not subject to any fines or administrative actions involving non-compliance with any relevant environmental regulations, nor did we experience any material environmental pollution accidents. However, the PRC government is moving towards more rigorous enforcement of applicable environmental laws and regulations and the adoption of more stringent environmental standards. The imposition of stricter environmental legislation could materially adversely affect our financial condition and results of operations. Please see "Risk Factors — Risks Relating to Our Business — Any future changes in environmental laws or enforcement policies could materially adversely affect our business, results of operations and financial condition."

HEALTH AND SAFETY COMPLIANCE

Our operations, particularly our natural gas pipelines and stations, involve risks and hazards inherent in such activities. These risks and hazards could result in damage to, or destruction of, property or production facilities, personal injury, environmental damage, business interruption and possible legal liability. See "Risk Factors — Risks Relating to Our Business — Our assets and operations are subject to hazards customary to the electricity generation and natural gas industry, and we may not have adequate insurance to cover all these hazards." Our wind farms and natural gas facilities have adopted various internal policies and taken protective measures designed to prevent the health and safety risks and hazards. As of the Latest Practicable Date, our wind farms or natural gas facilities have not encountered any material unplanned outages due to health and safety issues.

As of the Latest Practicable Date, Jiayuan Law Firm, our PRC legal adviser, is of the opinion that we have complied with the applicable PRC laws and regulations on health and safety, including Safe Production Law of the PRC, Supervision Measures on Safe Power Generation (電力安全生產監管辦法) issued by the SERC, and implementation rules on safe production issued by various local governments where we operate. As of the Latest Practicable Date, we had not been subject to any material fines or administrative actions involving material non-compliance with any relevant regulations, nor are we required to take any specific compliance measures.