The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

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30 September 2010

The Directors
China Suntien Green Energy Corporation Limited
Macquarie Capital Securities Limited

Dear Sirs,

We set out below our report on the financial information regarding China Suntien Green Energy Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2007, 2008 and 2009, and the three-month period ended 31 March 2010 (the "Track Record Period") (the "Financial Information"), and the three-month period ended 31 March 2009 (the "31 March 2009 Financial Information"), prepared on the basis set out in note 2 of Section II below, for inclusion in the prospectus of the Company dated 30 September 2010 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited ("The Hong Kong Stock Exchange") (the"Listing").

The Group is principally engaged in the investment, development, management and operation of wind power generation, sale of natural gas and gas appliances, and connection and construction of natural gas pipelines.

The Company was established as a joint stock company with limited liability on 9 February 2010 in the People's Republic of China (the "PRC", or Mainland China, which excludes for the purpose of this report, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan) as part of the reorganisation (the "Reorganisation") of Hebei Construction & Investment Group Co., Ltd. ("HECIC"), a state-owned enterprise in the PRC. HECIC was the holding company of the subsidiaries now comprising the Group prior to the Reorganisation. The Group and its associates have adopted 31 December as their financial year end date for statutory financial reporting purposes. The statutory financial statements of these companies were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC. Particulars of the Company and its subsidiaries and associates are set out in note 1 of Section II below.

For purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance (the "MOF") of the PRC in 2006, and other related regulations issued by the MOF (collectively "PRC GAAP")(the "PRC GAAP Financial Statements"), which were audited by Ernst & Young Hua Ming, a certified public accounting firm registered in the PRC.

The Financial Information set out in this report, including the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the Track Record Period, the consolidated statements of financial position of the Group as at 31 December 2007, 2008 and 2009 and 31 March 2010, and the statement of financial position of the Company as at 31 March

2010, together with the notes thereto, has been prepared by the Directors based on the PRC GAAP Financial Statements on the basis set out in note 2 of Section II below, after making such adjustments as appropriate to comply with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB").

For the purpose of this report, we have carried out an independent audit on the Financial Information in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board (the "IAASB"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. We have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

The PRC GAAP Financial Statements are the responsibility of the Directors who approved their issuance. The Directors are also responsible for the contents of the Prospectus, including the preparation and the true and fair presentation of the Financial Information in accordance with IFRSs and the disclosure requirements of Hong Kong Company Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. It is our responsibility to form an independent opinion based on our examination of the Financial Information for the Track Record Period and a review conclusion based on our review on the 31 March 2009 Financial Information and to report our opinion and review conclusion, respectively, thereon.

Procedures Performed in Respect of the Financial Information

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

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

Procedures Performed in Respect of the 31 March 2009 Financial Information

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the three-month period ended 31 March 2009, together with the notes thereto, have been extracted from the Group's interim financial information for the same period which was prepared by the Directors solely for the purpose of this report. We conducted a review of the 31 March 2009 Financial Information in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 March 2009 Financial Information.

Opinion in Respect of the Financial Information

In our opinion, the Financial Information prepared on the basis set out in note 2 of Section II below gives, for the purpose of this report, a true and fair view of the consolidated results and cash flows of the Group for the Track Record Period and of the state of affairs of the Group as at 31 December 2007, 2008 and 2009, and 31 March 2010, and of the Company as at 31 March 2010.

Review Conclusion in Respect of the 31 March 2009 Financial Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 31 March 2009 Financial Information prepared on the basis set out in note 2 of Section II below does not give a true and fair view of the consolidated results and cash flows of the Group for the three-month period ended 31 March 2009.

I. FINANCIAL INFORMATION

(A) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Three-month period ended 31 March	
	Notes	2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
REVENUE	6	628,789	1,018,733	1,517,261	369,695	548,817
Cost of sales	7	(526,800)	(767,786)	(1,090,969)	(261,808)	(371,276)
Gross profit		101,989	250,947	426,292	107,887	177,541
Other income and gains, net	6	10,267	19,454	51,350	6,440	20,258
Selling and distribution costs		(881)	(1,106)	(408)	(3)	(63)
Administrative expenses		(33,811)	(53,470)	(69,131)	(15,917)	(16,509)
Other expenses		(8)	(2,235)	(5)	(279)	(2,126)
PROFIT FROM OPERATIONS		77,556	213,590	408,098	98,128	179,101
Finance costs	8	(31,237)	(52,428)	(103,951)	(26,260)	(35,504)
Share of profits and losses of associates		(606)	—	1,692	—	10,052
PROFIT BEFORE TAX	7	45,713	161,162	305,839	71,868	153,649
Income tax expense	10	(8,252)	(9,936)	(18,735)	(3,546)	(17,903)
PROFIT FOR THE YEAR/PERIOD		37,461	151,226	287,104	68,322	135,746
Other comprehensive income		—	—	—	—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX		37,461	151,226	287,104	68,322	135,746
Profit and total comprehensive income for the year/period attributable to:						
Owners of the Company		25,475	86,850	166,322	40,385	85,959
Non-controlling interests		11,986	64,376	120,782	27,937	49,787
		37,461	151,226	287,104	68,322	135,746
Earnings per share attributable to the ordinary equity holders of the Company:						
Basic (RMB)	13	1.27 cents	4.34 cents	8.32 cents	2.02 cents	4.30 cents
Diluted (RMB)	13	1.27 cents	4.34 cents	8.32 cents	2.02 cents	4.30 cents

I. FINANCIAL INFORMATION — continued

(B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009	As at 31 March 2010
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	1,509,190	3,232,076	4,357,558	4,465,150
Prepaid land lease payments	15	12,435	37,297	70,022	74,454
Intangible asset	16	371	952	3,353	3,197
Interests in associates	18	15,894	95,719	222,807	247,457
Held-to-maturity investment	19	—	—	2,000	2,000
Available-for-sale investments	20	—	—	3,400	3,400
Deferred tax assets	21	3,334	214	412	366
Prepayments and other receivable	24	217,587	219,141	581,912	1,044,538
Total non-current assets		1,758,811	3,585,399	5,241,464	5,840,562
CURRENT ASSETS					
Prepaid land lease payments	15	474	1,186	2,093	2,168
Inventories	22	7,353	18,955	21,548	22,272
Trade receivables	23	27,170	42,409	84,776	116,604
Prepayments, deposits and other receivables	24	41,174	184,824	88,717	95,502
Pledged deposits	25	—	—	14,733	3,733
Cash and cash equivalents	25	81,830	233,078	330,158	854,271
Total current assets		158,001	480,452	542,025	1,094,550
CURRENT LIABILITIES					
Trade and bills payables	26	21,280	36,051	439,669	348,489
Other payables and accruals	27	213,304	368,884	395,863	352,272
Interest-bearing bank and other borrowings	28	304,000	377,000	879,000	1,162,000
Tax payable		200	6,587	13,758	25,235
Total current liabilities		538,784	788,522	1,728,290	1,887,996
NET CURRENT LIABILITIES		(380,783)	(308,070)	(1,186,265)	(793,446)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,378,028	3,277,329	4,055,199	5,047,116
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	28	590,000	1,829,000	2,145,808	2,485,719
Other payables and accruals	27	35,928	56,829	31,590	22,034
Total non-current liabilities		625,928	1,885,829	2,177,398	2,507,753
Net assets		752,100	1,391,500	1,877,801	2,539,363
EQUITY					
Equity attributable to owners of the Company					
Owner's equity		548,169	995,019	1,343,718	—
Issued share capital	29	—	—	—	2,000,000
Reserves	30(a)	—	—	—	1,360
		548,169	995,019	1,343,718	2,001,360
Non-controlling interests		203,931	396,481	534,083	538,003
Total equity		752,100	1,391,500	1,877,801	2,539,363

I. FINANCIAL INFORMATION — continued

(C) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Owner's equity	Issued share capital	Capital reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000 (note (iv))	RMB'000	RMB'000	RMB'000
As at 1 January 2007	519,694	—	—	—	519,694	80,365	600,059
Total comprehensive income for the year	25,475	—	—	—	25,475	11,986	37,461
Capital contribution by HECIC (note (i))	3,000	—	—	—	3,000	—	3,000
Cash contributions by non-controlling shareholders	—	—	—	—	—	111,580	111,580
As at 31 December 2007 and 1 January 2008	548,169	—	—	—	548,169	203,931	752,100
Total comprehensive income for the year	86,850	—	—	—	86,850	64,376	151,226
Cash contributions by HECIC	360,000	—	—	—	360,000	—	360,000
Cash contributions by non-controlling shareholders	—	—	—	—	—	128,174	128,174
As at 31 December 2008 and 1 January 2009	995,019	—	—	—	995,019	396,481	1,391,500
Total comprehensive income for the year	166,322	—	—	—	166,322	120,782	287,104
Distributions (note 12)	(169,013)	—	—	—	(169,013)	—	(169,013)
Dividends paid to non-controlling shareholders	—	—	—	—	—	(54,975)	(54,975)
Cash contributions by HECIC	352,400	—	—	—	352,400	—	352,400
Cash contributions by non-controlling shareholders	—	—	—	—	—	83,155	83,155
Acquisition of non-controlling interests	(1,010)	—	—	—	(1,010)	(11,360)	(12,370)
As at 31 December 2009 and 1 January 2010	1,343,718	—	—	—	1,343,718	534,083	1,877,801
Total comprehensive income for the period	38,495	—	—	47,464	85,959	49,787	135,746
Distributions (note 12)	(38,495)	—	—	—	(38,495)	—	(38,495)
Dividends declared to a non-controlling shareholder	—	—	—	—	—	(45,867)	(45,867)
Cash contributions received (note (ii))	610,178	—	—	—	610,178	—	610,178
Capitalisation upon the Restructuring (note (iii))	(1,953,896)	2,000,000	(46,104)	—	—	—	—
As at 31 March 2010	—	2,000,000	(46,104)*	47,464*	2,001,360	538,003	2,539,363
As at 1 January 2009	995,019	—	—	—	995,019	396,481	1,391,500
Total comprehensive income for the period (unaudited)	40,385	—	—	—	40,385	27,937	68,322
Distributions (unaudited) (note 12)	(83,511)	—	—	—	(83,511)	—	(83,511)
Dividends declared to a non-controlling shareholder (unaudited)	—	—	—	—	—	(53,909)	(53,909)
Cash contributions by HECIC (unaudited)	200,000	—	—	—	200,000	—	200,000
Cash contributions by non-controlling shareholders (unaudited)	—	—	—	—	—	15,033	15,033
As at 31 March 2009 (unaudited)	1,151,893	—	—	—	1,151,893	385,542	1,537,435

* As at 31 March 2010, these reserve accounts comprise the consolidated reserves of RMB1,360,000 in the consolidated statement of financial position as at 31 March 2010.

I. FINANCIAL INFORMATION — continued

Notes:

(i) It represents a contribution of an investment in an associate by HECIC to the Group.

(ii) Cash contributions received by the Company during the three-month period ended 31 March 2010 represent cash contributions by HECIC and HECIC Water Investment Co., Ltd, (河北建投水務投資有限公司, "HECIC Water", a wholly-owned subsidiary of HECIC incorporated in the PRC) of approximately RMB203 million and RMB407 million, respectively, pursuant to the Reorganisation, details of which are set out in note 1 of Section II below.

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

(iv) Pursuant to the Reorganisation and an ordinary resolution passed by the shareholders of the Company on 9 February 2010, the shareholders of the Company approved a dividend plan that a special dividend will be declared and paid to the shareholders of the Company: HECIC and HECIC Water, according to their respective shareholding interests in the Company ("First Special Dividend"). The First Special Dividend which will be paid to HECIC and HECIC Water in an aggregate amount of approximately RMB42,718,000 is calculated based on the net profit of the Group attributable to the owners of the Company, as stated in the audited consolidated financial statements of the Company for the three-month period ended 31 March 2010 prepared in accordance with PRC GAAP and IFRSs, whichever is lower, after deducting any appropriation made by the Company to the statutory and discretionary reserve funds, if any, and minus the net profit of the Group attributable to the owner of the Company for the period from 1 January 2010 to 9 February 2010 of RMB38,495,000 (note 12).

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

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

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

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

I. FINANCIAL INFORMATION — continued

(D) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Three-month period ended 31 March	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		45,713	161,162	305,839	71,868	153,649
Adjustments for:						
Finance costs	8	31,237	52,428	103,951	26,260	35,504
Foreign exchange differences, net	7	(47)	1,017	(352)	275	2,126
Interest income	6	(1,409)	(1,462)	(2,172)	(589)	(1,035)
Share of profits and losses of associates		606	—	(1,692)	—	(10,052)
Depreciation of property, plant and equipment	7	53,255	69,549	149,460	32,911	55,727
Amortisation of prepaid land lease payments	7	422	669	1,400	206	468
Amortisation of an intangible asset	7	78	154	442	90	199
Loss/(gain) on disposal of items of property, plant and equipment, net	7	8	1,218	(61)	3	279
		129,863	284,735	556,815	131,024	236,865
(Increase)/decrease in inventories		(160)	(11,602)	(2,593)	227	(724)
Increase in trade receivables		(17,187)	(15,239)	(42,367)	(19,051)	(31,828)
Increase in prepayments, deposits and other receivables		(3,250)	(3,209)	(61,856)	(12,386)	(8,488)
(Decrease)/increase in trade and bills payables		(5,524)	21,209	23,707	(11,933)	(9,153)
(Decrease)/increase in other payables and accruals		(2,481)	38,057	39,815	(19,010)	(30,602)
Cash flows from operations		101,261	313,951	513,521	68,871	156,070
Income tax paid		(1,665)	(2,842)	(11,762)	(2,748)	(6,380)
Net cash flows from operating activities		99,596	311,109	501,759	66,123	149,690

Continued/...

I. FINANCIAL INFORMATION — continued

	Notes	Year ended 31 December			Three-month period ended 31 March	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments for acquisition of items of property, plant and equipment		(730,315)	(1,610,345)	(1,346,121)	(336,325)	(727,923)
Payments for acquisition of prepaid land lease payments	15	(2,357)	(20,089)	(31,566)	(304)	(35)
Payments for acquisition of an intangible asset	16	(321)	(735)	(2,386)	(37)	(43)
Payments for acquisition of available-for-sale investments	20	—	—	(3,400)	—	—
Proceeds from disposal of items of property, plant and equipment		1	1,182	349	141	—
Capital contributions to associates		(13,500)	(79,825)	(127,796)	—	(14,598)
Payments for acquisition of held-to-maturity investments		—	—	(53,214)	—	—
Payments for acquisition of non-controlling interests		—	—	(12,370)	—	—
Proceeds from disposal of held-to-maturity investments		—	—	51,463	—	—
(Increase)/decrease in an amount due from HECIC, net		(12,943)	(139,790)	164,894	107,863	—
(Increase)/decrease in pledged bank balances	25	—	—	(14,733)	(18,407)	11,000
(Increase)/decrease in non-pledged time deposits with original maturity of three months or more when acquired	25	—	(20,000)	20,000	20,000	—
Interest received		1,409	1,462	2,172	589	1,035
Net cash flows used in investing activities		(758,026)	(1,868,140)	(1,352,708)	(226,480)	(730,564)
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital contributions by HECIC and HECIC Water		—	360,000	352,400	200,000	610,178
Capital contributions by non-controlling shareholders		111,580	128,174	83,155	15,033	—
New bank and other borrowings		703,000	2,258,000	1,567,808	352,000	902,911
Repayment of bank and other borrowings		(289,000)	(946,000)	(749,000)	(195,000)	(280,000)
Interest paid		(35,180)	(111,895)	(147,986)	(35,451)	(48,477)
Distributions to HECIC		—	—	(83,511)	(83,511)	(79,625)
Dividends paid to non-controlling shareholders		—	—	(54,975)	—	—
Net cash flows from financing activities		490,400	1,688,279	967,891	253,071	1,104,987
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(168,030)	131,248	116,942	92,714	524,113
Cash and cash equivalents at beginning of year/period		249,860	81,830	213,078	213,078	330,158
Effect of exchange rate changes on cash and cash equivalents		—	—	138	(628)	—
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	25	81,830	213,078	330,158	305,164	854,271

I. FINANCIAL INFORMATION — continued

(E) STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 March 2010 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	17	1,673,749
Total non-current assets		1,673,749
CURRENT ASSETS		
Prepayments, deposits and other receivables	24	100,435
Cash and cash equivalents	25	259,815
Total current assets		360,250
CURRENT LIABILITIES		
Other payables and accruals	27	726
Total current liabilities		726
NET CURRENT ASSETS		359,524
TOTAL ASSETS LESS CURRENT LIABILITIES		2,033,273
Net assets		2,033,273
EQUITY		
Issued share capital	29	2,000,000
Reserves	30(b)	33,273
Total equity		2,033,273

II. NOTES TO FINANCIAL INFORMATION

1. Corporate Information

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

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

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

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

Clean Energy Business Operations

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

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

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

Entities within the Group

As at the date of this report, the Company had interests in the following subsidiaries and associates, all of which are private companies with limited liability:

Subsidiaries

Company name**	Notes	Place and date of establishment/ operations	Fully paid-up capital	Percentage of equity interest attributable to the Company: Direct	Indirect	Principal activities
HECIC New-energy Co., Ltd. (河北建投新能源有限公司)	(i)	The PRC/ Mainland China 17 July 2006	RMB1,386,300,000	100	—	Wind power generation

II. NOTES TO FINANCIAL INFORMATION — continued

1. Corporate Information — continued

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

II. NOTES TO FINANCIAL INFORMATION — continued

1. Corporate Information — continued

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

II. NOTES TO FINANCIAL INFORMATION — continued

1. Corporate Information — continued

Company name**	Notes	Place and date of establishment/ operations	Fully paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Ningjin CIC Natural Gas Co., Ltd. ("Ningjin CIC") (寧晉縣建投天然氣有限責任公司)		The PRC/ Mainland China 17 May 2010	RMB10,000,000	—	28.05*	The connection and construction of natural gas pipelines and sale of gas appliances

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

Associates

Company name**	Notes	Place and date of establishment/ operations	Fully paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Hebei Weichang Longyuan Jiantou Wind Power Generation Co., Ltd. (河北圍場龍源建投風力發電有限公司)	(vi)	The PRC/ Mainland China 25 August 2006	RMB187,850,000	—	50	Wind power generation
Longyuan Jiantou (Chengde) Wind Power Generation Co., Ltd. (龍源建投(承德)風力發電有限公司)	(iii)	The PRC/ Mainland China 27 March 2009	RMB 190,342,400	—	45	Wind power generation
Longyuan Jiantou (Chengde Weichang) Wind Power Generation Co., Ltd. (龍源建投(承德圍場)風力發電有限公司)	(iii)	The PRC/ Mainland China 27 March 2009	RMB138,320,000	—	45	Wind power generation

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

The above table lists the subsidiaries and associates of the Group which, in the opinion of the Directors, principally affected the results for the Track Record Period or formed a substantial portion of the net assets of the Group as at 31 March 2010. To give details of other subsidiaries and associates would, in the opinion of the Directors, result in particulars of excessive length.

Notes:

(i) The statutory accounts of these subsidiaries for the periods from the dates of incorporation to 31 December 2007, for the periods from the dates of incorporation to 31 December 2008 and for the years ended 31 December 2007 and 2008 (as the case may be) were audited by Hebei Tianhua Certified Public Accountants ("Hebei Tianhua")(河北天華會計師事務所), a certified public accounting firm registered in the PRC.

The statutory accounts of these subsidiaries for the year ended 31 December 2009 were audited by Zhonglei Certified Public Accountants ("Zhonglei") 中磊會計師事務所), a certified public accounting firm registered in the PRC.

(ii) The statutory accounts of these subsidiaries for the period from the date of incorporation to 31 December 2007 or for the year ended 31 December 2007 (as the case may be) were audited by Hebei Tianhua.

II. NOTES TO FINANCIAL INFORMATION — continued

1. Corporate Information — continued

The statutory accounts of these subsidiaries for the years ended 31 December 2008 and 2009 were audited by Zhonglei.

(iii) No statutory accounts had been prepared for these subsidiaries and associates for each of the two years ended 31 December 2008 as these entities were incorporated during the year ended 31 December 2009.

The statutory accounts of these subsidiaries for the year ended 31 December 2009 were audited by Zhonglei. The statutory accounts of these associates for the year ended 31 December 2009 were audited by Zhongrui Yuehua Certified Public Accountants ("Zhongrui Yuehua") (中瑞岳華會計師事務所), a certified public accounting firm registered in the PRC.

(iv) During the Track Record Period and the three-month period ended 31 March 2009, the Company indirectly either owned half or less than half of equity interests in these companies or owned more than half of equity interests but the voting power attached to the equity interests did not allow the Company to have the power to govern the financial and operating activities of these companies according to the articles of association of these companies. According to the articles of association, the Company is the biggest equity owner of these companies and no other equity owners individually or in the aggregate have the power to control these companies. A subsidiary of the Company, which holds the shareholding interests in these companies, signed shareholders voting agreements with certain equity owners of these companies during the Track Record Period and the three-month period ended 31 March 2009, whereby such equity owners have agreed to vote unanimously with the Group. Such equity owners have also confirmed that the unanimous voting with the Group existed since the establishment of these entities or the Group becoming the biggest equity owner of these entities. The PRC lawyer of the Company confirmed that the shareholders voting agreements are valid under the relevant PRC laws. On top of the shareholders voting agreements, the Company controlled the operation of these entities by appointing senior management, approving annual budgets and determining the remuneration of senior management, etc. Considering the above-mentioned factors, the Directors are of the opinion that the Company controlled these entities during the Track Record Period and the three-month period ended 31 March 2009. Therefore, the financial statements of these companies have been consolidated by the Company for the Track Record Period and the three-month period ended 31 March 2009 (or where the companies were established at a date later than 1 January 2007, for the period from the date of establishment to 31 March 2010).

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

No statutory accounts were prepared for this subsidiary for the year ended 31 December 2008 as this subsidiary has not commenced operations in 2008.

The statutory accounts of this subsidiary for the year ended 31 December 2009 were audited by Zhonglei.

(vi) The statutory accounts of this associate for the period from the date of incorporation to 31 December 2007 and for the years ended 31 December 2008 and 2009 were audited by Zhongrui Yuehua.

(vii) Hebei Natural Gas is a sino-foreign equity joint venture with limited liability established under the Company Law of the PRC and the Law of Sino-foreign Equity Joint Venture. According to the articles of association of Hebei Natural Gas, the Company is able to nominate four out of seven directors at the board of Hebei Natural Gas and simple majority of the board is sufficient to approve and make normal daily financial and operating policies and decisions of Hebei Natural Gas. The voting power attached to the equity interest held by the Company in Hebei Natural Gas allowed the Company to have the power to govern the financial and operating activities of Hebei Natural Gas according to the articles of association of Hebei Natural Gas. The Directors are of the opinion that the Company was able to control Hebei Natural Gas since its establishment. Therefore, the financial statements of Hebei Natural Gas have been consolidated by the Company in its consolidated financial statements for the Track Record Period and the three-month period ended 31 March 2009.

The statutory accounts of Hebei Natural Gas for the year ended 31 December 2007 were audited by Hebei Tianhua. The statutory accounts of Hebei Natural Gas for the years ended 31 December 2008 and 2009 were audited by Zhonglei.

II. NOTES TO FINANCIAL INFORMATION — continued

2. Basis of Presentation and Preparation

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

(b) The Financial Information has been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the IASB, and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee and the disclosure requirements of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting periods commencing from 1 January 2007, 2008, 2009 and 2010, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Track Record Period and the three-month period ended 31 March 2009.

(c) This Financial Information has been prepared under the historical cost convention. In addition, the Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

(d) The Group's net current liabilities amounted to approximately RMB793 million as at 31 March 2010, and its net cash inflow from operating activities and financing activities amounted to approximately RMB150 million and RMB1,105 million, respectively, and its net cash outflow from investing activities was approximately RMB731 million for the period then ended. The Group recorded an increase in cash and cash equivalents of approximately RMB524 million for the three-month period ended 31 March 2010.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain adequate external financing to meet its working capital needs and committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Group has already obtained banking facilities from several PRC banks of up to RMB11,942 million as at 31 March 2010 of which approximately RMB3,643 million has been utilised as at 31 March 2010.

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

II. NOTES TO FINANCIAL INFORMATION — continued

3.1 Issued But Not Yet Effective IFRSs

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

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of IFRSs — Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*[(2)]
IFRS 9	*Financial Instruments*[(4)]
IAS 24 (Revised)	*Related Party Disclosures*[(3)]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[(1)]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*[(3)]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*[(2)]

Apart from the above, the IASB has issued *Improvements to IFRSs 2010* in May 2010 which sets out a collection of amendments to seven IFRSs — as its latest set of annual improvements. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard or interpretation. The Group is in the process of making an assessment of the impact of these amendments.

(1) Effective for annual periods beginning on or after 1 February 2010

(2) Effective for annual periods beginning on or after 1 July 2010

(3) Effective for annual periods beginning on or after 1 January 2011

(4) Effective for annual periods beginning on or after 1 January 2013

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

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement.* This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety by the end of 2010. The Group expects to adopt IFRS 9 from 1 January 2013.

IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt IAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly. While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is likely to create further disclosure on the related party transactions in the financial statements of the Group.

II. NOTES TO FINANCIAL INFORMATION — continued

3.1 Issued But Not Yet Effective IFRSs — continued

The IAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own entity instruments for a fixed amount of any currency are entity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Group expects to adopt the IAS 32 Amendment from 1 January 2011. As the Group currently has no such rights, options or warrants in issue, the amendment is unlikely to have any financial impact on the Group.

The IFRIC 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. As the Group has no defined benefit scheme, the amendments will not have any financial impact on the Group.

IFRIC 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Group expects to adopt the interpretation from 1 January 2011. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. As the Group has not undertaken such transactions, the interpretation is unlikely to have any material financial impact on the Group.

3.2 Summary of Significant Accounting Policies

Basis of consolidation

The consolidated financial information include the financial information of the Company and its subsidiaries for the Track Record Period and three-month period ended 31 March 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Except for the Reorganisation, the acquisition of subsidiaries during the Track Record Period and the three-month period ended 31 March 2009 has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries, and are presented separately in the consolidated statements of

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Basis of consolidation — continued

comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to owners of the Company. An acquisition of non-controlling interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

Subsidiaries

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

Associates

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

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

Impairment of non-financial assets other than goodwill

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Impairment of non-financial assets other than goodwill — continued

amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

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

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

(b) the party is an associate;

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Property, plant and equipment and depreciation — continued

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

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

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

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

Intangible assets (other than goodwill)

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

Office software

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

Operating leases

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

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

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Investments and other financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial investments

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

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Investments and other financial assets — continued

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

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

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

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Impairment of financial assets — continued

impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial investments

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

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

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Impairment of financial assets — continued

investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Derecognition of financial assets

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Financial liabilities — continued

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Inventories

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

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Income tax — continued

deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

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

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

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Government grants — continued

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

Revenue recognition

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

(a) Sale of natural gas and gas appliances

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

(b) Sale of electricity

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

(c) Connection and construction of natural gas pipelines

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

(d) CERs income

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

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

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

(f) Interest income

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

(g) Dividend income

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

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Borrowing costs

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

Dividends

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

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

Foreign currencies

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

Employee benefits

Defined contribution plans

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

Short term employee benefits

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

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

II. NOTES TO FINANCIAL INFORMATION — continued

4. Summary of Significant Accounting Judgements and Estimates

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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

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

In the beginning of 2008, based on the latest available information relating to the market condition, usage, physical wear and tear, and maintenance of wind turbines, the Directors were of the view that the wind turbines were estimated to be used for a period longer than they estimated previously and as such, the estimated useful life of the wind turbines was revised from 15 years to 20 years effective from the beginning of 2008. The effect of the above change in the estimated useful life of the wind turbines was to decrease the depreciation charge of the wind turbines by RMB7,977,000 and increase income tax expense by RMB1,994,000 for the year ended 31 December 2008.

The carrying amounts of property, plant and equipment as at 31 December 2007, 2008 and 2009 and 31 March 2010 were approximately RMB1,509,190,000, RMB3,232,076,000, RMB4,357,558,000 and RMB4,465,150,000 respectively. More details are given in note 14.

Current income tax

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

The carrying amounts of tax payable as at 31 December 2007, 2008 and 2009, and 31 March 2010 were RMB200,000, RMB6,587,000, RMB13,758,000 and RMB25,235,000, respectively.

II. NOTES TO FINANCIAL INFORMATION — continued

4. Summary of Significant Accounting Judgements and Estimates — continued

Estimation uncertainty — continued

Deferred income tax

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

The carrying amounts of deferred tax assets as at 31 December 2007, 2008 and 2009, and 31 March 2010 were RMB3,334,000, RMB214,000, RMB412,000 and RMB366,000, respectively. More details are given in note 21.

Impairment of trade receivables

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

The carrying amounts of trade receivables as at 31 December 2007, 2008 and 2009, and 31 March 2010, were RMB27,170,000, RMB42,409,000, RMB84,776,000 and RMB116,604,000, respectively. More details are given in note 23.

5. Operating Segment Information

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

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

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

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

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

II. NOTES TO FINANCIAL INFORMATION — continued

5. Operating Segment Information — continued

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

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 December 2007, 2008 and 2009, and the three-month periods ended 31 March 2009 and 2010.

	Year ended 31 December 2007		
	Natural gas	Wind power	Total
	RMB'000	RMB'000	RMB'000
Segment revenue:			
Sales to external customers	590,758	38,031	628,789
Intersegment sales	—	—	—
Total revenue	590,758	38,031	628,789
Segment results	57,907	17,634	75,541
Interest income	298	1,111	1,409
Finance costs	(23,184)	(8,053)	(31,237)
Income tax credit/(expense)	(8,364)	112	(8,252)
Profit for the year	26,657	10,804	37,461
Segment assets	613,349	1,303,463	1,916,812
Segment liabilities	407,564	757,148	1,164,712
Other segment information:			
Depreciation and amortisation	(33,683)	(20,072)	(53,755)
Share of losses of associates	—	(606)	(606)
Interests in associates	—	15,894	15,894
Capital expenditure*	25,334	927,734	953,068

II. NOTES TO FINANCIAL INFORMATION — continued

5. Operating Segment Information — continued

	Year ended 31 December 2008		
	Natural gas RMB'000	Wind power RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	932,229	86,504	1,018,733
Intersegment sales	—	—	—
Total revenue	932,229	86,504	1,018,733
Segment results	166,500	45,628	212,128
Interest income	926	536	1,462
Finance costs	(22,604)	(29,824)	(52,428)
Income tax expense	(3,325)	(6,611)	(9,936)
Profit for the year	141,497	9,729	151,226
Segment assets	744,902	3,320,949	4,065,851
Segment liabilities	397,618	2,276,733	2,674,351
Other segment information:			
Depreciation and amortisation	(35,463)	(34,909)	(70,372)
Interests in associates	—	95,719	95,719
Capital expenditure*	47,172	1,776,195	1,823,367

	Year ended 31 December 2009		
	Natural gas RMB'000	Wind power RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	1,252,685	264,576	1,517,261
Intersegment sales	—	—	—
Total revenue	1,252,685	264,576	1,517,261
Segment results	235,430	172,188	407,618
Interest income	1,393	779	2,172
Finance costs	(14,879)	(89,072)	(103,951)
Income tax expense	(1,401)	(17,334)	(18,735)
Profit for the year	220,543	66,561	287,104
Segment assets	763,943	5,019,546	5,783,489
Segment liabilities	378,674	3,527,014	3,905,688
Other segment information:			
Depreciation and amortisation	(40,721)	(110,581)	(151,302)
Share of profits of associates	—	1,692	1,692
Interests in associates	—	222,807	222,807
Capital expenditure*	94,242	1,386,215	1,480,457

II. NOTES TO FINANCIAL INFORMATION — continued

5. Operating Segment Information — continued

	Three-month period ended 31 March 2009		
	Natural gas	Wind power	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Segment revenue:			
Sales to external customers	309,733	59,962	369,695
Intersegment sales	—	—	—
Total revenue	309,733	59,962	369,695
Segment results	61,254	36,285	97,539
Interest income	169	420	589
Finance costs	(4,500)	(21,760)	(26,260)
Income tax expense	(88)	(3,458)	(3,546)
Profit for the period	56,835	11,487	68,322
Other segment information:			
Depreciation and amortisation	(10,289)	(22,918)	(33,207)
Capital expenditure*	1,927	207,858	209,785

	Three-month period ended 31 March 2010		
	Natural gas	Wind power	Total
	RMB'000	RMB'000	RMB'000
Segment revenue:			
Sales to external customers	417,771	131,046	548,817
Intersegment sales	—	—	—
Total revenue	417,771	131,046	548,817
Segment results	90,331	98,944	189,275
Interest income	368	414	782
Finance costs	(2,082)	(33,422)	(35,504)
Income tax expense	(10,978)	(6,925)	(17,903)
Profit for the period of segments	77,639	59,011	136,650
Unallocated interest income			253
Corporate and other unallocated expenses			(1,157)
Profit for the period of the Group			135,746
Segment assets	744,435	5,930,427	6,674,862
Corporate and other unallocated assets			260,250
Total assets			6,935,112
Segment liabilities	346,363	4,048,660	4,395,023
Corporate and other unallocated liabilities			726
Total liabilities			4,395,749
Other segment information:			
Depreciation and amortisation	(11,012)	(45,382)	(56,394)
Share of profits of associates	—	10,052	10,052
Interests in associates	—	247,457	247,457
Capital expenditure*	17,949	623,367	641,316

Note:

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

II. NOTES TO FINANCIAL INFORMATION — continued

5. Operating Segment Information — continued

Geographical information

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

Information about major customers

For the year ended 31 December 2007, revenue generated from two of the Group's customers in the natural gas segment amounting to RMB76,202,000 and RMB76,191,000 individually accounted for over 10% of the Group's total revenue. Similarly, for the year ended 31 December 2008, revenue generated from two of the Group's customers in the natural gas segment amounting to RMB129,124,000 and RMB103,186,000 individually accounted for over 10% of the Group's total revenue. For the year ended 31 December 2009, revenue generated from one of the Group's customers in the natural gas segment amounting to RMB173,685,000 and one of the Group's customers in the wind power segment amounting to RMB165,875,000 individually accounted for over 10% of the Group's total revenue. For the three-month period ended 31 March 2009, revenue generated from one of the Group's customers in the natural gas segment amounting to RMB51,337,000 (unaudited) and one of the Group's customers in the wind power segment amounting to RMB38,525,000 (unaudited) individually accounted for over 10% of the Group's total revenue. For the three-month period ended 31 March 2010, revenue generated from one of the Group's customers in the wind power segment amounting to RMB87,768,000 accounted for over 10% of the Group's total revenue.

6. Revenue, Other Income and Gains

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

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

	Year ended 31 December			Three-month period ended 31 March	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Revenue					
Sales of natural gas	574,578	905,433	1,192,084	300,540	406,294
Sales of electricity	38,031	82,004	264,576	59,962	131,046
Construction and connection of natural gas pipelines	16,042	22,326	26,476	897	1,228
Others	138	8,970	34,125	8,296	10,249
	628,789	1,018,733	1,517,261	369,695	548,817
Other income and gains, net					
Government grants:					
— CERs income, net	5,389	10,733	34,762	4,791	11,432
— Value-added tax refunds	2,888	6,699	13,595	1,060	624
Bank interest income	1,409	1,462	2,172	589	1,035
Others	581	560	821	—	7,167
	10,267	19,454	51,350	6,440	20,258

II. NOTES TO FINANCIAL INFORMATION — continued

7. Profit Before Tax

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

	Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000	Three-month period ended 31 March 2009 RMB'000 (Unaudited)	2010 RMB'000
Cost of goods sold		520,379	754,794	1,078,487	261,266	370,443
Cost of services rendered		6,421	12,992	12,482	542	833
Total cost of sales		526,800	767,786	1,090,969	261,808	371,276
Depreciation of property, plant and equipment (note (a))	14	53,255	69,549	149,460	32,911	55,727
Amortisation of prepaid land lease payments	15	422	669	1,400	206	468
Amortisation of an intangible asset	16	78	154	442	90	199
Total depreciation and amortisation		53,755	70,372	151,302	33,207	56,394
Minimum lease payments under operating leases of land and buildings		1,374	1,503	1,796	353	560
Auditors' remuneration		193	227	768	55	7
Employee benefit expenses (including directors' and supervisors' remuneration):						
Wages, salaries and allowances		9,508	16,201	29,991	5,300	7,078
Pension scheme contributions (defined contribution schemes) (note (b))		954	1,847	2,181	406	644
Welfare and other expenses		4,184	6,596	12,599	4,860	3,230
Loss/(gain) on disposal of property, plant and equipment, net		8	1,218	(61)	3	279
Foreign exchange differences, net		(47)	1,017	(352)	275	2,126

Notes:

(a) Depreciation of approximately RMB51,356,000, RMB67,012,000, RMB144,381,000, RMB31,201,000 (unaudited) and RMB51,086,000, is included in the cost of sales on the face of the consolidated statement of comprehensive income for each of the three years ended 31 December 2007, 2008 and 2009, and the three-month periods ended 31 March 2009 and 2010, respectively.

(b) All of the Group's full-time employees in Mainland China are covered by various government-sponsored retirement plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group is required to make monthly contributions to these plans at 20% of the employees' basic salaries. Contributions to these plans are expensed as incurred. As at 31 December 2007, 2008, 2009 and 31 March 2010, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

II. NOTES TO FINANCIAL INFORMATION — continued

8. Finance Costs

	Year ended 31 December			Three-month period ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on bank loans and other borrowings wholly repayable within five years	20,050	80,294	102,410	24,074	29,073
Interest on bank loans and other borrowings repayable beyond five years	15,208	31,482	45,776	11,262	19,254
Total interest expense on financial liabilities not at fair value through profit or loss	35,258	111,776	148,186	35,336	48,327
Less: Interest capitalised to property, plant and equipment	(4,021)	(59,348)	(44,235)	(9,076)	(12,823)
	31,237	52,428	103,951	26,260	35,504

Borrowing costs capitalised during the Track Record Period and the three-month period ended 31 March 2009 are calculated by applying the following capitalisation rates per annum to expenditure on qualifying assets:

	Year ended 31 December			Three-month period ended 31 March	
	2007	2008	2009	2009 (Unaudited)	2010
Capitalisation rates	4.5% - 7.0%	4.3% - 7.1%	4.8% - 6.6%	4.9% - 6.1%	4.6% - 6.9%

9. Directors' and Supervisors' Remuneration and Five Highest Paid Individuals

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

The aggregate amounts of remuneration of the Directors and Supervisors of the Company during the Track Record Period and the three-month period ended 31 March 2009 are as follows:

	Year ended 31 December			Three-month period ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	—	—	—	—	—
Other emoluments:					
— Salaries, allowances and benefits in kind	327	372	355	91	110
— Performance related bonuses	22	405	461	—	—
— Pension scheme contributions (defined contribution schemes)	14	17	18	4	5
	363	794	834	95	115

II. NOTES TO FINANCIAL INFORMATION — continued

9. Directors' and Supervisors' Remuneration and Five Highest Paid Individuals — continued

(a) *Directors' and Supervisors' remuneration — continued*

The names of the Directors and Supervisors and their remuneration for the Track Record Period and the three-month period ended 31 March 2009 are as follows:

	Year ended 31 December 2007				
	Fees	Salaries, allowances, and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Dr. Cao Xin	—	—	—	—	—
Mr. Gao Qing Yu	—	165	22	10	197
Mr. Zhao Hui	—	—	—	—	—
Mr. Sun Xin Tian	—	162	—	4	166
	—	327	22	14	363
Non-executive Directors					
Dr. Li Lian Ping (Chairman)	—	—	—	—	—
Mr. Zhao Hui Ning	—	—	—	—	—
Mr. Xiao Gang	—	—	—	—	—
	—	—	—	—	—
Independent Directors					
Mr. Qin Hai Yan	—	—	—	—	—
Mr. Ding Jun	—	—	—	—	—
Mr. Wang Xiang Jun	—	—	—	—	—
Mr. Yue Man Yiu Matthew	—	—	—	—	—
	—	—	—	—	—
Supervisors					
Mr. Yang Hong Chi	—	—	—	—	—
Mr. Qiao Guo Jie	—	—	—	—	—
Mr. Mi Xian Wei	—	—	—	—	—
	—	—	—	—	—
	—	327	22	14	363

II. NOTES TO FINANCIAL INFORMATION — continued

9. Directors' and Supervisors' Remuneration and Five Highest Paid Individuals — continued

(a) *Directors' and Supervisors' remuneration — continued*

The names of the Directors and Supervisors and their remuneration for the Track Record Period and the three-month period ended 31 March 2009 are as follows: — continued

	Year ended 31 December 2008				
	Fees	Salaries, allowances, and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Dr. Cao Xin	—	—	—	—	—
Mr. Gao Qing Yu	—	170	315	12	497
Mr. Zhao Hui	—	—	—	—	—
Mr. Sun Xin Tian	—	202	90	5	297
	—	372	405	17	794
Non-executive Directors					
Dr. Li Lian Ping (Chairman)	—	—	—	—	—
Mr. Zhao Hui Ning	—	—	—	—	—
Mr. Xiao Gang	—	—	—	—	—
	—	—	—	—	—
Independent Directors					
Mr. Qin Hai Yan	—	—	—	—	—
Mr. Ding Jun	—	—	—	—	—
Mr. Wang Xiang Jun	—	—	—	—	—
Mr. Yue Man Yiu Matthew	—	—	—	—	—
	—	—	—	—	—
Supervisors					
Mr. Yang Hong Chi	—	—	—	—	—
Mr. Qiao Guo Jie	—	—	—	—	—
Mr. Mi Xian Wei	—	—	—	—	—
	—	—	—	—	—
	—	372	405	17	794

II. NOTES TO FINANCIAL INFORMATION — continued

9. Directors' and Supervisors' Remuneration and Five Highest Paid Individuals — continued

(a) *Directors' and Supervisors' remuneration — continued*

The names of the Directors and Supervisors and their remuneration for the Track Record Period and the three-month period ended 31 March 2009 are as follows: — continued

	Year ended 31 December 2009				
	Fees	Salaries, allowances, and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Dr. Cao Xin	—	—	—	—	—
Mr. Gao Qing Yu	—	164	290	12	466
Mr. Zhao Hui	—	—	—	—	—
Mr. Sun Xin Tian	—	191	171	6	368
	—	355	461	18	834
Non-executive Directors					
Dr. Li Lian Ping (Chairman)	—	—	—	—	—
Mr. Zhao Hui Ning	—	—	—	—	—
Mr. Xiao Gang	—	—	—	—	—
	—	—	—	—	—
Independent Directors					
Mr. Qin Hai Yan	—	—	—	—	—
Mr. Ding Jun	—	—	—	—	—
Mr. Wang Xiang Jun	—	—	—	—	—
Mr. Yue Man Yiu Matthew	—	—	—	—	—
	—	—	—	—	—
Supervisors					
Mr. Yang Hong Chi	—	—	—	—	—
Mr. Qiao Guo Jie	—	—	—	—	—
Mr. Mi Xian Wei	—	—	—	—	—
	—	—	—	—	—
	—	355	461	18	834

II. NOTES TO FINANCIAL INFORMATION — continued

9. Directors' and Supervisors' Remuneration and Five Highest Paid Individuals — continued

(a) *Directors' and Supervisors' remuneration — continued*

The names of the Directors and Supervisors and their remuneration for the Track Record Period and the three-month period ended 31 March 2009 are as follows: — continued

	Three-month period ended 31 March 2009				
	Fees	Salaries, allowances, and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Executive Directors					
Dr. Cao Xin	—	—	—	—	—
Mr. Gao Qing Yu	—	38	—	3	41
Mr. Zhao Hui	—	—	—	—	—
Mr. Sun Xin Tian	—	53	—	1	54
	—	91	—	4	95
Non-executive Directors					
Dr. Li Lian Ping (Chairman)	—	—	—	—	—
Mr. Zhao Hui Ning	—	—	—	—	—
Mr. Xiao Gang	—	—	—	—	—
	—	—	—	—	—
Independent Directors					
Mr. Qin Hai Yan	—	—	—	—	—
Mr. Ding Jun	—	—	—	—	—
Mr. Wang Xiang Jun	—	—	—	—	—
Mr. Yue Man Yiu Matthew	—	—	—	—	—
	—	—	—	—	—
Supervisors					
Mr. Yang Hong Chi	—	—	—	—	—
Mr. Qiao Guo Jie	—	—	—	—	—
Mr. Mi Xian Wei	—	—	—	—	—
	—	—	—	—	—
	—	91	—	4	95

II. NOTES TO FINANCIAL INFORMATION — continued

9. Directors' and Supervisors' Remuneration and Five Highest Paid Individuals — continued

(a) *Directors' and Supervisors' remuneration — continued*

The names of the Directors and Supervisors and their remuneration for the Track Record Period and the three-month period ended 31 March 2009 are as follows: — continued

	Three-month period ended 31 March 2010				
	Fees	Salaries, allowances, and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Dr. Cao Xin	—	—	—	—	—
Mr. Gao Qing Yu	—	39	—	3	42
Mr. Zhao Hui	—	—	—	—	—
Mr. Sun Xin Tian	—	53	—	2	55
	—	92	—	5	97
Non-executive Directors					
Dr. Li Lian Ping (Chairman)	—	—	—	—	—
Mr. Zhao Hui Ning	—	—	—	—	—
Mr. Xiao Gang	—	—	—	—	—
	—	—	—	—	—
Independent Directors					
Mr. Qin Hai Yan	—	6	—	—	6
Mr. Ding Jun	—	6	—	—	6
Mr. Wang Xiang Jun	—	6	—	—	6
Mr. Yue Man Yiu Matthew	—	—	—	—	—
	—	18	—	—	18
Supervisors					
Mr. Yang Hong Chi	—	—	—	—	—
Mr. Qiao Guo Jie	—	—	—	—	—
Mr. Mi Xian Wei	—	—	—	—	—
	—	—	—	—	—
	—	110	—	5	115

Those Directors or Supervisors receiving no emoluments for the Track Record Period is because they did not receive any remuneration in the capacity of their service as Directors and Supervisors.

II. NOTES TO FINANCIAL INFORMATION — continued

9. Directors' and Supervisors' Remuneration and Five Highest Paid Individuals — continued

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

An analysis of the headcounts of the five highest paid employees within the Group for the Track Record Period and the three-month period ended 31 March 2009 is as follows:

	Year ended 31 December			Three-month period ended 31 March	
	2007	2008	2009	2009	2010
				(Unaudited)	
Director	1	1	1	1	1
Non-director and non-supervisor employees	4	4	4	4	4
	5	5	5	5	5

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

	Year ended 31 December			Three-month period ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	756	675	649	197	171
Performance related bonuses	80	1,396	1,354	—	—
Pension scheme contributions	13	12	26	6	10
	849	2,083	2,029	203	181

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

	Year ended 31 December			Three-month period ended 31 March	
	2007	2008	2009	2009	2010
				(Unaudited)	
Nil to HK$1,000,000	4	4	4	4	4

During the Track Record Period and the three-month period ended 31 March 2009, no Directors, Supervisors or any of the non-director and non-supervisor, highest paid individuals waived or agreed to waive any emoluments and no emoluments were paid by the Group to the Directors, Supervisors or any of the non-director and non-supervisor, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

II. NOTES TO FINANCIAL INFORMATION — continued

10. Income Tax Expense

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

In 2007, a subsidiary of the Company received preferential income tax treatment and was entitled to full exemption from the Corporate Income Tax due to the subsidiary's operating locations in impoverished areas of China.

In addition, pursuant to Caishui [2008] No. 46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment ("Circular 46") (財政部、國家稅務總局關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知), certain subsidiaries of the Group, which were set up after 1 January 2008 and are engaged in public infrastructure projects, are each entitled to a tax holiday of a three-year full exemption followed by a three-year 50% exemption commencing from their respective first year generating operating income ("3+3 tax holiday"). As at 31 March 2010, these entities were in the process of the preparing and submitting the required documents to the respective tax authorities to qualify for the 3+3 tax holidays.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduced a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested enterprises and foreign invested enterprises, which results in a reduction in the income tax rate from 33% to 25% applicable to all domestic invested enterprises and foreign invested enterprises. The New Corporate Income Tax Law also removed the levy of local income tax.

Under the relevant PRC Corporate Income Tax Law and respective regulations, except for certain preferential treatment available to certain subsidiaries of the Company as mentioned above, the entities within the Group were subject to corporate income tax at a rate of 33% during the year ended 31 December 2007 and at 25% during the years ended 31 December 2008 and 2009, and the three-month periods ended 31 March 2009 and 2010.

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong during the Track Record Period and the three-month period ended 31 March 2009.

	Year ended 31 December			Three-month period ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income tax — Mainland China	199	6,816	18,933	3,873	17,857
Deferred income tax (note 21)	8,053	3,120	(198)	(327)	46
Tax charge for the year/period	8,252	9,936	18,735	3,546	17,903

II. NOTES TO FINANCIAL INFORMATION — continued

10. Income Tax Expense — continued

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate applicable to the Company to the income tax expense at the Group's effective income tax rate for each of the Track Record Period and the three-month period ended 31 March 2009 is as follows:

	Year ended 31 December			Three-month period ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before tax	45,713	161,162	305,839	71,868	153,649
Income tax charge at the statutory income tax rate of 33% in 2007 and 25% in 2008 to 2010	15,085	40,291	76,460	17,967	38,412
Effect of tax exemption for specific locations or enacted by local authorities	(4,452)	(32,621)	(59,679)	(15,867)	(7,891)
Effect of different income tax rates for specific locations or enacted by local authorities	(3,388)	—	—	—	(11,083)
Tax effect of share of profits and losses of associates	200	—	(423)	—	(2,513)
Expenses not deductible for tax purposes	595	692	931	748	118
Adjustments in respect of current income tax of previous periods	—	—	209	—	—
Tax losses not recognised	212	1,574	1,237	698	860
Tax charge for the year/period at the effective rate	8,252	9,936	18,735	3,546	17,903

11. Loss Attributable to Owners of the Company

The consolidated loss attributable to owners of the Company for the three-month period ended 31 March 2010 includes a loss of RMB654,000 which has been dealt with in the financial statements of the Company (note 30 (b)).

12. Distributions

The distributions during the Track Record Period and the three-month period ended 31 March 2009 are set out below:

	Year ended 31 December			Three-month period ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash distributions prior to the Reorganisation (note (a))	—	—	83,511	83,511	—
Pre-establishment cash distribution pursuant to the Reorganisation (note (b)),(note 27)	—	—	85,502	—	38,495
	—	—	169,013	83,511	38,495

II. NOTES TO FINANCIAL INFORMATION — continued

12. Distributions — continued

Notes:

(a) The cash distributions prior to the Reorganisation during the Track Record Period and the three-month period ended 31 March 2009 represented dividends declared by certain subsidiaries of the Company to HECIC in early 2009, at which time the holding company of these subsidiaries was HECIC.

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

Pursuant to an ordinary resolution passed by the shareholders of the Company on 9 February 2010, the Company declared the pre-establishment distribution payable to HECIC. The said net profit attributable to the owner of the Company under PRC GAAP generated for the period from 30 June 2009 to 31 December 2009 was RMB85,502,000 (note 27). The said net profit attributable to the owner of the Company under PRC GAAP generated for the period from 1 January 2010 to 9 February 2010 (the date of incorporation of the Company), calculated on a pro-rata basis based on the net profit of the Group attributable to the owners of the Company as stated in the audited consolidated financial statements of the Company prepared in accordance with PRC GAAP for the three-month period ended 31 March 2010, was RMB38,495,000 and paid to HECIC prior to the date of the Listing.

The rates of distribution and the number of shares ranking for distribution are not presented as such information is not meaningful for the purpose of this report.

No dividend was paid or declared by the Company during the Track Record Period and the three-month period ended 31 March 2009 as it was incorporated on 9 February 2010.

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

Cash dividends to shareholders in Hong Kong will be paid in Hong Kong dollars.

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

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

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

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

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

II. NOTES TO FINANCIAL INFORMATION — continued

12. Distributions — continued

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

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

13. Earnings Per Share Attributable to the ordinary equity holders of the Company

The calculation of basic earnings per share for each of the Track Record Period and the three-month period ended 31 March 2009 is based on the profit attributable to owners of the Company for each of the Track Record Period and the three-month period ended 31 March 2009 and the number of ordinary shares in issue during the Track Record Period and the three-month period ended 31 March 2009 on the assumption that the 2,000 million ordinary shares in issue upon the incorporation of the Company on 9 February 2010 had been in issue throughout the Track Record Period and the three-month period ended 31 March 2009.

The Company did not have any dilutive potential ordinary shares during the Track Record Period and the three-month period ended 31 March 2009.

14. Property, Plant and Equipment

Group

	Year ended 31 December 2007								
	Buildings	Wind turbines and related equipment	Natural gas pipelines	Other machinery and equipment	Motor vehicles	Office equipment and others	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:									
At 1 January 2007	36,921	225,572	543,272	50,038	15,496	6,233	1,262	34,059	912,853
Additions	79	—	307	2,594	8,150	3,047	10	753,815	768,002
Disposals	—	—	—	(8)	—	(68)	—	—	(76)
Transfers to prepaid land lease payments (note 15)	—	—	—	—	—	—	—	(1,354)	(1,354)
Transfers	36,120	260,465	20,979	3,654	—	165	—	(321,383)	—
At 31 December 2007	73,120	486,037	564,558	56,278	23,646	9,377	1,272	465,137	1,679,425
Accumulated depreciation:									
At 1 January 2007	(2,863)	(1,175)	(96,227)	(9,341)	(4,971)	(2,221)	(249)	—	(117,047)
Depreciation provided during the year (note 7)	(2,181)	(16,654)	(27,016)	(3,821)	(2,487)	(966)	(130)	—	(53,255)
Disposals	—	—	—	2	—	65	—	—	67
At 31 December 2007	(5,044)	(17,829)	(123,243)	(13,160)	(7,458)	(3,122)	(379)	—	(170,235)
Net carrying amount:									
At 31 December 2007	68,076	468,208	441,315	43,118	16,188	6,255	893	465,137	1,509,190
At 1 January 2007	34,058	224,397	447,045	40,697	10,525	4,012	1,013	34,059	795,806

II. NOTES TO FINANCIAL INFORMATION — continued

14. Property, Plant and Equipment — continued

Group

	Year ended 31 December 2008								
	Buildings	Wind turbines and related equipment	Natural gas pipelines	Other machinery and equipment	Motor vehicles	Office equipment and others	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:									
At 1 January 2008	73,120	486,037	564,558	56,278	23,646	9,377	1,272	465,137	1,679,425
Additions	—	—	88	9,902	8,514	3,791	1,087	1,777,607	1,800,989
Disposals	(114)	—	(2,285)	(643)	(102)	(322)	—	—	(3,466)
Transfers to prepaid land lease payments (note 15)	—	—	—	—	—	—	—	(6,154)	(6,154)
Transfers	39,814	886,954	23,828	255	—	1,233	—	(952,084)	—
At 31 December 2008	112,820	1,372,991	586,189	65,792	32,058	14,079	2,359	1,284,506	3,470,794
Accumulated depreciation:									
At 1 January 2008	(5,044)	(17,829)	(123,243)	(13,160)	(7,458)	(3,122)	(379)	—	(170,235)
Depreciation provided during the year (note 7)	(3,188)	(28,814)	(27,733)	(4,343)	(3,851)	(1,401)	(219)	—	(69,549)
Disposals	3	—	580	186	17	280	—	—	1,066
At 31 December 2008	(8,229)	(46,643)	(150,396)	(17,317)	(11,292)	(4,243)	(598)	—	(238,718)
Net carrying amount:									
At 31 December 2008	104,591	1,326,348	435,793	48,475	20,766	9,836	1,761	1,284,506	3,232,076
At 1 January 2008	68,076	468,208	441,315	43,118	16,188	6,255	893	465,137	1,509,190

Group

	Year ended 31 December 2009								
	Buildings	Wind turbines and related equipment	Natural gas pipelines	Other machinery and equipment	Motor vehicles	Office equipment and others	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:									
At 1 January 2009	112,820	1,372,991	586,189	65,792	32,058	14,079	2,359	1,284,506	3,470,794
Additions	3,993	50	452	8,957	8,987	5,797	2,375	1,248,542	1,279,153
Disposals	—	—	(144)	(64)	(275)	(99)	—	—	(582)
Transfers to prepaid land lease payments (note 15)	—	—	—	—	—	—	—	(3,466)	(3,466)
Transfers to an intangible asset (note 16)	—	—	—	—	—	—	—	(457)	(457)
Transfers	24,931	2,092,946	6,661	2,334	—	1,793	—	(2,128,665)	—
At 31 December 2009	141,744	3,465,987	593,158	77,019	40,770	21,570	4,734	400,460	4,745,442
Accumulated depreciation:									
At 1 January 2009	(8,229)	(46,643)	(150,396)	(17,317)	(11,292)	(4,243)	(598)	—	(238,718)
Depreciation provided during the year (note 7)	(5,776)	(99,469)	(30,591)	(5,431)	(5,298)	(2,292)	(603)	—	(149,460)
Disposals	—	—	1	34	166	93	—	—	294
At 31 December 2009	(14,005)	(146,112)	(180,986)	(22,714)	(16,424)	(6,442)	(1,201)	—	(387,884)
Net carrying amount:									
At 31 December 2009	127,739	3,319,875	412,172	54,305	24,346	15,128	3,533	400,460	4,357,558
At 1 January 2009	104,591	1,326,348	435,793	48,475	20,766	9,836	1,761	1,284,506	3,232,076

II. NOTES TO FINANCIAL INFORMATION — continued

14. Property, Plant and Equipment — continued

Group

	Three-month period ended 31 March 2010								
	Buildings	Wind turbines and related equipment	Natural gas pipelines	Other machinery and equipment	Motor vehicles	Office equipment and others	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:									
At 1 January 2010	141,744	3,465,987	593,158	77,019	40,770	21,570	4,734	400,460	4,745,442
Additions	19	—	25	1,746	142	133	838	165,635	168,538
Disposals	—	—	(424)	—	—	(7)	—	—	(431)
Transfers to prepaid land lease payments (note 15)	—	—	—	—	—	—	—	(4,940)	(4,940)
Transfers	—	25,039	4,605	—	—	—	—	(29,644)	—
At 31 March 2010	141,763	3,491,026	597,364	78,765	40,912	21,696	5,572	531,511	4,908,609
Accumulated depreciation:									
At 1 January 2010	(14,005)	(146,112)	(180,986)	(22,714)	(16,424)	(6,442)	(1,201)	—	(387,884)
Depreciation provided during the period (note 7)	(1,580)	(41,407)	(7,736)	(1,342)	(1,542)	(1,061)	(1,059)	—	(55,727)
Disposals	—	—	145	—	—	7	—	—	152
At 31 March 2010	(15,585)	(187,519)	(188,577)	(24,056)	(17,966)	(7,496)	(2,260)	—	(443,459)
Net carrying amount:									
At 31 March 2010	126,178	3,303,507	408,787	54,709	22,946	14,200	3,312	531,511	4,465,150
At 1 January 2010	127,739	3,319,875	412,172	54,305	24,346	15,128	3,533	400,460	4,357,558

Interest of approximately RMB5,827,000, RMB65,175,000, RMB109,410,000 and RMB122,233,000 were capitalised to construction in progress for the years ended 31 December 2007, 2008 and 2009, and three-month period ended 31 March 2010 (note 8) prior to being transferred to buildings, machinery and equipment.

Up to the date of this report, the Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB3,679,000. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 March 2010.

II. NOTES TO FINANCIAL INFORMATION — continued

15. Prepaid Land Lease Payments

Group

	Year ended 31 December			Three-month period ended 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of the year/period	9,620	12,909	38,483	72,115
Additions	2,357	20,089	31,566	35
Transfer from construction in progress (note 14)	1,354	6,154	3,466	4,940
Amortisation for the year/period (note 7)	(422)	(669)	(1,400)	(468)
Carrying amount at end of the year/period	12,909	38,483	72,115	76,622
Portion classified as current assets	(474)	(1,186)	(2,093)	(2,168)
Non-current portion	12,435	37,297	70,022	74,454

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Lease term, at carrying amount:				
Long term leases of not less than 50 years	—	—	—	—
Medium term leases of less than 50 years but not less than 10 years	12,909	38,483	72,115	76,622
Short term leases of less than 10 years	—	—	—	—
	12,909	38,483	72,115	76,622

II. NOTES TO FINANCIAL INFORMATION — continued

16. Intangible Asset

Group

Office software	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000	Three-month period ended 31 March 2010 RMB'000
Cost:				
At beginning of the year/period	163	484	1,219	4,062
Additions	321	735	2,386	43
Transfer from construction in progress (note 14)	—	—	457	—
At end of the year/period	484	1,219	4,062	4,105
Accumulated amortisation:				
At beginning of the year/period	(35)	(113)	(267)	(709)
Amortisation for the year/period (note 7)	(78)	(154)	(442)	(199)
At end of the year/period	(113)	(267)	(709)	(908)
Net carrying amount:				
At end of the year/period	371	952	3,353	3,197
At beginning of the year/period	128	371	952	3,353

17. Investments in Subsidiaries

Company

	As at 31 March 2010 RMB'000
Unlisted investments, at cost	1,673,749

Particulars of the subsidiaries of the Company are set out in note 1 of Section II above.

18. Interests in Associates

Group

	As at 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000	As at 31 March 2010 RMB'000
Share of net assets	15,894	95,719	222,807	247,457

Particulars of the associates of the Group are set out in note 1 of Section II above.

II. NOTES TO FINANCIAL INFORMATION — continued

18. Interests in Associates — continued

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

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Aggregate of associates' financial position:				
Assets	94,161	897,826	1,723,091	2,061,803
Liabilities	(62,372)	(705,187)	(1,249,078)	(1,534,036)

	Year ended 31 December			Three-month period ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
The associates' results:					
Revenue	—	—	—	—	50,913
Profit/(loss) for the year/period	(1,211)	—	3,384	—	21,313

19. Held-to-Maturity Investment

Group

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted debt investment	—	—	2,000	2,000
Portion classified as a current asset	—	—	—	—
Non-current portion	—	—	2,000	2,000

Held-to-maturity investment is analysed as follows:

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Corporate entity	—	—	2,000	2,000

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

20. Available-for-Sale Investments

Group

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity investments, at cost	—	—	3,400	3,400

II. NOTES TO FINANCIAL INFORMATION — continued

20. Available-for-Sale Investments — continued

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

21. Deferred Tax Assets

The movements in deferred tax assets during the Track Record Period are as follows:

Group

	Year ended 31 December			Three-month period ended 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets:				
At beginning of the year/period	11,387	3,334	214	412
Deferred tax credited/(charged) to the statement of comprehensive income during the year/period (note 10)	(8,053)	(3,120)	198	(46)
At end of the year/period	3,334	214	412	366

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

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets:				
Tax losses available for offsetting against future taxable income	3,057	—	—	—
Others	277	214	412	366
	3,334	214	412	366

As at 31 December 2007, 2008, 2009 and 31 March 2010, deferred tax assets that had not been recognised in respect of tax losses of the Group arising in the PRC were RMB643,000, RMB6,937,000 RMB11,887,000 and RMB15,326,000 respectively, which were available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

II. NOTES TO FINANCIAL INFORMATION — continued

22. Inventories

Group

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Natural gas	3,632	4,372	3,708	5,128
Spare parts and others	3,609	14,406	17,740	17,047
Low-value consumables	112	177	100	97
	7,353	18,955	21,548	22,272

23. Trade Receivables

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

Group

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	27,170	42,409	84,776	116,604
Impairment	—	—	—	—
	27,170	42,409	84,776	116,604

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

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	26,739	42,409	84,554	104,966
3 months to 6 months	—	—	—	11,638
6 months to 1 year	—	—	—	—
1 to 2 years	431	—	222	—
	27,170	42,409	84,776	116,604

II. NOTES TO FINANCIAL INFORMATION — continued

23. Trade Receivables — continued

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

Group

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	26,739	42,409	84,554	116,604
1 to 2 years past due	431	—	222	—
	27,170	42,409	84,776	116,604

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

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

The amounts due from the fellow subsidiaries included in the trade receivables are as follows:

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Fellow subsidiaries	3	—	1,293	—

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

24. Prepayments, Deposits and Other Receivables

	Group				Company
	As at 31 December			As at 31 March	As at 31 March
	2007	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments to suppliers	221,218	225,623	399,830	868,996	—
Deductible VAT (i)	560	396	232,146	223,640	—
CERs receivable	4,268	5,367	30,779	40,720	—
Deposits and other receivables (ii)	32,589	171,476	6,711	4,968	100,050
Other prepayments	126	1,103	1,163	1,716	385
	258,761	403,965	670,629	1,140,040	100,435
Portion classified as non-current assets	(217,587)	(219,141)	(581,912)	(1,044,538)	—
Current portion	41,174	184,824	88,717	95,502	100,435

II. NOTES TO FINANCIAL INFORMATION — continued

24. Prepayments, Deposits and Other Receivables — continued

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

(ii) The amounts due from HECIC, fellow subsidiaries and subsidiaries included in the deposits and other receivables are as follows:

Group

	Group				Company
	As at 31 December			As at 31 March	As at 31 March
	2007	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
HECIC	25,105	164,894	—	—	—
Fellow subsidiaries	2,835	2,961	601	759	—
Subsidiaries	—	—	—	—	100,000
	27,940	167,855	601	759	100,000

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

The above amounts are unsecured, non-interest-bearing and have no fixed terms of repayment, except for the amounts due from HECIC and subsidiaries, which bear interest at 1.44% and 5.31% per annum, respectively.

25. Cash and Cash Equivalents and Pledged Deposits

	Group				Company
	As at 31 December			As at 31 March	As at 31 March
	2007	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	81,830	213,078	344,891	858,004	259,815
Time deposits	—	20,000	—	—	—
	81,830	233,078	344,891	858,004	259,815
Less: Pledged bank balances for letters of guarantee	—	—	(14,733)	(3,733)	—
Cash and cash equivalents in the consolidated statements of financial position	81,830	233,078	330,158	854,271	259,815
Less: Non-pledged time deposits with original maturity of three months or more when acquired	—	(20,000)	—	—	—
Cash and cash equivalents in the consolidated statements of cash flows	81,830	213,078	330,158	854,271	259,815
Cash and bank balances and time deposits denominated in:					
— RMB	81,830	223,390	344,891	858,004	259,815
— Other currencies	—	9,688	—	—	—
	81,830	233,078	344,891	858,004	259,815

II. NOTES TO FINANCIAL INFORMATION — continued

25. Cash and Cash Equivalents and Pledged Deposits — continued

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

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

26. Trade and Bills Payables

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

Group

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable	6,438	—	379,911	297,884
Trade payables	14,842	36,051	59,758	50,605
	21,280	36,051	439,669	348,489
Portion classified as current liabilities	(21,280)	(36,051)	(439,669)	(348,489)
Non-current portion	—	—	—	—

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

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	18,394	19,734	432,293	342,689
6 months to 1 year	101	12,839	1,859	2,001
1 to 2 years	1,821	2,430	4,442	1,588
2 to 3 years	491	896	707	1,368
More than 3 years	473	152	368	843
	21,280	36,051	439,669	348,489

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

II. NOTES TO FINANCIAL INFORMATION — continued

27. Other Payables and Accruals

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

	Group				Company
	As at 31 December			As at 31 March	As at 31 March
	2007	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Retention money payables	58,575	110,915	95,011	90,686	—
Distribution payable to HECIC pursuant to the Reorganisation (note 12)	—	—	85,502	44,372	—
Dividend payable to a non-controlling shareholder	—	—	—	45,867	—
Wind turbine and related equipment payables	154,904	221,332	104,684	95,925	—
Advances from customers	15,201	40,397	66,312	38,103	—
Construction payables	7,521	21,678	13,651	13,604	—
Accrued salaries, wages and benefits	5,189	11,183	16,287	10,769	—
Other taxes payable	4,751	6,910	8,167	8,666	726
Others	3,091	13,298	37,839	26,314	—
	249,232	425,713	427,453	374,306	726
Portion classified as current liabilities	(213,304)	(368,884)	(395,863)	(352,272)	(726)
Non-current portion	35,928	56,829	31,590	22,034	—

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

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

Group

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
HECIC	211	272	85,652	44,508

Consisting of:

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
(i) Distribution payable pursuant to the Reorganisation (note 12)	—	—	85,502	44,372
(ii) Others	211	272	150	136
	211	272	85,652	44,508

The above amount is unsecured, non-interest-bearing and has no fixed terms of repayment. The amount due to HECIC at 31 March 2010 was settled in full prior to the date of this report.

II. NOTES TO FINANCIAL INFORMATION — continued

27. Other Payables and Accruals — continued

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

Group

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Effective interest rate	6.9%	7.3%	5.4%	5.4%

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

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

28. Interest-Bearing Bank and Other Borrowings

Group

	Effective interest rate (%)	Maturity	As at 31 December			As at 31 March
			2007	2008	2009	2010
			RMB'000	RMB'000	RMB'000	RMB'000
Current						
Short term bank loans:						
— Unsecured	4.9-7.1	2008-2011	50,000	130,000	—	300,000
— Secured	4.9-6.7	2008-2010	10,000	—	—	180,000
			60,000	130,000	—	480,000
Short term other borrowings:						
— Unsecured	4.1-6.8	2008-2010	234,000	151,000	631,000	421,000
— Secured			—	—	—	—
			234,000	151,000	631,000	421,000
Current portion of long term bank loans:						
— Unsecured	5.4-6.3	2009-2010	—	20,000	15,000	15,000
— Secured	4.9-7.1	2008-2010	10,000	76,000	228,000	241,000
			10,000	96,000	243,000	256,000
Current portion of long term other borrowings:						
— Unsecured	4.9	2010	—	—	5,000	5,000
— Secured			—	—	—	—
Total current portion			304,000	377,000	879,000	1,162,000

II. NOTES TO FINANCIAL INFORMATION — continued

28. Interest-Bearing Bank and Other Borrowings — continued

	Effective interest rate (%)	Maturity	As at 31 December 2007	2008	2009	As at 31 March 2010
			RMB'000	RMB'000	RMB'000	RMB'000
Non-current						
Long term bank loans:						
— Unsecured	5.2-7.1	2009-2020	215,000	195,000	533,000	918,911
— Secured	5.4-7.1	2009-2025	275,000	1,534,000	1,552,808	1,506,808
			490,000	1,729,000	2,085,808	2,425,719
Long term other borrowings:						
— Unsecured	5.4-7.1	2010-2014	100,000	100,000	60,000	60,000
Total non-current portion			590,000	1,829,000	2,145,808	2,485,719
			894,000	2,206,000	3,024,808	3,647,719

The maturity profile of the interest-bearing bank and other borrowings as 31 December 2007, 2008 and 2009 and 31 March 2010 is as follows:

Group

	As at 31 December 2007	2008	2009	As at 31 March 2010
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	70,000	226,000	243,000	736,000
In the second year	30,000	268,000	340,780	252,735
In the third to fifth years, inclusive	295,000	668,000	648,840	648,706
Beyond five years	165,000	793,000	1,096,188	1,524,278
	560,000	1,955,000	2,328,808	3,161,719
Other borrowings repayable:				
Within one year	234,000	151,000	636,000	426,000
In the second year	—	40,000	—	—
In the third to fifth years, inclusive	40,000	20,000	60,000	60,000
Beyond five years	60,000	40,000	—	—
	334,000	251,000	696,000	486,000
	894,000	2,206,000	3,024,808	3,647,719

Certain interest-bearing bank borrowings of the Group of RMB295,000,000, RMB1,610,000,000 RMB1,780,808,000 and RMB1,732,808,000 were secured by the right of future electricity fees collection as at 31 December 2007, 2008, 2009 and 31 March 2010 respectively.

An interest-bearing bank borrowing of the Group of RMB5,000,000 was guaranteed by a non-controlling shareholder of a subsidiary of the Company as at 31 December 2009 and 31 March 2010.

II. NOTES TO FINANCIAL INFORMATION — continued

28. Interest-Bearing Bank and Other Borrowings — continued

Other interest rate information:

Group

	As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 31 March 2010	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans:								
— Secured	5,000	290,000	—	1,610,000	—	1,780,808	185,000	1,742,808
— Unsecured	50,000	215,000	50,000	295,000	5,000	543,000	300,000	933,911
	55,000	505,000	50,000	1,905,000	5,000	2,323,808	485,000	2,676,719
Other borrowings:								
— Secured	—	—	—	—	—	—	—	—
— Unsecured	334,000	—	251,000	—	696,000	—	486,000	—
	334,000	—	251,000	—	696,000	—	486,000	—
	389,000	505,000	301,000	1,905,000	701,000	2,323,808	971,000	2,676,719

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

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

Group

	As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 31 March 2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans								
— Unsecured	—	—	—	—	5,000	4,916	5,000	4,858
Other borrowings								
— Unsecured	100,000	96,291	100,000	98,173	60,000	59,862	60,000	59,101
	100,000	96,291	100,000	98,173	65,000	64,778	65,000	63,959

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

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

Group

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
HECIC	334,000	251,000	696,000	486,000

II. NOTES TO FINANCIAL INFORMATION — continued

28. Interest-Bearing Bank and Other Borrowings — continued

The above loans from HECIC are unsecured, bear interest at rates ranging from 4.13% to 7.05% per annum and are repayable during years 2010 to 2014. The loans from HECIC to the Group of RMB486 million at 31 March 2010 were early repaid in full prior to the date of this report.

29. Issued share capital

	As at 31 March 2010	
	Number of shares	Nominal value
		RMB'000
Registered, issued and fully paid:		
— State legal person shares of RMB1.00 each	2,000,000,000	2,000,000

The Company was incorporated on 9 February 2010 with an initial registered share capital of RMB 2,000 million divided into 2,000 million shares with a par value of RMB 1.00 each. 1,600 million State legal person shares and 400 million State legal person shares with a par value of RMB1.00 each were issued to HECIC and HECIC Water, respectively, all of which were credited as fully paid, in consideration for the transfer of the Clean Energy Business Operations and cash contribution to the Company by HECIC and HECIC Water upon incorporation of the Company respectively pursuant to the Reorganisation as set out in note 1 of Section II above.

30. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the Track Record Period are presented in the consolidated statements of changes in equity.

(b) Company

	Capital reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
Upon incorporation of the Company (note (i))	33,927	—	33,927
Loss for the period from 9 February 2010 (date of incorporation of the Company) to 31 March 2010	—	(654)	(654)
At 31 March 2010	33,927	(654)	33,273

Note:

(i) Upon incorporation of the Company on 9 February 2010, 2,000 million shares were issued to HECIC and HECIC Water at a price of RMB1.00 per share as the Company's registered capital in return for the net value of the Clean Energy Business Operations transferred to the Company by HECIC and HECIC Water upon its incorporation as set out in note 29 above with the resulting difference dealt with in the capital reserve.

II. NOTES TO FINANCIAL INFORMATION — continued

31. Operating Lease Arrangements

As lessee

At 31 December 2007, 2008 and 2009 and 31 March 2010, the Group and the Company had the following total future minimum lease payments under non-cancellable operating leases in respect of land and buildings:

	Group				Company
	As at 31 December			As at 31 March	As at 31 March
	2007	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	1,109	1,169	1,213	1,702	252
In the second to fifth years, inclusive	3,879	3,843	2,943	2,878	—
Beyond five years	1,107	171	158	149	—
	6,095	5,183	4,314	4,729	252

32. Commitments

In addition to the operating lease commitments detailed above, the Group had the following capital commitments as at 31 December 2007, 2008 and 2009 and 31 March 2010:

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Property, plant and equipment	2,063,158	3,121,314	2,475,602	2,696,561
Capital contributions payable to associates	28,000	28,000	26,000	58,383
	2,091,158	3,149,314	2,501,602	2,754,944
Authorised, but not contracted for:				
Property, plant and equipment	23,781	1,374,444	1,962,889	2,695,502
Capital contributions payable to associates	—	—	94,970	—
	23,781	1,374,444	2,057,859	2,695,502

33. Contingent Liabilities

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

II. NOTES TO FINANCIAL INFORMATION — continued

33. Contingent Liabilities — continued

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

34. Related Party Transactions

(a) The Group had the following material transactions with related parties during the Track Record Period:

		Year ended 31 December			Three-month period ended 31 March	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Continuing transactions						
Fellow subsidiaries						
Sales of natural gas		282	264	200	68	48
Provision of connection and construction service of natural gas pipelines		3,932	—	2,586	—	—
Rental expenses	(i)	1,798	2,569	2,767	632	715
Non-continuing transactions						
HECIC						
Interest income		256	836	1,301	460	294
Interest expenses		8,688	25,170	16,617	3,840	6,306

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

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

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Enterprises" ("SOEs")). During the Track Record Period and the three-month period ended 31 March 2009, the Group had transactions with other SOEs including, but not limited to, sales of electricity and natural gas, depositing and borrowing money and purchase of natural gas, materials and receiving construction work services. The Directors consider that these transactions with other SOEs are activities in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its services and products and such pricing policies do not depend on whether or not the customers are SOEs. Having due regard to the substance of the relationships, the Directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

On 31 March 2010, HECIC, China Pacific Asset Management Co., Ltd (the "Insurance Lender") and HECIC New-energy Co., Ltd ("HECIC New-energy", a subsidiary of the Company) entered into a secured insurance loan

II. NOTES TO FINANCIAL INFORMATION — continued

34. Related Party Transactions — continued

(a) The Group had the following material transactions with related parties during the Track Record Period: — continued

investment agreement pursuant to which the Insurance Lender agreed to syndicate and lend to HECIC New-energy RMB1.3 billion for a term of 7 years and HECIC irrevocably agreed to guarantee the payment obligations of HECIC New-energy under the insurance loan investment agreement (the "Insurance Loan Guarantee"). No fee is payable or charged by HECIC in relation to its provision of the Insurance Loan Guarantee to HECIC New-energy. Further details are set out in the section headed "Relationship with HECIC — Independence from HECIC — Financial Independence" in the Prospectus.

On 19 September 2010, the Company entered into two agreements with HECIC which govern the use of trademarks granted by HECIC to the Group and the leasing of properties from HECIC. Further details of such agreements are set out in the section headed "Connected Transactions" in the Prospectus.

(b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 23, 24, 27 and 28 of Section II above. The outstanding non-trade balances with related parties at 31 March 2010 were fully settled prior to the date of this report.

(c) Compensation of key management personnel of the Group

Save as disclosed in note 9 of Section II above, no remuneration has been paid or is payable in respect of any of the Track Record Period and the three-month period ended 31 March 2009 referred to in this report by the Company or any of the companies now comprising the Group, to the Directors.

	Year ended 31 December			Three-month period ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Short term employee benefits	349	777	816	91	92
Pension scheme contributions	14	17	18	4	5
	363	794	834	95	97

II. NOTES TO FINANCIAL INFORMATION — continued

35. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at 31 December 2007, 2008 and 2009 and 31 March 2010 are as follows:

	Group				Company
	As at 31 December			As at 31 March	As at 31 March
	2007	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Held-to-maturity investment	—	—	2,000	2,000	—
Available-for-sale investments	—	—	3,400	3,400	—
Loans and receivables:					
Trade receivables	27,170	42,409	84,776	116,604	—
Financial assets included in prepayments, deposits and other receivables	36,857	176,843	37,490	45,688	100,050
Pledged deposits	—	—	14,733	3,733	—
Cash and cash equivalents	81,830	233,078	330,158	854,271	259,815
	145,857	452,330	472,557	1,025,696	359,865
Financial liabilities					
Financial liabilities at amortised cost:					
Trade and bills payables	21,280	36,051	439,669	348,489	—
Financial liabilities included in other payables and accruals	224,091	367,223	336,687	316,768	—
Interest-bearing bank and other borrowings	894,000	2,206,000	3,024,808	3,647,719	—
	1,139,371	2,609,274	3,801,164	4,312,976	—

36. Financial Risk Management Objectives and Policies

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

The main risks arising from the Group's financial instruments are fair value and cash flow interest rate risks, foreign currency risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the senior management of the Group holds meetings regularly to analyse and approve the proposals made by the management of the Company. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group did not use any derivatives and other instruments for hedging purposes and the Group did not hold or issue derivative financial trading purposes for the Track Record Period and the three-month period ended 31 March 2009. The senior management of the Group reviews and agrees policies for managing each of these risks and they are summarised below.

II. NOTES TO FINANCIAL INFORMATION — continued

36. Financial Risk Management Objectives and Policies — continued

(a) Fair value and cash flow interest rate risks

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

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

If there would be a general increase/decrease in the interest rates of bank loans with floating interest rates by one percentage point, with all other variables held constant, the consolidated pre-tax profit would have decreased/increased by approximately RMB5,050,000, RMB19,050,000, RMB23,238,000, RMB18,650,000 (unaudited) and RMB26,767,000 for the years ended 31 December 2007, 2008 and 2009, and the three-month periods ended 31 March 2009 and 2010 respectively, and there is no impact on other components of the consolidated equity, except for retained profits, of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred as at the end of the reporting period and has applied the exposure to interest rate risk to those financial instruments in existence at those dates. The estimated one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

(b) Foreign currency risk

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

II. NOTES TO FINANCIAL INFORMATION — continued

36. Financial Risk Management Objectives and Policies — continued

(b) Foreign currency risk — continued

The following table indicates the appropriate change in the Group's profit before tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at 31 December 2007, 2008 and 2009 and 31 March 2010, and 31 March 2009. The sensitivity analysis includes bank deposits, trade receivables and other receivables in foreign currencies.

Effect on profit before tax

	Increase/ (decrease) in foreign exchange rate	Year ended 31 December			Three-month period ended 31 March	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
If RMB weakens against United States dollar	5%	—	—	354	798	315
If RMB strengthens against United States dollar	5%	—	—	(354)	(798)	(315)
If RMB weakens against Euro	5%	213	753	1,572	472	1,870
If RMB strengthens against Euro	5%	(213)	(753)	(1,572)	(472)	(1,870)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 31 December 2007, 2008, 2009, and 31 March 2009 and 31 March 2010 and has applied the exposure to foreign currency risk to those monetary assets and liabilities in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in foreign exchange rates over the period until the next annual financial year end date. The sensitivity analysis is performed on the same basis for the entire Track Record Period and the three-month period ended 31 March 2009.

(c) Credit risk

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

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

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

As the Group's major customers are either with long history of business or various local power grid companies, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. As 31 December 2007, 2008, 2009 and 31 March 2010, 49.2%, 77.1%, 65.7% and 57.9% of the Group's trade receivables were due from the provincial power grid companies. Management keeps reviewing and assessing the creditworthiness of the Group's existing customers on an ongoing basis.

II. NOTES TO FINANCIAL INFORMATION — continued

36. Financial Risk Management Objectives and Policies — continued

(c) Credit risk — continued

The Group did not have impairment of trade receivables for the Track Record Period and the three-month period ended 31 March 2009.

(d) Liquidity risk

The Group's net current liabilities amounted to approximately RMB793 million as at 31 March 2010, and its net cash inflow from operating activities and financing activities amounted to approximately RMB150 million and RMB1,105 million, respectively, and its net cash outflow from investing activities was approximately RMB731 million for the period then ended. The Group recorded an increase in cash and cash equivalents of approximately RMB524 million for the three-month period ended 31 March 2010.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Group has already obtained banking facilities from several PRC banks of up to amounts of RMB2,148 million, RMB5,565 million, RMB10,823 million and RMB11,942 million as at 31 December 2007, 2008, 2009 and 31 March 2010 respectively, of which amounts of approximately RMB430 million, RMB2,111 million, RMB3,167 million, and RMB3,643 million have been utilised as at 31 December 2007, 2008 and 2009, and 31 March 2010 respectively.

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

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

The maturity profile of the Group's financial liabilities as at 31 December 2007, 2008 and 2009 and 31 March 2010, based on the contractual undiscounted payments, is as follows:

Group

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2007					
Interest-bearing bank and other borrowings	304,000	30,000	335,000	225,000	894,000
Interest payments on financial liabilities	46,872	38,942	75,114	37,240	198,168
Trade and bills payables	21,280	—	—	—	21,280
Financial liabilities included in other payables and accruals	188,163	25,284	10,644	—	224,091
	560,315	94,226	420,758	262,240	1,337,539

II. NOTES TO FINANCIAL INFORMATION — continued

36. Financial Risk Management Objectives and Policies — continued

(d) Liquidity risk — continued

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2008					
Interest-bearing bank and other borrowings	377,000	308,000	688,000	833,000	2,206,000
Interest payments on financial liabilities	136,762	118,551	246,154	154,573	656,040
Trade and bills payables	36,051	—	—	—	36,051
Financial liabilities included in other payables and accruals	310,394	41,434	15,395	—	367,223
	860,207	467,985	949,549	987,573	3,265,314
As at 31 December 2009					
Interest-bearing bank and other borrowings	879,000	340,780	708,840	1,096,188	3,024,808
Interest payments on financial liabilities	136,691	111,469	243,987	192,568	684,715
Trade and bills payables	439,669	—	—	—	439,669
Financial liabilities included in other payables and accruals	305,097	31,590	—	—	336,687
	1,760,457	483,839	952,827	1,288,756	4,485,879
As at 31 March 2010					
Interest-bearing bank and other borrowings	1,162,000	252,735	708,706	1,524,278	3,647,719
Interest payments on financial liabilities	141,226	126,563	304,555	304,339	876,683
Trade and bills payables	348,489	—	—	—	348,489
Financial liabilities included in other payables and accruals	294,734	22,034	—	—	316,768
	1,946,449	401,332	1,013,261	1,828,617	5,189,659

(e) Capital management

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

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

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

II. NOTES TO FINANCIAL INFORMATION — continued

36. Financial Risk Management Objectives and Policies — continued

(e) Capital management — continued

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The Group's policy is to maintain the gearing ratio of no higher than 70%. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios at 31 December 2007, 2008 and 2009 and 31 March 2010 are as follows:

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables (note 26)	21,280	36,051	439,669	348,489
Other payables and accruals (note 27)	249,232	425,713	427,453	374,306
Interest-bearing bank and other borrowings (note 28)	894,000	2,206,000	3,024,808	3,647,719
Less: Cash and cash equivalents (note 25)	(81,830)	(233,078)	(330,158)	(854,271)
Less: Pledged deposits (note 25)	—	—	(14,733)	(3,733)
Net debt	1,082,682	2,434,686	3,547,039	3,512,510
Total equity	752,100	1,391,500	1,877,801	2,539,363
Capital and net debt	1,834,782	3,826,186	5,424,840	6,051,873
Gearing ratio	59%	64%	65%	58%

III. SUBSEQUENT EVENTS

1. On 18 June 2010, HECIC New-energy fully drew down the RMB1.3 billion syndicated loan from the Insurance Lender, further details of which are set out in note 34 of Section II of this report.

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

3. Pursuant to the Reorganisation, the First Special Dividend was declared to HECIC and HECIC Water on 19 September 2010 in an aggregate amount of approximately RMB42.7 million and was fully settled prior to the date of this report.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group and the Company in respect of any period subsequent to 31 March 2010. Save as disclosed in this report, no dividend has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2010.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong