

*The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.*



8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

December 9, 2011

The Directors  
Guodian Technology & Environment Group Corporation Limited

China International Capital Corporation Hong Kong Securities Limited  
UBS AG, Hong Kong Branch

Dear Sirs,

## INTRODUCTION

We set out below our report on the financial information relating to Guodian Technology & Environment Group Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011 (the "Track Record Period"), and the consolidated balance sheets of the Group and the balance sheets of the Company as at December 31, 2008, 2009 and 2010 and June 30, 2011, together with the notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated December 9, 2011 (the "Prospectus").

The Company was formerly known as Guodian Technology & Environment Group Limited Liability Company and was established on April 6, 2001 as a state-owned enterprise with limited liability. The Company was converted to a joint stock company with limited liability in the People's Republic of China (the "PRC") on May 16, 2011 (the "Conversion"). Details of the Conversion are set out in note 1 of Section B. The registered office of the Company is located at the Building No. 1, Block No. 16 Xi Si Huan Zhong Road, Haidian District, Beijing, the PRC.

All companies comprising the Group have adopted December 31 as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Track Record Period and the names of the respective auditors are set out in note 44 of Section B. The statutory financial statements of these companies were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises established in the PRC or Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with the accounting policies set out in Section B below which are in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) (the “Underlying Financial Statements”). The Underlying Financial Statements for each of the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS**

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

### **BASIS OF OPINION**

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate audit procedures as we considered necessary in accordance with the Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to June 30, 2011.

### **OPINION**

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the Group’s consolidated results and cash flows for the Track Record Period, and the state of affairs of the Group and the Company as at December 31, 2008, 2009 and 2010 and June 30, 2011.

### **CORRESPONDING FINANCIAL INFORMATION**

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated income statement,

the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2010, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, 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 Hong Kong Standards on Auditing 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 Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

## A FINANCIAL INFORMATION

## 1 CONSOLIDATED INCOME STATEMENTS

|   | Section B<br>Note | Years ended December 31, |                |                | Six months ended<br>June 30,         |                |
|---|-------------------|--------------------------|----------------|----------------|--------------------------------------|----------------|
|   |                   | 2008                     | 2009           | 2010           | 2010                                 | 2011           |
|   |                   | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i><br><i>(unaudited)</i> | <i>RMB'000</i> |
| <b>Revenue</b> .....  | 2                 | 3,966,148                | 5,349,651      | 10,998,908     | 3,681,865                            | 6,774,592      |
| Cost of sales .....   |                   | (3,310,151)              | (4,438,648)    | (9,140,081)    | (3,033,691)                          | (5,688,416)    |
| <b>Gross profit</b> .....                                       |                   | 655,997                  | 911,003        | 1,858,827      | 648,174                              | 1,086,176      |
| Other revenue .....   | 3                 | 31,804                   | 42,184         | 148,903        | 54,835                               | 56,873         |
| Other net<br>income/(losses) .....                              | 3                 | 1,216                    | (1,697)        | (6,746)        | (23,183)                             | 71,287         |
| Selling and distribution<br>expenses .....                      |                   | (71,771)                 | (155,911)      | (402,801)      | (126,766)                            | (237,315)      |
| Administrative<br>expenses .....                                |                   | (355,247)                | (464,488)      | (745,784)      | (296,175)                            | (480,759)      |
| <b>Profit from<br/>operations</b> .....                         |                   | 261,999                  | 331,091        | 852,399        | 256,885                              | 496,262        |
| Finance costs .....   | 4                 | (41,138)                 | (107,817)      | (199,245)      | (100,794)                            | (207,879)      |
| Share of profits less<br>losses of associates ...               |                   | 20,411                   | 24,518         | 27,311         | 3,517                                | 16,964         |
| <b>Profit before taxation</b> ...                               | 5                 | 241,272                  | 247,792        | 680,465        | 159,608                              | 305,347        |
| Income tax .....  | 6                 | (41,123)                 | (53,337)       | (118,639)      | (40,092)                             | (48,020)       |
| <b>Profit for the<br/>year/period</b> .....                     |                   | <u>200,149</u>           | <u>194,455</u> | <u>561,826</u> | <u>119,516</u>                       | <u>257,327</u> |
| <b>Profit attributable to:</b>                                  |                   |                          |                |                |                                      |                |
| Equity owners/<br>shareholders of the<br>Company .....          |                   | 90,854                   | 95,545         | 350,359        | 57,768                               | 181,135        |
| Non-controlling<br>interests .....                              |                   | <u>109,295</u>           | <u>98,910</u>  | <u>211,467</u> | <u>61,748</u>                        | <u>76,192</u>  |
| <b>Profit for the<br/>year/period</b> .....                     |                   | <u>200,149</u>           | <u>194,455</u> | <u>561,826</u> | <u>119,516</u>                       | <u>257,327</u> |
| <b>Basic and diluted<br/>earnings per share<br/>(RMB)</b> ..... | 10                | <u>0.02</u>              | <u>0.02</u>    | <u>0.07</u>    | <u>0.01</u>                          | <u>0.04</u>    |

The accompanying notes form part of the Financial Information.

## 2 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

|   | Section B<br>Note | Years ended December 31, |                |                | Six months ended<br>June 30,         |                |
|---|-------------------|--------------------------|----------------|----------------|--------------------------------------|----------------|
|   |                   | 2008                     | 2009           | 2010           | 2010                                 | 2011           |
|   |                   | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i><br><i>(unaudited)</i> | <i>RMB'000</i> |
| <b>Profit for the year/period</b> .....   |                   | 200,149                  | 194,455        | 561,826        | 119,516                              | 257,327        |
| <b>Other comprehensive income for<br/>the year/period:</b>  |                   |                          |                |                |                                      |                |
| Exchange difference on translation of<br>financial statements of operation<br>outside the PRC ..... |                   | (134)                    | (5)            | (142)          | (34)                                 | (7)            |
| <b>Total comprehensive income for<br/>the year/period</b> .....                                     |                   | <u>200,015</u>           | <u>194,450</u> | <u>561,684</u> | <u>119,482</u>                       | <u>257,320</u> |
| <b>Attributable to:</b>   |                   |                          |                |                |                                      |                |
| Equity owners/shareholders of the<br>Company .....  |                   | 90,720                   | 95,540         | 350,217        | 57,734                               | 181,128        |
| Non-controlling interests .....   |                   | <u>109,295</u>           | <u>98,910</u>  | <u>211,467</u> | <u>61,748</u>                        | <u>76,192</u>  |
| <b>Total comprehensive income for<br/>the year/period</b> .....                                     |                   | <u>200,015</u>           | <u>194,450</u> | <u>561,684</u> | <u>119,482</u>                       | <u>257,320</u> |

The accompanying notes form part of the Financial Information.

## 3 CONSOLIDATED BALANCE SHEETS

|  | Section B<br>Note | At December 31,  |                    |                    | At June 30,        |
|--|-------------------|------------------|--------------------|--------------------|--------------------|
|  |                   | 2008             | 2009               | 2010               | 2011               |
|  |                   | <i>RMB'000</i>   | <i>RMB'000</i>     | <i>RMB'000</i>     | <i>RMB'000</i>     |
| <b>Non-current assets</b>                            |                   |                  |                    |                    |                    |
| Property, plant and equipment                        | 12                | 1,170,292        | 4,586,854          | 9,492,611          | 10,225,715         |
| Investment properties                                | 13                | 15,432           | 14,718             | 159,148            | 254,758            |
| Lease prepayments                                    | 14                | 172,482          | 234,235            | 553,687            | 553,077            |
| Intangible assets                                    | 15                | 90,687           | 289,681            | 626,771            | 658,624            |
| Goodwill   | 16                | 7,082            | 14,409             | 14,409             | 7,082              |
| Interests in associates                              | 18                | 177,404          | 189,246            | 209,730            | 308,322            |
| Unquoted equity investments                          |                   | 7,330            | 6,988              | 74,988             | 77,717             |
| Other non-current assets                             | 19                | 180,200          | 881,569            | 2,142,847          | 2,234,219          |
| Deferred tax assets                                  | 29(b)             | 26,289           | 55,129             | 97,649             | 151,248            |
| <b>Total non-current assets</b>                      |                   | <u>1,847,198</u> | <u>6,272,829</u>   | <u>13,371,840</u>  | <u>14,470,762</u>  |
| <b>Current assets</b>                                |                   |                  |                    |                    |                    |
| Inventories  | 20                | 920,549          | 3,502,660          | 7,387,225          | 8,541,867          |
| Gross amounts due from customers for contract work   | 21                | 1,023,079        | 873,878            | 1,021,444          | 1,027,430          |
| Trade and bills receivables                          | 22                | 1,296,987        | 2,489,787          | 5,613,515          | 6,697,844          |
| Deposits, prepayments and other receivables          | 23                | 1,091,098        | 1,003,814          | 2,070,712          | 2,061,842          |
| Tax recoverable                                      | 29(a)             | 21,916           | 22,855             | 149,787            | 155,993            |
| Restricted deposits                                  | 24                | 113,687          | 484,809            | 86,913             | 245,292            |
| Cash at bank and in hand                             | 25                | 1,152,914        | 1,255,059          | 2,766,924          | 4,041,466          |
| Interest in an associate classified as held for sale | 18                | —                | —                  | —                  | 15,181             |
| <b>Total current assets</b>                          |                   | <u>5,620,230</u> | <u>9,632,862</u>   | <u>19,096,520</u>  | <u>22,786,915</u>  |
| <b>Current liabilities</b>                           |                   |                  |                    |                    |                    |
| Borrowings   | 26(b)             | 660,152          | 2,368,452          | 4,443,908          | 7,659,456          |
| Trade and bills payables                             | 27                | 1,741,171        | 4,219,741          | 9,402,092          | 10,623,475         |
| Other payables                                       | 28                | 1,489,253        | 4,252,240          | 6,607,651          | 7,123,680          |
| Gross amounts due to customers for contract work     | 21                | 803,783          | 484,024            | 588,467            | 274,940            |
| Income tax payable                                   | 29(a)             | 75,292           | 86,986             | 157,922            | 113,622            |
| Provision for warranty                               | 30                | —                | —                  | 19,869             | 58,473             |
| <b>Total current liabilities</b>                     |                   | <u>4,769,651</u> | <u>11,411,443</u>  | <u>21,219,909</u>  | <u>25,853,646</u>  |
| <b>Net current assets/(liabilities)</b>              |                   | <u>850,579</u>   | <u>(1,778,581)</u> | <u>(2,123,389)</u> | <u>(3,066,731)</u> |
| <b>Total assets less current liabilities</b>         |                   | <u>2,697,777</u> | <u>4,494,248</u>   | <u>11,248,451</u>  | <u>11,404,031</u>  |

The accompanying notes form part of the Financial Information.

## 3 CONSOLIDATED BALANCE SHEETS (CONTINUED)

|   | Section B<br>Note | At December 31,  |                  |                  | At June 30,      |
|---|-------------------|------------------|------------------|------------------|------------------|
|   |                   | 2008             | 2009             | 2010             | 2011             |
|   |                   | <i>RMB'000</i>   | <i>RMB'000</i>   | <i>RMB'000</i>   | <i>RMB'000</i>   |
| <b>Non-current liabilities</b>  |                   |                  |                  |                  |                  |
| Borrowings  | 26(a)             | 263,545          | 1,128,406        | 2,508,709        | 2,515,869        |
| Deferred income   | 31                | 55,693           | 115,396          | 185,649          | 270,377          |
| Provision for warranty  | 30                | 3,889            | 54,687           | 209,045          | 274,441          |
| Other non-current liabilities   | 32                | 101,665          | 115,834          | 245,017          | 91,329           |
| <b>Total non-current liabilities</b>  |                   | <u>424,792</u>   | <u>1,414,323</u> | <u>3,148,420</u> | <u>3,152,016</u> |
| <b>NET ASSETS</b>   |                   | <u>2,272,985</u> | <u>3,079,925</u> | <u>8,100,031</u> | <u>8,252,015</u> |
| <b>CAPITAL AND RESERVES</b>   |                   |                  |                  |                  |                  |
| Paid-in capital/share capital   | 33(c)             | 910,753          | 1,537,669        | 4,822,590        | 4,850,000        |
| Reserves  |                   | 804,842          | 794,371          | 1,334,586        | 1,492,734        |
| <b>Total equity attributable to the equity owners/shareholders of the Company</b> |                   | <u>1,715,595</u> | <u>2,332,040</u> | <u>6,157,176</u> | <u>6,342,734</u> |
| <b>Non-controlling interests</b>  |                   | <u>557,390</u>   | <u>747,885</u>   | <u>1,942,855</u> | <u>1,909,281</u> |
| <b>TOTAL EQUITY</b>   |                   | <u>2,272,985</u> | <u>3,079,925</u> | <u>8,100,031</u> | <u>8,252,015</u> |

The accompanying notes form part of the Financial Information.

## 4 BALANCE SHEETS

|  | Section B<br>Note | At December 31,  |                    |                  | At June 30,      |
|--|-------------------|------------------|--------------------|------------------|------------------|
|  |                   | 2008             | 2009               | 2010             | 2011             |
|  |                   | <i>RMB'000</i>   | <i>RMB'000</i>     | <i>RMB'000</i>   | <i>RMB'000</i>   |
| <b>Non-current assets</b>                            |                   |                  |                    |                  |                  |
| Property, plant and equipment                        | 12                | 2,599            | 1,517,892          | 979,969          | 1,249,338        |
| Investment properties                                | 13                | —                | —                  | 859,533          | 845,557          |
| Intangible assets                                    |                   | 27               | 38                 | 237              | 358              |
| Investments in subsidiaries                          | 17                | 688,819          | 1,606,453          | 2,157,079        | 3,975,181        |
| Interests in associates                              | 18                | 123,528          | 141,028            | 132,969          | 123,294          |
| Unquoted equity investments                          |                   | 1,500            | 1,500              | 69,500           | 73,000           |
| Other non-current assets                             | 19                | 19,295           | 155,810            | 81,771           | 141,872          |
| <b>Total non-current assets</b>                      |                   | <u>835,768</u>   | <u>3,422,721</u>   | <u>4,281,058</u> | <u>6,408,600</u> |
| <b>Current assets</b>                                |                   |                  |                    |                  |                  |
| Gross amounts due from customers for contract work   | 21                | 45,781           | —                  | 178,779          | 40,281           |
| Trade and bills receivables                          | 22                | 88,507           | 79,936             | 84,758           | 135,377          |
| Deposits, prepayments and other receivables          | 23                | 131,802          | 1,173,150          | 4,628,989        | 2,339,263        |
| Restricted deposits                                  |                   | 2,000            | —                  | —                | —                |
| Cash at bank and in hand                             | 25                | 250,403          | 138,897            | 637,829          | 259,811          |
| Interest in an associate classified as held for sale | 18                | —                | —                  | —                | 9,675            |
| <b>Total current assets</b>                          |                   | <u>518,493</u>   | <u>1,391,983</u>   | <u>5,530,355</u> | <u>2,784,407</u> |
| <b>Current liabilities</b>                           |                   |                  |                    |                  |                  |
| Borrowings   | 26(b)             | 85,000           | 850,000            | 1,280,000        | 2,490,000        |
| Trade and bills payables                             | 27                | 99,024           | 97,345             | 156,877          | 147,157          |
| Other payables                                       | 28                | 21,778           | 2,071,879          | 2,843,251        | 825,189          |
| <b>Total current liabilities</b>                     |                   | <u>205,802</u>   | <u>3,019,224</u>   | <u>4,280,128</u> | <u>3,462,346</u> |
| <b>Net current assets/(liabilities)</b>              |                   | <u>312,691</u>   | <u>(1,627,241)</u> | <u>1,250,227</u> | <u>(677,939)</u> |
| <b>Total assets less current liabilities</b>         |                   | <u>1,148,459</u> | <u>1,795,480</u>   | <u>5,531,285</u> | <u>5,730,661</u> |
| <b>Non-current liabilities</b>                       |                   |                  |                    |                  |                  |
| Borrowings   | 26(a)             | —                | 150,000            | 590,000          | 840,000          |
| <b>Total non-current liabilities</b>                 |                   | <u>—</u>         | <u>150,000</u>     | <u>590,000</u>   | <u>840,000</u>   |
| <b>NET ASSETS</b>                                    |                   | <u>1,148,459</u> | <u>1,645,480</u>   | <u>4,941,285</u> | <u>4,890,661</u> |
| <b>CAPITAL AND RESERVES</b>                          |                   |                  |                    |                  |                  |
| Paid-in capital/share capital                        | 33(a)             | 910,753          | 1,537,669          | 4,822,590        | 4,850,000        |
| Reserves   |                   | 237,706          | 107,811            | 118,695          | 40,661           |
| <b>TOTAL EQUITY</b>                                  |                   | <u>1,148,459</u> | <u>1,645,480</u>   | <u>4,941,285</u> | <u>4,890,661</u> |

The accompanying notes form part of the Financial Information.



## 5 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

|  | Attributable to equity owners/shareholders of the Company |                               |                                |                                 |                     |           |                              |                 |
|--|---|-------------------------------|--------------------------------|---------------------------------|---------------------|-----------|------------------------------|-----------------|
|  | Paid-in<br>capital/<br>share<br>capital                   | Capital<br>reserve            | PRC<br>statutory<br>reserve    | Exchange<br>reserve             | Retained<br>profits | Sub-total | Non-controlling<br>interests | Total<br>equity |
|  | RMB'000   | RMB'000                       | RMB'000                        | RMB'000                         | RMB'000             | RMB'000   | RMB'000                      | RMB'000         |
|  |   | Section B<br>note<br>33(d)(i) | Section B<br>note<br>33(d)(ii) | Section B<br>note<br>33(d)(iii) |                     |           |                              |                 |
| <b>At January 1, 2008</b>  | 361,883   | 10,144                        | 14,744                         | (82)                            | 473,864             | 860,553   | 419,987                      | 1,280,540       |
| <b>Changes in equity:</b>  |   |                               |                                |                                 |                     |           |                              |                 |
| Profit for the year  | —   | —                             | —                              | —                               | 90,854              | 90,854    | 109,295                      | 200,149         |
| Other comprehensive<br>income  | —   | —                             | —                              | (134)                           | —                   | (134)     | —                            | (134)           |
| Total comprehensive income for<br>the year                                     | —   | —                             | —                              | (134)                           | 90,854              | 90,720    | 109,295                      | 200,015         |
| Capital contributions<br>(Section B note 33(d)(i)(a))                          | 548,870   | 208,000                       | —                              | —                               | —                   | 756,870   | 76,856                       | 833,726         |
| Acquisitions of non-controlling<br>interests                                   | —   | 7,452                         | —                              | —                               | —                   | 7,452     | (23,673)                     | (16,221)        |
| Dividends paid by subsidiaries<br>to non-controlling equity<br>owners          | —   | —                             | —                              | —                               | —                   | —         | (25,075)                     | (25,075)        |
| <b>At December 31, 2008</b>  | 910,753   | 225,596                       | 14,744                         | (216)                           | 564,718             | 1,715,595 | 557,390                      | 2,272,985       |
| <b>Changes in equity:</b>  |   |                               |                                |                                 |                     |           |                              |                 |
| Profit for the year  | —   | —                             | —                              | —                               | 95,545              | 95,545    | 98,910                       | 194,455         |
| Other comprehensive<br>income  | —   | —                             | —                              | (5)                             | —                   | (5)       | —                            | (5)             |
| Total comprehensive income for<br>the year                                     | —   | —                             | —                              | (5)                             | 95,545              | 95,540    | 98,910                       | 194,450         |
| Capital contributions<br>(Section B note 33(d)(i)(a))                          | 426,916   | 68,672                        | —                              | —                               | —                   | 495,588   | 131,986                      | 627,574         |
| Transfer to paid-in capital<br>(Section B note 33(d)(i)(a))                    | 200,000   | (200,000)                     | —                              | —                               | —                   | —         | —                            | —               |
| Appropriation  | —   | —                             | 324                            | —                               | (324)               | —         | —                            | —               |
| Acquisitions of non-controlling<br>interests                                   | —   | 25,317                        | —                              | —                               | —                   | 25,317    | (58,812)                     | (33,495)        |
| Acquisition of a subsidiary<br>(Section B note 38(a))                          | —   | —                             | —                              | —                               | —                   | —         | 116,200                      | 116,200         |
| Dividends paid by subsidiaries<br>to non-controlling equity<br>owners          | —   | —                             | —                              | —                               | —                   | —         | (97,789)                     | (97,789)        |
| <b>At December 31, 2009</b>  | 1,537,669   | 119,585                       | 15,068                         | (221)                           | 659,939             | 2,332,040 | 747,885                      | 3,079,925       |
| <b>Changes in equity:</b>  |   |                               |                                |                                 |                     |           |                              |                 |
| Profit for the year  | —   | —                             | —                              | —                               | 350,359             | 350,359   | 211,467                      | 561,826         |
| Other comprehensive<br>income  | —   | —                             | —                              | (142)                           | —                   | (142)     | —                            | (142)           |
| Total comprehensive income for<br>the year                                     | —   | —                             | —                              | (142)                           | 350,359             | 350,217   | 211,467                      | 561,684         |
| Capital contributions<br>(Section B note 33(d)(i)(b))                          | 3,218,149   | 31,465                        | —                              | —                               | —                   | 3,249,614 | 1,268,040                    | 4,517,654       |
| Transfer to paid-in capital<br>(Section B note 33(d)(i)(a))                    | 66,772  | (66,772)                      | —                              | —                               | —                   | —         | —                            | —               |
| Appropriation  | —   | —                             | 7,713                          | —                               | (7,713)             | —         | —                            | —               |
| Dilution of equity interest in a<br>subsidiary<br>(Section B note 33(d)(i)(c)) | —   | 229,515                       | —                              | —                               | —                   | 229,515   | (229,515)                    | —               |
| Acquisitions of non-controlling<br>interests                                   | —   | (4,210)                       | —                              | —                               | —                   | (4,210)   | (32,712)                     | (36,922)        |
| Dividends paid by subsidiaries<br>to non-controlling equity<br>owners          | —   | —                             | —                              | —                               | —                   | —         | (22,310)                     | (22,310)        |
| <b>At December 31, 2010</b>  | 4,822,590   | 309,583                       | 22,781                         | (363)                           | 1,002,585           | 6,157,176 | 1,942,855                    | 8,100,031       |

The accompanying notes form part of the Financial Information.

## 5 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

|   | Attributable to equity owners/shareholders of the Company |                         |                          |                           |                  |           |           | Non-controlling interests | Total equity |
|---|---|-------------------------|--------------------------|---------------------------|------------------|-----------|-----------|---------------------------|--------------|
|   | Paid-in capital/<br>share capital                         | Capital reserve         | PRC statutory reserve    | Exchange reserve          | Retained profits | Sub-total |           |                           |              |
|   | RMB'000   | RMB'000                 | RMB'000                  | RMB'000                   | RMB'000          | RMB'000   | RMB'000   | RMB'000                   |              |
|   |   | Section B note 33(d)(i) | Section B note 33(d)(ii) | Section B note 33(d)(iii) |                  |           |           |                           |              |
| <b>At January 1, 2011</b> .....   | 4,822,590   | 309,583                 | 22,781                   | (363)                     | 1,002,585        | 6,157,176 | 1,942,855 | 8,100,031                 |              |
| <b>Changes in equity:</b>   |   |                         |                          |                           |                  |           |           |                           |              |
| Profit for the period .....   | —   | —                       | —                        | —                         | 181,135          | 181,135   | 76,192    | 257,327                   |              |
| Other comprehensive income .....  | —   | —                       | —                        | (7)                       | —                | (7)       | —         | (7)                       |              |
| Total comprehensive income for the period .....   | —   | —                       | —                        | (7)                       | 181,135          | 181,128   | 76,192    | 257,320                   |              |
| Capital contributions .....   | —   | —                       | —                        | —                         | —                | —         | 53,055    | 53,055                    |              |
| Conversion into a joint stock company with limited liability (Section B note 33(c)(ii)) ..... | 27,410  | 14,347                  | (13,638)                 | —                         | (28,119)         | —         | —         | —                         |              |
| Dilution of equity interest in a subsidiary .....   | —   | 4,430                   | —                        | —                         | —                | 4,430     | (4,430)   | —                         |              |
| Disposal of subsidiaries (Section B note 38(c)) .....   | —   | —                       | —                        | —                         | —                | —         | (119,335) | (119,335)                 |              |
| Dividends paid by subsidiaries to non-controlling equity owners .....                         | —   | —                       | —                        | —                         | —                | —         | (39,056)  | (39,056)                  |              |
| <b>At June 30, 2011</b> .....   | 4,850,000   | 328,360                 | 9,143                    | (370)                     | 1,155,601        | 6,342,734 | 1,909,281 | 8,252,015                 |              |
| <b>At January 1, 2010</b> .....   | 1,537,669   | 119,585                 | 15,068                   | (221)                     | 659,939          | 2,332,040 | 747,885   | 3,079,925                 |              |
| <b>Changes in equity:</b>   |   |                         |                          |                           |                  |           |           |                           |              |
| Profit for the period (unaudited) .....   | —   | —                       | —                        | —                         | 57,768           | 57,768    | 61,748    | 119,516                   |              |
| Other comprehensive income (unaudited) ..   | —   | —                       | —                        | (34)                      | —                | (34)      | —         | (34)                      |              |
| Total comprehensive income for the period (unaudited) .....                                   | —   | —                       | —                        | (34)                      | 57,768           | 57,734    | 61,748    | 119,482                   |              |
| Capital contributions (unaudited) .....   | 64,154  | —                       | —                        | —                         | —                | 64,154    | 136,350   | 200,504                   |              |
| Transfer to paid-in capital (unaudited) (Section B note 33(d)(i)(a)) .....                    | 66,772  | (66,772)                | —                        | —                         | —                | —         | —         | —                         |              |
| Acquisitions of non-controlling interests (unaudited) .....                                   | —   | 222                     | —                        | —                         | —                | 222       | (25,376)  | (25,154)                  |              |
| Dividends paid by subsidiaries to non-controlling equity owners (unaudited) .....             | —   | —                       | —                        | —                         | —                | —         | (2,631)   | (2,631)                   |              |
| <b>At June 30, 2010 (unaudited)</b> .....   | 1,668,595   | 53,035                  | 15,068                   | (255)                     | 717,707          | 2,454,150 | 917,976   | 3,372,126                 |              |

The accompanying notes form part of the Financial Information.

## 6 CONSOLIDATED CASH FLOW STATEMENTS

|   | Section B<br>Note | Years ended December 31, |                  |                    | Six months ended<br>June 30, |                 |
|---|-------------------|--------------------------|------------------|--------------------|------------------------------|-----------------|
|   |                   | 2008                     | 2009             | 2010               | 2010                         | 2011            |
|   |                   | RMB'000                  | RMB'000          | RMB'000            | RMB'000<br>(unaudited)       | RMB'000         |
| <b>Cash flows from operating activities</b>                               |                   |                          |                  |                    |                              |                 |
| Profit before taxation  |                   | 241,272                  | 247,792          | 680,465            | 159,608                      | 305,347         |
| Adjustments for:  |                   |                          |                  |                    |                              |                 |
| Depreciation  | 5(b)              | 38,065                   | 100,125          | 220,979            | 74,516                       | 230,956         |
| Amortization  | 5(b)              | 11,601                   | 14,151           | 18,355             | 8,544                        | 13,414          |
| Loss/(gain) on disposal of property, plant and equipment                  | 3                 | 556                      | 1,244            | (168)              | (151)                        | 62              |
| Net loss from changes in fair value                                       | 3                 | —                        | —                | —                  | —                            | 1,449           |
| Impairment loss on trade and other receivables                            | 5(b)              | 11,809                   | 5,842            | 13,454             | 2,069                        | 13,093          |
| Finance costs   | 4                 | 41,138                   | 107,817          | 199,245            | 100,794                      | 207,879         |
| Foreign exchange loss, net  | 3                 | 514                      | 3,833            | 13,459             | 26,726                       | 286             |
| Interest income   | 3                 | (19,345)                 | (21,823)         | (35,123)           | (13,803)                     | (35,331)        |
| Government grants   |                   | (3,093)                  | (5,297)          | (6,864)            | (3,183)                      | (5,138)         |
| Dividend income from unquoted equity securities                           | 3                 | (298)                    | (298)            | (298)              | (298)                        | (1,547)         |
| Net (gain)/loss on disposal of associates                                 | 3                 | —                        | (203)            | —                  | —                            | 3,061           |
| Net loss/(gain) on disposal of unquoted equity investments                | 3                 | —                        | 113              | —                  | —                            | (109)           |
| Net gain on disposal of subsidiaries                                      | 3                 | —                        | —                | —                  | —                            | (68,210)        |
| Share of profits less losses of associates                                |                   | (20,411)                 | (24,518)         | (27,311)           | (3,517)                      | (16,964)        |
| Changes in working capital:   |                   |                          |                  |                    |                              |                 |
| Decrease/(increase) in inventories  |                   | 290,209                  | (2,560,777)      | (3,884,565)        | (508,876)                    | (1,398,848)     |
| (Increase)/decrease in gross amounts due from customers for contract work |                   | (1,076,558)              | 158,793          | (115,054)          | (643,604)                    | 18,115          |
| Increase in trade and bills receivables                                   |                   | (275,166)                | (1,141,836)      | (3,134,624)        | (694,145)                    | (1,305,737)     |
| (Increase)/decrease in deposits, prepayments and other receivables        |                   | (213,913)                | 154,850          | (905,190)          | (960,727)                    | 177,322         |
| Increase in other non-current assets                                      |                   | (132,658)                | (586,885)        | (1,357,224)        | (594,850)                    | (60,987)        |
| Increase in trade and bills payables                                      |                   | 398,956                  | 2,434,656        | 5,182,351          | 1,590,914                    | 1,389,903       |
| (Decrease)/increase in other payables                                     |                   | (437,216)                | 1,225,307        | 1,809,733          | (99,208)                     | 864,439         |
| Increase/(decrease) in gross amounts due to customers for contract work   |                   | 789,656                  | (319,759)        | 104,443            | (184,659)                    | (313,527)       |
| (Decrease)/increase in provision for warranty                             |                   | (812)                    | 50,798           | 174,227            | 56,028                       | 104,000         |
| <b>Cash (used in)/generated from operations</b>                           |                   | <b>(355,694)</b>         | <b>(156,075)</b> | <b>(1,049,710)</b> | <b>(1,687,822)</b>           | <b>122,928</b>  |
| Income tax paid   |                   | (45,810)                 | (71,422)         | (217,155)          | (140,051)                    | (153,556)       |
| <b>Net cash used in operating activities</b>                              |                   | <b>(401,504)</b>         | <b>(227,497)</b> | <b>(1,266,865)</b> | <b>(1,827,873)</b>           | <b>(30,628)</b> |

The accompanying notes form part of the Financial Information.

## 6 CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

|   | Section B<br>Note | Years ended December 31, |                    |                    | Six months ended<br>June 30, |                  |
|---|-------------------|--------------------------|--------------------|--------------------|------------------------------|------------------|
|   |                   | 2008                     | 2009               | 2010               | 2010                         | 2011             |
|   |                   | RMB'000                  | RMB'000            | RMB'000            | RMB'000<br>(unaudited)       | RMB'000          |
| <b>Cash flows from investing activities</b>   |                   |                          |                    |                    |                              |                  |
| Payments for purchase of property, plant and equipment, lease prepayments and intangible assets ..... |                   | (531,144)                | (2,860,711)        | (6,075,919)        | (2,335,233)                  | (1,666,981)      |
| Payments for acquisitions of associates and unquoted equity investments ...                           |                   | —                        | (22,821)           | (79,941)           | (11,941)                     | (30,221)         |
| Payments for acquisitions of subsidiaries, net of cash acquired ...                                   | 39(a)             | —                        | (19,733)           | —                  | —                            | —                |
| Disposal of subsidiaries, net of cash disposed of .....   | 39(b)             | —                        | —                  | —                  | —                            | (23,218)         |
| Payments for advances to related parties .....  |                   | (180)                    | (201,960)          | (141,297)          | (119,898)                    | (118,880)        |
| Payments for advances to third parties .....  |                   | —                        | (6,464)            | (1,681)            | —                            | —                |
| Increase in deposits with banks .....   |                   | —                        | —                  | (976,000)          | (15,000)                     | (275,758)        |
| Withdrawal of deposits with banks .....   |                   | —                        | —                  | —                  | —                            | 942,920          |
| Government grants received .....  |                   | 42,406                   | 63,880             | 74,307             | 31,611                       | 98,532           |
| Proceeds from disposal of property, plant and equipment .....   |                   | 185                      | 3,318              | 1,471              | 492                          | 903              |
| Proceeds from repayment of advances to related parties .....  |                   | 13,082                   | 106,550            | 91,305             | 61,911                       | 151,250          |
| Proceeds from repayment of advances to third parties .....  |                   | 562                      | 3,073              | 2,101              | —                            | 7,103            |
| Proceeds from disposal of associates and unquoted equity investments ...                              |                   | 20                       | 5,391              | 2,679              | 1,025                        | 880              |
| Dividends received .....  |                   | 5,875                    | 6,452              | 33,718             | 298                          | 2,466            |
| Interest received .....   |                   | 17,076                   | 16,118             | 24,133             | 11,050                       | 19,988           |
| <b>Net cash used in investing activities</b> .....  |                   | <b>(452,118)</b>         | <b>(2,906,907)</b> | <b>(7,045,124)</b> | <b>(2,375,685)</b>           | <b>(891,016)</b> |
| <b>Cash flows from financing activities</b>   |                   |                          |                    |                    |                              |                  |
| Capital contributions from equity owners of the Company .....   |                   | 756,870                  | 495,588            | 3,249,614          | 64,154                       | —                |
| Capital contributions from non-controlling equity owners of subsidiaries .....                        |                   | 76,856                   | 115,486            | 1,268,040          | 136,350                      | 53,055           |
| Proceeds from borrowings .....  |                   | 1,214,459                | 3,175,284          | 6,810,966          | 4,499,875                    | 8,008,649        |
| Proceeds from advances from related parties .....   |                   | —                        | 920,000            | 2,077,717          | 1,141,599                    | 911,213          |
| Proceeds from advances from third parties .....   |                   | —                        | 1,000              | —                  | —                            | 60,000           |
| Decrease in restricted deposits .....   |                   | 303,537                  | 1,071,143          | 1,119,914          | 658,439                      | 251,487          |
| Repayment of advances from related parties .....  |                   | —                        | (213,653)          | (1,134,519)        | (200,000)                    | (2,600,000)      |
| Repayment of advances from third parties .....  |                   | —                        | —                  | (1,000)            | —                            | —                |
| Repayment of borrowings .....   |                   | (539,102)                | (645,292)          | (3,355,207)        | (866,480)                    | (3,043,253)      |
| Dividends paid by subsidiaries to non-controlling equity owners .....                                 |                   | (41,283)                 | (76,352)           | (44,634)           | (23,809)                     | (38,156)         |
| Interest paid .....   |                   | (47,100)                 | (130,987)          | (379,814)          | (168,474)                    | (333,198)        |
| Increase in restricted deposits .....   |                   | (300,091)                | (1,442,265)        | (722,018)          | (371,515)                    | (409,866)        |
| Payments for acquisitions of non-controlling interests .....  |                   | (16,221)                 | (33,495)           | (36,922)           | (25,154)                     | —                |
| <b>Net cash generated from financing activities</b> .....   |                   | <b>1,407,925</b>         | <b>3,236,457</b>   | <b>8,852,137</b>   | <b>4,844,985</b>             | <b>2,859,931</b> |
| <b>Net increase in cash and cash equivalents</b> .....  |                   | <b>554,303</b>           | <b>102,053</b>     | <b>540,148</b>     | <b>641,427</b>               | <b>1,938,287</b> |
| <b>Cash and cash equivalents at beginning of year/period</b> .....                                    |                   | <b>599,159</b>           | <b>1,152,914</b>   | <b>1,255,059</b>   | <b>1,255,059</b>             | <b>1,790,924</b> |
| Effect of foreign exchange rate changes ...   |                   | (548)                    | 92                 | (4,283)            | (8,950)                      | 3,417            |
| <b>Cash and cash equivalents at end of year/period</b> .....  | 25                | <b>1,152,914</b>         | <b>1,255,059</b>   | <b>1,790,924</b>   | <b>1,887,536</b>             | <b>3,732,628</b> |

The accompanying notes form part of the Financial Information.

**B NOTES TO THE FINANCIAL INFORMATION****1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES****(a) Organization**

The Company was formerly known as Guodian Technology & Environment Group Limited Liability Company and was established on April 6, 2001 as a state-owned enterprise with limited liability. The Company was converted to a joint stock company with limited liability in the PRC on May 16, 2011. China Guodian Group Corporation (“Guodian”) and GD Power Development Co., Ltd (“GDPD”) each held 51% and 49% equity interest in the Company immediately before the Conversion. The Company converted its equity into 4,850,000,000 ordinary shares with a par value of RMB1.00 each on May 16, 2011. Guodian and GDPD assumed 2,473,500,000 (51%) shares and 2,376,500,000 (49%) shares, respectively.

The Company was in existence throughout the Track Record Period and there was no change in equity ownership of the Company before and after the Conversion.

**(b) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collective term includes International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board (“IASB”). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning January 1, 2011. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning January 1, 2011 are set out in note 43.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HKSE”).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended June 30, 2010 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

**(c) Basis of measurement**

The Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand, which is the functional currency of the Company and its subsidiaries established in the PRC (“PRC subsidiaries”) carrying on the principal activities of the Group. The functional currency of the Company’s subsidiary in Hong Kong is Hong Kong dollar (“HKD”).

The Financial Information is prepared on the historical cost basis except for non-current assets held for sale (or disposal groups held for sale) are stated at the lower of carrying amount and fair value less costs to sell (see note 1(bb)).

**(d) Going concern**

The Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at December 31, 2009 and 2010 and June 30, 2011. The directors are of the opinion that, based on a detailed review of the working capital forecast of the Group for the 18 months period ending December 31, 2012, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements.

**(e) Use of estimates and judgments**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 40.

**(f) Subsidiaries and non-controlling interests**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a

contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity owners/shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/period between non-controlling interests and the equity owners/shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(s) or (t) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(o)), unless the investment is classified as held for sale (see note 1(bb)).

#### **(g) Associates**

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(bb)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(h) and (o)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year/period are recognized in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealized profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(j)).

In the Company's balance sheet, investments in associates are stated at cost less impairment losses (see note 1(o)), unless classified as held for sale (see note 1(bb)).

**(h) Goodwill**

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(o)).

On disposal of a cash generating unit during the year/period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

**(i) Business combination for entities under common control**

Business combinations arising from transfer of interests in entities that are under the control of the equity owner/shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the Track Record Period or, if later, at the date



that common control was established. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group's equity owner/shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group's equity and any gain/loss arising is recognized directly in equity.

**(j) Other investments in unquoted equity securities**

The Group's and the Company's policies for investments in unquoted equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in unquoted equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for in the balance sheet at cost less impairment losses (see note 1(o)).

Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments.

**(k) Investment property**

Investment properties are land and buildings which are owned or held under a leasehold interest (see note 1(n)) to earn rental income and/or for capital appreciation.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 1(o)). The depreciation policy is the same as that of property, plant and equipment (see note 1(l)). Rental income from investment properties is accounted for as described in note 1(y)(v).

**(l) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(o)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(aa)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

|  |             |
|--|-------------|
| — Land, buildings and structures ..... | 20-70 years |
| — Machinery and equipment .....        | 3-35 years  |
| — Motor vehicles .....                 | 4-15 years  |
| — Furniture, fixtures and others ..... | 3-12 years  |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

**(m) Intangible assets (other than goodwill)**

The Group recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. Intangible assets received as consideration for providing construction services in a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortization and impairment losses (see note 1(o)).

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(aa)). Capitalized development costs are stated at cost less accumulated amortization and impairment losses (see note 1(o)). Other development expenditure is recognized as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 1(o)). Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

|                                       |             |
|---------------------------------------|-------------|
| — Concession assets .....             | 25-30 years |
| — Capitalized development costs ..... | 5 years     |
| — Technical know-how .....            | 5-10 years  |
| — Software and others .....           | 3-10 years  |

Both the period and method of amortization are reviewed annually.

**(n) Leased assets**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

**(i) Classification of assets leased to the Group**

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases except for land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

**(ii) Assets acquired under finance leases**

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(l). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(o). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

**(iii) Operating lease charges**

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term.

**(o) Impairment of assets****(i) Impairment of investments in equity securities and other receivables**

Investments in equity securities and other current and non-current receivables that are stated at cost or amortized cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

- For investments in subsidiaries and associates, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(o)(ii). The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount in accordance with note 1(o)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade and other current receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively

are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade and bills receivables and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against the respective receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

#### **(ii) Impairment of other assets**

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- investment properties;
- lease prepayments;
- intangible assets; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognized.

#### **(p) Inventories**

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

#### **(q) Construction contracts**

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major

structural elements of the design. The accounting policy for contract revenue is set out in note 1(y)(ii). When the outcome of a construction contract can be estimated reliably, contract costs are recognized as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognized as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded at the net amount of costs incurred plus recognized profit less recognized losses and progress billings, and are presented in the balance sheet as the "Gross amounts due from customers for contract work" (as an asset) or the "Gross amounts due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and bills receivables". Amounts received before the related work is performed are presented as "Receipts in advance" under "Other payables".

**(r) Trade and other receivables**

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(o)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

**(s) Interest-bearing borrowings**

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

**(t) Trade and other payables**

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with note 1(x)(i), trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(u) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**(v) Employee benefits****(i) Short-term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

**(ii) Termination benefits**

Termination benefits are recognized when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

**(w) Income tax**

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to business combinations, or items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.



The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

**(x) Financial guarantees issued, provisions and contingent liabilities**

**(i) Financial guarantees issued**

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated)

is initially recognized as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 1(x)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

#### **(ii) Other provisions and contingent liabilities**

Provisions are recognized for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### **(y) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

##### **(i) Sale of goods**

Revenue is recognized when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

##### **(ii) Contract revenue**

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognized using the percentage of completion method,

measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

**(iii) Service concession revenue**

Revenue relating to construction services under a service concession arrangement is recognized based on the stage of completion of the work performed. Operation or service revenue is recognized in the period in which the services are provided by the Group.

**(iv) Rendering of services**

Revenue from design and consultant services rendered is recognized in the consolidated income statement in proportion to the stage of completion of the transaction at the balance sheet date.

Revenue from other services rendered is recognized upon the delivery or performance of the services.

**(v) Rental income from operating leases**

Rental income receivable under operating leases is recognized in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

**(vi) Dividends**

- Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

**(vii) Interest income**

Interest income is recognized as it accrues using the effective interest method.

**(viii) Government grants**

Government grants are recognized in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in

which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognized as deferred income and are subsequently recognized in profit or loss over the useful life of the asset.

**(z) Translation of foreign currencies**

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations which have a functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

**(aa) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**(bb) Non-current assets held for sale**

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognized at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits and financial assets (other than investments in subsidiaries and associates). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognized in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortized.

**(cc) Related parties**

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(dd) Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

**2 REVENUE**

The Group is principally engaged in manufacturing and sale of ignition equipment, wind turbines, solar cells and modules and other related electric equipment for power plants, construction engineering of desulfurization, water treatment, solar energy and other environmental protection and energy conservation projects, rental of desulfurization facilities and provision of integrated services relating to environmental protection, energy conservation and renewable energy businesses.

Revenue represents the sales value of goods supplied to customers, net of VAT, revenue from construction contracts, revenue from rendering of services and rental income. The amount of each significant category of revenue recognized during the year/period is as follows:

|   | Years ended December 31, |                  |                   | Six months ended<br>June 30, |                  |
|---|--------------------------|------------------|-------------------|------------------------------|------------------|
|   | 2008                     | 2009             | 2010              | 2010                         | 2011             |
|   | RMB'000                  | RMB'000          | RMB'000           | RMB'000<br>(unaudited)       | RMB'000          |
| Sales of goods <sup>(note)</sup> .....                      | 929,734                  | 2,446,074        | 7,766,142         | 2,405,384                    | 4,679,677        |
| Revenue from construction contracts ..                      | 2,965,073                | 2,572,243        | 2,377,056         | 921,553                      | 1,635,824        |
| Rendering of services .....                                 | 37,376                   | 54,867           | 117,945           | 47,190                       | 65,030           |
| Service concession construction<br>revenue (note 41) .....  | 5,090                    | 144,665          | 262,560           | 209,729                      | 8,463            |
| Rental income from operating lease<br>(note 37(a)(i)) ..... | 28,875                   | 131,802          | 475,205           | 98,009                       | 385,598          |
|   | <u>3,966,148</u>         | <u>5,349,651</u> | <u>10,998,908</u> | <u>3,681,865</u>             | <u>6,774,592</u> |

*Note:*

Revenue from sale of goods amounting to RMB1,806,885 and RMB919,796,000 for the year ended December 31, 2010 and for the six months ended June 30, 2011 respectively is sale of wind turbines to contractors who are engaged to construct wind farms for Guodian and its related parties under Guodian.

**3 OTHER REVENUE AND OTHER NET INCOME/(LOSSES)**

|   | Years ended December 31, |                |                | Six months ended<br>June 30, |               |
|---|--------------------------|----------------|----------------|------------------------------|---------------|
|   | 2008                     | 2009           | 2010           | 2010                         | 2011          |
|   | RMB'000                  | RMB'000        | RMB'000        | RMB'000<br>(unaudited)       | RMB'000       |
| <b>Other revenue</b>  |                          |                |                |                              |               |
| Government grants .....   | 11,554                   | 18,435         | 109,889        | 39,620                       | 18,110        |
| Interest income .....   | 19,345                   | 21,823         | 35,123         | 13,803                       | 35,331        |
| Dividend income from unquoted equity<br>securities .....              | 298                      | 298            | 298            | 298                          | 1,547         |
| Others .....  | 607                      | 1,628          | 3,593          | 1,114                        | 1,885         |
|   | <u>31,804</u>            | <u>42,184</u>  | <u>148,903</u> | <u>54,835</u>                | <u>56,873</u> |
| <b>Other net income/(losses)</b>                                      |                          |                |                |                              |               |
| Net gain on sales of raw materials .....                              | 2,286                    | 3,290          | 6,545          | 3,392                        | 7,826         |
| Net gain on disposal of subsidiaries<br>(note 38(c)) .....            | —                        | —              | —              | —                            | 68,210        |
| Net gain/(loss) on disposal of associates .....                       | —                        | 203            | —              | —                            | (3,061)       |
| Net loss from changes in fair value .....                             | —                        | —              | —              | —                            | (1,449)       |
| Net (loss)/gain on disposal of unquoted equity<br>investments .....   | —                        | (113)          | —              | —                            | 109           |
| Net (loss)/gain on disposal of property, plant and<br>equipment ..... | (556)                    | (1,244)        | 168            | 151                          | (62)          |
| Net foreign exchange loss .....                                       | (514)                    | (3,833)        | (13,459)       | (26,726)                     | (286)         |
|   | <u>1,216</u>             | <u>(1,697)</u> | <u>(6,746)</u> | <u>(23,183)</u>              | <u>71,287</u> |

**4 FINANCE COSTS**

|  | Years ended December 31, |                |                | Six months ended<br>June 30, |                |
|--|--------------------------|----------------|----------------|------------------------------|----------------|
|  | 2008                     | 2009           | 2010           | 2010                         | 2011           |
|  | RMB'000                  | RMB'000        | RMB'000        | RMB'000<br>(unaudited)       | RMB'000        |
| Interest on bank and other borrowings wholly<br>repayable within five years .....  | 50,282                   | 113,906        | 364,368        | 163,840                      | 317,815        |
| Interest on bank and other borrowings<br>repayable after five years .....  | 158                      | 17,216         | 29,253         | 13,125                       | 15,542         |
|  | 50,440                   | 131,122        | 393,621        | 176,965                      | 333,357        |
| Less: interest expenses capitalized into<br>property, plant and equipment, intangible<br>assets and construction contracts ..... | (9,302)                  | (23,305)       | (194,376)      | (76,171)                     | (125,478)      |
|  | <u>41,138</u>            | <u>107,817</u> | <u>199,245</u> | <u>100,794</u>               | <u>207,879</u> |

The borrowing costs have been capitalized at rates of 7.06%, 5.73%, 4.83%, 4.99% (unaudited) and 5.06% per annum for the years ended December 31, 2008, 2009 and 2010 and for the six months ended June 30, 2010 and 2011 respectively.

**5 PROFIT BEFORE TAXATION**

Profit before taxation is arrived at after charging/(crediting):

**(a) Staff costs<sup>#</sup>**

|  | Years ended December 31, |                |                | Six months ended<br>June 30,         |                |
|--|--------------------------|----------------|----------------|--------------------------------------|----------------|
|  | 2008                     | 2009           | 2010           | 2010                                 | 2011           |
|  | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i><br><i>(unaudited)</i> | <i>RMB'000</i> |
| Salaries, wages and other benefits . . . . .   | 283,911                  | 367,335        | 535,201        | 219,816                              | 342,123        |
| Contributions to defined contribution retirement<br>plan <sup>(note)</sup> . . . . . | 19,933                   | 29,904         | 46,775         | 19,322                               | 29,115         |
|  | <u>303,844</u>           | <u>397,239</u> | <u>581,976</u> | <u>239,138</u>                       | <u>371,238</u> |

*Note:*

Pursuant to the relevant labor rules and regulations in the PRC, the Company and its PRC subsidiaries participated in defined contribution retirement schemes (the "PRC Schemes") organized by the relevant local government authorities for its employees. The Group is required to make contributions to the PRC Schemes at 17% to 20% of basic salaries of the employees. The local government authorities are responsible for the entire pension obligations payable to retired employees. In addition, certain subsidiaries and its staff participate in a retirement plan managed by Guodian on a voluntary basis to supplement the above-mentioned schemes and the Group is required to make contributions at 5% to 10% of total salaries of the employees. The Group has no other material obligation to make payments in respect of pension benefits associated with these schemes and supplementary retirement plan other than the annual contributions described above.

**(b) Other items**

|  | Years ended December 31, |                |                | Six months ended<br>June 30,         |                |
|--|--------------------------|----------------|----------------|--------------------------------------|----------------|
|  | 2008                     | 2009           | 2010           | 2010                                 | 2011           |
|  | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i><br><i>(unaudited)</i> | <i>RMB'000</i> |
| Amortization <sup>#</sup>                                  |                          |                |                |                                      |                |
| — lease prepayments . . . . .                              | 1,767                    | 3,335          | 4,463          | 2,033                                | 5,422          |
| — intangible assets . . . . .                              | 9,834                    | 10,816         | 13,892         | 6,511                                | 7,992          |
| Depreciation <sup>#</sup>                                  |                          |                |                |                                      |                |
| — investment properties . . . . .                          | 683                      | 714            | 668            | 382                                  | 3,145          |
| — property, plant and equipment . . . . .                  | 37,382                   | 99,411         | 220,311        | 74,134                               | 227,811        |
| Impairment losses  |                          |                |                |                                      |                |
| — trade and other receivables . . . . .                    | 11,809                   | 5,842          | 13,454         | 2,069                                | 13,093         |
| Auditors' remuneration . . . . .                           | 1,092                    | 1,000          | 2,524          | 759                                  | 1,343          |
| Operating lease charges <sup>#</sup>                       |                          |                |                |                                      |                |
| — hire of plant and equipment . . . . .                    | 400                      | 3,400          | 6,477          | 2,130                                | 2,366          |
| — hire of properties . . . . .                             | 12,208                   | 13,275         | 22,270         | 10,883                               | 6,343          |
| Research and development costs . . . . .                   | 36,934                   | 57,292         | 114,459        | 31,187                               | 44,495         |
| Provision for warranty (note 30) . . . . .                 | 969                      | 50,798         | 177,296        | 56,821                               | 107,131        |
| Rentals receivable from investment<br>properties . . . . . | (1,621)                  | (1,274)        | (5,903)        | (946)                                | (8,818)        |
| Direct outgoings of investment<br>properties . . . . .     | 66                       | 873            | 1,415          | 23                                   | 2,822          |
| Cost of inventories <sup>#</sup> . . . . .                 | 645,698                  | 1,861,936      | 6,309,745      | 1,929,616                            | 3,868,075      |

<sup>#</sup> Cost of inventories includes staff costs, depreciation and amortization expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 5(a) for each of these types of expenses.



## 6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENTS

## (a) Taxation in the consolidated income statements represents:

|   | Years ended December 31, |                 |                 | Six months ended<br>June 30, |                 |
|---|--------------------------|-----------------|-----------------|------------------------------|-----------------|
|   | 2008                     | 2009            | 2010            | 2010                         | 2011            |
|   | RMB'000                  | RMB'000         | RMB'000         | RMB'000<br>(unaudited)       | RMB'000         |
| <b>Current tax</b>  |                          |                 |                 |                              |                 |
| Provision for the year/period . . . . .   | 57,707                   | 81,688          | 153,468         | 42,182                       | 99,574          |
| (Over)/under-provision in respect of prior years . . . .                                | (3,076)                  | 489             | 7,691           | 7,691                        | 3,476           |
|   | <u>54,631</u>            | <u>82,177</u>   | <u>161,159</u>  | <u>49,873</u>                | <u>103,050</u>  |
| <b>Deferred tax (note 29(b))</b>  |                          |                 |                 |                              |                 |
| Origination and reversal of temporary differences . .                                   | (18,339)                 | (30,360)        | (42,380)        | (9,781)                      | (55,030)        |
| Effect on deferred tax balances resulting from<br>changes in income tax rates . . . . . | 4,831                    | 1,520           | (140)           | —                            | —               |
|   | <u>(13,508)</u>          | <u>(28,840)</u> | <u>(42,520)</u> | <u>(9,781)</u>               | <u>(55,030)</u> |
|   | <u>41,123</u>            | <u>53,337</u>   | <u>118,639</u>  | <u>40,092</u>                | <u>48,020</u>   |

*Notes:*

- (i) A subsidiary of the Group is incorporated and carried out business in Hong Kong and is subject to Hong Kong Profits Tax at 16.5%.
- (ii) On March 16, 2007, the Fifth Plenary of the Tenth National People's Congress passed the new Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"). Accordingly, effective from January 1, 2008, the Group's PRC subsidiaries are generally subject to income tax at the statutory rate of 25%, unless otherwise specified.

Prior to January 1, 2008, the following preferential tax treatments were entitled by some of the Group's subsidiaries based on the then prevailing tax rules and regulations:

- Two of the Group's subsidiaries were production-oriented foreign investment enterprises with an operating period of 10 years or more and were each entitled to a tax holiday of 2-year full exemption followed by 3-year 50% reduction in income tax rate commencing from their respective first profit-making years from PRC tax perspective ("2+3 tax holiday"). They both commenced their tax holidays in 2007.
- Two of the Group's subsidiaries were new technology enterprises established in the Beijing Development and Experiment Zone for New Technology Industries and were each entitled to a tax holiday of 3-year full exemption followed by 3-year 50% reduction based on a preferential income tax rate of 15% commencing from the days of their establishment. One of the subsidiaries commenced its tax holiday in 2003 and the other commenced it in 2004.

The above tax holidays are grandfathered until they expire by the New CIT Law and its relevant regulations. One of the Group's subsidiaries was ceased to be a foreign investment enterprise during 2010 due to a change in shareholder and was required to repay tax benefits enjoyed by it during its 2+3 tax holiday.

Pursuant to the New CIT Law and its relevant regulations, certain subsidiaries of the Group enjoyed the following preferential tax treatments:

- Certain subsidiaries of the Group are approved High and New Technology Enterprises and are subject to income tax at 15% during the approved periods, subject to fulfilment of the recognition criteria.
- A subsidiary of the Group is engaged in qualified environmental protection and energy or water conservation projects and income derived from such activities is tax exempted for the first 3 years followed by 50% exemption from the fourth to the sixth years starting from the year in which the project first generate operating income. Such subsidiary first generated operating income from its projects in 2009.
- A subsidiary of the Group is located in the Western Regions and is entitled to a preferential income tax rate of 15% for 2010.

According to CaiShui [2011] No. 58 dated July 27, 2011, qualified enterprises located in the Western Regions are entitled to a preferential income tax rate of 15% effective retroactively from January 1, 2011.

- A subsidiary of the Group is a small-scale enterprise and is subject to income tax at 20%.

## (b) Reconciliations between tax expense and accounting profit at applicable tax rates:

|  | Years ended December 31, |                |                | Six months ended<br>June 30,         |                |
|--|--------------------------|----------------|----------------|--------------------------------------|----------------|
|  | 2008                     | 2009           | 2010           | 2010                                 | 2011           |
|  | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i><br><i>(unaudited)</i> | <i>RMB'000</i> |
| Profit before taxation   | 241,272                  | 247,792        | 680,465        | 159,608                              | 305,347        |
| Notional tax on profit before taxation at PRC                              |                          |                |                |                                      |                |
| statutory tax rate   | 60,318                   | 61,948         | 170,116        | 39,902                               | 76,337         |
| Effect of non-deductible expenses  | 2,354                    | 3,832          | 8,189          | 2,712                                | 3,016          |
| Effect of non-taxable income   | (489)                    | (210)          | (917)          | (466)                                | (952)          |
| Effect of research and development bonus deduction                         | (1,413)                  | (3,241)        | (2,776)        | (328)                                | (2,251)        |
| Effect of share of profits less losses of associates                       | (5,103)                  | (6,130)        | (6,828)        | (879)                                | (4,241)        |
| Effect of PRC tax concessions  | (30,117)                 | (26,309)       | (75,752)       | (32,335)                             | (54,186)       |
| Effect on deferred tax balances resulting from changes in income tax rates | 4,831                    | 1,520          | (140)          | —                                    | —              |
| Tax effect of unused tax losses and temporary differences not recognized   | 11,261                   | 17,443         | 23,286         | 20,192                               | 29,445         |
| (Over)/under-provision in respect of prior years                           | (3,076)                  | 489            | 7,691          | 7,691                                | 3,476          |
| Others   | 2,557                    | 3,995          | (4,230)        | 3,603                                | (2,624)        |
| Actual tax expense   | 41,123                   | 53,337         | 118,639        | 40,092                               | 48,020         |

## 7 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of directors' and supervisors' emoluments are as follows:

|  | Year ended December 31, 2008     |   |                       |                                 |         |
|--|----------------------------------|---|-----------------------|---------------------------------|---------|
|  | Directors' and Supervisors' fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total   |
|  | RMB'000                          | RMB'000                                   | RMB'000               | RMB'000                         | RMB'000 |
| <b>Directors</b>   |                                  |   |                       |                                 |         |
| Mr. Xu, Fenggang (Appointed as Chairman in September 2008) ..... | —                                | 481                                       | 161                   | 56                              | 698     |
| Mr. Wang, Zhongqu .....  | —                                | —   | —                     | —                               | —       |
| Mr. Yang, Guang .....  | —                                | —   | —                     | —                               | —       |
| Mr. Gao, Song .....  | —                                | —   | —                     | —                               | —       |
| Mr. Liu, Shuguang .....  | —                                | —   | —                     | —                               | —       |
| Mr. Qi, Zhiming .....  | —                                | —   | —                     | —                               | —       |
| Ms. Ren, Mudi .....  | —                                | —   | —                     | —                               | —       |
| Mr. Zhu, Yongpeng (Resigned in September 2008) .....             | —                                | —   | —                     | —                               | —       |
| Mr. Xie, Changjun (Resigned in July 2008) .....                  | —                                | —   | —                     | —                               | —       |
| <b>Supervisors</b>   |                                  |   |                       |                                 |         |
| Mr. Wang, Longling .....   | —                                | —   | —                     | —                               | —       |
| Mr. Chen, Bin .....  | —                                | —   | —                     | —                               | —       |
| Mr. Jiang, Hongyuan .....  | —                                | —   | —                     | —                               | —       |
| Mr. Feng, Shuchen .....  | —                                | 456                                       | 179                   | 56                              | 691     |
| Ms. Li, Hongmei (Resigned in July 2008) .....                    | —                                | —   | —                     | —                               | —       |
|  | —                                | 937                                       | 340                   | 112                             | 1,389   |
| <b>Year ended December 31, 2009</b>                              |                                  |   |                       |                                 |         |
|  | Directors' and Supervisors' fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total   |
|  | RMB'000                          | RMB'000                                   | RMB'000               | RMB'000                         | RMB'000 |
| <b>Directors</b>   |                                  |   |                       |                                 |         |
| Mr. Xu, Fenggang (Chairman) .....                                | —                                | 432                                       | 223                   | 58                              | 713     |
| Mr. Wang, Zhongqu .....  | —                                | —   | —                     | —                               | —       |
| Mr. Yang, Guang .....  | —                                | —   | —                     | —                               | —       |
| Mr. Qi, Zhiming .....  | —                                | —   | —                     | —                               | —       |
| Ms. Ren, Mudi .....  | —                                | —   | —                     | —                               | —       |
| Mr. Li, Zhongjun (Appointed in September 2009) .....             | —                                | —   | —                     | —                               | —       |
| Mr. Wang, Baozhong (Appointed in September 2009) .....           | —                                | —   | —                     | —                               | —       |
| Mr. Gao, Song (Resigned in September 2009) .....                 | —                                | —   | —                     | —                               | —       |
| Mr. Liu, Shuguang (Resigned in September 2009) .....             | —                                | —   | —                     | —                               | —       |
| <b>Supervisors</b>   |                                  |   |                       |                                 |         |
| Mr. Wang, Longling .....   | —                                | —   | —                     | —                               | —       |
| Mr. Chen, Bin .....  | —                                | —   | —                     | —                               | —       |
| Mr. Jiang, Hongyuan .....  | —                                | —   | —                     | —                               | —       |
| Mr. Feng, Shuchen .....  | —                                | 130                                       | 85                    | 19                              | 234     |
|  | —                                | 562                                       | 308                   | 77                              | 947     |

Year ended December 31, 2010

|                                     | Directors' and Supervisors' fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total   |
|-------------------------------------|----------------------------------|---|-----------------------|---------------------------------|---------|
|                                     | RMB'000                          | RMB'000                                   | RMB'000               | RMB'000                         | RMB'000 |
| Directors                           |                                  |   |                       |                                 |         |
| Mr. Xu, Fenggang (Chairman) . . . . | —                                | 428                                       | 324                   | 60                              | 812     |
| Mr. Wang, Zhongqu . . . . .         | —                                | —   | —                     | —                               | —       |
| Mr. Yang, Guang . . . . .           | —                                | —   | —                     | —                               | —       |
| Mr. Qi, Zhiming . . . . .           | —                                | —   | —                     | —                               | —       |
| Ms. Ren, Mudi . . . . .             | —                                | —   | —                     | —                               | —       |
| Mr. Li, Zhongjun . . . . .          | —                                | —   | —                     | —                               | —       |
| Mr. Wang, Baozhong . . . . .        | —                                | —   | —                     | —                               | —       |
| Supervisors                         |                                  |   |                       |                                 |         |
| Mr. Wang, Longling . . . . .        | —                                | —   | —                     | —                               | —       |
| Mr. Chen, Bin . . . . .             | —                                | —   | —                     | —                               | —       |
| Mr. Jiang, Hongyuan . . . . .       | —                                | —   | —                     | —                               | —       |
| Mr. Feng, Shuchen . . . . .         | —                                | —   | —                     | —                               | —       |
|                                     | —                                | 428                                       | 324                   | 60                              | 812     |

Six months ended June 30, 2010 (unaudited)

|                                     | Directors' and Supervisors' fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total   |
|-------------------------------------|----------------------------------|---|-----------------------|---------------------------------|---------|
|                                     | RMB'000                          | RMB'000                                   | RMB'000               | RMB'000                         | RMB'000 |
| Directors                           |                                  |   |                       |                                 |         |
| Mr. Xu, Fenggang (Chairman) . . . . | —                                | 215                                       | —                     | 30                              | 245     |
| Mr. Wang, Zhongqu . . . . .         | —                                | —   | —                     | —                               | —       |
| Mr. Yang, Guang . . . . .           | —                                | —   | —                     | —                               | —       |
| Mr. Qi, Zhiming . . . . .           | —                                | —   | —                     | —                               | —       |
| Ms. Ren, Mudi . . . . .             | —                                | —   | —                     | —                               | —       |
| Mr. Li, Zhongjun . . . . .          | —                                | —   | —                     | —                               | —       |
| Mr. Wang, Baozhong . . . . .        | —                                | —   | —                     | —                               | —       |
| Supervisors                         |                                  |   |                       |                                 |         |
| Mr. Wang, Longling . . . . .        | —                                | —   | —                     | —                               | —       |
| Mr. Chen, Bin . . . . .             | —                                | —   | —                     | —                               | —       |
| Mr. Jiang, Hongyuan . . . . .       | —                                | —   | —                     | —                               | —       |
| Mr. Feng, Shuchen . . . . .         | —                                | —   | —                     | —                               | —       |
|                                     | —                                | 215                                       | —                     | 30                              | 245     |

|   | Six months ended June 30, 2011   |   |                       |                                 |              |
|---|----------------------------------|---|-----------------------|---------------------------------|--------------|
|   | Directors' and Supervisors' fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total        |
|   | RMB'000                          | RMB'000                                   | RMB'000               | RMB'000                         | RMB'000      |
| Directors   |                                  |   |                       |                                 |              |
| Mr. Zhu, Yongpeng (Chairman)<br>(Appointed in May 2011) ..... | —                                | —   | —                     | —                               | —            |
| Mr. Feng, Shuchen (Appointed in May<br>2011) .....            | —                                | —   | —                     | —                               | —            |
| Mr. Yang, Guang .....   | —                                | —   | —                     | —                               | —            |
| Mr. Ye, Weifang (Appointed in May<br>2011) .....              | —                                | 227                                       | 93                    | 42                              | 362          |
| Mr. Li, Hongyuan (Appointed in May<br>2011) .....             | —                                | 39  | —                     | 7                               | 46           |
| Ms. Wang, Hongyan (Appointed in May<br>2011) .....            | —                                | 204                                       | 92                    | 39                              | 335          |
| Mr. Xu, Fenggang (Resigned in May<br>2011) .....              | —                                | 212                                       | 97                    | 42                              | 351          |
| Mr. Wang, Zhongqu (Resigned in May<br>2011) .....             | —                                | —   | —                     | —                               | —            |
| Mr. Qi, Zhiming (Resigned in May<br>2011) .....               | —                                | —   | —                     | —                               | —            |
| Ms. Ren, Mudi (Resigned in May<br>2011) .....                 | —                                | —   | —                     | —                               | —            |
| Mr. Li, Zhongjun (Resigned in May<br>2011) .....              | —                                | —   | —                     | —                               | —            |
| Mr. Wang, Baozhong (Resigned in May<br>2011) .....            | —                                | —   | —                     | —                               | —            |
| Supervisors   |                                  |   |                       |                                 |              |
| Mr. Qiao, Baoping (Appointed in<br>May 2011) .....            | —                                | —   | —                     | —                               | —            |
| Mr. Chen, Bin .....   | —                                | —   | —                     | —                               | —            |
| Mr. Xu, Xingzhou (Appointed in<br>May 2011) .....             | —                                | —   | —                     | —                               | —            |
| Mr. Guan, Xiaochun (Appointed in May<br>2011) .....           | —                                | 224                                       | 94                    | 42                              | 360          |
| Mr. Li, Wei (Appointed in May 2011) ...                       | —                                | 110                                       | 42                    | 30                              | 182          |
| Mr. Wang, Longling (Resigned in<br>May 2011) .....            | —                                | —   | —                     | —                               | —            |
| Mr. Jiang, Hongyuan (Resigned in May<br>2011) .....           | —                                | —   | —                     | —                               | —            |
| Mr. Feng, Shuchen (Resigned in May<br>2011) .....             | —                                | —   | —                     | —                               | —            |
|   | —                                | <u>1,016</u>                              | <u>418</u>            | <u>202</u>                      | <u>1,636</u> |

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Period. No remuneration was paid to independent non-executive directors during the Track Record Period.

**8 INDIVIDUALS WITH HIGHEST EMOLUMENTS**

The number of directors and non-directors included in the five highest paid individuals for the years ended December 31, 2008, 2009 and 2010 and for the six months ended June 30, 2010 and 2011 are set forth below:

|                     | Years ended December 31, |          |          | Six months ended June 30, |          |
|---------------------|--------------------------|----------|----------|---------------------------|----------|
|                     | 2008                     | 2009     | 2010     | 2010                      | 2011     |
| Directors .....     | 1                        | 1        | 1        | (unaudited)<br>1          | 3        |
| Non-directors ..... | 4                        | 4        | 4        | 4                         | 2        |
|                     | <u>5</u>                 | <u>5</u> | <u>5</u> | <u>5</u>                  | <u>5</u> |

The emoluments of the directors are disclosed in note 7. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

|                                       | Years ended December 31, |                |                | Six months ended June 30, |                |
|---------------------------------------|--------------------------|----------------|----------------|---------------------------|----------------|
|                                       | 2008                     | 2009           | 2010           | 2010                      | 2011           |
|                                       | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>            | <i>RMB'000</i> |
|                                       |                          |                |                | (unaudited)               |                |
| Salaries and other emoluments .....   | 1,879                    | 1,602          | 1,836          | 922                       | 1,059          |
| Discretionary bonuses .....           | 947                      | 1,083          | 1,584          | —                         | 466            |
| Retirement scheme contributions ..... | 261                      | 269            | 296            | 148                       | 203            |
|                                       | <u>3,087</u>             | <u>2,954</u>   | <u>3,716</u>   | <u>1,070</u>              | <u>1,728</u>   |

The emoluments of the individuals with the highest emoluments are within the following bands:

|                            | Years ended December 31,     |                              |                              | Six months ended June 30,    |                              |
|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                            | 2008                         | 2009                         | 2010                         | 2010                         | 2011                         |
|                            | <i>Number of individuals</i> | <i>Number of individuals</i> | <i>Number of individuals</i> | <i>Number of individuals</i> | <i>Number of individuals</i> |
|                            |                              |                              |                              | (unaudited)                  |                              |
| Nil to HKD 1,000,000 ..... | 5                            | 5                            | 5                            | 5                            | 5                            |

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

**9 PROFIT ATTRIBUTABLE TO EQUITY OWNERS/SHAREHOLDERS OF THE COMPANY**

The consolidated losses attributable to equity owners/shareholders of the Company which have been dealt with in the financial statements of the Company are as follows:

|   | Years ended December 31, |                |                | Six months ended June 30, |                |
|---|--------------------------|----------------|----------------|---------------------------|----------------|
|   | 2008                     | 2009           | 2010           | 2010                      | 2011           |
|   | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>            | <i>RMB'000</i> |
|   |                          |                |                | (unaudited)               |                |
| Amount of consolidated losses attributable to equity owners/shareholders dealt with in the Company's financial statements ..... | <u>34,548</u>            | <u>40,609</u>  | <u>70,207</u>  | <u>19,279</u>             | <u>83,676</u>  |

Reconciliations of the above amount to the Company's (losses)/profit for the year/period:

|   | Years ended December 31, |                |                | Six months ended June 30, |                 |
|---|--------------------------|----------------|----------------|---------------------------|-----------------|
|   | 2008                     | 2009           | 2010           | 2010                      | 2011            |
|   | <u>RMB'000</u>           | <u>RMB'000</u> | <u>RMB'000</u> | <u>RMB'000</u>            | <u>RMB'000</u>  |
| Amount of consolidated losses attributable to equity owners/shareholders dealt with in the Company's financial statements . . . . .                       | (34,548)                 | (40,609)       | (70,207)       | (19,279)                  | (83,676)        |
| Final dividends from subsidiaries and associates attributable to the profits of the previous financial year and approved during the year/period . . . . . | 17,386                   | 43,942         | 140,743        | 1,688                     | 8,412           |
| Gain on disposal of subsidiaries and associates attributable to the profits of the previous financial year . . . . .                                      | —                        | —              | —              | —                         | 24,640          |
| Impairment losses of subsidiaries and associates . . . . .  | —                        | —              | (23,235)       | —                         | —               |
| Company's (losses)/profit for the year/period (note 33(a)) . . . . .  | <u>(17,162)</u>          | <u>3,333</u>   | <u>47,301</u>  | <u>(17,591)</u>           | <u>(50,624)</u> |

## 10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity owners/shareholders of the Company of RMB90,854,000, RMB95,545,000, RMB350,359,000, RMB57,768,000 (unaudited) and RMB181,135,000 for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2010 and 2011 respectively and the 4,850,000,000 ordinary shares in issue as at the date of the Prospectus as if the shares were outstanding throughout the entire Track Record Period.

The Company did not have any potential dilutive shares throughout the entire Track Record Period. Accordingly, diluted earnings per share are the same as the basic earnings per share.

## 11 SEGMENT REPORTING

The Group manages its businesses by subsidiaries, which are organized by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2010 and 2011:

- Environmental protection segment: this segment provides environmental protection products and services which mainly consists of sulphur oxide control technologies, nitrogen oxide control technologies, rental of desulfurization facilities, ash removal with filter bag, water treatment related technologies and products.
- Energy conservation solutions segment: this segment provides energy saving products and services which mainly consists of plasma ignition and micro-oil ignition equipment and gas turbine improvement services.

- Wind power products and services segment: this segment produces and sells wind turbine and its components, provides related system solutions and services to wind power operators, and operates a wind farm for the research and development of wind turbine.
- Solar power products and services segment: this segment produces and sells solar cells, solar modules and other solar products and provides related system solutions and services to solar power operators.

The Group combined other business activities that are not reportable in “All others”. Revenue included in this category is mainly from biomass power generation and other electric power related products.

**(a) Segment results, assets and liabilities**

For the purposes of assessing segment performance and allocating resources between segments, the Group’s senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets with the exception of investments in associates, unquoted equity investments, tax recoverable, deferred tax assets and other corporate assets. Segment liabilities include all liabilities with the exception of tax payables and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is the gross profit. In addition to receiving segment information concerning the gross profit, management is also provided with segment information concerning depreciation and amortization, interest income, finance costs, impairment of assets and additions to segment non-current assets.



Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2008, 2009 and 2010 and for the six months ended June 30, 2010 and 2011 is set out below:

|   | Year ended December 31, 2008 |                               |                                  |                                   |                         |                          |
|---|------------------------------|-------------------------------|----------------------------------|-----------------------------------|-------------------------|--------------------------|
|   | Environmental protection     | Energy conservation solutions | Wind power products and services | Solar power products and services | All others              | Total                    |
|   | <i>RMB'000</i>               | <i>RMB'000</i>                | <i>RMB'000</i>                   | <i>RMB'000</i>                    | <i>RMB'000</i>          | <i>RMB'000</i>           |
| Revenue from external customers .....                                     | 2,958,538                    | 572,972                       | 33,484                           | —                                 | 401,154                 | 3,966,148                |
| Inter-segment revenue .....   | 3,400                        | —                             | —                                | —                                 | —                       | 3,400                    |
| <b>Reportable segment revenue ..</b>                                      | <b><u>2,961,938</u></b>      | <b><u>572,972</u></b>         | <b><u>33,484</u></b>             | <b><u>—</u></b>                   | <b><u>401,154</u></b>   | <b><u>3,969,548</u></b>  |
| <b>Reportable segment profit (gross profit) .....</b>                     | <b><u>386,886</u></b>        | <b><u>202,518</u></b>         | <b><u>5,499</u></b>              | <b><u>—</u></b>                   | <b><u>61,094</u></b>    | <b><u>655,997</u></b>    |
| Depreciation and amortization ...   | 28,148                       | 4,332                         | 12,775                           | 24                                | 3,137                   | 48,416                   |
| Impairment of trade and other receivables .....                           | 3,931                        | 2,196                         | —                                | —                                 | 5,682                   | 11,809                   |
| Interest income .....   | 7,026                        | 1,042                         | 1,848                            | —                                 | 4,316                   | 14,232                   |
| Finance costs .....   | 13,495                       | 698                           | 12,978                           | —                                 | 1,672                   | 28,843                   |
| <b>Reportable segment assets .....</b>                                    | <b><u>3,899,611</u></b>      | <b><u>712,057</u></b>         | <b><u>1,481,891</u></b>          | <b><u>70,396</u></b>              | <b><u>811,105</u></b>   | <b><u>6,975,060</u></b>  |
| Additions to reportable segment non-current assets during the year .....  | 428,705                      | 24,292                        | 217,897                          | 27,496                            | 46,096                  | 744,486                  |
| <b>Reportable segment liabilities .....</b>                               | <b><u>2,834,772</u></b>      | <b><u>329,618</u></b>         | <b><u>1,290,727</u></b>          | <b><u>6,435</u></b>               | <b><u>615,620</u></b>   | <b><u>5,077,172</u></b>  |
|   | Year ended December 31, 2009 |                               |                                  |                                   |                         |                          |
|   | Environmental protection     | Energy conservation solutions | Wind power products and services | Solar power products and services | All others              | Total                    |
|   | <i>RMB'000</i>               | <i>RMB'000</i>                | <i>RMB'000</i>                   | <i>RMB'000</i>                    | <i>RMB'000</i>          | <i>RMB'000</i>           |
| Revenue from external customers .....                                     | 2,751,468                    | 717,463                       | 1,580,104                        | 101,525                           | 199,091                 | 5,349,651                |
| Inter-segment revenue .....   | 20,495                       | —                             | —                                | —                                 | 18,654                  | 39,149                   |
| <b>Reportable segment revenue ..</b>                                      | <b><u>2,771,963</u></b>      | <b><u>717,463</u></b>         | <b><u>1,580,104</u></b>          | <b><u>101,525</u></b>             | <b><u>217,745</u></b>   | <b><u>5,388,800</u></b>  |
| <b>Reportable segment profit (gross profit) .....</b>                     | <b><u>349,201</u></b>        | <b><u>227,894</u></b>         | <b><u>270,252</u></b>            | <b><u>16,408</u></b>              | <b><u>54,547</u></b>    | <b><u>918,302</u></b>    |
| Depreciation and amortization ...   | 61,690                       | 6,092                         | 28,934                           | 2,655                             | 14,414                  | 113,785                  |
| (Reversal of impairment)/ impairment of trade and other receivables ..... | (115)                        | 2,601                         | —                                | —                                 | 3,356                   | 5,842                    |
| Interest income .....   | 3,327                        | 944                           | 9,207                            | 42                                | 4,550                   | 18,070                   |
| Finance costs .....   | 25,240                       | —                             | 57,239                           | 348                               | 11,697                  | 94,524                   |
| <b>Reportable segment assets .....</b>                                    | <b><u>4,829,327</u></b>      | <b><u>629,536</u></b>         | <b><u>6,642,869</u></b>          | <b><u>1,295,864</u></b>           | <b><u>1,595,054</u></b> | <b><u>14,992,650</u></b> |
| Additions to reportable segment non-current assets during the year .....  | 549,050                      | 23,936                        | 628,155                          | 620,844                           | 1,049,834               | 2,871,819                |
| <b>Reportable segment liabilities .....</b>                               | <b><u>3,636,743</u></b>      | <b><u>266,445</u></b>         | <b><u>6,011,411</u></b>          | <b><u>590,508</u></b>             | <b><u>1,351,132</u></b> | <b><u>11,856,239</u></b> |

## APPENDIX I

## ACCOUNTANTS' REPORT

|  | Year ended December 31, 2010               |                               |                                  |                                   |                       |                          |
|--|--|-------------------------------|----------------------------------|-----------------------------------|-----------------------|--------------------------|
|  | Environmental protection                   | Energy conservation solutions | Wind power products and services | Solar power products and services | All others            | Total                    |
|  | <i>RMB'000</i>                             | <i>RMB'000</i>                | <i>RMB'000</i>                   | <i>RMB'000</i>                    | <i>RMB'000</i>        | <i>RMB'000</i>           |
| Revenue from external customers .....                                    | 3,093,618                                  | 720,128                       | 5,807,553                        | 1,253,121                         | 124,488               | 10,998,908               |
| Inter-segment revenue .....  | 160,128                                    | —                             | —                                | —                                 | —                     | 160,128                  |
| <b>Reportable segment revenue .....</b>                                  | <b><u>3,253,746</u></b>                    | <b><u>720,128</u></b>         | <b><u>5,807,553</u></b>          | <b><u>1,253,121</u></b>           | <b><u>124,488</u></b> | <b><u>11,159,036</u></b> |
| <b>Reportable segment profit (gross profit) .....</b>                    | <b><u>455,251</u></b>                      | <b><u>231,639</u></b>         | <b><u>1,000,428</u></b>          | <b><u>124,344</u></b>             | <b><u>23,550</u></b>  | <b><u>1,835,212</u></b>  |
| Depreciation and amortization .....                                      | 132,567                                    | 6,808                         | 65,778                           | 14,734                            | 18,031                | 237,918                  |
| Impairment of trade and other receivables .....                          | 2,076                                      | 4,670                         | —                                | 793                               | 5,915                 | 13,454                   |
| Interest income .....  | 5,909                                      | 8,870                         | 8,492                            | 1,339                             | 1,169                 | 25,779                   |
| Finance costs .....  | 23,156                                     | —                             | 102,411                          | 9,515                             | 13,954                | 149,036                  |
| <b>Reportable segment assets .....</b>                                   | <b>6,706,991</b>                           | <b>2,051,877</b>              | <b>14,342,368</b>                | <b>5,711,983</b>                  | <b>1,957,156</b>      | <b>30,770,375</b>        |
| Additions to reportable segment non-current assets during the year ..... | 1,348,614                                  | 15,746                        | 996,460                          | 3,096,361                         | 408,638               | 5,865,819                |
| <b>Reportable segment liabilities .....</b>                              | <b>5,413,012</b>                           | <b>347,913</b>                | <b>12,962,139</b>                | <b>4,602,828</b>                  | <b>924,198</b>        | <b>24,250,090</b>        |
|  | Six months ended June 30, 2010 (unaudited) |                               |                                  |                                   |                       |                          |
|  | Environmental protection                   | Energy conservation solutions | Wind power products and services | Solar power products and services | All others            | Total                    |
|  | <i>RMB'000</i>                             | <i>RMB'000</i>                | <i>RMB'000</i>                   | <i>RMB'000</i>                    | <i>RMB'000</i>        | <i>RMB'000</i>           |
|  | <i>RMB'000</i>                             | <i>RMB'000</i>                | <i>RMB'000</i>                   | <i>RMB'000</i>                    | <i>RMB'000</i>        | <i>RMB'000</i>           |
| Revenue from external customers .....                                    | 1,200,826                                  | 290,128                       | 1,867,435                        | 282,857                           | 40,619                | 3,681,865                |
| Inter-segment revenue .....  | 36,694                                     | —                             | —                                | —                                 | 1,824                 | 38,518                   |
| <b>Reportable segment revenue .....</b>                                  | <b><u>1,237,520</u></b>                    | <b><u>290,128</u></b>         | <b><u>1,867,435</u></b>          | <b><u>282,857</u></b>             | <b><u>42,443</u></b>  | <b><u>3,720,383</u></b>  |
| <b>Reportable segment profit (gross profit) .....</b>                    | <b><u>153,875</u></b>                      | <b><u>107,558</u></b>         | <b><u>353,224</u></b>            | <b><u>19,613</u></b>              | <b><u>8,013</u></b>   | <b><u>642,283</u></b>    |
| Depreciation and amortization .....                                      | 37,553                                     | 3,814                         | 29,246                           | 4,842                             | 7,048                 | 82,503                   |
| Impairment of trade and other receivables .....                          | —  | 1,982                         | —                                | —                                 | 87                    | 2,069                    |
| Interest income .....  | 2,313                                      | 612                           | 3,147                            | 343                               | 1,605                 | 8,020                    |
| Finance costs .....  | 14,577                                     | —                             | 57,788                           | 7,245                             | 6,817                 | 86,427                   |

## APPENDIX I

## ACCOUNTANTS' REPORT

|  | Six months ended June 30, 2011 |                               |                                  |                                   |                       |                         |
|--|--------------------------------|-------------------------------|----------------------------------|-----------------------------------|-----------------------|-------------------------|
|  | Environmental protection       | Energy conservation solutions | Wind power products and services | Solar power products and services | All others            | Total                   |
|  | <i>RMB'000</i>                 | <i>RMB'000</i>                | <i>RMB'000</i>                   | <i>RMB'000</i>                    | <i>RMB'000</i>        | <i>RMB'000</i>          |
| Revenue from external customers .....                                      | 1,721,513                      | 272,366                       | 3,463,403                        | 1,233,064                         | 84,246                | 6,774,592               |
| Inter-segment revenue .....  | 43,219                         | —                             | —                                | —                                 | 22,232                | 65,451                  |
| <b>Reportable segment revenue .....</b>                                    | <b><u>1,764,732</u></b>        | <b><u>272,366</u></b>         | <b><u>3,463,403</u></b>          | <b><u>1,233,064</u></b>           | <b><u>106,478</u></b> | <b><u>6,840,043</u></b> |
| <b>Reportable segment profit (gross profit) .....</b>                      | <b><u>305,077</u></b>          | <b><u>101,003</u></b>         | <b><u>601,508</u></b>            | <b><u>45,755</u></b>              | <b><u>43,968</u></b>  | <b><u>1,097,311</u></b> |
| Depreciation and amortization .....  | 97,812                         | 4,659                         | 56,235                           | 43,699                            | 7,596                 | 210,001                 |
| Impairment of trade and other receivables .....                            | —                              | 3,661                         | —                                | 2,872                             | 6,560                 | 13,093                  |
| Interest income .....  | 4,839                          | 12,712                        | 9,569                            | 680                               | 7                     | 27,807                  |
| Finance costs .....  | 23,074                         | —                             | 103,778                          | 32,217                            | 10,778                | 169,847                 |
| <b>Reportable segment assets .....</b>                                     | <b>8,700,473</b>               | <b>2,069,434</b>              | <b>16,759,264</b>                | <b>7,235,104</b>                  | <b>1,654,233</b>      | <b>36,418,508</b>       |
| Additions to reportable segment non-current assets during the period ..... | 918,230                        | 10,738                        | 426,688                          | 790,824                           | 5,931                 | 2,152,411               |
| <b>Reportable segment liabilities .....</b>                                | <b>6,197,008</b>               | <b>365,902</b>                | <b>15,145,835</b>                | <b>5,709,158</b>                  | <b>481,224</b>        | <b>27,899,127</b>       |

## (b) Reconciliations of reportable segment revenues, gross profit, assets and liabilities

|   | Years ended December 31, |                  |                   | Six months ended June 30,     |                  |
|---|--------------------------|------------------|-------------------|-------------------------------|------------------|
|   | 2008                     | 2009             | 2010              | 2010                          | 2011             |
|   | <i>RMB'000</i>           | <i>RMB'000</i>   | <i>RMB'000</i>    | <i>RMB'000</i><br>(unaudited) | <i>RMB'000</i>   |
| <b>Revenue</b>                            |                          |                  |                   |                               |                  |
| Reportable segment revenue .....          | 3,969,548                | 5,388,800        | 11,159,036        | 3,720,383                     | 6,840,043        |
| Elimination of inter-segment revenue ..   | (3,400)                  | (39,149)         | (160,128)         | (38,518)                      | (65,451)         |
| Consolidated revenue .....                | <u>3,966,148</u>         | <u>5,349,651</u> | <u>10,998,908</u> | <u>3,681,865</u>              | <u>6,774,592</u> |
| <b>Gross Profit</b>                       |                          |                  |                   |                               |                  |
| Reportable segment profit .....           | 655,997                  | 918,302          | 1,835,212         | 642,283                       | 1,097,311        |
| Elimination of inter-segment profit ..... | —                        | (7,299)          | 23,615            | 5,891                         | (11,135)         |
| Consolidated gross profit .....           | <u>655,997</u>           | <u>911,003</u>   | <u>1,858,827</u>  | <u>648,174</u>                | <u>1,086,176</u> |

|   | Years ended December 31, |                   |                   | June 30,          |
|---|--------------------------|-------------------|-------------------|-------------------|
|   | 2008                     | 2009              | 2010              | 2011              |
|   | <i>RMB'000</i>           | <i>RMB'000</i>    | <i>RMB'000</i>    | <i>RMB'000</i>    |
| <b>Assets</b>   |                          |                   |                   |                   |
| Reportable segment assets .....                         | 6,975,060                | 14,992,650        | 30,770,375        | 36,418,508        |
| Inter-segment elimination .....                         | (10,650)                 | (437,239)         | (516,352)         | (1,052,479)       |
|   | <u>6,964,410</u>         | <u>14,555,411</u> | <u>30,254,023</u> | <u>35,366,029</u> |
| Investments in associates .....                         | 177,404                  | 189,246           | 209,730           | 323,503           |
| Unquoted equity investments .....                       | 7,330                    | 6,988             | 74,988            | 77,717            |
| Tax recoverable .....                                   | 21,916                   | 22,855            | 149,787           | 155,993           |
| Deferred tax assets .....                               | 26,289                   | 55,129            | 97,649            | 151,248           |
| Unallocated head office and corporate assets ...        | 270,079                  | 1,076,062         | 1,682,183         | 1,183,187         |
| Consolidated total assets .....                         | <u>7,467,428</u>         | <u>15,905,691</u> | <u>32,468,360</u> | <u>37,257,677</u> |
| <b>Liabilities</b>                                      |                          |                   |                   |                   |
| Reportable segment liabilities .....                    | 5,077,172                | 11,856,239        | 24,250,090        | 27,899,127        |
| Inter-segment elimination .....                         | (30,182)                 | (366,806)         | (483,171)         | (759,183)         |
|   | <u>5,046,990</u>         | <u>11,489,433</u> | <u>23,766,919</u> | <u>27,139,944</u> |
| Income tax payable .....                                | 75,292                   | 86,986            | 157,922           | 113,622           |
| Unallocated head office and corporate liabilities ..... | 72,161                   | 1,249,347         | 443,488           | 1,752,096         |
| Consolidated total liabilities .....                    | <u>5,194,443</u>         | <u>12,825,766</u> | <u>24,368,329</u> | <u>29,005,662</u> |

**(c) Geographical information**

The Group did not have significant business operations outside the PRC, therefore no geographic segment information is presented.

**(d) Major customers**

Revenue from Guodian and related parties under Guodian amounted to RMB1,834,963,000, RMB3,021,111,000, RMB5,876,405,000, RMB2,501,282,000 (unaudited) and RMB4,002,250,000 for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2010 and 2011, respectively.

**(e) Seasonality of operations**

The Group's wind power products and services segment is subject to seasonal fluctuation. In general, customers of this segment are located primarily in the northern part of China, where, due to weather conditions, the construction of wind farms tends to commence during the second quarter of a calendar year. Delivery of wind turbines, therefore, tends to occur during the third and fourth quarters of a calendar year. Consequently, revenue in the third and the fourth quarters are generally greater than in the first and second quarters in this segment.

## 12 PROPERTY, PLANT AND EQUIPMENT

## The Group

|  | Land,<br>buildings and<br>structures | Machinery<br>and<br>equipment | Motor<br>vehicles | Furniture,<br>fixtures<br>and others | Construction<br>in progress | Total             |
|--|--------------------------------------|-------------------------------|-------------------|--------------------------------------|-----------------------------|-------------------|
|  | <u>RMB'000</u>                       | <u>RMB'000</u>                | <u>RMB'000</u>    | <u>RMB'000</u>                       | <u>RMB'000</u>              | <u>RMB'000</u>    |
| <b>Cost:</b>   |                                      |                               |                   |                                      |                             |                   |
| At January 1, 2008 . . . . .                               | 252,900                              | 44,334                        | 38,784            | 34,854                               | 300,416                     | 671,288           |
| Additions . . . . .  | 58,604                               | 203,956                       | 13,705            | 7,764                                | 319,601                     | 603,630           |
| Transfer from construction in<br>progress . . . . .        | 228,175                              | 223,980                       | —                 | —                                    | (452,155)                   | —                 |
| Disposals . . . . .  | (236)                                | (3,596)                       | (687)             | (872)                                | —                           | (5,391)           |
| At December 31, 2008 . . . . .                             | <u>539,443</u>                       | <u>468,674</u>                | <u>51,802</u>     | <u>41,746</u>                        | <u>167,862</u>              | <u>1,269,527</u>  |
| Additions . . . . .  | 11,117                               | 262,768                       | 27,019            | 5,530                                | 3,105,399                   | 3,411,833         |
| Additions through business<br>combinations (note 38) . . . | 56,381                               | 26,560                        | 1,154             | 619                                  | 23,988                      | 108,702           |
| Transfer from construction in<br>progress . . . . .        | 222,970                              | 155,722                       | —                 | —                                    | (378,692)                   | —                 |
| Disposals . . . . .  | —                                    | (4,157)                       | (1,808)           | (2,367)                              | —                           | (8,332)           |
| At December 31, 2009 . . . . .                             | <u>829,911</u>                       | <u>909,567</u>                | <u>78,167</u>     | <u>45,528</u>                        | <u>2,918,557</u>            | <u>4,781,730</u>  |
| Additions . . . . .  | 113,111                              | 765,426                       | 56,489            | 40,971                               | 4,296,472                   | 5,272,469         |
| Transfer from construction in<br>progress . . . . .        | 2,038,181                            | 534,730                       | —                 | 85,239                               | (2,658,150)                 | —                 |
| Transfer to investment<br>properties (note 13) . . . . .   | (145,704)                            | —                             | —                 | —                                    | —                           | (145,704)         |
| Disposals . . . . .  | —                                    | (2,170)                       | (3,029)           | (2,126)                              | —                           | (7,325)           |
| At December 31, 2010 . . . . .                             | <u>2,835,499</u>                     | <u>2,207,553</u>              | <u>131,627</u>    | <u>169,612</u>                       | <u>4,556,879</u>            | <u>9,901,170</u>  |
| Additions . . . . .  | 1,120                                | 136,982                       | 974               | 25,522                               | 1,917,510                   | 2,082,108         |
| Transfer from construction in<br>progress . . . . .        | 773,498                              | 1,877,707                     | —                 | 152                                  | (2,651,357)                 | —                 |
| Transfer to investment<br>properties (note 13) . . . . .   | (106,052)                            | —                             | —                 | —                                    | —                           | (106,052)         |
| Disposal of subsidiaries<br>(note 38(c)) . . . . .         | (178,088)                            | (575,837)                     | (21,710)          | (12,234)                             | (309,360)                   | (1,097,229)       |
| Disposals . . . . .  | —                                    | (1,192)                       | (877)             | (327)                                | —                           | (2,396)           |
| At June 30, 2011 . . . . .                                 | <u>3,325,977</u>                     | <u>3,645,213</u>              | <u>110,014</u>    | <u>182,725</u>                       | <u>3,513,672</u>            | <u>10,777,601</u> |

## APPENDIX I

## ACCOUNTANTS' REPORT

|  | Land,<br>buildings and<br>structures | Machinery<br>and<br>equipment | Motor<br>vehicles | Furniture,<br>fixtures<br>and others | Construction<br>in progress | Total          |
|--|--------------------------------------|-------------------------------|-------------------|--------------------------------------|-----------------------------|----------------|
|  | <i>RMB'000</i>                       | <i>RMB'000</i>                | <i>RMB'000</i>    | <i>RMB'000</i>                       | <i>RMB'000</i>              | <i>RMB'000</i> |
| <b>Accumulated depreciation:</b>                         |                                      |                               |                   |                                      |                             |                |
| At January 1, 2008 . . . . .                             | 8,437                                | 30,178                        | 17,632            | 10,256                               | —                           | 66,503         |
| Depreciation charge for the<br>year . . . . .            | 10,948                               | 14,192                        | 7,773             | 4,469                                | —                           | 37,382         |
| Written back on disposal . . .                           | (107)                                | (3,396)                       | (404)             | (743)                                | —                           | (4,650)        |
| At December 31, 2008 . . . .                             | 19,278                               | 40,974                        | 25,001            | 13,982                               | —                           | 99,235         |
| Depreciation charge for the<br>year . . . . .            | 22,647                               | 64,169                        | 5,883             | 6,712                                | —                           | 99,411         |
| Written back on disposal . . .                           | —                                    | (2,228)                       | (1,125)           | (417)                                | —                           | (3,770)        |
| At December 31, 2009 . . . .                             | 41,925                               | 102,915                       | 29,759            | 20,277                               | —                           | 194,876        |
| Depreciation charge for the<br>year . . . . .            | 39,985                               | 148,224                       | 14,819            | 17,283                               | —                           | 220,311        |
| Transfer to investment<br>properties (note 13) . . . . . | (606)                                | —                             | —                 | —                                    | —                           | (606)          |
| Written back on disposal . . .                           | —                                    | (1,842)                       | (2,258)           | (1,922)                              | —                           | (6,022)        |
| At December 31, 2010 . . . .                             | 81,304                               | 249,297                       | 42,320            | 35,638                               | —                           | 408,559        |
| Depreciation charge for the<br>period . . . . .          | 63,161                               | 143,797                       | 8,052             | 12,801                               | —                           | 227,811        |
| Transfer to investment<br>properties (note 13) . . . . . | (7,887)                              | —                             | —                 | —                                    | —                           | (7,887)        |
| Disposal of subsidiaries<br>(note 38(c)) . . . . .       | (15,508)                             | (51,111)                      | (6,826)           | (1,721)                              | —                           | (75,166)       |
| Written back on disposal . . .                           | —                                    | (357)                         | (762)             | (312)                                | —                           | (1,431)        |
| At June 30, 2011 . . . . .                               | 121,070                              | 341,626                       | 42,784            | 46,406                               | —                           | 551,886        |
| <b>Net book value:</b>                                   |                                      |                               |                   |                                      |                             |                |
| At December 31, 2008 . . . .                             | 520,165                              | 427,700                       | 26,801            | 27,764                               | 167,862                     | 1,170,292      |
| At December 31, 2009 . . . .                             | 787,986                              | 806,652                       | 48,408            | 25,251                               | 2,918,557                   | 4,586,854      |
| At December 31, 2010 . . . .                             | 2,754,195                            | 1,958,256                     | 89,307            | 133,974                              | 4,556,879                   | 9,492,611      |
| At June 30, 2011 . . . . .                               | 3,204,907                            | 3,303,587                     | 67,230            | 136,319                              | 3,513,672                   | 10,225,715     |

## The Company

|  | Land,<br>buildings and<br>structures | Motor<br>vehicles | Furniture,<br>fixtures<br>and others | Construction<br>in progress | Total          |
|--|--------------------------------------|-------------------|--------------------------------------|-----------------------------|----------------|
|  | <u>RMB'000</u>                       | <u>RMB'000</u>    | <u>RMB'000</u>                       | <u>RMB'000</u>              | <u>RMB'000</u> |
| <b>Cost:</b>   |                                      |                   |                                      |                             |                |
| At January 1, 2008 .....                             | —                                    | 1,988             | 1,516                                | —                           | 3,504          |
| Additions .....                                      | —                                    | 367               | 339                                  | —                           | 706            |
| At December 31, 2008 .....                           | —                                    | 2,355             | 1,855                                | —                           | 4,210          |
| Additions .....                                      | —                                    | 676               | 326                                  | 1,515,079                   | 1,516,081      |
| At December 31, 2009 .....                           | —                                    | 3,031             | 2,181                                | 1,515,079                   | 1,520,291      |
| Additions .....                                      | —                                    | 4,471             | 1,060                                | 317,277                     | 322,808        |
| Transfer from construction in progress ...           | 1,651,983                            | —                 | 84,448                               | (1,736,431)                 | —              |
| Transfer to investment properties<br>(note 13) ..... | (859,533)                            | —                 | —                                    | —                           | (859,533)      |
| At December 31, 2010 .....                           | 792,450                              | 7,502             | 87,689                               | 95,925                      | 983,566        |
| Additions .....                                      | —                                    | 2,297             | 340                                  | 281,957                     | 284,594        |
| Transfer from construction in progress ...           | 13,378                               | —                 | —                                    | (13,378)                    | —              |
| At June 30, 2011 .....                               | 805,828                              | 9,799             | 88,029                               | 364,504                     | 1,268,160      |
| <b>Accumulated depreciation:</b>                     |                                      |                   |                                      |                             |                |
| At January 1, 2008 .....                             | —                                    | 619               | 300                                  | —                           | 919            |
| Depreciation charge for the year .....               | —                                    | 381               | 311                                  | —                           | 692            |
| At December 31, 2008 .....                           | —                                    | 1,000             | 611                                  | —                           | 1,611          |
| Depreciation charge for the year .....               | —                                    | 408               | 380                                  | —                           | 788            |
| At December 31, 2009 .....                           | —                                    | 1,408             | 991                                  | —                           | 2,399          |
| Depreciation charge for the year .....               | —                                    | 755               | 443                                  | —                           | 1,198          |
| At December 31, 2010 .....                           | —                                    | 2,163             | 1,434                                | —                           | 3,597          |
| Depreciation charge for the period .....             | 10,036                               | 675               | 4,514                                | —                           | 15,225         |
| At June 30, 2011 .....                               | 10,036                               | 2,838             | 5,948                                | —                           | 18,822         |
| <b>Net book value:</b>                               |                                      |                   |                                      |                             |                |
| At December 31, 2008 .....                           | —                                    | 1,355             | 1,244                                | —                           | 2,599          |
| At December 31, 2009 .....                           | —                                    | 1,623             | 1,190                                | 1,515,079                   | 1,517,892      |
| At December 31, 2010 .....                           | 792,450                              | 5,339             | 86,255                               | 95,925                      | 979,969        |
| At June 30, 2011 .....                               | 795,792                              | 6,961             | 82,081                               | 364,504                     | 1,249,338      |

*Notes:*

- (i) The Group's and the Company's property, plants and buildings are all located in the PRC.
- (ii) Certain of the Group's interest-bearing bank and other borrowings were secured by certain of the Group's buildings (including investment properties) and machinery (see note 26), which had an aggregate net book value of RMB25,170,000, RMB49,971,000, RMB27,170,000 and RMB16,108,000 as at December 31, 2008, 2009 and 2010 and June 30, 2011 respectively.
- (iii) As at the date of this report, the Group is in the process of applying for the ownership certificates for certain of its properties. The aggregate carrying value of such properties of the Group as at June 30, 2011 was approximately RMB178,527,000. The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.
- (iv) The Group leases out a number of items of machinery and equipment to power plants under operating leases, details of the lease arrangements are set out in note 37 (a)(i). The aggregate net book value of these assets as at December 31, 2008, 2009 and 2010 and June 30, 2011 amounted to RMB222,916,000, RMB453,806,000, RMB1,188,037,000 and RMB1,783,837,000 respectively.

## 13 INVESTMENT PROPERTIES

## The Group

|   | At December 31, |                |                | At June 30,    |
|---|-----------------|----------------|----------------|----------------|
|   | 2008            | 2009           | 2010           | 2011           |
|   | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| <b>Cost:</b>  |                 |                |                |                |
| At January 1 .....  | 16,870          | 16,870         | 16,870         | 162,574        |
| Additions .....   | —               | —              | —              | 590            |
| Transfer from property, plant and equipment (note 12) ..... | —               | —              | 145,704        | 106,052        |
| At the end of the year/period .....                         | <u>16,870</u>   | <u>16,870</u>  | <u>162,574</u> | <u>269,216</u> |
| <b>Accumulated depreciation:</b>                            |                 |                |                |                |
| At January 1 .....  | 755             | 1,438          | 2,152          | 3,426          |
| Charge for the year/period .....                            | 683             | 714            | 668            | 3,145          |
| Transfer from property, plant and equipment (note 12) ..... | —               | —              | 606            | 7,887          |
| At the end of the year/period .....                         | <u>1,438</u>    | <u>2,152</u>   | <u>3,426</u>   | <u>14,458</u>  |
| <b>Net book value</b> .....                                 | <u>15,432</u>   | <u>14,718</u>  | <u>159,148</u> | <u>254,758</u> |

## The Company

|   | At December 31, |                | At June 30,    |
|---|-----------------|----------------|----------------|
|   | 2010            |                | 2011           |
|   | <i>RMB'000</i>  |                | <i>RMB'000</i> |
| <b>Cost:</b>  |                 |                |                |
| At January 1 .....  |                 | —              | 859,533        |
| Transfer from property, plant and equipment (note 12) ..... |                 | 859,533        | —              |
| At the end of the year/period .....                         |                 | <u>859,533</u> | <u>859,533</u> |
| <b>Accumulated depreciation:</b>                            |                 |                |                |
| At January 1 .....  |                 | —              | —              |
| Depreciation charge for the year/period .....               |                 | —              | 13,976         |
| At the end of the year/period .....                         |                 | <u>—</u>       | <u>13,976</u>  |
| <b>Net book value</b> .....                                 |                 | <u>859,533</u> | <u>845,557</u> |

All the investment properties owned by the Group and the Company are located in the PRC.

According to the Property Valuation Report issued by Jones Lang LaSalle Sallmanns Limited, a firm of independent qualified valuer in the PRC, on November 5, 2011, the fair value of the Group's investment properties as at December 31, 2008, 2009 and 2010 and June 30, 2011 are RMB30,337,000, RMB30,288,000, RMB253,537,000 and RMB453,862,000, respectively.

**(a) Investment properties leased out under operating lease**

The Group and the Company lease out investment properties under operating leases. The leases typically run for an initial period of 3 to 5 years, with an option to renew the lease after that date at which time all terms are re-negotiated. Lease payments are usually adjusted upon the expiry of lease terms to reflect market rentals. None of the leases includes contingent rentals.



The Group's and the Company's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

**The Group**

|                                       | At December 31, |                |                | At June 30,    |
|---------------------------------------|-----------------|----------------|----------------|----------------|
|                                       | 2008            | 2009           | 2010           | 2011           |
|                                       | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 1 year .....                   | 1,762           | 1,848          | 11,288         | 16,697         |
| After 1 year but within 5 years ..... | 2,264           | 986            | 5,327          | 19,574         |
|                                       | <u>4,026</u>    | <u>2,834</u>   | <u>16,615</u>  | <u>36,271</u>  |

**The Company**

|                     | At December 31, | At June 30,    |
|---------------------|-----------------|----------------|
|                     | 2010            | 2011           |
|                     | <i>RMB'000</i>  | <i>RMB'000</i> |
| Within 1 year ..... | <u>7,467</u>    | <u>7,467</u>   |

**14 LEASE PREPAYMENTS****The Group**

|  | At December 31, |                |                | At June 30,    |
|--|-----------------|----------------|----------------|----------------|
|  | 2008            | 2009           | 2010           | 2011           |
|  | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| <b>Cost:</b>   |                 |                |                |                |
| At January 1 .....   | 49,322          | 175,057        | 240,145        | 564,060        |
| Additions .....  | 125,735         | 51,664         | 323,915        | 42,488         |
| Additions through business combinations (note 38(a)) ..... | —               | 13,424         | —              | —              |
| Disposal of subsidiaries (note 38(c)) .....                | —               | —              | —              | (39,500)       |
| At the end of the year/period .....                        | <u>175,057</u>  | <u>240,145</u> | <u>564,060</u> | <u>567,048</u> |
| <b>Accumulated amortization:</b>                           |                 |                |                |                |
| At January 1 .....   | 808             | 2,575          | 5,910          | 10,373         |
| Amortization for the year/period .....                     | 1,767           | 3,335          | 4,463          | 5,422          |
| Disposal of subsidiaries (note 38(c)) .....                | —               | —              | —              | (1,824)        |
| At the end of the year/period .....                        | <u>2,575</u>    | <u>5,910</u>   | <u>10,373</u>  | <u>13,971</u>  |
| <b>Net book value</b> .....                                | <u>172,482</u>  | <u>234,235</u> | <u>553,687</u> | <u>553,077</u> |

Lease prepayments mainly represent prepayments for rights to use land, which is all located in the PRC, for own use properties with lease period of 25 to 50 years. There were no unpaid lease prepayments as at June 30, 2011.

As at the date of this report, the Group was in the process of applying for registration of the ownership certificates for certain of its land use rights. The aggregate carrying value of such land use rights of the Group as at June 30, 2011 was approximately RMB6,853,000. The directors are of the opinion that the Group is entitled to lawfully occupy or use these land.

Certain of the Group's interest-bearing bank and other borrowings were secured by certain of the Group's lease prepayments (see note 26), which had an aggregate net book value of RMB7,290,000, RMB37,133,000, RMB6,975,000 as at December 31, 2008, 2009 and 2010 respectively.

## 15 INTANGIBLE ASSETS

## The Group

|  | Concession<br>assets | Technical<br>know-how | Development<br>costs | Software<br>and others | Total          |
|--|----------------------|-----------------------|----------------------|------------------------|----------------|
|  | <u>RMB'000</u>       | <u>RMB'000</u>        | <u>RMB'000</u>       | <u>RMB'000</u>         | <u>RMB'000</u> |
| <b>Cost:</b>   |                      |                       |                      |                        |                |
| At January 1, 2008                                   | 50,710               | 37,528                | —                    | 5,272                  | 93,510         |
| Additions  | 5,090                | 9,826                 | —                    | 937                    | 15,853         |
| At December 31, 2008                                 | 55,800               | 47,354                | —                    | 6,209                  | 109,363        |
| Additions  | 144,665              | 45,468                | 4,556                | 5,892                  | 200,581        |
| Additions through business combinations<br>(note 38) | —                    | 9,229                 | —                    | —                      | 9,229          |
| At December 31, 2009                                 | 200,465              | 102,051               | 4,556                | 12,101                 | 319,173        |
| Additions  | 262,560              | 55,508                | 27,468               | 5,446                  | 350,982        |
| At December 31, 2010                                 | 463,025              | 157,559               | 32,024               | 17,547                 | 670,155        |
| Additions  | 8,463                | 209                   | 30,238               | 1,982                  | 40,892         |
| Disposal of subsidiaries (note 38(c))                | —                    | (588)                 | —                    | (826)                  | (1,414)        |
| At June 30, 2011                                     | 471,488              | 157,180               | 62,262               | 18,703                 | 709,633        |
| <b>Accumulated amortization:</b>                     |                      |                       |                      |                        |                |
| At January 1, 2008                                   | 3,306                | 5,304                 | —                    | 232                    | 8,842          |
| Amortization charge for the year                     | 1,532                | 7,371                 | —                    | 931                    | 9,834          |
| At December 31, 2008                                 | 4,838                | 12,675                | —                    | 1,163                  | 18,676         |
| Amortization charge for the year                     | 1,332                | 8,361                 | —                    | 1,123                  | 10,816         |
| At December 31, 2009                                 | 6,170                | 21,036                | —                    | 2,286                  | 29,492         |
| Amortization charge for the year                     | 4,362                | 7,608                 | 548                  | 1,374                  | 13,892         |
| At December 31, 2010                                 | 10,532               | 28,644                | 548                  | 3,660                  | 43,384         |
| Amortization charge for the period                   | 2,263                | 3,691                 | 659                  | 1,379                  | 7,992          |
| Disposal of subsidiaries (note 38(c))                | —                    | (275)                 | —                    | (92)                   | (367)          |
| At June 30, 2011                                     | 12,795               | 32,060                | 1,207                | 4,947                  | 51,009         |
| <b>Net book value:</b>                               |                      |                       |                      |                        |                |
| At December 31, 2008                                 | 50,962               | 34,679                | —                    | 5,046                  | 90,687         |
| At December 31, 2009                                 | 194,295              | 81,015                | 4,556                | 9,815                  | 289,681        |
| At December 31, 2010                                 | 452,493              | 128,915               | 31,476               | 13,887                 | 626,771        |
| At June 30, 2011                                     | 458,693              | 125,120               | 61,055               | 13,756                 | 658,624        |

Concession assets represent the rights the Group received for the usage of the concession sewage treatment plants for the treatment of sewage. The concession assets are amortized over the operating period of the service concession projects.

The amortization charges of RMB1,908,000, RMB2,481,000, RMB4,186,000 and RMB3,648,000 for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011 respectively are included in "cost of sales" in the consolidated income statement. The amortization charges of RMB7,926,000, RMB8,335,000, RMB9,706,000 and RMB4,344,000 for the years ended December 31, 2008, 2009 and 2010 the six months ended June 30, 2011 respectively are included in "administrative expenses" in the consolidated income statement.

Certain of the Group's interest-bearing bank and other borrowings were secured by concession assets (see note 26), which had an aggregate net book value of RMB10,271,000, RMB70,912,000, RMB87,732,000 and RMB86,219,000 as at December 31, 2008, 2009 and 2010 and June 30, 2011 respectively.

## 16 GOODWILL

### The Group

|   | At December 31, |                |                | At June 30,    |
|---|-----------------|----------------|----------------|----------------|
|   | 2008            | 2009           | 2010           | 2011           |
|   | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At January 1 .....                          | 7,082           | 7,082          | 14,409         | 14,409         |
| Additions (note 38(a)) .....                | —               | 7,327          | —              | —              |
| Disposal of a subsidiary (note 38(c)) ..... | —               | —              | —              | (7,327)        |
| At the end of the year/period .....         | <u>7,082</u>    | <u>14,409</u>  | <u>14,409</u>  | <u>7,082</u>   |

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to operation and operating segment as follows:

|   | At December 31, |                |                | At June 30,    |
|---|-----------------|----------------|----------------|----------------|
|   | 2008            | 2009           | 2010           | 2011           |
|   | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Environmental protection .....          | 7,082           | 7,082          | 7,082          | 7,082          |
| Solar power products and services ..... | —               | 7,327          | 7,327          | —              |
|   | <u>7,082</u>    | <u>14,409</u>  | <u>14,409</u>  | <u>7,082</u>   |

## 17 INVESTMENTS IN SUBSIDIARIES

### The Company

|                                | At December 31, |                  |                  | At June 30,      |
|--------------------------------|-----------------|------------------|------------------|------------------|
|                                | 2008            | 2009             | 2010             | 2011             |
|                                | <i>RMB'000</i>  | <i>RMB'000</i>   | <i>RMB'000</i>   | <i>RMB'000</i>   |
| Unlisted shares, at cost ..... | 688,819         | 1,606,453        | 2,172,838        | 3,961,067        |
| Listed shares, at cost .....   | —               | —                | 14,114           | 14,114           |
|                                | 688,819         | 1,606,453        | 2,186,952        | 3,975,181        |
| Less: impairment loss .....    | —               | —                | (29,873)         | —                |
|                                | <u>688,819</u>  | <u>1,606,453</u> | <u>2,157,079</u> | <u>3,975,181</u> |

The following list contains the particulars of subsidiaries comprising the Group as at June 30, 2011. All of the PRC subsidiaries are limited liability companies.

| Name of the company  | Place and date of establishment/ incorporation | Issued and fully paid-up capital | Proportion of ownership interest |                     |                       | Principal activities   |
|--|--|----------------------------------|----------------------------------|---------------------|-----------------------|--|
|  |  |                                  | Group's effective interest       | Held by the Company | Held by sub-sidiaries |  |
| Beijing Guodian Longyuan Environmental Engineering Co., Ltd.<br>(北京國電龍源環保工程有限公司) | The PRC<br>April 25, 2006                      | RMB1,000,000,000                 | 100%                             | 100%                | —                     | Provision of desulfurization and other environmental protection engineering services |
| Jiangsu Deke Environmental Equipment Co., Ltd.<br>(江蘇德克環保設備有限公司)                 | The PRC<br>December 9, 2003                    | RMB35,400,000                    | 67.46%                           | —                   | 67.46%                | Production and sale of environmental protection equipment                            |
| Beijing Longyuan Environmental Engineering Co., Ltd.<br>(北京龍源環保工程有限公司)           | The PRC<br>July 23, 2004                       | RMB33,750,000                    | 51%                              | —                   | 51%                   | Provision of desulfurization and other environmental protection engineering services |
| Zhoushan Longxi Environment Engineering Co., Ltd.<br>(舟山龍熹環保工程有限公司)              | The PRC<br>April 2, 2010                       | RMB33,340,000                    | 36.21%                           | —                   | 71%                   | Design and construction of environmental protection projects                         |
| Bengbu Guodian Longyuan Environmental Development Co., Ltd.<br>(蚌埠國電龍源環保發展有限公司)  | The PRC<br>December 3, 2008                    | RMB30,000,000                    | 100%                             | —                   | 100%                  | Construction of environmental protection facilities                                  |
| Jiangsu Longyuan Catalyst Co., Ltd.<br>(江蘇龍源催化劑有限公司)                             | The PRC<br>March 3, 2008                       | RMB30,000,000                    | 70%                              | —                   | 70%                   | Production and sale of selective catalytic reduction catalyst                        |
| Tonghua Guodian Longyuan Environment Engineering Co., Ltd.<br>(通化國電龍源環境技術有限公司)   | The PRC<br>December 28, 2010                   | RMB26,000,000                    | 100%                             | —                   | 100%                  | Generation and sale of electricity   |
| Guodian Longyuan Nanjing Membrane Technology Co., Ltd.<br>(國電龍源南京膜技術有限公司)        | The PRC<br>April 19, 2010                      | RMB25,000,000                    | 84%                              | —                   | 100%                  | Production and sale of membrane, water treatment equipment and electric equipment    |
| Nanjing Longyuan Environmental Co., Ltd.<br>(南京龍源環保有限公司)                         | The PRC<br>May 10, 2002                        | RMB10,000,000                    | 60%                              | —                   | 60%                   | Provision of environmental protection engineering services                           |
| Puyang Guodian Longyuan Water Treatment Co., Ltd.<br>(濮陽國電龍源水務有限公司)              | The PRC<br>November 13, 2007                   | RMB10,000,000                    | 70%                              | —                   | 70%                   | Operation of water treatment projects  |

## APPENDIX I

## ACCOUNTANTS' REPORT

| Name of the company   | Place and date of establishment/incorporation | Issued and fully paid-up capital | Proportion of ownership interest |                     |                       | Principal activities  |
|---|---|----------------------------------|----------------------------------|---------------------|-----------------------|---|
|   |   |                                  | Group's effective interest       | Held by the Company | Held by sub-sidiaries |   |
| Longyuan Environmental Protection (Hong Kong) Corp., Ltd.                                   | Hong Kong<br>April 24, 2007                   | HK\$2,000,000                    | 100%                             | —                   | 100%                  | Sale of desulfurization equipment                                   |
| Beijing Lucency Environment and Technology Co., Ltd.<br>(北京朗新明環保科技有限公司)                     | The PRC<br>March 20, 2001                     | RMB500,000,000                   | 100%                             | 100%                | —                     | Construction and operation of water treatment projects              |
| Dalian Delang Water Treatment Co., Ltd. (大連德朗水務有限公司)  | The PRC<br>May 14, 2010                       | RMB20,000,000                    | 51%                              | —                   | 51%                   | Operation of water treatment projects                               |
| Shanxi Xinyuan Environment Protection Resources Development Co., Ltd.<br>(山西新源環保資源開發有限責任公司) | The PRC<br>August 1, 2008                     | RMB13,000,000                    | 51%                              | —                   | 51%                   | Construction and operation of water treatment projects              |
| Taiyuan Lucency Sewage Treatment Co., Ltd.<br>(太原朗新明污水處理有限公司)                               | The PRC<br>August 28, 2008                    | RMB10,200,000                    | 80%                              | —                   | 80%                   | Design and installation of sewage treatment equipment               |
| Shanxi Tianrun Water Supply Co., Ltd.<br>(山西天潤供水有限責任公司)                                     | The PRC<br>March 5, 2003                      | RMB5,000,000                     | 30.60%                           | —                   | 60%                   | Purification of mine water and sale of water purification equipment |
| Inner Mongolia Lucency Environment and Technology Co., Ltd.<br>(內蒙古朗新明環保科技有限公司)             | The PRC<br>December 4, 2009                   | RMB1,000,000                     | 55%                              | —                   | 55%                   | Production and sale of flue gas desulfurization gypsum              |
| Taizhou Lucency Environment and Technology Co., Ltd.<br>(泰州朗新明環保科技有限公司)                     | The PRC<br>November 27, 2009                  | RMB1,000,000                     | 70%                              | —                   | 70%                   | Production and sale of gypsum and architecture material equipment   |
| Guodian United Power Technology Co., Ltd.<br>(國電聯合動力技術有限公司)                                 | The PRC<br>December 13, 1994                  | RMB903,046,300                   | 70%                              | 70%                 | —                     | Research and development of wind turbine technology                 |
| Guodian United Power Technology (Baoding) Co., Ltd.<br>(國電聯合動力技術(保定)有限公司)                   | The PRC<br>July 27, 2007                      | RMB220,000,000                   | 70%                              | —                   | 100%                  | Production and sale of wind turbine                                 |
| Guodian United Power Technology (Baotou) Co., Ltd.<br>(國電聯合動力技術(包頭)有限公司)                    | The PRC<br>January 7, 2009                    | RMB220,000,000                   | 45.82%                           | —                   | 65.46%                | Production and sale of wind turbine                                 |
| Guodian United Power Technology (Lianyungang) Co., Ltd.<br>(國電聯合動力技術(連雲港)有限公司)              | The PRC<br>July 29, 2008                      | RMB150,000,000                   | 70%                              | —                   | 100%                  | Production and sale of wind turbine                                 |
| Guodian United Power Technology (Chifeng) Co., Ltd.<br>(國電聯合動力技術(赤峰)有限公司)                   | The PRC<br>May 10, 2009                       | RMB105,000,000                   | 70%                              | —                   | 100%                  | Production and sale of wind turbine                                 |

| Name of the company   | Place and date of establishment/incorporation | Issued and fully paid-up capital | Proportion of ownership interest |                     |                       | Principal activities                                   |
|---|---|----------------------------------|----------------------------------|---------------------|-----------------------|--|
|   |   |                                  | Group's effective interest       | Held by the Company | Held by sub-sidiaries |  |
| Guodian United Power Technology (Yixing) Co., Ltd.<br>(國電聯合動力技術(宜興)有限公司)                                  | The PRC<br>August 14,<br>2009                 | RMB50,000,000                    | 59.50%                           | —                   | 85%                   | Production and sale of wind turbine                    |
| Beijing Long Wei Power Generation Technology Co., Ltd.<br>(北京龍威發電技術有限公司)                                  | The PRC<br>December 13,<br>1994               | RMB40,000,000                    | 42%                              | —                   | 60%                   | Production and sale of steam turbine                   |
| Guodian United Power Technology (Jiangsu) Co., Ltd.<br>(國電聯合動力技術(江蘇)有限公司)                                 | The PRC<br>May 17,<br>2011                    | RMB40,000,000                    | 61.25%                           | —                   | 87.50%                | Production and sale of wind turbine                    |
| Guodian United Power Technology (Changchun) Co., Ltd.<br>(國電聯合動力技術(長春)有限公司)                               | The PRC<br>September 19,<br>2010              | RMB5,000,000                     | 70%                              | —                   | 100%                  | Production and sale of wind turbine                    |
| Guodian United Power Technology (Zhanhua) Wind Power Equipment Co., Ltd.<br>(國電聯合動力(沾化)風電設備有限公司)          | The PRC<br>November 19,<br>2010               | RMB5,000,000                     | 70%                              | —                   | 100%                  | Production and sale of wind turbine                    |
| Guodian United Power Technology (Jiuquan) Co., Ltd.<br>(國電聯合動力技術(酒泉)有限公司)                                 | The PRC<br>December 10,<br>2009               | RMB3,000,000                     | 70%                              | —                   | 100%                  | Production and sale of wind turbine                    |
| Zhangbei Guodian United Power Anta Wind Power Equipment Co., Ltd.<br>(張北國電聯合動力安塔風電設備有限公司)                 | The PRC<br>August 17,<br>2010                 | RMB2,000,000                     | 70%                              | —                   | 100%                  | Production and sale of wind turbine                    |
| GD Solar (Jiangsu) Co., Ltd.<br>(國電光伏(江蘇)有限公司)  | The PRC<br>April 29,<br>2010                  | RMB1,074,000,000                 | 100%                             | 100%                | —                     | Production and sale of solar cells                     |
| Guodian Solar System Technology (Shanghai) Co., Ltd.<br>(國電太陽能系統科技(上海)有限公司)<br>(note (ii))                | The PRC<br>May 21,<br>2010                    | RMB20,000,000                    | 50%                              | —                   | 50%                   | Construction of solar power generation system          |
| Guodian Ningxia Solar Co., Ltd.<br>(國電寧夏太陽能有限公司)  | The PRC<br>September 26,<br>2008              | RMB560,000,000                   | 100%                             | 100%                | —                     | Production and sale of polycrystalline silicon         |
| Guodian Longyuan Power Technology and Engineering Co., Ltd.<br>(國電龍源電力技術工程有限責任公司)                         | The PRC<br>March 25,<br>1995                  | RMB141,727,000                   | 100%                             | 100%                | —                     | Construction and operation of biomass power plant      |
| Guodian Longyuan Energy Saving Technology Co., Ltd.<br>(國電龍源節能技術有限公司)                                     | The PRC<br>May 11,<br>2011                    | RMB20,000,000                    | 99.58%                           | —                   | 100%                  | Provision of energy conservation engineering services  |
| Beijing Guodian Hangguo Lankun Energy Engineering Technology Co., Ltd.<br>(北京國電龍源杭鍋藍琨能源工程技術有限公司)          | The PRC<br>November 14,<br>2006               | RMB10,000,000                    | 58.20%                           | —                   | 58.20%                | Production and sale of biomass fuel boiler             |
| Yantai Longyuan Power Technology Co., Ltd.<br>(煙臺龍源電力技術股份有限公司)<br>("Longyuan Technology")<br>(note (iii)) | The PRC<br>December 26,<br>1998               | 88,000,000 shares of RMB1 each   | 23.25%                           | 23.25%              | —                     | Production and sale of thermal energy equipment        |
| Shenyang Longyuan Power Plant Combustion Technology Co., Ltd.<br>(瀋陽龍源電站燃燒技術有限公司)                         | The PRC<br>October 18,<br>2007                | RMB5,000,000                     | 23.25%                           | —                   | 100%                  | Develop and sale of power station combustion equipment |

| Name of the company  | Place and date of establishment/ incorporation | Issued and fully paid-up capital | Proportion of ownership interest |                     |                       | Principal activities   |
|--|--|----------------------------------|----------------------------------|---------------------|-----------------------|--|
|  |  |                                  | Group's effective interest       | Held by the Company | Held by sub-siderites |  |
| Shanghai Yinguo Thermal Power Equipment Co., Ltd.<br>(上海銀鍋熱能設備有限公司)                  | The PRC<br>January 11,<br>2011                 | RMB9,500,000                     | 11.86%                           | —                   | 51%                   | Production and sale of igniters and other electric equipment   |
| Guodian Longyuan Technologies USA Corporation  | United States<br>May 5, 2011                   | —                                | 23.25%                           | —                   | 100%                  | Production and sale of igniters and other electric equipment   |
| Beijing Huadian Tianren Power Controlling Technology Co., Ltd.<br>(北京華電天仁電力控制技術有限公司) | The PRC<br>April 17,<br>2003                   | RMB24,232,100                    | 90%                              | 90%                 | —                     | Production and sale of safety instrumented system speed controller for the variable-pitch wind turbine |
| Guan Huadian Tianren Power Control Equipment Co., Ltd.<br>(固安華電天仁控制設備有限公司)           | The PRC<br>March 8,<br>2010                    | RMB5,400,000                     | 90%                              | —                   | 100%                  | Production and sale of electric equipment  |
| Guodian Longyuan Electrical Co., Ltd.<br>(國電龍源電氣有限公司)                                | The PRC<br>April 28,<br>1993                   | RMB14,932,900                    | 51%                              | 51%                 | —                     | Production and sale of wind turbine components   |
| Baoding Guodian Longyuan Electric Device Co., Ltd.<br>(保定龍源電氣有限公司)                   | The PRC<br>March 20,<br>1996                   | RMB500,000                       | 51%                              | —                   | 100%                  | Production and sale of electric equipment  |

## Notes:

- (i) Except for Longyuan Environmental Protection (Hong Kong) Corporation Limited and Guodian Longyuan Technologies USA Corporation, the English translation of the names of other entities is for identification only. The official names of these entities are in Chinese.
- (ii) The Group appointed and has the power to appoint the directors of this company to govern the financial and operating policies of this company so as to obtain benefits from its activities since the establishment of this company.
- (iii) The Company is the biggest equity owner of this company and no other equity owners individually or in the aggregate had the power to control this company according to the articles of association. Historically, the Company controlled the operation of this company by appointing senior management, approving annual budget and determining the remuneration of employees, etc. The Company has agreements with certain equity owners of this company, whereby such equity owners have agreed to vote in concert with the Company since the establishment of this company. The PRC lawyer of the Company confirmed that these agreements are valid under relevant PRC laws. Considering the above mentioned factors, the directors are of the opinion that the Company controlled this company during the Track Record Period.

## 18 INTERESTS IN ASSOCIATES

## The Group

|   | At December 31, |                |                | At June 30,    |
|---|-----------------|----------------|----------------|----------------|
|   | 2008            | 2009           | 2010           | 2011           |
|   | RMB'000         | RMB'000        | RMB'000        | RMB'000        |
| Share of net assets .....                           | 176,204         | 188,046        | 208,530        | 322,303        |
| Amounts due from associates .....                   | 1,200           | 1,200          | 1,200          | 1,200          |
|   | 177,404         | 189,246        | 209,730        | 323,503        |
| Less: reclassified as held for sale (note(i)) ..... | —               | —              | —              | (15,181)       |
|   | <u>177,404</u>  | <u>189,246</u> | <u>209,730</u> | <u>308,322</u> |

## The Company

|   | At December 31, |                |                | At June 30,    |
|---|-----------------|----------------|----------------|----------------|
|   | 2008            | 2009           | 2010           | 2011           |
|   | RMB'000         | RMB'000        | RMB'000        | RMB'000        |
| Unlisted shares, at cost .....                      | 123,528         | 141,028        | 152,969        | 132,969        |
| Less: impairment loss .....                         | —               | —              | (20,000)       | —              |
|   | 123,528         | 141,028        | 132,969        | 132,969        |
| Less: reclassified as held for sale (note(i)) ..... | —               | —              | —              | (9,675)        |
|   | <u>123,528</u>  | <u>141,028</u> | <u>132,969</u> | <u>123,294</u> |

## Note:

- (i) In February, 2011, the Company entered into an equity transfer agreement with a related party under Guodian to dispose of its 47% equity interest in Beijing Guodian United Business Network Co., Ltd. ("Business Network"), which is principally engaged in internet information business that is not in line with the Group's long-term strategic development plan, at a consideration of RMB16,846,000 determined based on the valuation. The completion of the transaction is subject to the consents of other equity owners of Business Network and the registration of the changes in equity owners in the State Administration for Industry and Commerce of the PRC (the "SAIC"). The transaction was completed in August 2011.



The following list contains the particulars of associates, all of which are unlisted corporate entities and established in the PRC, which principally affected the results or assets of the Group as at June 30, 2011:

| Name of the company  | Place and date of establishment | Issued and fully paid-up capital | Proportion of ownership interest |                     |                      | Principal activities   |
|--|---------------------------------|----------------------------------|----------------------------------|---------------------|----------------------|--|
|  |                                 |                                  | Group's effective interest       | Held by the Company | Held by a subsidiary |  |
| Beijing Longyuan Cooling Technology Ltd.<br>(北京龍源冷卻技術有限公司)<br>(note(ii))                                 | The PRC<br>May 22, 2006         | RMB50,000,000                    | 60%                              | 60%                 | —                    | Production and installation of cooling equipment                                       |
| Beijing Guodian Zhishen Control Technology Co., Ltd.<br>(北京國電智深控制技術有限公司)                                 | The PRC<br>May 21, 2002         | RMB53,900,000                    | 46.86%                           | 46.86%              | —                    | Research and development of automatic control system of thermal power generation units |
| Guodian Hainan Real-Estate Co., Ltd.<br>(國電海南置業有限公司)   | The PRC<br>November 1, 2007     | RMB230,000,000                   | 25%                              | 25%                 | —                    | Property development   |
| Datong Sunshine Desulfurization Preparation Co., Ltd.<br>(大同陽光脫硫製劑有限公司)                                  | The PRC<br>November 18, 2004    | RMB8,000,000                     | 20%                              | —                   | 20%                  | Production and sale of lime and limestone powder                                       |
| Guodian Jintech Solar Energy Technology (Yi Xing) Co., Ltd.<br>(國電晶德太陽能科技(宜興)有限公司)<br>("Jintech Yixing") | The PRC<br>February 14, 2007    | RMB234,179,000                   | 26.67%                           | —                   | 26.67%               | Design, production and sale of solar power generation equipment                        |

*Notes:*

- (i) The English translation of the names is for identification only. The official names of these entities are in Chinese.
- (ii) According to the articles of association of this company, the resolutions in relation to material financial and operating decisions have to be passed by three-fourth of directors. As the Company only has rights to appoint four out of seven directors of this company, the Company does not have the power to determine the financial and operating policies of this company although the Company owns more than half of equity interests and voting power in this company.

## Summary financial information on associates:

|                   | At December 31, |                                  |                 |                                  |                 |                                  | At June 30,     |                                  |
|-------------------|-----------------|----------------------------------|-----------------|----------------------------------|-----------------|----------------------------------|-----------------|----------------------------------|
|                   | 2008            |                                  | 2009            |                                  | 2010            |                                  | 2011            |                                  |
|                   | 100<br>per cent | Group's<br>effective<br>interest | 100<br>per cent | Group's<br>effective<br>interest | 100<br>per cent | Group's<br>effective<br>interest | 100<br>per cent | Group's<br>effective<br>interest |
|                   | RMB'000         | RMB'000                          | RMB'000         | RMB'000                          | RMB'000         | RMB'000                          | RMB'000         | RMB'000                          |
| Assets .....      | 1,818,692       | 740,627                          | 2,004,552       | 799,151                          | 2,138,959       | 1,027,423                        | 4,682,545       | 1,712,651                        |
| Liabilities ..... | 1,190,947       | 564,423                          | 1,257,937       | 611,105                          | 1,564,322       | 820,482                          | 3,603,203       | 1,390,348                        |
| Equity .....      | 627,745         | 176,204                          | 746,615         | 188,046                          | 574,637         | 206,941                          | 1,079,342       | 322,303                          |

|                              | Years ended December 31, |                                  |                 |                                  |                 |                                  | Six months ended June 30, |                                  |                 |                                  |
|------------------------------|--------------------------|----------------------------------|-----------------|----------------------------------|-----------------|----------------------------------|---------------------------|----------------------------------|-----------------|----------------------------------|
|                              | 2008                     |                                  | 2009            |                                  | 2010            |                                  | 2010                      |                                  | 2011            |                                  |
|                              | 100<br>per cent          | Group's<br>effective<br>interest | 100<br>per cent | Group's<br>effective<br>interest | 100<br>per cent | Group's<br>effective<br>interest | 100<br>per cent           | Group's<br>effective<br>interest | 100<br>per cent | Group's<br>effective<br>interest |
|                              | RMB'000                  | RMB'000                          | RMB'000         | RMB'000                          | RMB'000         | RMB'000                          | RMB'000                   | RMB'000                          | RMB'000         | RMB'000                          |
| Revenue .....                | 691,869                  | 309,723                          | 1,005,507       | 462,072                          | 1,077,276       | 569,580                          | 392,786                   | 174,652                          | 614,419         | 282,547                          |
| Profits less<br>losses ..... | 50,304                   | 20,411                           | 55,356          | 24,518                           | 49,407          | 25,722                           | 10,974                    | 3,517                            | 1,835           | 15,001                           |

In accordance with the accounting policy set out in note 1(g), the Group discontinued to recognize its share of losses of an associate as its share of losses of that associate has exceeded its interest in that associate. The current period unrecognized share of losses of associates share of losses of an associate equals or exceeds its interest in the associate as at December 31, 2008, 2009 and 2010 and June 30, 2010 and 2011 is RMB nil, RMB nil, RMB1,589,000, RMB nil and RMB1,963,000 respectively. The accumulated unrecognized share of losses of associates as at December 31, 2008, 2009 and 2010 and June 30, 2011 is RMB nil, RMB nil, RMB1,589,000 and RMB nil respectively.

## 19 OTHER NON-CURRENT ASSETS

### The Group

|  | At December 31, |          |           | At June 30, |
|--|-----------------|----------|-----------|-------------|
|  | 2008            | 2009     | 2010      | 2011        |
|  | RMB'000         | RMB'000  | RMB'000   | RMB'000     |
| Long-term trade receivables (note (i))                     |                 |          |           |             |
| — due from related parties under Guodian .....             | —               | —        | —         | 149,520     |
| — due from third parties .....                             | 54,574          | 80,766   | 55,810    | 41,144      |
| Less: current portion of long-term trade receivables ..... | (34,645)        | (24,956) | (24,039)  | (48,792)    |
|  | 19,929          | 55,810   | 31,771    | 141,872     |
| Long-term retention receivables (note (ii))                |                 |          |           |             |
| — due from related parties under Guodian .....             | —               | 105,539  | 402,759   | 427,226     |
| — due from third parties .....                             | —               | 14,882   | 96,586    | 130,097     |
| Advance to an associate (note (iii)) .....                 | —               | 100,000  | —         | —           |
| Loan to a third party (note (iv)) .....                    | 12,075          | 12,510   | 12,960    | 13,191      |
|  | 32,004          | 288,741  | 544,076   | 712,386     |
| Less: allowance for doubtful debts .....                   | (634)           | —        | —         | —           |
| Non-current financial assets .....                         | 31,370          | 288,741  | 544,076   | 712,386     |
| Long-term prepayments .....                                | 24,632          | 26,140   | 23,960    | 49,482      |
| Deductible VAT (note (v)) .....                            | 124,198         | 566,688  | 1,574,811 | 1,472,351   |
|  | 180,200         | 881,569  | 2,142,847 | 2,234,219   |

## The Company

|  | At December 31, |          |          | At June 30, |
|--|-----------------|----------|----------|-------------|
|  | 2008            | 2009     | 2010     | 2011        |
|  | RMB'000         | RMB'000  | RMB'000  | RMB'000     |
| Long-term trade receivables (note (i))               |                 |          |          |             |
| — due from related parties under Guodian             | —               | —        | —        | 149,520     |
| — due from third parties                             | 54,574          | 80,766   | 55,810   | 41,144      |
| Less: current portion of long-term trade receivables | (34,645)        | (24,956) | (24,039) | (48,792)    |
|  | 19,929          | 55,810   | 31,771   | 141,872     |
| Loan to a subsidiary (note (vi))                     | —               | —        | 50,000   | —           |
| Advance to an associate (note (iii))                 | —               | 100,000  | —        | —           |
|  | 19,929          | 155,810  | 81,771   | 141,872     |
| Less: allowance for doubtful debts                   | (634)           | —        | —        | —           |
| Non-current financial assets                         | 19,295          | 155,810  | 81,771   | 141,872     |

## Notes:

- (i) Long-term trade receivables represent trade receivables of certain construction contracts which are repayable by installments over a 5-year period.
- (ii) Long-term retention receivables represent retentions of sales of wind turbines which will be paid when the retention period elapses.
- (iii) Advance to an associate of RMB100,000,000 as at December 31, 2009 bears interest at 4.05% per annum, is unsecured and repayable on July 30, 2011.
- (iv) The loan is lent to a third party amounting to RMB21,220,000 on August 31, 2005, which is unsecured, interest free and should be repaid by equal annual installment of RMB1,060,000 from 2015 to 2034.
- (v) Deductible VAT represents the input VAT in excess of output VAT. Input VAT is recognized for the purchase of manufacturing raw materials and components and acquisitions of machinery and equipment used for operation. Input VAT will be deductible from output VAT payable for goods to be sold in subsequent years.
- (vi) The loan to a subsidiary as at December 31, 2010 is a designated loan, unsecured and at a fixed interest rate of 5.4% per annum and due in December 2012. The designated loan was early repaid in June 2011.
- (vii) The Group's non-trade balances with related parties as at December 31, 2009 amounted to RMB100,000,000.

## (a) Aging analysis

All non-current financial assets of the Group and the Company are not past due.

## (b) Impairment of non-current financial assets

Impairment losses in respect of non-current financial assets are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against non-current financial assets directly (see note 1(o)(i)).

The movement in the allowance for doubtful debts during the Track Record Period is as follows:

## The Group and the Company

|                               | At December 31, |         |         | At June 30, |
|-------------------------------|-----------------|---------|---------|-------------|
|                               | 2008            | 2009    | 2010    | 2011        |
|                               | RMB'000         | RMB'000 | RMB'000 | RMB'000     |
| At January 1                  | —               | 634     | —       | —           |
| Impairment losses recognized  | 634             | —       | —       | —           |
| Reversal of impairment losses | —               | (634)   | —       | —           |
| At the end of the year/period | 634             | —       | —       | —           |

**20 INVENTORIES****(a) Inventories in the consolidated balance sheets comprises:**

|                        | At December 31, |                  |                  | At June 30,      |
|------------------------|-----------------|------------------|------------------|------------------|
|                        | 2008            | 2009             | 2010             | 2011             |
|                        | RMB'000         | RMB'000          | RMB'000          | RMB'000          |
| Raw materials .....    | 145,847         | 307,255          | 961,604          | 1,388,381        |
| Work in progress ..... | 70,602          | 881,371          | 332,871          | 1,673,954        |
| Finished goods .....   | 698,478         | 2,308,979        | 6,082,590        | 5,456,936        |
| Spare parts .....      | 5,622           | 5,055            | 10,160           | 22,596           |
|                        | <u>920,549</u>  | <u>3,502,660</u> | <u>7,387,225</u> | <u>8,541,867</u> |

**(b) The analysis of the amount of inventories recognized as an expense and included in the consolidated income statements during the Track Record Period is as follows:**

|   | Years ended December 31, |                  |                  | Six months ended June 30, |                  |
|---|--------------------------|------------------|------------------|---------------------------|------------------|
|   | 2008                     | 2009             | 2010             | 2010                      | 2011             |
|   | RMB'000                  | RMB'000          | RMB'000          | RMB'000<br>(unaudited)    | RMB'000          |
| Carrying amount of inventories sold ..... | <u>645,698</u>           | <u>1,861,936</u> | <u>6,309,745</u> | <u>1,929,616</u>          | <u>3,868,075</u> |

**21 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK****The Group**

|  | At December 31,    |                    |                    | At June 30,        |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 2008               | 2009               | 2010               | 2011               |
|  | RMB'000            | RMB'000            | RMB'000            | RMB'000            |
| Contract costs incurred plus recognized profits<br>less recognized losses in connection with<br>construction contracts in progress ..... | 7,816,304          | 7,418,190          | 8,413,005          | 9,077,602          |
| Less: progress billings .....  | <u>(7,597,008)</u> | <u>(7,028,336)</u> | <u>(7,980,028)</u> | <u>(8,325,112)</u> |
|  | <u>219,296</u>     | <u>389,854</u>     | <u>432,977</u>     | <u>752,490</u>     |
| Gross amounts due from customers for contract<br>work (note (ii) and (iii)) .....  | 1,023,079          | 873,878            | 1,021,444          | 1,027,430          |
| Gross amounts due to customers for contract work<br>(note (iv)) .....  | <u>(803,783)</u>   | <u>(484,024)</u>   | <u>(588,467)</u>   | <u>(274,940)</u>   |
|  | <u>219,296</u>     | <u>389,854</u>     | <u>432,977</u>     | <u>752,490</u>     |

**Notes:**

- (i) Gross amounts due from customers for contract work represent unbilled revenue for contract work and are presented as assets in the consolidated balance sheets. Gross amounts due to customers for contract work represent the amounts billed in advance of the contract work delivered and are presented as liabilities in the consolidated balance sheets.
- (ii) Included in the gross amounts due from customers for contract work are amounts of RMB483,937,000, RMB454,826,000, RMB677,689,000 and RMB641,811,000 as at December 31, 2008, 2009 and 2010 and June 30, 2011, respectively, due from related parties under Guodian.
- (iii) Except for amounts of RMB32,029,000, RMB55,060,000, RMB47,693,000 and RMB38,813,000 as at December 31, 2008, 2009 and 2010 and June 30, 2011, respectively, which are payable to the Group after the retention period of construction contracts, all of the remaining gross amounts due from customers for contract work are expected to be recovered within one year.
- (iv) Included in the gross amounts due to customers for contract work are amounts of RMB511,650,000, RMB168,367,000, RMB424,791,000 and RMB180,038,000 as at December 31, 2008, 2009 and 2010 and June 30, 2011, respectively, due to related parties under Guodian.

## The Company

|  | At December 31, |          |                | At June 30,   |
|--|-----------------|----------|----------------|---------------|
|  | 2008            | 2009     | 2010           | 2011          |
|  | RMB'000         | RMB'000  | RMB'000        | RMB'000       |
| Contract costs incurred plus recognized profits less<br>recognized losses in connection with construction<br>contracts in progress ..... | 232,618         | —        | 178,779        | 40,281        |
| Less: progress billings .....  | (186,837)       | —        | —              | —             |
|  | <u>45,781</u>   | <u>—</u> | <u>178,779</u> | <u>40,281</u> |
| Gross amounts due from customers for contract work (note<br>(ii) and (iii)) .....  | <u>45,781</u>   | <u>—</u> | <u>178,779</u> | <u>40,281</u> |

## Notes:

- (i) Gross amounts due from customers for contract work represent unbilled revenue for contract work and are presented as assets in the balance sheets.
- (ii) All gross amounts due from customers for contract work as at December 31, 2010 and June 30, 2011 are due from related parties under Guodian.
- (iii) All of the gross amounts due from customers for contract work are expected to be recovered within one year.

## 22 TRADE AND BILLS RECEIVABLES

## The Group

|  | At December 31,  |                  |                  | At June 30,      |
|--|------------------|------------------|------------------|------------------|
|  | 2008             | 2009             | 2010             | 2011             |
|  | RMB'000          | RMB'000          | RMB'000          | RMB'000          |
| Trade receivables for contract work due from:  |                  |                  |                  |                  |
| — Guodian .....  | 1,373            | 11,896           | —                | —                |
| — related parties under Guodian .....  | 324,128          | 397,505          | 256,485          | 549,697          |
| — associates .....   | —                | 12,164           | —                | —                |
| — third parties .....  | 350,622          | 430,057          | 932,270          | 1,261,220        |
|  | <u>676,123</u>   | <u>851,622</u>   | <u>1,188,755</u> | <u>1,810,917</u> |
| Bills receivable for contract work .....   | <u>133,323</u>   | <u>244,041</u>   | <u>465,473</u>   | <u>324,910</u>   |
| Trade receivables for operating leases due from<br>related parties under Guodian ..... | <u>33,784</u>    | <u>55,245</u>    | <u>106,813</u>   | <u>384,292</u>   |
| Trade receivables for sale of goods and rendering of<br>services due from: (note (ii)) |                  |                  |                  |                  |
| — Guodian .....  | —                | 349              | 940              | 145              |
| — related parties under Guodian .....  | 242,001          | 270,896          | 795,776          | 1,172,600        |
| — associates .....   | 11,000           | 13,008           | 11,247           | 10,546           |
| — third parties .....  | 180,693          | 258,974          | 951,984          | 1,259,105        |
|  | <u>433,694</u>   | <u>543,227</u>   | <u>1,759,947</u> | <u>2,442,396</u> |
| Bills receivable for sale of goods and rendering of<br>services due from:              |                  |                  |                  |                  |
| — related parties under Guodian .....  | —                | —                | 8,510            | 5,000            |
| — third parties .....  | 53,160           | 834,819          | 2,134,009        | 1,792,880        |
|  | <u>53,160</u>    | <u>834,819</u>   | <u>2,142,519</u> | <u>1,797,880</u> |
|  | <u>1,330,084</u> | <u>2,528,954</u> | <u>5,663,507</u> | <u>6,760,395</u> |
| Less: allowance for doubtful debts .....   | <u>(33,097)</u>  | <u>(39,167)</u>  | <u>(49,992)</u>  | <u>(62,551)</u>  |
|  | <u>1,296,987</u> | <u>2,489,787</u> | <u>5,613,515</u> | <u>6,697,844</u> |

*Notes:*

- (i) Trade and bills receivables include bills discounted to banks or endorsed to suppliers and factored trade receivables with recourse totalling RMB93,465,000, RMB1,018,119,000, RMB2,493,770,000 and RMB 1,914,911,000 as at December 31, 2008, 2009 and 2010 and June 30, 2011 respectively. These receivables were not derecognized as the Group remains exposed to the credit risk of these receivables. The carrying amount of the associated bank loans and trade payables amounted to RMB93,465,000, RMB996,719,000, RMB2,477,026,000 and RMB1,902,176,000 as at December 31, 2008, 2009 and 2010 and June 30, 2011 respectively.
- (ii) As on June 30, 2011, trade receivables for sales of goods amounting to RMB44,600,000 was pledged as collateral for short-term bank loans (see note 26).

**The Company**

|  | At December 31, |          |          | At June 30, |
|--|-----------------|----------|----------|-------------|
|  | 2008            | 2009     | 2010     | 2011        |
|  | RMB'000         | RMB'000  | RMB'000  | RMB'000     |
| Trade receivable for contract work due from:         |                 |          |          |             |
| — related parties under Guodian .....                | 3,028           | 2,058    | 598      | 49,116      |
| — third parties .....                                | 97,607          | 90,006   | 96,288   | 85,389      |
|  | 100,635         | 92,064   | 96,886   | 134,505     |
| Bills receivable for rendering of services due from: |                 |          |          |             |
| — third parties .....                                | —               | —        | —        | 13,000      |
|  | 100,635         | 92,064   | 96,886   | 147,505     |
| Less: allowance for doubtful debts .....             | (12,128)        | (12,128) | (12,128) | (12,128)    |
|  | 88,507          | 79,936   | 84,758   | 135,377     |

All trade and bills receivables (net of impairment losses for doubtful debts) of the Group and the Company are expected to be recovered within one year.

**(a) Aging analysis**

The aging analysis of trade and bills receivables (net of allowance for doubtful debts) of the Group and the Company is as follows:

**The Group**

|                                     | At December 31, |           |           | At June 30, |
|-------------------------------------|-----------------|-----------|-----------|-------------|
|                                     | 2008            | 2009      | 2010      | 2011        |
|                                     | RMB'000         | RMB'000   | RMB'000   | RMB'000     |
| Current .....                       | 569,419         | 1,710,019 | 4,839,459 | 5,934,743   |
| Past due within 1 year .....        | 355,881         | 522,714   | 440,965   | 652,167     |
| Past due between 1 to 2 years ..... | 287,790         | 185,733   | 240,613   | 70,710      |
| Past due between 2 to 3 years ..... | 68,591          | 48,010    | 56,555    | 28,227      |
| Over 3 years .....                  | 15,306          | 23,311    | 35,923    | 11,997      |
| Amounts past due .....              | 727,568         | 779,768   | 774,056   | 763,101     |
|                                     | 1,296,987       | 2,489,787 | 5,613,515 | 6,697,844   |

**The Company**

|                                     | At December 31, |                |                | At June 30,    |
|-------------------------------------|-----------------|----------------|----------------|----------------|
|                                     | 2008            | 2009           | 2010           | 2011           |
|                                     | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Current .....                       | 87,887          | 79,186         | 55,600         | 87,821         |
| Past due within 1 year .....        | 620             | 250            | 28,560         | 18,398         |
| Past due between 1 to 2 years ..... | —               | 500            | 250            | 28,560         |
| Past due between 2 to 3 years ..... | —               | —              | 348            | 598            |
| Amounts past due .....              | 620             | 750            | 29,158         | 47,556         |
|                                     | <u>88,507</u>   | <u>79,936</u>  | <u>84,758</u>  | <u>135,377</u> |

Receivables that were past due but not impaired relate to a wide range of customers for whom there were no recent history of default and have a good track record with the Group. Based on past experience, management believes that no impairment allowance 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 over these balances.

Trade receivables are generally due immediately without credit or with credit period ranged from 30 days to 180 days. Further details on the Group's credit policy are set out in note 34(a).

**(b) Impairment of trade and bills receivables**

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly (see note 1(o)(i)).

The movement in the allowance for doubtful debts during the Track Record Period is as follows:

**The Group**

|   | At December 31, |                |                | At June 30,    |
|---|-----------------|----------------|----------------|----------------|
|   | 2008            | 2009           | 2010           | 2011           |
|   | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At January 1 .....                      | 26,257          | 33,097         | 39,167         | 49,992         |
| Impairment losses recognized .....      | 6,840           | 6,599          | 11,451         | 12,559         |
| Reversal of impairment losses .....     | —               | (529)          | (555)          | —              |
| Uncollectible amounts written off ..... | —               | —              | (71)           | —              |
| At the end of the year/period .....     | <u>33,097</u>   | <u>39,167</u>  | <u>49,992</u>  | <u>62,551</u>  |

**The Company**

|   | At December 31, |                |                | At June 30,    |
|---|-----------------|----------------|----------------|----------------|
|   | 2008            | 2009           | 2010           | 2011           |
|   | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At the beginning and the end of the year/period ..... | <u>12,128</u>   | <u>12,128</u>  | <u>12,128</u>  | <u>12,128</u>  |

The Group's trade and bills receivables of RMB32,616,000, RMB39,161,000, RMB49,986,000 and RMB60,206,000 as at December 31, 2008, 2009 and 2010 and June 30,

2011, respectively, were individually determined to be impaired. The Company's trade and bills receivables of RMB12,128,000 as at December 31, 2008, 2009 and 2010 and June 30, 2011 were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables are expected to be unrecoverable. Consequently, specific allowances for doubtful debts of RMB32,616,000, RMB39,161,000, RMB49,986,000 and RMB60,206,000 as at December 31, 2008, 2009 and 2010 and June 30, 2011, respectively, were recognized by the Group and specific allowances for doubtful debts of RMB12,128,000 was recognized by the Company. The Group does not hold any collateral over these balances.

## 23 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

### The Group

|   | At December 31,  |                  |                  | At June 30,      |
|---|------------------|------------------|------------------|------------------|
|   | 2008             | 2009             | 2010             | 2011             |
|   | RMB'000          | RMB'000          | RMB'000          | RMB'000          |
| Prepayments to sub-contractors (note (i))                               |                  |                  |                  |                  |
| — Guodian   | 500              | —                | —                | —                |
| — related parties under Guodian   | 130              | —                | 1,536            | 2,247            |
| — associates  | 3,465            | 1,702            | 5,343            | 5,527            |
| — third parties   | 606,746          | 614,481          | 773,257          | 932,503          |
| Prepayments for purchase of inventories                                 |                  |                  |                  |                  |
| — related parties under Guodian   | 740              | 678              | 521              | 1,330            |
| — associates  | 1,813            | 613              | 613              | 613              |
| — third parties   | 355,980          | 245,027          | 881,261          | 722,764          |
| Dividends receivables from associates                                   | 1,827            | 20,890           | —                | —                |
| Deposits for construction contracts' bidding or performance (note (ii)) |                  |                  |                  |                  |
| — Guodian   | 289              | 289              | 289              | 289              |
| — related parties under Guodian   | 9,076            | 15,497           | 26,965           | 33,755           |
| — third parties   | 41,788           | 39,033           | 62,346           | 85,287           |
| Other deposits  | 15,181           | 12,129           | 49,155           | 43,576           |
| Advances to staff   | 31,258           | 31,244           | 49,454           | 55,659           |
| Advances to   |                  |                  |                  |                  |
| — related parties under Guodian   | 1,209            | 2,979            | 1,771            | 1,721            |
| — associates (note (iii))   | 9,720            | 3,360            | 154,560          | 122,240          |
| — third parties   | 8,609            | 12,000           | 11,580           | 4,477            |
| Interest receivables  |                  |                  |                  |                  |
| — related parties under Guodian   | —                | —                | 220              | —                |
| — third parties   | 85               | —                | 6,716            | 18,615           |
| Others  | 8,126            | 9,723            | 53,514           | 34,788           |
|   | 1,096,542        | 1,009,645        | 2,079,101        | 2,065,391        |
| Less: allowance for doubtful debts                                      | (5,444)          | (5,831)          | (8,389)          | (3,549)          |
|   | <u>1,091,098</u> | <u>1,003,814</u> | <u>2,070,712</u> | <u>2,061,842</u> |

#### Notes:

- (i) The balances represent prepayments to the sub-contractors in connection with the Group's construction contracts. The prepayments will be settled upon the delivery of goods and services by the sub-contractors.
- (ii) The balances represent deposits placed with customers for contracts bidding or performance of contracts in progress. The deposits will be released to the Group upon the completion of the related bidding or contract work, where applicable.
- (iii) All advances to associates are unsecured, interest free and repayable on demand except for amounts of RMB100,000,000 and RMB50,000,000 as at December 31, 2010 bear interest at 4.05% per annum and 4.78% per annum, and are repayable



on July 30, 2011 and April 21, 2011, respectively, and an amount of RMB115,000,000 as at June 30, 2011 bears interest at 6.94% per annum.

- (iv) The Group's non-trade balances with related parties as at December 31, 2008, 2009, 2010 and June 30, 2011 amounted to RMB12,756,000, RMB27,229,000, RMB156,551,000 and RMB123,961,000, respectively. The Directors are of the opinion that these balances will be settled before the listing of the Company's shares on the HKSE.

## The Company

|                                    | At December 31, |                  |                  | At June 30,      |
|------------------------------------|-----------------|------------------|------------------|------------------|
|                                    | 2008            | 2009             | 2010             | 2011             |
|                                    | RMB'000         | RMB'000          | RMB'000          | RMB'000          |
| Advances to                        |                 |                  |                  |                  |
| — related parties under Guodian    | 180             | 1,300            | —                | —                |
| — subsidiaries                     | 107,047         | 1,114,334        | 4,337,000        | 2,180,278        |
| — associates                       | —               | —                | 150,000          | 116,462          |
| Prepayments to sub-contractors     |                 |                  |                  |                  |
| — third parties                    | 6,661           | 682              | 806              | 4,027            |
| Interest receivables               |                 |                  |                  |                  |
| — subsidiaries                     | 2,529           | 15               | 1,543            | —                |
| Dividends receivables              |                 |                  |                  |                  |
| — subsidiaries                     | 11,996          | 35,079           | 133,741          | 31,266           |
| — associates                       | 1,827           | 20,890           | —                | —                |
| Others                             | 1,625           | 902              | 6,179            | 7,510            |
|                                    | 131,865         | 1,173,202        | 4,629,269        | 2,339,543        |
| Less: allowance for doubtful debts | (63)            | (52)             | (280)            | (280)            |
|                                    | <u>131,802</u>  | <u>1,173,150</u> | <u>4,628,989</u> | <u>2,339,263</u> |

### (a) Impairment of deposits, prepayments and other receivables

Impairment of deposits, prepayments and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against deposits, prepayments and other receivables directly (note 1(o)(i)).

The movement in the allowance for bad and doubtful accounts during the Track Record Period is as follows:

## The Group

|                                   | At December 31, |              |              | At June 30,  |
|-----------------------------------|-----------------|--------------|--------------|--------------|
|                                   | 2008            | 2009         | 2010         | 2011         |
|                                   | RMB'000         | RMB'000      | RMB'000      | RMB'000      |
| At January 1                      | 1,109           | 5,444        | 5,831        | 8,389        |
| Impairment losses recognized      | 4,482           | 429          | 2,558        | 534          |
| Reversal of impairment losses     | (147)           | (23)         | —            | —            |
| Uncollectible amounts written off | —               | (19)         | —            | —            |
| Disposal of a subsidiary          | —               | —            | —            | (5,374)      |
| At the end of the year/period     | <u>5,444</u>    | <u>5,831</u> | <u>8,389</u> | <u>3,549</u> |

**The Company**

|                                     | At December 31, |                |                | At June 30,    |
|-------------------------------------|-----------------|----------------|----------------|----------------|
|                                     | 2008            | 2009           | 2010           | 2011           |
|                                     | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At January 1 .....                  | 210             | 63             | 52             | 280            |
| Impairment losses recognized .....  | —               | —              | 228            | —              |
| Reversal of impairment losses ..... | (147)           | (11)           | —              | —              |
| At the end of the year/period ..... | <u>63</u>       | <u>52</u>      | <u>280</u>     | <u>280</u>     |

The Group's deposits, prepayments and other receivables of RMB4,450,000, RMB4,787,000, RMB5,497,000 and RMB915,000 as at December 31, 2008, 2009 and 2010 and June 30, 2011 were individually determined to be impaired, respectively. The individually impaired receivables related to the counterparties that were in financial difficulties and management assessed that the receivables are expected to be unrecoverable. Consequently, specific allowances for doubtful debts of RMB4,450,000, RMB4,787,000, RMB5,497,000 and RMB915,000 as at December 31, 2008, 2009 and 2010 and June 30, 2011 were recognized by the Group. The Group does not hold any collateral over these balances.

For other balances of deposits, prepayments and other receivables, management is of the opinion that the counterparties are with good credit quality and the balances are considered fully recoverable.

**24 RESTRICTED DEPOSITS**

Restricted deposits mainly represent guarantee deposits, cash pledged as collateral for bills payable and housing maintenance fund designated for specific purposes as requested by PRC regulations. Majority of these restricted deposits are expected to be released within one year except for housing maintenance fund which is a fund deposited in a specific purpose account for housing maintenance in accordance with the relevant laws and regulations and is not expected to be utilized for housing maintenance expenditures within one year.

**25 CASH AT BANK AND IN HAND****The Group**

|  | At December 31,  |                  |                  | At June 30,      |
|--|------------------|------------------|------------------|------------------|
|  | 2008             | 2009             | 2010             | 2011             |
|  | <i>RMB'000</i>   | <i>RMB'000</i>   | <i>RMB'000</i>   | <i>RMB'000</i>   |
| Cash in hand .....   | 672              | 629              | 930              | 2,584            |
| Cash at bank .....   | 990,659          | 699,277          | 1,808,024        | 3,557,388        |
| Cash at Guodian Finance Corporation Limited<br>("Guodian Finance") ..... | 161,583          | 555,153          | 957,970          | 481,494          |
|  | <u>1,152,914</u> | <u>1,255,059</u> | <u>2,766,924</u> | <u>4,041,466</u> |
| Representing:  |                  |                  |                  |                  |
| — cash and cash equivalents .....  | 1,152,914        | 1,255,059        | 1,790,924        | 3,732,628        |
| — deposits with banks over three months of<br>original maturity .....    | —                | —                | 976,000          | 308,838          |
|  | <u>1,152,914</u> | <u>1,255,059</u> | <u>2,766,924</u> | <u>4,041,466</u> |

**The Company**

|                                 | At December 31, |                |                | At June 30,    |
|---------------------------------|-----------------|----------------|----------------|----------------|
|                                 | 2008            | 2009           | 2010           | 2011           |
|                                 | <u>RMB'000</u>  | <u>RMB'000</u> | <u>RMB'000</u> | <u>RMB'000</u> |
| Cash in hand .....              | 22              | 10             | 3              | 68             |
| Cash at bank .....              | 245,705         | 106,566        | 6,449          | 227,750        |
| Cash at Guodian Finance .....   | 4,676           | 32,321         | 631,377        | 31,993         |
| Cash and cash equivalents ..... | <u>250,403</u>  | <u>138,897</u> | <u>637,829</u> | <u>259,811</u> |

**26 BORROWINGS****(a) The long-term interest-bearing borrowings comprise:****The Group**

|   | At December 31, |                  |                  | At June 30,      |
|---|-----------------|------------------|------------------|------------------|
|   | 2008            | 2009             | 2010             | 2011             |
|   | <u>RMB'000</u>  | <u>RMB'000</u>   | <u>RMB'000</u>   | <u>RMB'000</u>   |
| Bank loans  |                 |                  |                  |                  |
| — secured (note) .....                              | 90,505          | 353,400          | 326,770          | 315,330          |
| — guaranteed by related parties under Guodian ..    | 40,000          | —                | —                | —                |
| — guaranteed by non-controlling equity owners ...   | 3,060           | —                | —                | —                |
| — unsecured .....                                   | —               | 544,000          | 1,416,642        | 1,810,241        |
| Loans from Guodian Finance                          |                 |                  |                  |                  |
| — secured (note) .....                              | 150,000         | 200,000          | 150,000          | —                |
| — unsecured .....                                   | —               | 200,000          | 850,000          | 500,000          |
| Other loans (unsecured) .....                       | 9,272           | 8,545            | 12,636           | 12,455           |
|   | <u>292,837</u>  | <u>1,305,945</u> | <u>2,756,048</u> | <u>2,638,026</u> |
| Less: current portion of long-term borrowings ..... | <u>(29,292)</u> | <u>(177,539)</u> | <u>(247,339)</u> | <u>(122,157)</u> |
|   | <u>263,545</u>  | <u>1,128,406</u> | <u>2,508,709</u> | <u>2,515,869</u> |

**The Company**

|                              | At December 31, |                |                | At June 30,    |
|------------------------------|-----------------|----------------|----------------|----------------|
|                              | 2008            | 2009           | 2010           | 2011           |
|                              | <u>RMB'000</u>  | <u>RMB'000</u> | <u>RMB'000</u> | <u>RMB'000</u> |
| Bank loans (unsecured) ..... | <u>—</u>        | <u>150,000</u> | <u>590,000</u> | <u>840,000</u> |

*Note:*

Secured long-term interest-bearing borrowings are secured by concession assets (note 15) and income stream of certain subsidiaries.

**(b) The short-term interest-bearing borrowings comprise:****The Group**

|   | At December 31, |                  |                  | At June 30,      |
|---|-----------------|------------------|------------------|------------------|
|   | 2008            | 2009             | 2010             | 2011             |
|   | <i>RMB'000</i>  | <i>RMB'000</i>   | <i>RMB'000</i>   | <i>RMB'000</i>   |
| Bank loans                                    |                 |                  |                  |                  |
| — secured (note)                              | 27,500          | 66,000           | 23,000           | 36,000           |
| — guaranteed by related parties under Guodian | 63,000          | 9,887            | —                | —                |
| — guaranteed by non-controlling equity owners | —               | 5,000            | —                | —                |
| — unsecured                                   | 480,360         | 1,480,026        | 3,003,569        | 6,431,299        |
| Loans from Guodian Finance                    |                 |                  |                  |                  |
| — unsecured                                   | 60,000          | 500,000          | 1,170,000        | 1,070,000        |
| Other loans                                   |                 |                  |                  |                  |
| — secured (note)                              | —               | 30,000           | —                | —                |
| — unsecured                                   | —               | 100,000          | —                | —                |
| Current portion of long-term borrowings       | 29,292          | 177,539          | 247,339          | 122,157          |
|   | <u>660,152</u>  | <u>2,368,452</u> | <u>4,443,908</u> | <u>7,659,456</u> |

**The Company**

|  | At December 31, |                |                  | At June 30,      |
|--|-----------------|----------------|------------------|------------------|
|  | 2008            | 2009           | 2010             | 2011             |
|  | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i>   | <i>RMB'000</i>   |
| Bank loans (unsecured)                 | 25,000          | 400,000        | 110,000          | 1,470,000        |
| Loans from Guodian Finance (unsecured) | 60,000          | 450,000        | 1,170,000        | 1,020,000        |
|  | <u>85,000</u>   | <u>850,000</u> | <u>1,280,000</u> | <u>2,490,000</u> |

*Note:*

Secured short-term interest-bearing borrowings are secured by property, plant and equipment (note 12), lease prepayments (note 14), trade and bills receivables (note 22), and income stream of certain subsidiaries.

**(c) The interest rates per annum on borrowings are as follows:****The Group**

|                            | At December 31, |             |             | At June 30, |
|----------------------------|-----------------|-------------|-------------|-------------|
|                            | 2008            | 2009        | 2010        | 2011        |
| <b>Long-term</b>           |                 |             |             |             |
| Bank loans                 | 5.76%~7.83%     | 4.86%~5.94% | 4.86%~5.94% | 4.86%~6.80% |
| Loans from Guodian Finance | 6.80%           | 4.86%~5.13% | 4.86%~5.32% | 5.27%~5.81% |
| Other loans                | 2.82%~4.44%     | 2.82%~4.44% | 0.30%~4.44% | 0.30%~4.44% |
| <b>Short-term</b>          |                 |             |             |             |
| Bank loans                 | 5.02%~7.24%     | 1.88%~5.84% | 4.78%~5.84% | 4.78%~7.26% |
| Loans from Guodian Finance | 6.72%           | 4.37%~4.78% | 4.37%~5.00% | 5.68%~6.31% |
| Other loans                | —               | 4.43%~4.51% | —           | —           |

## The Company

|                                  | At December 31, |             |             | At June 30, |
|----------------------------------|-----------------|-------------|-------------|-------------|
|                                  | 2008            | 2009        | 2010        | 2011        |
| <b>Long-term</b>                 |                 |             |             |             |
| Bank loans .....                 | —               | 4.86%       | 4.86%~5.04% | 5.76%~6.40% |
| <b>Short-term</b>                |                 |             |             |             |
| Bank loans .....                 | 7.24%           | 4.37%~4.78% | 4.78%~5.84% | 5.81%~6.62% |
| Loans from Guodian Finance ..... | 6.72%           | 4.37%~4.78% | 4.37%~5.00% | 5.68%       |

## (d) The long-term borrowings are repayable as follows:

## The Group

|  | At December 31, |                  |                  | At June 30,      |
|--|-----------------|------------------|------------------|------------------|
|  | 2008            | 2009             | 2010             | 2011             |
|  | <i>RMB'000</i>  | <i>RMB'000</i>   | <i>RMB'000</i>   | <i>RMB'000</i>   |
| Within 1 year or on demand .....       | 29,292          | 177,539          | 247,339          | 122,157          |
| After 1 year but within 2 years .....  | 137,539         | 234,539          | 451,339          | 676,339          |
| After 2 years but within 5 years ..... | 121,097         | 379,867          | 1,422,637        | 1,266,197        |
| After 5 years .....                    | 4,909           | 514,000          | 634,733          | 573,333          |
|  | <u>292,837</u>  | <u>1,305,945</u> | <u>2,756,048</u> | <u>2,638,026</u> |

## The Company

|  | At December 31, |                |                | At June 30,    |
|--|-----------------|----------------|----------------|----------------|
|  | 2008            | 2009           | 2010           | 2011           |
|  | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| After 1 year but within 2 years .....  | —               | —              | 200,000        | 300,000        |
| After 2 years but within 5 years ..... | —               | 150,000        | 390,000        | 540,000        |
|  | <u>—</u>        | <u>150,000</u> | <u>590,000</u> | <u>840,000</u> |

## 27 TRADE AND BILLS PAYABLES

## The Group

|   | At December 31,  |                  |                  | At June 30,       |
|---|------------------|------------------|------------------|-------------------|
|   | 2008             | 2009             | 2010             | 2011              |
|   | <i>RMB'000</i>   | <i>RMB'000</i>   | <i>RMB'000</i>   | <i>RMB'000</i>    |
| Bills payable to                              |                  |                  |                  |                   |
| — sub-contractors and equipment suppliers ... | 34,222           | 33,426           | 94,785           | 41,781            |
| — raw material suppliers .....                | 36,013           | 607,538          | 2,103,835        | 1,900,084         |
|   | <u>70,235</u>    | <u>640,964</u>   | <u>2,198,620</u> | <u>1,941,865</u>  |
| Trade payables to                             |                  |                  |                  |                   |
| — sub-contractors and equipment suppliers     |                  |                  |                  |                   |
| — related parties under Guodian .....         | 14,776           | 23,467           | 27,833           | 7,080             |
| — associates .....                            | 13,238           | 13,246           | 19,427           | 18,740            |
| — third parties .....                         | 1,113,646        | 1,577,129        | 2,036,827        | 1,544,110         |
|   | <u>1,141,660</u> | <u>1,613,842</u> | <u>2,084,087</u> | <u>1,569,930</u>  |
| — raw material suppliers                      |                  |                  |                  |                   |
| — related parties under Guodian .....         | —                | —                | 792              | 141,217           |
| — associates .....                            | 792              | 5,002            | 7,340            | 7,340             |
| — third parties .....                         | 528,484          | 1,959,933        | 5,111,253        | 6,963,123         |
|   | <u>529,276</u>   | <u>1,964,935</u> | <u>5,119,385</u> | <u>7,111,680</u>  |
|   | <u>1,741,171</u> | <u>4,219,741</u> | <u>9,402,092</u> | <u>10,623,475</u> |

**The Company**

|   | At December 31, |                |                | At June 30,    |
|---|-----------------|----------------|----------------|----------------|
|   | 2008            | 2009           | 2010           | 2011           |
|   | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Bills payable to sub-contractors and equipment suppliers  |                 |                |                |                |
| — third parties   | —               | —              | —              | 25,581         |
| Trade payables to sub-contractors and equipment suppliers |                 |                |                |                |
| — related parties under Guodian                           | —               | —              | 8,569          | 7,260          |
| — subsidiaries  | 78,224          | 87,740         | 126,450        | 98,466         |
| — associate   | 4,464           | 3,942          | 503            | 503            |
| — third parties   | 16,336          | 5,663          | 21,355         | 15,347         |
|   | <u>99,024</u>   | <u>97,345</u>  | <u>156,877</u> | <u>121,576</u> |
|   | <u>99,024</u>   | <u>97,345</u>  | <u>156,877</u> | <u>147,157</u> |

As at December 31, 2008, 2009 and 2010 and June 30, 2011, all trade and bills payables of the Group and the Company are expected to be settled within one year or are repayable on demand.

Aging analysis of trade and bills payables of the Group and the Company is as follows:

**The Group**

|  | At December 31,  |                  |                  | At June 30,       |
|--|------------------|------------------|------------------|-------------------|
|  | 2008             | 2009             | 2010             | 2011              |
|  | <i>RMB'000</i>   | <i>RMB'000</i>   | <i>RMB'000</i>   | <i>RMB'000</i>    |
| Due within 3 months or on demand       | 213,447          | 2,674,082        | 5,792,600        | 4,723,424         |
| Due after 3 months but within 6 months | 787,893          | 933,901          | 2,276,202        | 3,239,150         |
| Due after 6 months                     | 739,831          | 611,758          | 1,333,290        | 2,660,901         |
|  | <u>1,741,171</u> | <u>4,219,741</u> | <u>9,402,092</u> | <u>10,623,475</u> |

**The Company**

|  | At December 31, |                |                | At June 30,    |
|--|-----------------|----------------|----------------|----------------|
|  | 2008            | 2009           | 2010           | 2011           |
|  | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Due within 3 months or on demand       | 2,663           | 4,769          | 71,710         | 32,842         |
| Due after 3 months but within 6 months | 16,335          | 1,644          | 6,424          | 98,465         |
| Due after 6 months                     | 80,026          | 90,932         | 78,743         | 15,850         |
|  | <u>99,024</u>   | <u>97,345</u>  | <u>156,877</u> | <u>147,157</u> |

## 28 OTHER PAYABLES

## The Group

|   | At December 31, |           |           | At June 30, |
|---|-----------------|-----------|-----------|-------------|
|   | 2008            | 2009      | 2010      | 2011        |
|   | RMB'000         | RMB'000   | RMB'000   | RMB'000     |
| Interest payables   |                 |           |           |             |
| — Guodian   | —               | 513       | —         | —           |
| — related parties under Guodian   | 744             | 434       | 5,947     | 9,095       |
| — third parties   | 2,778           | 2,710     | 11,517    | 8,528       |
| Payables for staff related costs  | 49,285          | 39,932    | 50,214    | 56,395      |
| Payables for other taxes  | 29,203          | 103,550   | 234,347   | 70,720      |
| Payables for acquisition of property, plant and equipment and land use rights |                 |           |           |             |
| — related parties under Guodian   | —               | —         | 289,486   | 716,271     |
| — third parties   | 80,031          | 936,189   | 652,336   | 835,014     |
| Deposits from customers (note (i))  | 9,336           | 142,262   | 156,013   | 487,084     |
| Retention payables (note (ii))  | 73,320          | 777       | 28,080    | 30,506      |
| Advances from (note (iii))  |                 |           |           |             |
| — Guodian   | 700             | 920,700   | 1,123,898 | 3,898       |
| — related parties under Guodian   | 213,838         | 185       | 740,185   | 171,398     |
| — associates  | —               | —         | —         | 437,574     |
| — third parties   | —               | 1,000     | —         | 60,000      |
| Dividends payables  | 1,967           | 23,404    | 1,080     | 1,980       |
| Other accruals and payables   |                 |           |           |             |
| — related parties under Guodian   | 805             | 805       | 840       | 820         |
| — associates  | 1,108           | 2,984     | 1,548     | 773         |
| — third parties   | 43,898          | 75,028    | 52,719    | 84,970      |
| Financial liabilities   | 507,013         | 2,250,473 | 3,348,210 | 2,975,026   |
| Receipts in advance (note (iv))   |                 |           |           |             |
| — related parties under Guodian   | 660,021         | 1,887,101 | 2,745,488 | 3,642,993   |
| — third parties   | 322,219         | 114,666   | 513,953   | 505,661     |
|   | 982,240         | 2,001,767 | 3,259,441 | 4,148,654   |
|   | 1,489,253       | 4,252,240 | 6,607,651 | 7,123,680   |

## Notes:

- (i) The balances represented deposits from sub-contractors for contract bidding. The deposits will be released to sub-contractors upon the completion of the related bidding.
- (ii) Retention payables represent the amounts due to equipment and construction contractors which will be settled upon the expiry of the warranty period.
- (iii) The amounts are unsecured and have no fixed terms of repayment. Except for amounts of RMB920,000,000 and RMB1,660,000,000 as at December 31, 2009 and 2010, respectively, which bear interest ranging from 2.73% to 4.67% per annum, all of the remaining balances are non-interest bearing.
- (iv) Included in the balances as at December 31, 2008, 2009 and 2010 and June 30, 2011 are RMB153 million, RMB172 million, RMB85 million and RMB227 million of advances received from customers for which the related construction works have not commenced as at the respective balance sheet dates.
- (v) The Group's non-trade balances with related parties as at December 31, 2008, 2009 and 2010 and June 30, 2011 amounted to RMB215,282,000, RMB921,832,000, RMB2,159,516,000 and RMB1,338,236,000 respectively. The balances as at December 31, 2010 and June 30, 2011 include amounts of RMB289,486,000 and RMB716,271,000 respectively for the acquisitions of property, plant and equipment from related parties. Except for the payables for acquisition of property, plant and equipment, the Directors are of the opinion that the remaining non-trade balances with related parties will be settled before the listing of the Company's share on the HKSE.

## The Company

|   | At December 31, |                  |                  | At June 30,    |
|---|-----------------|------------------|------------------|----------------|
|   | 2008            | 2009             | 2010             | 2011           |
|   | RMB'000         | RMB'000          | RMB'000          | RMB'000        |
| Interest payables   |                 |                  |                  |                |
| — Guodian   | —               | 514              | —                | —              |
| — related parties under Guodian                           | 4               | 359              | 4,716            | 4,716          |
| — third parties   | —               | —                | 2,684            | 2,684          |
| Payables for staff related costs                          | 670             | 381              | 1,388            | 1,623          |
| Payables for other taxes                                  | 2,176           | 47,936           | 30,353           | 14,423         |
| Payables for acquisition of property, plant and equipment |                 |                  |                  |                |
| — subsidiaries  | —               | —                | —                | 184,875        |
| — third parties   | 5,704           | 690,754          | 100,291          | 82,723         |
| Advances from (note (i))                                  |                 |                  |                  |                |
| — Guodian   | 700             | 920,700          | 1,123,898        | 3,898          |
| — related parties under Guodian                           | 5,372           | —                | 740,000          | —              |
| — subsidiaries  | —               | 400,000          | 831,156          | 495,368        |
| Other accruals and payables                               |                 |                  |                  |                |
| — related parties under Guodian                           | —               | —                | —                | 14,082         |
| — third parties   | 7,124           | 11,207           | 8,765            | 5,014          |
| Financial liabilities                                     | 21,750          | 2,071,851        | 2,843,251        | 809,406        |
| Receipts in advance                                       |                 |                  |                  |                |
| — subsidiaries  | —               | —                | —                | 15,783         |
| — third parties   | 28              | 28               | —                | —              |
|   | <u>21,778</u>   | <u>2,071,879</u> | <u>2,843,251</u> | <u>825,189</u> |

## Note:

(i) The amounts are unsecured and have no fixed terms of repayment. Except for amounts of RMB920,000,000, RMB2,235,000,000 and RMB477,514,000 as at December 31, 2009 and 2010 and June 30, 2011, respectively, which bear interest ranging from 2.73% to 5.81% per annum, all of the remaining balances are non-interest bearing.

All of the other payables of the Group and the Company are expected to be settled or recognized as income within one year or are repayable on demand.

## 29 INCOME TAX IN THE CONSOLIDATED BALANCE SHEETS

## (a) Tax payable/(recoverable) in the consolidated balance sheets represents:

|  | At December 31, |               |              | At June 30,     |
|--|-----------------|---------------|--------------|-----------------|
|  | 2008            | 2009          | 2010         | 2011            |
|  | RMB'000         | RMB'000       | RMB'000      | RMB'000         |
| Net tax payable at January 1                                 | 44,555          | 53,376        | 64,131       | 8,135           |
| Provision for the year/period (note 6(a))                    | 57,707          | 81,688        | 153,468      | 99,574          |
| (Over)/under-provision in respect of prior years (note 6(a)) | (3,076)         | 489           | 7,691        | 3,476           |
| Income tax paid  | (45,810)        | (71,422)      | (217,155)    | (153,556)       |
| Net tax payable/(recoverable) at end of the year/period      | <u>53,376</u>   | <u>64,131</u> | <u>8,135</u> | <u>(42,371)</u> |
| <i>Representing:</i>   |                 |               |              |                 |
| Tax payable  | 75,292          | 86,986        | 157,922      | 113,622         |
| Tax recoverable  | (21,916)        | (22,855)      | (149,787)    | (155,993)       |
|  | <u>53,376</u>   | <u>64,131</u> | <u>8,135</u> | <u>(42,371)</u> |



**(b) Deferred tax assets and liabilities recognized:**

The components of deferred tax assets/(liabilities) recognized in the consolidated balance sheets and the movements during the Track Record Period are as follows:

|  | Provision<br>for<br>impairment<br>of assets | Tax<br>losses         | Unrealized<br>profits on<br>intra-group<br>transactions | Deferred<br>income | Provision<br>for<br>warranty | Intangible<br>assets   | Others  | Total   |
|--|---|-----------------------|---|--------------------|------------------------------|------------------------|---------|---------|
|  | RMB'000                                     | RMB'000<br>(note (i)) | RMB'000   | RMB'000            | RMB'000                      | RMB'000<br>(note (ii)) | RMB'000 | RMB'000 |
| <i>Deferred tax arising from:</i>                  |   |                       |   |                    |                              |                        |         |         |
| At January 1, 2008 . . . . .                       | 4,068                                       | 2,825                 | 1,763   | —                  | 705                          | —                      | 3,420   | 12,781  |
| Credited/(charged) to                              |   |                       |   |                    |                              |                        |         |         |
| profit or loss . . . . .                           | 3,016                                       | 676                   | 1,939   | 10,360             | (122)                        | (1,007)                | (1,354) | 13,508  |
| At December 31, 2008 . .                           | 7,084                                       | 3,501                 | 3,702   | 10,360             | 583                          | (1,007)                | 2,066   | 26,289  |
| (Charged)/credited to                              |   |                       |   |                    |                              |                        |         |         |
| profit or loss . . . . .                           | (1,045)                                     | 4,510                 | 4,043   | 14,488             | 9,731                        | (2,915)                | 28      | 28,840  |
| At December 31, 2009 . .                           | 6,039                                       | 8,011                 | 7,745   | 24,848             | 10,314                       | (3,922)                | 2,094   | 55,129  |
| Credited/(charged) to                              |   |                       |   |                    |                              |                        |         |         |
| profit or loss . . . . .                           | 1,202                                       | 2,452                 | (3,527)   | 15,410             | 34,776                       | (10,188)               | 2,395   | 42,520  |
| At December 31, 2010 . .                           | 7,241                                       | 10,463                | 4,218   | 40,258             | 45,090                       | (14,110)               | 4,489   | 97,649  |
| Disposal of a subsidiary<br>(note 38(c)) . . . . . | —   | (1,431)               | —   | —                  | —                            | —                      | —       | (1,431) |
| Credited/(charged) to                              |   |                       |   |                    |                              |                        |         |         |
| profit or loss . . . . .                           | 2,019                                       | 6,512                 | 2,933   | 18,789             | 21,152                       | 5,004                  | (1,379) | 55,030  |
| At June 30, 2011 . . . . .                         | 9,260                                       | 15,544                | 7,151   | 59,047             | 66,242                       | (9,106)                | 3,110   | 151,248 |

*Notes:*

- (i) Deferred tax assets in respect of unused tax losses are related to subsidiaries that were established in recent years. They are now progressing to their normal production stage and are deriving profits. Accordingly, it is considered probable that sufficient taxable profits will be available in the future to utilize their unused tax losses before they expire.
- (ii) Deferred tax liabilities in respect of intangible assets arose from the temporary differences in development costs and concession assets.

**(c) Deferred tax assets not recognized****The Group**

In accordance with the accounting policy set out in note 1(w), the Group has not recognized deferred tax assets in respect of unused tax losses and certain deductible temporary differences of RMB147,765,000, RMB222,649,000, RMB336,109,000 and RMB456,946,000 as at December 31, 2008, 2009, 2010 and June 30, 2011 respectively, as it is not probable that future taxable profits against which the losses or the temporary differences can be utilized will be available in the relevant tax jurisdictions and entities. As at June 30, 2011, tax losses of RMB19,063,000, RMB42,277,000, RMB46,415,000, RMB76,779,000 and RMB160,245,000 will expire, if unused, by the end of 2012, 2013, 2014, 2015 and 2016, respectively.

**The Company**

In accordance with the accounting policy set out in note 1(w), the Company has not recognized deferred tax assets in respect of unused tax losses and certain deductible temporary differences of RMB65,268,000, RMB104,407,000, RMB174,956,000 and

RMB234,115,000 as at December 31, 2008, 2009, 2010 and June 30, 2011, respectively, as it is not probable that future taxable profits against which the losses or the temporary differences can be utilized will be available. As at June 30, 2011, tax losses of RMB19,063,000, RMB33,380,000, RMB39,784,000, RMB40,448,000 and RMB89,032,000 will expire, if unused, by the end of 2012, 2013, 2014, 2015 and 2016, respectively.

**(d) Deferred tax liability not recognized**

Taxable temporary differences relating to undistributed profits and PRC statutory reserves of subsidiaries and associates amounted to RMB637,767,000, RMB685,556,000, RMB1,192,866,000 and RMB1,505,986,000 as at December 31, 2008, 2009 and 2010 and June 30, 2011 respectively. No deferred tax liability was recognized in respect of these taxable temporary differences as dividends from subsidiaries and associates are not subject to PRC income tax and the Group controls the dividend policy of these subsidiaries and has no plan to dispose of these subsidiaries and associates in the foreseeable future.

**30 PROVISION FOR WARRANTY**

The movement of provisions for product warranty during the Track Record Period is as follows:

**The Group**

|   | At December 31, |                |                | At June 30,    |
|---|-----------------|----------------|----------------|----------------|
|   | 2008            | 2009           | 2010           | 2011           |
|   | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At January 1 . . . . .                                    | 4,701           | 3,889          | 54,687         | 228,914        |
| Additional provisions made . . . . .                      | 969             | 50,798         | 177,296        | 107,131        |
| Provisions reversed . . . . .                             | (1,781)         | —              | —              | —              |
| Provisions utilized . . . . .                             | —               | —              | (3,069)        | (3,131)        |
| At the end of the year/period . . . . .                   | 3,889           | 54,687         | 228,914        | 332,914        |
| Less: current portion of provision for warranty . . . . . | —               | —              | (19,869)       | (58,473)       |
|   | <u>3,889</u>    | <u>54,687</u>  | <u>209,045</u> | <u>274,441</u> |

Under the terms of the Group's sales agreements, the Group will rectify product defects of wind turbines and steam turbines arising within two to five years of the date of sale. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of sales made within two to five years prior to the end of the Track Record Period. The amount of provision takes into account the Group's recent claim experience and the experiences of other companies for similar products and is only made where a warranty claim is probable.

**31 DEFERRED INCOME****The Group**

|   | At December 31, |                |                | At June 30,    |
|---|-----------------|----------------|----------------|----------------|
|   | 2008            | 2009           | 2010           | 2011           |
|   | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At January 1 .....                          | 16,380          | 55,693         | 115,396        | 185,649        |
| Additions .....                             | 42,406          | 65,000         | 77,117         | 94,602         |
| Credited to profit or loss .....            | (3,093)         | (5,297)        | (6,864)        | (5,138)        |
| Disposal of subsidiaries (note 38(c)) ..... | —               | —              | —              | (4,736)        |
| At the end of the year/period .....         | <u>55,693</u>   | <u>115,396</u> | <u>185,649</u> | <u>270,377</u> |

Deferred income mainly represents government grants relating to the construction of property, plant and equipment, as well as technology research funding related to environmental protection related assets, which would be recognized as income on a straight-line basis over the expected useful life of the relevant assets. The deferred income recognized is included in "other revenue" in the consolidated income statement.

**32 OTHER NON-CURRENT LIABILITIES****The Group**

|   | At December 31, |                |                | At June 30,    |
|---|-----------------|----------------|----------------|----------------|
|   | 2008            | 2009           | 2010           | 2011           |
|   | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Long-term retention payable .....           |                 |                |                |                |
| — related parties under Guodian .....       | 1,924           | 152            | 2,000          | 112            |
| — third parties .....                       | 93,371          | 109,312        | 236,647        | 84,847         |
| Other non-current financial liability ..... | 6,370           | 6,370          | 6,370          | 6,370          |
|   | <u>101,665</u>  | <u>115,834</u> | <u>245,017</u> | <u>91,329</u>  |

**33 CAPITAL, RESERVES AND DIVIDENDS****(a) Movements in components of equity**

The reconciliations between the opening and closing balances of each component of the Group's consolidated equity during the Track Record Period are set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity during the Track Record Period are set out below:

|  | Paid-in<br>capital/<br>share capital | Capital<br>reserve | PRC<br>statutory<br>reserve | Retained<br>profits/<br>(accumulated<br>losses) | Total<br>equity |
|--|--------------------------------------|--------------------|-----------------------------|---|-----------------|
|  | <u>RMB'000</u>                       | <u>RMB'000</u>     | <u>RMB'000</u>              | <u>RMB'000</u>                                  | <u>RMB'000</u>  |
| <b>At January 1, 2008</b> .....  | 361,883                              | 13,363             | 14,744                      | 26,761  | 416,751         |
| <b>Changes in equity:</b>  |                                      |                    |                             |   |                 |
| Loss and total comprehensive income for<br>the year .....                              | —                                    | —                  | —                           | (17,162)  | (17,162)        |
| Capital contributions (note 33(d)(i)(a)) ...   | 548,870                              | 200,000            | —                           | —   | 748,870         |
| <b>At December 31, 2008</b> .....  | 910,753                              | 213,363            | 14,744                      | 9,599   | 1,148,459       |
| <b>Changes in equity:</b>  |                                      |                    |                             |   |                 |
| Profit and total comprehensive income for<br>the year .....                            | —                                    | —                  | —                           | 3,333   | 3,333           |
| Capital contributions (note 33(d)(i)(a)) ...   | 426,916                              | 66,772             | —                           | —   | 493,688         |
| Transfer to paid-in capital (note<br>33(d)(i)(a)) .....                                | 200,000                              | (200,000)          | —                           | —   | —               |
| Appropriation .....  | —                                    | —                  | 324                         | (324)   | —               |
| <b>At December 31, 2009</b> .....  | 1,537,669                            | 80,135             | 15,068                      | 12,608  | 1,645,480       |
| <b>Changes in equity:</b>  |                                      |                    |                             |   |                 |
| Profit and total comprehensive income for<br>the year .....                            | —                                    | —                  | —                           | 47,301  | 47,301          |
| Capital contributions (note 33(d)(i)(b)) ...   | 3,218,149                            | 30,355             | —                           | —   | 3,248,504       |
| Transfer to paid-in capital (note<br>33(d)(i)(a)) .....                                | 66,772                               | (66,772)           | —                           | —   | —               |
| Appropriation .....  | —                                    | —                  | 7,713                       | (7,713)   | —               |
| <b>At December 31, 2010</b> .....  | 4,822,590                            | 43,718             | 22,781                      | 52,196  | 4,941,285       |
| <b>Changes in equity:</b>  |                                      |                    |                             |   |                 |
| Loss and total comprehensive income for<br>the period .....                            | —                                    | —                  | —                           | (50,624)  | (50,624)        |
| Conversion into a joint stock company<br>with limited liability (note 33(c)(ii)) ..... | 27,410                               | 14,347             | (13,638)                    | (28,119)  | —               |
| <b>At June 30, 2011</b> .....  | 4,850,000                            | 58,065             | 9,143                       | (26,547)  | 4,890,661       |
| <b>At January 1, 2010</b> .....  | 1,537,669                            | 80,135             | 15,068                      | 12,608  | 1,645,480       |
| <b>Changes in equity:</b>  |                                      |                    |                             |   |                 |
| Loss and total comprehensive income for<br>the period (unaudited) .....                | —                                    | —                  | —                           | (17,591)  | (17,591)        |
| Capital contributions (unaudited) .....  | 64,154                               | —                  | —                           | —   | 64,154          |
| Transfer to paid-in capital (unaudited)<br>(note 33(d)(i)(a)) .....                    | 66,772                               | (66,772)           | —                           | —   | —               |
| <b>At June 30, 2010 (unaudited)</b> .....  | 1,668,595                            | 13,363             | 15,068                      | (4,983)   | 1,692,043       |

**(b) Dividends**

The Company has not distributed any dividends during the Track Record Period.

**(c) Paid-in capital/share capital****(i) Registered and paid-up capital**

For the purpose of this report, the paid-in capital of the Group represents the paid-in capital of the Company before it was converted into a joint stock company with limited liability.

**(ii) Conversion into a joint stock company with limited liability**

The Company was a limited liability company and converted into a joint stock company with limited liability on May 16, 2011. Pursuant to the approval of State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"), the Company's equity of RMB4,874,724,000 was converted into 4,850,000,000 ordinary shares with par value of RMB1 each issued proportionately to its existing equity owners. RSM China Certified Public Accountants Co., Ltd. (中瑞岳華會計師事務所) have verified the issued and fully paid share capital, and issued related capital verification report Zhong Rui Yue Hua Yan Zi [2011] No. 068 (中瑞岳華驗字[2011]第068號).

***Registered and issued share capital***

|  | <i>No. of shares<br/>'000</i> |
|--|-------------------------------|
| Ordinary shares, issued and fully paid:                            |                               |
| At January 1, 2011 .....   | —                             |
| Conversion into a joint stock company with limited liability ..... | 4,850,000                     |
| At June 30, 2011 .....   | <u>4,850,000</u>              |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

**(d) Nature and purpose of reserves****(i) Capital reserve**

Capital reserve mainly represents capital/share premium, contributions from equity owners/shareholders, and the difference between the considerations of acquisition or disposal of equity interests from/to non-controlling equity owners and the carrying amount of the proportionate net assets.

- (a) The addition of the Group's and the Company's capital reserve during the year ended December 31, 2008 includes capital of RMB200,000,000 contributed by an equity owner which had not yet been verified as paid-in capital as at December 31, 2008. During the year ended December 31, 2009, the amount had been verified and registered as paid-in capital by the SAIC, and was transferred to paid-in capital accordingly.

The addition of the Group's and the Company's capital reserve during the year ended December 31, 2009 includes capital of RMB66,772,000 contributed by equity owners which had not yet been verified as paid-in capital as at December 31, 2009. During the year ended December 31, 2010, the amount had been verified and registered as paid-in capital by the SAIC, and was transferred to paid-in capital accordingly.

- (b) Capital contributions of the Group and the Company during the year ended December 31, 2010 included an amount of RMB30,350,000 capital contributions from Guodian. Guodian received capital fund from the Ministry of Finance of the PRC and further re-allocate part of the fund to the Company in form of capital contribution. According to the approval on the board meeting on July 22, 2011, the amount was solely attributable to Guodian.
- (c) During the year ended December 31, 2010, Longyuan Technology, a subsidiary of the Company, issued shares to non-controlling equity owners and resulted in a dilution in the Group's equity interest in Longyuan Technology. The Group recognized the difference between the Group's share of the proceeds from the issuance of shares by the subsidiary and the carrying amount of the subsidiary's proportionate net assets amounting to RMB229,515,000 as an increase in the Group's capital reserve.

(ii) PRC statutory reserve

According to the Company's Article of Association, the Company is required to transfer 10% of its net profit as determined in accordance with accounting rules and regulations of the PRC to its statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners/shareholders. This reserve fund can be utilized in setting off accumulated losses or increasing capital of the Company and is non-distributable other than in liquidation.

(iii) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currency other than the RMB which are dealt with in accordance with the accounting policies as set out in note 1(z).

**(e) Distributability of reserves**

Under the Company Law of the PRC and the Company's Articles of Association, net profit after tax as reported in the statutory financial statements prepared in accordance with the accounting rules and regulations of the PRC can only be distributed as dividends after allowances have been made for the following:

- (i) Making up prior years' cumulative losses, if any;
- (ii) Allocations to the statutory reserve as set out in note 33(d)(ii) above; and
- (iii) Allocations to the discretionary common reserve if approved by the shareholders.

After the listing of the Company's shares on HKSE, in accordance with the Articles of Association of the Company, the net profit after tax of the Company for the purpose of dividends payment will be the lesser of (i) the net profit determined in accordance with the accounting rules and regulations of the PRC; and (ii) the net profit determined in accordance with IFRSs.

**(f) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity owners/shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to financing at a reasonable costs.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity owner/shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities by total assets. The liability-to-asset ratio of the Group as at December 31, 2008, 2009 and 2010 and June 30, 2011 were 70%, 81%, 75% and 78%, respectively. The liability-to-asset ratio of the Company as at December 31, 2008, 2009 and 2010 and June 30, 2011 were 15%, 66%, 50% and 47%, respectively.

There were no changes in the Group's approach to capital management during the Track Record Period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

**34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES**

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

**(a) Credit risk**

The Group's credit risk is primarily attributable to cash at bank and in hand, trade and bills receivables, deposits, prepayments and other receivables and other non-current assets. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Substantially all of the Group's cash at bank and in hand are deposited in the stated owned/controlled PRC banks which the directors assessed the credit risk to be insignificant.

In respect of trade and bills receivables, deposits, prepayments and other receivables and other non-current assets, individual credit evaluations are performed on all customers.

These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle trade receivables in accordance with contracted terms and other debts in accordance with agreements. Credit terms may be granted to customers, depending on the nature of business. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At December 31, 2008, 2009 and 2010 and June 30, 2011, 25%, 23%, 19% and 29% of trade and other receivables was due from Guodian and related parties under Guodian the Group's largest customer, respectively. 2%, 3%, 8% and 8% of trade and other receivables was due from the five largest remaining customers as at December 31, 2008, 2009 and 2010 and June 30, 2011 respectively.

Except for the financial guarantees given by the Group as set out in note 36, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet dates is disclosed in note 36.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bills receivables, deposits, prepayments and other receivables and other non-current assets are set out in notes 22, 23 and 19 respectively.

**(b) Liquidity risk**

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilizing 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.

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Group had net current liabilities of RMB1,778,581,000, RMB2,123,389,000 and RMB3,066,731,000 as at December 31, 2009, 2010 and June 30, 2011 respectively. With regards to its future capital commitments and other financing requirements, the Group has unutilized banking facilities of RMB3,429,000,000 as of June 30, 2011.

In addition, the directors of the Group have carried out a review of the cash flow forecast for the 18 months period ending December 31, 2012. Based on such forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during the period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as



other key factors, including the availability of the above-mentioned borrowings financing which may impact the operations of the Group prior to the end of the next twelve months after the date of this report. The directors are of the opinion that the assumptions which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realized.

The following table details the remaining contractual maturities at the balance sheet dates of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet dates) and the earliest date the Group and the Company can be required to pay:

### The Group

|                                | At December 31, 2008                  |  |   |                   |                  | Carrying amount  |
|--------------------------------|---------------------------------------|--|---|-------------------|------------------|------------------|
|                                | Contractual undiscounted cash outflow |  |   |                   |                  |                  |
|                                | Within 1 year or on demand            | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total            |                  |
|                                | RMB'000                               | RMB'000                                | RMB'000                                 | RMB'000           | RMB'000          | RMB'000          |
| Long-term borrowings           |                                       |  |   |                   |                  |                  |
| (note 26(a)) . . . . .         | 18,476                                | 151,595                                | 129,185                                 | 5,443             | 304,699          | 263,545          |
| Short-term borrowings          |                                       |  |   |                   |                  |                  |
| (note 26(b)) . . . . .         | 684,597                               | —                                      | —                                       | —                 | 684,597          | 660,152          |
| Trade and bills payables       |                                       |  |   |                   |                  |                  |
| (note 27) . . . . .            | 1,741,171                             | —                                      | —                                       | —                 | 1,741,171        | 1,741,171        |
| Other payables (note 28) . . . | 507,013                               | —                                      | —                                       | —                 | 507,013          | 507,013          |
| Non-current liabilities        |                                       |  |   |                   |                  |                  |
| (note 32) . . . . .            | —                                     | 100,368                                | 1,297                                   | —                 | 101,665          | 101,665          |
|                                | <u>2,951,257</u>                      | <u>251,963</u>                         | <u>130,482</u>                          | <u>5,443</u>      | <u>3,339,145</u> | <u>3,273,546</u> |
| Financial guarantees issued:   |                                       |  |   |                   |                  |                  |
| Maximum amount                 |                                       |  |   |                   |                  |                  |
| guaranteed (note 36) . . . . . | <u>5,000</u>                          | <u>—</u>                               | <u>—</u>                                | <u>—</u>          | <u>5,000</u>     | <u>—</u>         |

|  | At December 31, 2009                  |   |  |                         |                   |                    |
|--|---------------------------------------|---|--|-------------------------|-------------------|--------------------|
|  | Contractual undiscounted cash outflow |   |  |                         |                   |                    |
|  | Within<br>1 year<br>or on<br>demand   | More than<br>1 year<br>but less<br>than 2 years | More than<br>2 years<br>but less<br>than 5 years | More<br>than<br>5 years | Total             | Carrying<br>amount |
|  | RMB'000                               | RMB'000   | RMB'000  | RMB'000                 | RMB'000           | RMB'000            |
| Long-term borrowings<br>(note 26(a))                                   | 60,293                                | 286,444   | 492,493  | 600,494                 | 1,439,724         | 1,128,406          |
| Short-term borrowings<br>(note 26(b))                                  | 2,443,747                             | —   | —  | —                       | 2,443,747         | 2,368,452          |
| Trade and bills payables<br>(note 27)                                  | 4,219,741                             | —   | —  | —                       | 4,219,741         | 4,219,741          |
| Other payables<br>(note 28)  | 2,250,473                             | —   | —  | —                       | 2,250,473         | 2,250,473          |
| Non-current liabilities<br>(note 32)                                   | —                                     | 111,819   | 4,015  | —                       | 115,834           | 115,834            |
|  | <u>8,974,254</u>                      | <u>398,263</u>                                  | <u>496,508</u>                                   | <u>600,494</u>          | <u>10,469,519</u> | <u>10,082,906</u>  |
|  | At December 31, 2010                  |   |  |                         |                   |                    |
|  | Contractual undiscounted cash outflow |   |  |                         |                   |                    |
|  | Within<br>1 year<br>or on<br>demand   | More than<br>1 year<br>but less<br>than 2 years | More than<br>2 years<br>but less<br>than 5 years | More than<br>5 years    | Total             | Carrying<br>amount |
|  | RMB'000                               | RMB'000   | RMB'000  | RMB'000                 | RMB'000           | RMB'000            |
| Long-term borrowings<br>(note 26(a))                                   | 131,832                               | 578,046   | 1,639,092  | 747,608                 | 3,096,578         | 2,508,709          |
| Short-term borrowings<br>(note 26(b))                                  | 4,545,645                             | —   | —  | —                       | 4,545,645         | 4,443,908          |
| Trade and bills payables<br>(note 27)                                  | 9,402,092                             | —   | —  | —                       | 9,402,092         | 9,402,092          |
| Other payables (note 28)   | 3,348,210                             | —   | —  | —                       | 3,348,210         | 3,348,210          |
| Non-current liabilities<br>(note 32)                                   | —                                     | 155,254   | 89,763   | —                       | 245,017           | 245,017            |
|  | <u>17,427,779</u>                     | <u>733,300</u>                                  | <u>1,728,855</u>                                 | <u>747,608</u>          | <u>20,637,542</u> | <u>19,947,936</u>  |
| Financial guarantees issued:<br>Maximum amount guaranteed<br>(note 36) | <u>5,000</u>                          | <u>—</u>  | <u>—</u>   | <u>—</u>                | <u>5,000</u>      | <u>—</u>           |

|                                       | At June 30, 2011                      |   |  |                      |                   |                    |
|---------------------------------------|---------------------------------------|---|--|----------------------|-------------------|--------------------|
|                                       | Contractual undiscounted cash outflow |   |  |                      |                   |                    |
|                                       | Within<br>1 year<br>or on<br>demand   | More than<br>1 year<br>but less<br>than 2 years | More than<br>2 years<br>but less<br>than 5 years | More than<br>5 years | Total             | Carrying<br>amount |
|                                       | RMB'000                               | RMB'000   | RMB'000  | RMB'000              | RMB'000           | RMB'000            |
| Long-term borrowings<br>(note 26(a))  | 145,660                               | 796,376   | 1,445,685  | 660,067              | 3,047,788         | 2,515,869          |
| Short-term borrowings<br>(note 26(b)) | 7,964,563                             | —   | —  | —                    | 7,964,563         | 7,659,456          |
| Trade and bills payables<br>(note 27) | 10,623,475                            | —   | —  | —                    | 10,623,475        | 10,623,475         |
| Other payables<br>(note 28)           | 2,975,026                             | —   | —  | —                    | 2,975,026         | 2,975,026          |
| Non-current liabilities<br>(note 32)  | —                                     | 60,436  | 30,893   | —                    | 91,329            | 91,329             |
|                                       | <u>21,708,724</u>                     | <u>856,812</u>                                  | <u>1,476,578</u>                                 | <u>660,067</u>       | <u>24,702,181</u> | <u>23,865,155</u>  |

### The Company

|  | At December 31, 2008                  |   |  |                      |                |                    |
|--|---------------------------------------|---|--|----------------------|----------------|--------------------|
|  | Contractual undiscounted cash outflow |   |  |                      |                |                    |
|  | Within<br>1 year<br>or on<br>demand   | More than<br>1 year<br>but less<br>than 2 years | More than<br>2 years<br>but less<br>than 5 years | More than<br>5 years | Total          | Carrying<br>amount |
|  | RMB'000                               | RMB'000   | RMB'000  | RMB'000              | RMB'000        | RMB'000            |
| Short-term borrowings<br>(note 26(b))                                  | 86,979                                | —   | —  | —                    | 86,979         | 85,000             |
| Trade and bills payables<br>(note 27)                                  | 99,024                                | —   | —  | —                    | 99,024         | 99,024             |
| Other payables (note 28)   | 21,750                                | —   | —  | —                    | 21,750         | 21,750             |
|  | <u>207,753</u>                        | <u>—</u>  | <u>—</u>   | <u>—</u>             | <u>207,753</u> | <u>205,774</u>     |
| Financial guarantees issued:<br>Maximum amount guaranteed<br>(note 36) | <u>5,000</u>                          | <u>—</u>  | <u>—</u>   | <u>—</u>             | <u>5,000</u>   | <u>—</u>           |

|  | At December 31, 2009                  |   |  |                      |                  |                    |
|--|---------------------------------------|---|--|----------------------|------------------|--------------------|
|  | Contractual undiscounted cash outflow |   |  |                      |                  |                    |
|  | Within<br>1 year<br>or on<br>demand   | More than<br>1 year<br>but less<br>than 2 years | More than<br>2 years<br>but less<br>than 5 years | More than<br>5 years | Total            | Carrying<br>amount |
|  | RMB'000                               | RMB'000   | RMB'000  | RMB'000              | RMB'000          | RMB'000            |
| Long-term borrowings<br>(note 26(a))                                   | 7,290                                 | 7,290   | 156,884  | —                    | 171,464          | 150,000            |
| Short-term borrowings<br>(note 26(b))                                  | 875,135                               | —   | —  | —                    | 875,135          | 850,000            |
| Trade and bills payables<br>(note 27)                                  | 97,345                                | —   | —  | —                    | 97,345           | 97,345             |
| Other payables (note 28)   | 2,071,851                             | —   | —  | —                    | 2,071,851        | 2,071,851          |
|  | <u>3,051,621</u>                      | <u>7,290</u>                                    | <u>156,884</u>                                   | <u>—</u>             | <u>3,215,795</u> | <u>3,169,196</u>   |
| Financial guarantees issued:<br>Maximum amount<br>guaranteed (note 36) | <u>394,000</u>                        | <u>—</u>  | <u>—</u>   | <u>—</u>             | <u>394,000</u>   | <u>—</u>           |

| At December 31, 2010   |                                     |   |  |                         |                  |                    |
|--|-------------------------------------|---|--|-------------------------|------------------|--------------------|
| Contractual undiscounted cash outflow                                  |                                     |   |  |                         |                  |                    |
|  | Within<br>1 year<br>or on<br>demand | More than<br>1 year<br>but less<br>than 2 years | More than<br>2 years<br>but less<br>than 5 years | More<br>than<br>5 years | Total            | Carrying<br>amount |
|  | RMB'000                             | RMB'000   | RMB'000  | RMB'000                 | RMB'000          | RMB'000            |
| Long-term borrowings<br>(note 26(a))                                   | 29,196                              | 228,649   | 403,802  | —                       | 661,647          | 590,000            |
| Short-term borrowings<br>(note 26(b))                                  | 1,298,021                           | —   | —  | —                       | 1,298,021        | 1,280,000          |
| Trade and bills payables<br>(note 27)                                  | 156,877                             | —   | —  | —                       | 156,877          | 156,877            |
| Other payables (note 28)   | 2,843,251                           | —   | —  | —                       | 2,843,251        | 2,843,251          |
|  | <u>4,327,345</u>                    | <u>228,649</u>                                  | <u>403,802</u>                                   | <u>—</u>                | <u>4,959,796</u> | <u>4,870,128</u>   |
| Financial guarantees issued:<br>Maximum amount guaranteed<br>(note 36) | <u>1,108,642</u>                    | <u>—</u>  | <u>—</u>   | <u>—</u>                | <u>1,108,642</u> | <u>—</u>           |
| At June 30, 2011   |                                     |   |  |                         |                  |                    |
| Contractual undiscounted cash outflow                                  |                                     |   |  |                         |                  |                    |
|  | Within<br>1 year<br>or on<br>demand | More than<br>1 year<br>but less<br>than 2 years | More than<br>2 years<br>but less<br>than 5 years | More<br>than<br>5 years | Total            | Carrying<br>amount |
|  | RMB'000                             | RMB'000   | RMB'000  | RMB'000                 | RMB'000          | RMB'000            |
| Long-term borrowings<br>(note 26(a))                                   | 49,984                              | 340,861   | 553,821  | —                       | 944,666          | 840,000            |
| Short-term borrowings<br>(note 26(b))                                  | 2,591,383                           | —   | —  | —                       | 2,591,383        | 2,490,000          |
| Trade and bills payables<br>(note 27)                                  | 147,157                             | —   | —  | —                       | 147,157          | 147,157            |
| Other payables (note 28)   | 809,406                             | —   | —  | —                       | 809,406          | 809,406            |
|  | <u>3,597,930</u>                    | <u>340,861</u>                                  | <u>553,821</u>                                   | <u>—</u>                | <u>4,492,612</u> | <u>4,286,563</u>   |
| Financial guarantees issued:<br>Maximum amount guaranteed<br>(note 36) | <u>1,043,442</u>                    | <u>—</u>  | <u>—</u>   | <u>—</u>                | <u>1,043,442</u> | <u>—</u>           |

**(c) Interest rate risk**

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the Track Record Period, however, management of the Group did not consider it is necessary to use interest rate swaps to hedge their exposure to interest.

## (i) Interest rate profile

The following table details the profile of the Group's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at the balance sheet dates. The detailed interest rates and maturity information of the Group's borrowings are disclosed in note 26.

**The Group**

|   | At December 31,  |                  |                  | At June 30,      |
|---|------------------|------------------|------------------|------------------|
|   | 2008             | 2009             | 2010             | 2011             |
|   | RMB'000          | RMB'000          | RMB'000          | RMB'000          |
| <b>Net fixed rate borrowings:</b>                   |                  |                  |                  |                  |
| Borrowings  | 340,693          | 967,432          | 2,716,205        | 2,744,954        |
| Other payables                                      | —                | 920,000          | 1,660,000        | —                |
| Less: bank deposits (including restricted deposits) | (22,239)         | (335,437)        | (986,086)        | (353,116)        |
| loans and advances                                  | (12,075)         | (112,510)        | (162,960)        | (128,191)        |
|   | <u>306,379</u>   | <u>1,439,485</u> | <u>3,227,159</u> | <u>2,263,647</u> |
| <b>Net floating rate borrowings:</b>                |                  |                  |                  |                  |
| Borrowings  | 583,004          | 2,529,426        | 4,236,412        | 7,430,371        |
| Less: bank deposits (including restricted deposits) | (1,243,690)      | (1,403,802)      | (1,866,821)      | (3,931,058)      |
|   | <u>(660,686)</u> | <u>1,125,624</u> | <u>2,369,591</u> | <u>3,499,313</u> |
| Total net (deposits)/borrowings                     | <u>(354,307)</u> | <u>2,565,109</u> | <u>5,596,750</u> | <u>5,762,960</u> |

**The Company**

|   | At December 31,  |                  |                    | At June 30,      |
|---|------------------|------------------|--------------------|------------------|
|   | 2008             | 2009             | 2010               | 2011             |
|   | RMB'000          | RMB'000          | RMB'000            | RMB'000          |
| <b>Net fixed rate borrowings:</b>             |                  |                  |                    |                  |
| Borrowings                                    | 60,000           | 50,000           | 90,000             | 200,000          |
| Other payables                                | —                | 920,000          | 2,235,000          | —                |
| Less: loans and advances                      | (100,000)        | (110,000)        | (380,000)          | (115,000)        |
|   | <u>(40,000)</u>  | <u>860,000</u>   | <u>1,945,000</u>   | <u>85,000</u>    |
| <b>Net floating rate borrowings:</b>          |                  |                  |                    |                  |
| Borrowings                                    | 25,000           | 950,000          | 1,780,000          | 3,130,000        |
| Other payables                                | —                | —                | —                  | 477,514          |
| Less: loans and advances                      | —                | (1,098,868)      | (4,121,858)        | (2,112,991)      |
| bank deposits (including restricted deposits) | (252,381)        | (138,887)        | (637,826)          | (259,743)        |
|   | <u>(227,381)</u> | <u>(287,755)</u> | <u>(2,979,684)</u> | <u>1,234,780</u> |
| Total net (deposits)/borrowings               | <u>(267,381)</u> | <u>572,245</u>   | <u>(1,034,684)</u> | <u>1,319,780</u> |

## (ii) Sensitivity analysis

At December 31, 2008, 2009, 2010 and June 30, 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates of net floating borrowings, with all other variables held constant, the Group's profit after tax and retained profits would have been increased/decreased by approximately RMB5,933,000, and would have been decreased/increased by approximately

RMB4,623,000, RMB1,848,000 and RMB12,950,000, respectively. Other components of consolidated equity would not be affected by the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet dates and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the balance sheet date. The impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualized impact on interest expense or income of such a change in interest rates.

The estimated 100 basis points increase or decrease represents management's assessment of a reasonable change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the entire Track Record Period.

**(d) Currency risk**

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash at bank and in hand that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros ("EUR"), United States dollars ("USD"), HKD and Japanese Yen ("JPY").

**(i) Recognized assets and liabilities**

In respect of cash at bank and in hand, receivables and payables denominated in foreign currencies, the Group considers that the net exposure to foreign currency risk is insignificant. The Group did not hedge its foreign currency exposure.

RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividends in foreign currencies to its equity owners/shareholders.

**(ii) Exposure to currency risk**

The following table details the Group's and the Company's exposure at the balance sheet dates to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the balance sheet dates. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

## The Group

|                          | At December 31, 2008 |                |                |                |
|--------------------------|----------------------|----------------|----------------|----------------|
|                          | USD                  | EUR            | HKD            | JPY            |
|                          | <i>RMB'000</i>       | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Cash at bank and in hand | 253                  | 144            | 16,299         | —              |
| Trade receivables        | —                    | —              | 35,112         | —              |
| Other payables           | —                    | (5,704)        | —              | —              |
| Net exposure             | <u>253</u>           | <u>(5,560)</u> | <u>51,411</u>  | <u>—</u>       |
|                          | At December 31, 2009 |                |                |                |
|                          | USD                  | EUR            | HKD            | JPY            |
|                          | <i>RMB'000</i>       | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Cash at bank and in hand | 6,528                | 33,613         | 17,630         | —              |
| Trade receivables        | —                    | 75,731         | 57,490         | —              |
| Trade and other payables | (14,703)             | (5,940)        | —              | —              |
| Short-term borrowings    | (19,027)             | —              | —              | (9,887)        |
| Net exposure             | <u>(27,202)</u>      | <u>103,404</u> | <u>75,120</u>  | <u>(9,887)</u> |
|                          | At December 31, 2010 |                |                |                |
|                          | USD                  | EUR            | HKD            | JPY            |
|                          | <i>RMB'000</i>       | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Cash at bank and in hand | 6,939                | 36,746         | 881            | —              |
| Trade receivables        | 22,672               | 54,600         | 39,816         | —              |
| Trade payables           | —                    | (136)          | —              | —              |
| Net exposure             | <u>29,611</u>        | <u>91,210</u>  | <u>40,697</u>  | <u>—</u>       |
|                          | At June 30, 2011     |                |                |                |
|                          | USD                  | EUR            | HKD            | JPY            |
|                          | <i>RMB'000</i>       | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Cash at bank and in hand | 107                  | 86,721         | 18,864         | —              |
| Restricted deposits      | 228                  | —              | —              | —              |
| Trade receivables        | —                    | —              | 28,179         | —              |
| Trade and other payables | (1,432)              | (3,635)        | —              | —              |
| Short-term borrowings    | —                    | (91,240)       | —              | —              |
| Net exposure             | <u>(1,097)</u>       | <u>(8,154)</u> | <u>47,043</u>  | <u>—</u>       |

## The Company

|                          | At December 31, |                |                |                |                |                | At June 30,    |                |                |
|--------------------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                          | 2008            |                | 2009           |                | 2010           |                | 2011           |                |                |
|                          | EUR             | HKD            | EUR            | HKD            | EUR            | HKD            | USD            | EUR            | HKD            |
|                          | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Cash at bank and in hand | —               | 15,046         | 196            | 15,268         | 98             | 207            | 51             | 10,907         | 11,452         |
| Trade receivables        | —               | 35,112         | —              | 57,490         | —              | 39,816         | —              | —              | 27,977         |
| Other payables           | (5,704)         | —              | (5,349)        | —              | —              | —              | —              | —              | —              |
| Net exposure             | <u>(5,704)</u>  | <u>50,158</u>  | <u>(5,153)</u> | <u>72,758</u>  | <u>98</u>      | <u>40,023</u>  | <u>51</u>      | <u>10,907</u>  | <u>39,429</u>  |

## (iii) Sensitivity analysis

The followings are the related foreign currency exchange rates to RMB during the Track Record Period:

|           | Average rate             |        |        |                                | Reporting date spot rate |        |        |                  |
|-----------|--------------------------|--------|--------|--------------------------------|--------------------------|--------|--------|------------------|
|           | Years ended December 31, |        |        | Six months ended June 30, 2011 | At December 31,          |        |        | At June 30, 2011 |
|           | 2008                     | 2009   | 2010   |                                | 2008                     | 2009   | 2010   |                  |
| USD ..... | 7.0696                   | 6.8314 | 6.7255 | 6.6313                         | 6.8346                   | 6.8282 | 6.6227 | 6.4716           |
| EUR ..... | 10.1630                  | 9.7281 | 9.3018 | 8.8161                         | 9.6590                   | 9.7971 | 8.8065 | 9.3612           |
| HKD ..... | 0.9091                   | 0.8812 | 0.8657 | 0.8520                         | 0.8819                   | 0.8805 | 0.8509 | 0.8316           |
| JPY ..... | 0.0699                   | 0.0747 | 0.0775 | 0.0785                         | 0.0757                   | 0.0738 | 0.0813 | 0.0802           |

A 5% strengthening of RMB against the following currencies as at December 31, 2008, 2009 and 2010 and June 30, 2011 would have increased/(decreased) the net profit after tax and retained profits by the amounts shown below. Other components of equity would not be affected by the strengthen of RMB against foreign currencies.

**The Group**

|           | At December 31, |                |                | At June 30,    |
|-----------|-----------------|----------------|----------------|----------------|
|           | 2008            | 2009           | 2010           | 2011           |
|           | RMB'000         | RMB'000        | RMB'000        | RMB'000        |
| USD ..... | (11)            | 274            | (1,112)        | 47             |
| EUR ..... | 207             | (4,560)        | (3,420)        | 306            |
| HKD ..... | (1,939)         | (2,838)        | (1,530)        | (1,802)        |
| JPY ..... | —               | 371            | —              | —              |
|           | <u>(1,743)</u>  | <u>(6,753)</u> | <u>(6,062)</u> | <u>(1,449)</u> |

**The Company**

|           | At December 31, |                |                | At June 30,    |
|-----------|-----------------|----------------|----------------|----------------|
|           | 2008            | 2009           | 2010           | 2011           |
|           | RMB'000         | RMB'000        | RMB'000        | RMB'000        |
| USD ..... | —               | —              | —              | (2)            |
| EUR ..... | 214             | 193            | (4)            | (409)          |
| HKD ..... | (1,881)         | (2,728)        | (1,501)        | (1,479)        |
|           | <u>(1,667)</u>  | <u>(2,535)</u> | <u>(1,505)</u> | <u>(1,890)</u> |

A 5% weakening of RMB against the above currencies as at December 31, 2008, 2009 and 2010 and June 30, 2011 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet dates and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.



The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the entire Track Record Period.

**(e) Fair values**

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at December 31, 2008, 2009 and 2010 and June 30, 2011 except the following:

**The Group**

|   | At December 31,                   |                              |                                   |                              |                                   |                              | At June 30,                       |                              |
|---|-----------------------------------|------------------------------|-----------------------------------|------------------------------|-----------------------------------|------------------------------|-----------------------------------|------------------------------|
|   | 2008                              |                              | 2009                              |                              | 2010                              |                              | 2011                              |                              |
|   | Carrying amount<br><i>RMB'000</i> | Fair value<br><i>RMB'000</i> | Carrying amount<br><i>RMB'000</i> | Fair value<br><i>RMB'000</i> | Carrying amount<br><i>RMB'000</i> | Fair value<br><i>RMB'000</i> | Carrying amount<br><i>RMB'000</i> | Fair value<br><i>RMB'000</i> |
| Long-term receivables . . . . .           | 12,075                            | 11,990                       | 112,510                           | 106,927                      | 12,960                            | 12,085                       | 13,191                            | 11,471                       |
| Fixed rate long-term bank loans . . . . . | (12,332)                          | (11,176)                     | (8,545)                           | (7,570)                      | (62,636)                          | (59,706)                     | (62,454)                          | (57,949)                     |

**The Company**

|                                 | At December 31,                   |                              |                                   |                              |                                   |                              | At June 30,                       |                              |
|---------------------------------|-----------------------------------|------------------------------|-----------------------------------|------------------------------|-----------------------------------|------------------------------|-----------------------------------|------------------------------|
|                                 | 2008                              |                              | 2009                              |                              | 2010                              |                              | 2011                              |                              |
|                                 | Carrying amount<br><i>RMB'000</i> | Fair value<br><i>RMB'000</i> | Carrying amount<br><i>RMB'000</i> | Fair value<br><i>RMB'000</i> | Carrying amount<br><i>RMB'000</i> | Fair value<br><i>RMB'000</i> | Carrying amount<br><i>RMB'000</i> | Fair value<br><i>RMB'000</i> |
| Long-term receivables . . . . . | —                                 | —                            | 100,000                           | 94,500                       | —                                 | —                            | —                                 | —                            |

**(f) Estimation of fair values**

The fair values of interest-bearing borrowings and receivables are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

**35 COMMITMENTS**

- (a) Commitments for the acquisition of property, plant and equipment outstanding at each year/period end not provided for in the Financial Information were as follows:

**The Group**

|   | At December 31,  |                  |                  | At June 30,      |
|---|------------------|------------------|------------------|------------------|
|   | 2008             | 2009             | 2010             | 2011             |
|   | <i>RMB'000</i>   | <i>RMB'000</i>   | <i>RMB'000</i>   | <i>RMB'000</i>   |
| Contracted for .....                    | 727,806          | 3,103,756        | 2,565,874        | 1,723,942        |
| Authorized but not contracted for ..... | 3,224,474        | 1,182,727        | 3,606,324        | 3,297,900        |
|   | <u>3,952,280</u> | <u>4,286,483</u> | <u>6,172,198</u> | <u>5,021,842</u> |

**The Company**

|   | At December 31, |                |                | At June 30,    |
|---|-----------------|----------------|----------------|----------------|
|   | 2008            | 2009           | 2010           | 2011           |
|   | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Contracted for .....                    | —               | 39,360         | 34,943         | 284,870        |
| Authorized but not contracted for ..... | —               | 540,576        | 768,000        | 235,306        |
|   | <u>—</u>        | <u>579,936</u> | <u>802,943</u> | <u>520,176</u> |

- (b) The Company's commitments for capital contribution to a subsidiary outstanding at each year/period end not provided for in the Financial Information were as follows:

|   | At June 30,<br>2011 |
|---|---------------------|
|   | <i>RMB'000</i>      |
| Contracted for .....                    | 12,943              |
| Authorized but not contracted for ..... | —                   |
|   | <u>12,943</u>       |

- (c) At each year/period end, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

**The Group**

|                                       | At December 31, |                |                | At June 30,    |
|---------------------------------------|-----------------|----------------|----------------|----------------|
|                                       | 2008            | 2009           | 2010           | 2011           |
|                                       | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 1 year .....                   | 8,333           | 11,228         | 3,216          | 3,899          |
| After 1 year but within 5 years ..... | 14,321          | 5,514          | 3,736          | 2,914          |
|                                       | <u>22,654</u>   | <u>16,742</u>  | <u>6,952</u>   | <u>6,813</u>   |

The Group leases certain buildings through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

**36 CONTINGENT LIABILITIES**

At each year/period end, the Group and the Company issued financial guarantees to banks in respect of the bank loans granted to related parties and provided bid and performance guarantees to customers and the Company's subsidiaries for construction contracts and sale of wind turbines as follows:

**The Group**

|  | At December 31, |                |                  | At June 30,      |
|--|-----------------|----------------|------------------|------------------|
|  | 2008            | 2009           | 2010             | 2011             |
|  | <u>RMB'000</u>  | <u>RMB'000</u> | <u>RMB'000</u>   | <u>RMB'000</u>   |
| Financial guarantees to banks for associates ..... | 5,000           | —              | 5,000            | —                |
| Bid guarantees provided to:                        |                 |                |                  |                  |
| — related parties under Guodian .....              | —               | 800            | 800              | 2,500            |
| — third parties .....                              | —               | 18,800         | 110,380          | 23,380           |
| Performance guarantees provided to:                |                 |                |                  |                  |
| — related parties under Guodian .....              | 58,099          | 28,766         | 393,640          | 410,323          |
| — third parties .....                              | <u>109,410</u>  | <u>50,604</u>  | <u>974,754</u>   | <u>1,063,369</u> |
|  | <u>172,509</u>  | <u>98,970</u>  | <u>1,484,574</u> | <u>1,499,572</u> |

**The Company**

|   | At December 31, |                |                  | At June 30,      |
|---|-----------------|----------------|------------------|------------------|
|   | 2008            | 2009           | 2010             | 2011             |
|   | <u>RMB'000</u>  | <u>RMB'000</u> | <u>RMB'000</u>   | <u>RMB'000</u>   |
| Financial guarantees to banks for:                    |                 |                |                  |                  |
| — subsidiaries .....                                  | —               | 394,000        | 1,103,642        | 1,043,442        |
| — associates .....                                    | 5,000           | —              | 5,000            | —                |
| Performance guarantees provided to subsidiaries ..... | <u>347,000</u>  | <u>50,000</u>  | <u>863,333</u>   | <u>886,360</u>   |
|   | <u>352,000</u>  | <u>444,000</u> | <u>1,971,975</u> | <u>1,929,802</u> |

As at each balance sheet date, the directors do not consider it probable that a claim will be made against the Group and the Company under any of the guarantees.

**37 MATERIAL RELATED PARTY TRANSACTIONS****(a) Transactions with related parties**

The Group is part of a large group of companies under Guodian and has significant transactions and relationships with Guodian and related parties under Guodian.

The principal transactions which were carried out in the ordinary course of business are as follows:

|   | Years ended December 31, |           |           | Six months ended June 30, |           |
|---|--------------------------|-----------|-----------|---------------------------|-----------|
|   | 2008                     | 2009      | 2010      | 2010                      | 2011      |
|   | RMB'000                  | RMB'000   | RMB'000   | RMB'000<br>(unaudited)    | RMB'000   |
| <i>Sales of goods to (note (iii))</i>               |                          |           |           |                           |           |
| Guodian   | —                        | 2,087     | 339       | 18                        | —         |
| Related parties under Guodian                       | 410,900                  | 1,566,680 | 3,880,212 | 1,911,369                 | 2,339,754 |
| Associates  | 14,272                   | 19,030    | 233       | —                         | 202       |
| <i>Construction service to (note (iii))</i>         |                          |           |           |                           |           |
| Related parties under Guodian                       | 1,376,135                | 1,302,076 | 1,505,515 | 483,782                   | 1,254,058 |
| Associates  | 141,679                  | 9,631     | —         | —                         | —         |
| <i>Service provided to (note (iii))</i>             |                          |           |           |                           |           |
| Guodian   | 3,550                    | 5,850     | —         | —                         | —         |
| Related parties under Guodian                       | 15,503                   | 12,616    | 15,134    | 8,104                     | 22,840    |
| Associates  | 5                        | 6         | 6         | —                         | —         |
| <i>Leases to (note (iii))</i>                       |                          |           |           |                           |           |
| Related parties under Guodian (note (i))            | 28,875                   | 131,802   | 475,205   | 98,009                    | 385,598   |
| <i>Investment properties leases to (note (iii))</i> |                          |           |           |                           |           |
| Associates  | —                        | —         | —         | —                         | 1,397     |
| <i>Purchase of goods from (note (iii))</i>          |                          |           |           |                           |           |
| Related parties under Guodian                       | —                        | 1,590     | 15,408    | 13,100                    | 26,117    |
| Associates  | 17,354                   | 36,579    | 10,664    | 41                        | —         |
| <i>Purchase of equipment from (note (iii))</i>      |                          |           |           |                           |           |
| Related parties under Guodian                       | 231,789                  | —         | 679,480   | —                         | 533,816   |
| <i>Property leases from (note (iii))</i>            |                          |           |           |                           |           |
| Guodian   | 3,663                    | 3,817     | 3,331     | 1,732                     | —         |
| <i>Service provided by (note (iii))</i>             |                          |           |           |                           |           |
| Related parties under Guodian                       | —                        | 2,118     | 151       | —                         | 4,537     |
| Associates  | —                        | 40        | —         | —                         | —         |
| <i>Working capital obtained from</i>                |                          |           |           |                           |           |
| Guodian   | —                        | 920,000   | 1,337,717 | 1,141,599                 | —         |
| Related parties under Guodian                       | —                        | —         | 740,000   | —                         | 911,213   |
| <i>Working capital repaid to</i>                    |                          |           |           |                           |           |
| Guodian   | —                        | —         | 1,134,519 | 200,000                   | 1,120,000 |
| Related parties under Guodian                       | —                        | 213,653   | —         | —                         | 1,480,000 |
| <i>Working capital provided to</i>                  |                          |           |           |                           |           |
| Related parties under Guodian                       | 180                      | 101,960   | 90,097    | 7,987                     | —         |
| Associates  | —                        | 100,000   | 51,200    | 111,911                   | 118,880   |
| <i>Working capital repaid from</i>                  |                          |           |           |                           |           |
| Related parties under Guodian                       | 13,082                   | 100,190   | 91,305    | —                         | 50        |
| Associates  | —                        | 6,360     | —         | 61,911                    | 151,200   |
| <i>Financial guarantee provided to (note (iv))</i>  |                          |           |           |                           |           |
| Related parties under Guodian                       | 5,000                    | —         | 5,000     | —                         | —         |
| <i>Financial guarantee received from</i>            |                          |           |           |                           |           |
| Related parties under Guodian                       | 63,000                   | 9,887     | —         | —                         | —         |
| <i>Loans received from</i>                          |                          |           |           |                           |           |
| Related parties under Guodian                       | 180,000                  | 900,000   | 2,300,000 | 1,070,000                 | 920,000   |
| <i>Loans repaid to</i>                              |                          |           |           |                           |           |
| Related parties under Guodian                       | 50,000                   | 210,000   | 1,030,000 | 150,000                   | 1,520,000 |
| <i>Interest expenses</i>                            |                          |           |           |                           |           |
| Guodian   | —                        | 21,864    | 40,144    | 19,828                    | 33,322    |
| Related parties under Guodian                       | 5,357                    | 17,200    | 71,094    | 9,384                     | 23,474    |
| <i>Interest income</i>                              |                          |           |           |                           |           |
| Related parties under Guodian                       | 324                      | 1,020     | 2,528     | 453                       | 43        |
| Associates  | —                        | 2,196     | 2,804     | —                         | 1,835     |
| <i>Net deposits placed with/ (withdrawn from)</i>   |                          |           |           |                           |           |
| Related parties under Guodian                       | 190,759                  | 407,101   | 330,155   | (385,646)                 | (517,413) |

*Notes:*

- (i) Pursuant to the Notice of Pilot Plan of Concession of Fossil-Fired Power Plant Flue Gas Desulfurization (《關於開展火電廠煙氣脫硫特許經營試點工作的通知》) promulgated by the National Development and Reform Commission of the PRC (the "NDRC") and Ministry of Environmental Protection in 2007, the state encourages power plants to engage professional desulfurization service providers to construct, operate and maintain the desulfurization facilities and the Group is one of the approved service providers. Accordingly, the Group entered into various service arrangements with power plants of Guodian to operate the desulfurization facilities for the treatment of sulphur dioxide generated by power plants during their electricity generation. The Group acquires or constructs the desulfurization facilities and then maintains and operates the desulfurization facilities to provide pollutant treatment services to power plants during the useful lives of power plants. The service charge is based on the volume of electricity sold by the power plant and a tariff determined by the NDRC. These arrangements are not in the legal form of leases, but are deemed as operating leases based on their terms and conditions.
- (ii) During the six months ended June 30, 2011, the Group disposed of certain subsidiaries to related parties under Guodian. Details of the transaction are set out in note 38(c).
- (iii) The Directors are of the opinion that these related party transactions are arising in the Group's normal course of business and in accordance with the agreements governing such transactions which are comparable to normal commercial terms. These transactions with related parties are expected to continue after the listing of the Company's shares on the HKSE.
- (iv) The financial guarantee provided to related parties has already been released. Such transactions with related parties are expected to discontinued after the listing of the Company's shares on the HKSE.

## (b) Outstanding balances, including commitment, with related parties

Details of the outstanding balances with related parties are set out in notes 19, 21, 22, 23, 25, 26, 27, 28 and 32.

At each year/period end, the Group's commitments with related parties that have been contracted for but not yet been recognized in the Financial Information were as follows:

|                                     | At December 31, |           |           | At June 30, |
|-------------------------------------|-----------------|-----------|-----------|-------------|
|                                     | 2008            | 2009      | 2010      | 2011        |
|                                     | RMB'000         | RMB'000   | RMB'000   | RMB'000     |
| <i>Sales of goods to</i>            |                 |           |           |             |
| Guodian .....                       | —               | —         | —         | 89,532      |
| Related parties under Guodian ..... | 2,030,333       | 3,056,830 | 7,667,277 | 9,526,666   |
| Associates .....                    | 11,538          | 1,486     | 1,311     | 2,724       |
| <i>Construction service to</i>      |                 |           |           |             |
| Related parties under Guodian ..... | 1,292,561       | 1,682,965 | 2,384,971 | 2,082,111   |
| Associates .....                    | 9,631           | —         | —         | —           |

## (c) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organized by relevant local government authorities and Guodian for its staff. As at December 31, 2008, 2009 and 2010 and June 30, 2011, there was no material outstanding contribution to post-employment benefit plans. Details of the defined contribution retirement plans are set out in note 5(a).

## (d) Transactions with other government-related entities in the PRC

The Group operates in an economic regime currently dominated by entities directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government and numerous government authorities and agencies (collectively referred to as "government-related entities"). Guodian, the parent and ultimate holding company of the Company, is a PRC state-owned enterprise and these government-related entities are also considered as related parties of the Group in this respect.

Apart from transactions with Guodian and related parties under Guodian mentioned above, the Group conducts a majority of its business activities with other government-related entities in the ordinary course of business. These transactions are carried out at terms similar to those that would be entered into with non-government-related entities.

The Group prices its services and products based on the commercial negotiations. The Group has also established its approval process for sales of goods, provision of services, purchase of products and services and its financing policy for borrowings. Such approval process and financing policy do not depend on whether the counterparties are government-related entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group's approval processes and financing policy, and what information would be necessary for an understanding of the potential effect of the relationship on the Financial Information, the directors are of the opinion that further information about the following transactions that are collectively significant is required for disclosure:

- Sales of goods and provision of construction services;

The Group sells its goods and provide construction services to a wide range of government-related power companies and manufacturing enterprises. These transactions individually are not significant to the Group.

- Deposits and borrowings;

The Group deposits most of its cash in government-related financial institutions, and also obtains short-term and long-term loans from these financial institutions in the ordinary course of business. The interest rates of the bank deposits and loans are regulated by the People's Bank of China.

- Purchase of materials and receiving construction services; and

The Group purchases materials and receives construction services from a wide range of government-related manufacturing enterprises and construction contractors. These transactions individually are not significant to the Group.

- Service concession arrangements;

The Group entered into three service concession agreements with local governments to construct and operate sewage treatment plants during the concession period. All transactions under the service concession arrangements were made with local governments and carried out at terms set out in the respectively service concession arrangements.

## (e) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7, and certain of the highest paid employees as disclosed in note 8, is as follows:

|   | Years ended December 31, |                |                | Six months ended<br>June 30,         |                |
|---|--------------------------|----------------|----------------|--------------------------------------|----------------|
|   | 2008                     | 2009           | 2010           | 2010                                 | 2011           |
|   | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i><br><i>(unaudited)</i> | <i>RMB'000</i> |
| Salaries and other emoluments . . . . .   | 1,795                    | 1,539          | 1,522          | 738                                  | 1,895          |
| Discretionary bonus . . . . .             | 824                      | 980            | 1,261          | —                                    | 668            |
| Retirement scheme contributions . . . . . | 245                      | 242            | 246            | 118                                  | 356            |
|   | <u>2,864</u>             | <u>2,761</u>   | <u>3,029</u>   | <u>856</u>                           | <u>2,919</u>   |

**38 ACQUISITION OF SUBSIDIARIES****(a) Acquisition of Jintech Yixing**

On October 15, 2009, the Company acquired 66.67% equity interests in Jintech Yixing from a third party.

Jintech Yixing was established in Yixing City, Jiangsu Province in February 2007, which is principally engaged in the design and production of solar power equipment.

In the period from October 15, 2009 to December 31, 2009 Jintech Yixing contributed revenue of RMB101,525,000 and profit of RMB7,837,000 to the Group's results for the year ended December 31, 2009. If the acquisition had occurred on January 1, 2009, management estimates that consolidated revenue for the year ended December 31, 2009 of the Group would have been RMB5,447,030,000 and consolidated profit for the year ended December 31, 2009 of the Group would have been RMB206,053,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2009.

The following summarizes the major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

***Consideration transferred***

The fair value of the total consideration transferred on acquisition-date was RMB220,011,000, which was satisfied fully by cash.

**Identifiable assets acquired and liabilities assumed**

|   | <i>RMB'000</i>  |
|---|-----------------|
| Property, plant and equipment . . . . . | 103,350         |
| Lease prepayments . . . . .             | 13,424          |
| Intangible assets . . . . .             | 415             |
| Inventories . . . . .                   | 21,320          |
| Trade and other receivables . . . . .   | 103,973         |
| Cash at bank and in hand . . . . .      | 221,478         |
| Borrowings . . . . .                    | (43,169)        |
| Trade and other payables . . . . .      | <u>(91,907)</u> |
| Total identifiable net assets . . . . . | <u>328,884</u>  |

**Goodwill**

|  | <i>RMB'000</i>   |
|--|------------------|
| Total consideration transferred . . . . .  | 220,011          |
| Non-controlling interests, based on their proportionate interest in<br>the amounts of the assets and liabilities of the acquiree . . . . . | 116,200          |
| Fair value of identifiable net assets . . . . .  | <u>(328,884)</u> |
| Goodwill . . . . .   | <u>7,327</u>     |

The goodwill is attributable mainly to the skills and technical talent of the acquiree's work force and management, and the synergies expected to be achieved from the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

**Acquisition-related costs**

The Group incurred acquisition-related costs of RMB380,000 related to external legal and other professional and consulting fees, which have been included in administrative expenses in the Group's consolidated income statement.

**(b) Acquisition of Beijing Clean Burning Engineering Technology Co., Ltd. ("Beijing CBET")**

On January 5, 2009, the Company's subsidiary, Longyuan Technology, acquired all assets and liabilities and the workforce of Beijing CBET, which are capable of being conducted and managed as a business. Beijing CBET was principally engaged in combustion system engineering business. After the acquisition, Beijing CBET carried out the voluntary dissolution process and was dissolved in 2010.

The following summarizes the major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

**Consideration transferred**

The fair value of the total consideration transferred on acquisition-date was RMB21,200,000, which was satisfied fully by cash.



**Identifiable assets acquired and liabilities assumed**

|                                     | <i>RMB'000</i> |
|-------------------------------------|----------------|
| Property, plant and equipment ..... | 5,352          |
| Intangible assets .....             | 8,814          |
| Inventories .....                   | 14             |
| Trade and other receivables .....   | 10,196         |
| Trade and other payables .....      | <u>(3,176)</u> |
| Total identifiable net assets ..... | <u>21,200</u>  |

**Acquisition-related costs**

The Group did not incur any acquisition-related costs for the acquisition of Beijing CBET.

**(c) Disposal of subsidiaries**

During the six months ended June 30, 2011, the Group disposed of certain subsidiaries which are engaged in businesses not in line with the Group's long-term strategic development plan. The total consideration for the disposal of subsidiaries amounted to RMB220,351,000, of which a total consideration of RMB73,779,000 was paid or payable by related parties under Guodian in connection with subsidiaries sold to them.

The carrying amounts of assets and liabilities in these subsidiaries as at the date when controls were lost are as follows:

|  | <i>RMB'000</i> |
|--|----------------|
| Property, plant and equipment .....  | 1,022,063      |
| Lease prepayments .....  | 37,676         |
| Intangible assets .....  | 1,047          |
| Goodwill .....   | 7,327          |
| Deferred tax assets .....  | 1,431          |
| Inventories .....  | 244,206        |
| Trade and other receivables .....  | 826,956        |
| Cash at bank and in hand .....   | 240,654        |
| Borrowings .....   | (1,742,688)    |
| Trade and other payables .....   | (264,733)      |
| Deferred income .....  | <u>(4,736)</u> |
|  | <u>369,203</u> |
| Total consideration .....  | 220,351        |
| Fair value of the retained interest as an associate .....  | 97,727         |
| Carrying amount of net assets in subsidiaries disposed of .....  | (369,203)      |
| Carrying amount of non-controlling interests .....   | <u>119,335</u> |
| Net gain on disposal of subsidiaries recognized in other net income in the consolidated income statement ..... | <u>68,210</u>  |

The net gain on disposal of subsidiaries included the gain attributable to recognizing the Group's retained interest at its fair value at the date of control was lost amounting to RMB6,866,000 (RMB97,727,000 less RMB90,861,000, being carrying value of the proportionate assets and liabilities retained at the date of control was lost).

**39 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS****(a) Acquisition of subsidiaries during the year ended December 31, 2009**

|   |                 |
|---|-----------------|
|   | <i>RMB'000</i>  |
| Cash consideration paid .....   | (241,211)       |
| Cash and cash equivalents acquired .....                                  | <u>221,478</u>  |
| Net outflow of cash and cash equivalents in respect of acquisitions ..... | <u>(19,733)</u> |

**(b) Disposal of subsidiaries during the six months period ended June 30, 2011**

|  |                  |
|--|------------------|
|  | <i>RMB'000</i>   |
| Total consideration .....  | 220,351          |
| Consideration receivable .....   | (11,250)         |
| Consideration payable .....  | 8,335            |
| Cash and cash equivalents disposed of .....                            | <u>(240,654)</u> |
| Net outflow of cash and cash equivalents in respect of disposals ..... | <u>(23,218)</u>  |

**(c) Significant non-cash transaction**

In September 2009, capital contribution of RMB16,500,000 from the non-controlling equity owner of Guodian United Power Technology (Baotou) Co., Ltd., a subsidiary of the Group, was satisfied by machinery and equipment.

**40 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES**

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the Financial Information. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the Financial Information.

**(a) Impairment losses for bad and doubtful debts**

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the aging of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

**(b) Construction contracts**

As explained in accounting policies set out in notes 1(q) and (y)(iii), revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 21 will not include profit which the Group may eventually realize from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the Track Record Period, which would affect the revenue and profit recognized in future years as an adjustment to the amounts recorded to date.

**(c) Provision for warranty**

As explained in note 30, the Group makes provisions under the warranties it gives on sale of its products taking into account the Group's recent claim experience. As the Group is continually upgrading its product designs and launching new models, it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

**(d) Impairment losses of non-current assets**

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, investment properties, lease prepayments, intangible assets, investments in associates and unquoted equity investment, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

**(e) Recognition of deferred tax assets**

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

**(f) Depreciation**

Property, plant and equipment and investment properties are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

**(g) Income tax**

The Group files income taxes with numerous tax authorities. Judgment is required in determining the provision for taxation as there many transactions and calculations for which the ultimate tax determinations are uncertain during the ordinary course of business. For preferential tax treatments available for approved High and New Technology Enterprises, in determining the applicable tax rates for calculations of current income tax and deferred income tax, after passed the substantive approvals, the Group uses the expected tax rates that are probably be approved by tax authorities according to the tax rules and regulations enacted at balance sheet dates. Where the final tax outcomes of these matters are different from the amounts originally recorded, the differences may impact on the current income tax and deferred income tax provisions in the periods in which the final tax outcomes became available.

**(h) Contingent liabilities**

Management judgment is required in the area of contingent liabilities particularly in assessing the outcome of possible obligations arising from the transactions as detailed in note 36. Management reassesses the likelihood of the outcome of these possible obligations at each balance sheet date. Where a change in the probability that an outflow of economic resources will be required to settle the obligation, a provision will be recognized in the period in which such determination is made.

**41 SERVICE CONCESSION ARRANGEMENT**

The Group entered into three service concession agreements with local governments (the "Grantors") to construct and operate sewage treatment plants during the concession period, which is normally for 25-30 years of operation. The Group is responsible for construction and maintenance of the sewage treatment plants during the concession period. At the end of the concession period, the Group needs to transfer the sewage treatment plants to the Grantors at nil consideration. With respect to these service concession arrangements, the Group has evaluated and assessed that these arrangements fall under the scope of IFRIC 12, Service Concession Arrangements.

In accordance with IFRIC 12, the Group accounts for the revenue and costs relating to construction services in accordance with the accounting policy set out in note 1(q). The consideration received or receivables in exchange for the construction services is recognized as a financial asset for an unconditional contractual right to receive cash or another financial asset from or at the direction of the Grantor for the construction services and/or an intangible asset for a right or a license to charge users of the sewage treatment service.

The Group recognizes the intangible assets at the fair value of the concession construction service and amortizes the intangible assets over the operating period of the service concession projects.

Service concession construction revenue (note 2) recorded during the years/periods presented represents the revenue recognized during the construction stage of the service concession period. The Group has recognized profits of RMB268,000, RMB8,925,000, RMB18,060,000, RMB12,583,000 (unaudited) and RMB466,000 for the years ended December 31, 2008, 2009 and 2010 and six months ended June 30, 2010 and 2011, respectively, on construction of sewage treatment plants.

The Group has recognized intangible assets (note 15) related to the service concession arrangement representing the right the Group received to charge a fee for sewage treatment or sale of reclaimed water. The Group has not recognized service concession receivables as the Grantor will not provide the Group with any guaranteed minimum payment for the operating period of the sewage treatment plants.

#### 42 PARENT AND ULTIMATE HOLDING COMPANY

The directors of the Company consider its parent and ultimate holding company to be Guodian, which is a state-owned enterprise established in the PRC. Guodian does not produce financial statements available for public use.

#### 43 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of the Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the period beginning January 1, 2011 and which have not been adopted in the Financial Information.

|  | Effective for<br>accounting periods<br>beginning on or<br>after |
|--|---|
| Amendments to IFRS 1, <i>First-time adoption of International Financial Reporting Standards — Severe hyperinflation and removal of fixed dates for first-time adopters</i> ..... | July 1, 2011  |
| Amendments to IFRS 7, <i>Financial instruments: Disclosures — Transfers of financial assets</i> .....  | July 1, 2011  |
| Amendments to IAS 12, <i>Income taxes — Deferred tax: Recovery of underlying assets</i> .....  | January 1, 2012   |
| Amendments to IAS 1, <i>Presentation of financial statements — Presentation of items of other comprehensive income</i> .....   | July 1, 2012  |
| IFRS 9, <i>Financial instruments (2010)</i> .....  | January 1, 2013   |
| IFRS 10, <i>Consolidated financial statements</i> .....  | January 1, 2013   |
| IFRS 11, <i>Joint arrangements</i> .....   | January 1, 2013   |
| IFRS 12, <i>Disclosure of interests in other entities</i> .....  | January 1, 2013   |
| IFRS 13, <i>Fair value measurement</i> .....   | January 1, 2013   |
| IAS 27, <i>Separate financial statements (2011)</i> .....  | January 1, 2013   |
| IAS 28, <i>Investments in associates and joint ventures (2011)</i> .....   | January 1, 2013   |
| Revised IAS 19, <i>Employee benefits</i> .....   | January 1, 2013   |

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far the Group believes that the adoption of these new IFRSs is unlikely to have a significant impact on the Group's results of operations and financial position.

#### 44 STATUTORY AUDIT

The financial statements of the Company and the PRC subsidiaries which are subject to audit during the Track Record Period were audited by RSM China Certified Public Accountants Co., Ltd. (中瑞岳華會計師事務所) (formerly Yuehua Certified Public Accountant Co., Ltd. (岳華會計師事務所)), except for the following:

The financial statements of Guodian United Power Technology (Chifeng) Co., Ltd. (國電聯合動力技術(赤峰)有限公司) for the year ended December 31, 2009 were audited by Neimenggu Songzheng Certified Public Accountants Co., Ltd. (內蒙古松正會計師事務所有限公司).

The financial statements of Shanxi Xinyuan Environment Protection Resources Development Co., Ltd. (山西新源環保資源開發有限責任公司) for the year ended December 31, 2008 were audited by Datong Beiyue Certified Public Accountants Co., Ltd. (大同北嶽會計師事務所).

The financial statements of Inner Mongolia Lucency Environment and Technology Co., Ltd. (內蒙古朗新明環保科技有限公司) for the year ended December 31, 2010 were audited by Wulanchabu Guocheng Certified Public Accountants Co., Ltd. (烏蘭察布國誠會計師事務所).

All auditors mentioned above are certified public accounting firms registered in the PRC.

The statutory financial statements of Longyuan Environmental Protection (Hong Kong) Corporation Limited were audited by Andrew K.C. Lai & Co., a certified public accounting firm registered in Hong Kong.

Details of the PRC subsidiaries and Longyuan Environmental Protection (Hong Kong) Corporation Limited are set out in note 17.

#### C SUBSEQUENT EVENTS

##### (a) Special distribution

Pursuant to the shareholders resolution dated June 3, 2011, the Group's net profit from November 1, 2010 to June 30, 2011 will be payable to Guodian and GDPD as a special distribution. The amount will be determined by the Group's audited consolidated financial statements.

##### (b) Disposal of a subsidiary

On August 30, 2011, the Group entered into an agreement with GDPD to disposed of Ningxia Solar Energy, a subsidiary of the Group, at a consideration of RMB558,921,000. The disposal was completed on September 30, 2011 and the registration of change in equity owner in the SAIC is in progress.

(c) Proposed acquisition

On August 11, 2011, Beijing Lucency Environment and Technology Co., Ltd., one of the subsidiary of the Group, signed an equity transfer agreement with a third party to acquire 50% equity interests in Dalian Economic and Technological Development Zone Drain Management Company (大連經濟技術開發區排水管理有限公司) with a total consideration of RMB26,720,000.

(d) Listing of shares

Pursuant to the approval of SASAC (《關於國電科技環保集團股份有限公司轉為境外募集股份有限公司的批覆》(國資改革[2011]013號)) on September 6, 2011, the Company changed to a joint stock limited company with foreign shares and is entitled to issue 2,078,571,000 overseas listed foreign shares and, depends on the market condition, may exercise the over-allotment option to issue additional 15% of shares.

(e) Disposal of an associate

On October 31, 2011, the Company entered into an equity transfer agreement with a related party under Guodian to dispose of its 25% equity interest in Guodian Hainan Real-Estate Co., Ltd., an associate of the Company, at a consideration of RMB201,158,000. The registration of change in equity owner in the SAIC and the disposal were completed on November 2, 2011.

## D SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to June 30, 2011.

Yours faithfully

**KPMG**  
*Certified Public Accountants*  
Hong Kong