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

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

Stock Code : 00956

Annual Report 2011

Green Energy Make the World Better

*For identification purpose only

Content

Chairman's Statement

During 2011, under the complex and changing domestic and international environment, Chinese economy stably developed towards the expectation of macro-economic controls with a moderately dropped economic growth rate. During the year, as wind power industry was influenced by the adjustment made to state approval policy and the planning for grid connection, growth of installed capacity slowed down, demonstrating that wind power industry was turning into stable growth period from rapid development period.

In 2011, the Group faced a lot of challenges in its operation. The Directors closely stuck to establish development strategies and positively responded to and dealt with external adverse factors on its business. And with the efforts of staff, we enhanced our capital strength and achieved an outstanding result.

The Group's assets and profit grew stably in 2011 through maintaining a sound financial structure. As at 31 December 2011, the Group had consolidated assets of RMB 14,059 million with a gearing ratio of 54.0%; consolidated income of RMB 3,170 million, representing an increase of 41.3% from 2010; net profits attributable to shareholders of RMB 449 million, representing an increase of 60.5% from 2010. The Board of the Group recommended distributing a final dividend of RMB 0.058 per share (tax included).

The sales volume of natural gas of the Group was 1,213 million cubic meters in 2011, representing an increase of 29.7% from 2010. The installed capacity of wind farms was 1,201.3MW with consolidated gross power generation of 1,751 million KWh, representing an increase of 45.7% from 2010. In 2011, clean energy produced by the Group helped reduce emission of carbon dioxide of 5.66 million tonnes, making great contribution to energy conservation and emission reduction.

Chairman's Statement

Looking forward into 2012 and considering the "Twelfth Five-year Plan" as a whole, China's economy will keep maintaining a stable development. Energy industry will further optimize the structure of energy consumption and promote efficient use of traditional energy. Consumption of new energy and renewable energy will further go up. It is expected that the planning for 18 kinds of energy within energy industry, including natural gas, renewable energy and shale gas will be promulgated soon. The long-term development trend of clean energy industry remains positive.

As an old saying goes: Nothing ventured, nothing gained. In 2012, supported by policies favorable to clean energy industry, the Group will extend its operation scale in natural gas business and wind power business with courage and persistence to create sustainable return for shareholders.

Corporate Profile

China Suntien Green Energy Corporation Limited was jointly established on 9 February 2010 with contribution by the promoter shareholders HECIC and HECIC Water, which is a wholly-owned subsidiary of HECIC. The Company was listed on the Main Board of the Hong Kong Stock Exchange on 13 October 2010. After the exercise of the over-allotment options in full, the Company issued a total of approximately 1,238,000,000 H shares. As at 31 December 2011, the Company had a total of approximately 3,238,000,000 shares, of which HECIC held approximately 1,876,000,000 domestic shares, representing 57.9% of the total number of shares, and is the controlling shareholder of the Company. HECIC is a state-wholly-owned enterprise directly under the State-owned Assets Supervision and Administration Commission of Hebei Province, which is primarily engaged in the investment in and development of projects in the foundation industries, infrastructures and pillar industries of the province, such as energy, transportation, water supply, tourism and commercial real estates, etc.

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

The Group is the largest distributor of natural gas in Hebei Province. Currently, the Group owns two long-distance natural gas transmission pipelines, four high-pressure branch pipelines, 14 city gas projects, and two CNG primary filling stations. The gas transmission capacity of the pipelines is 1,500 million cubic meters. The sales volume of natural gas of the Group was 1,213 million billion cubic meters in 2011.

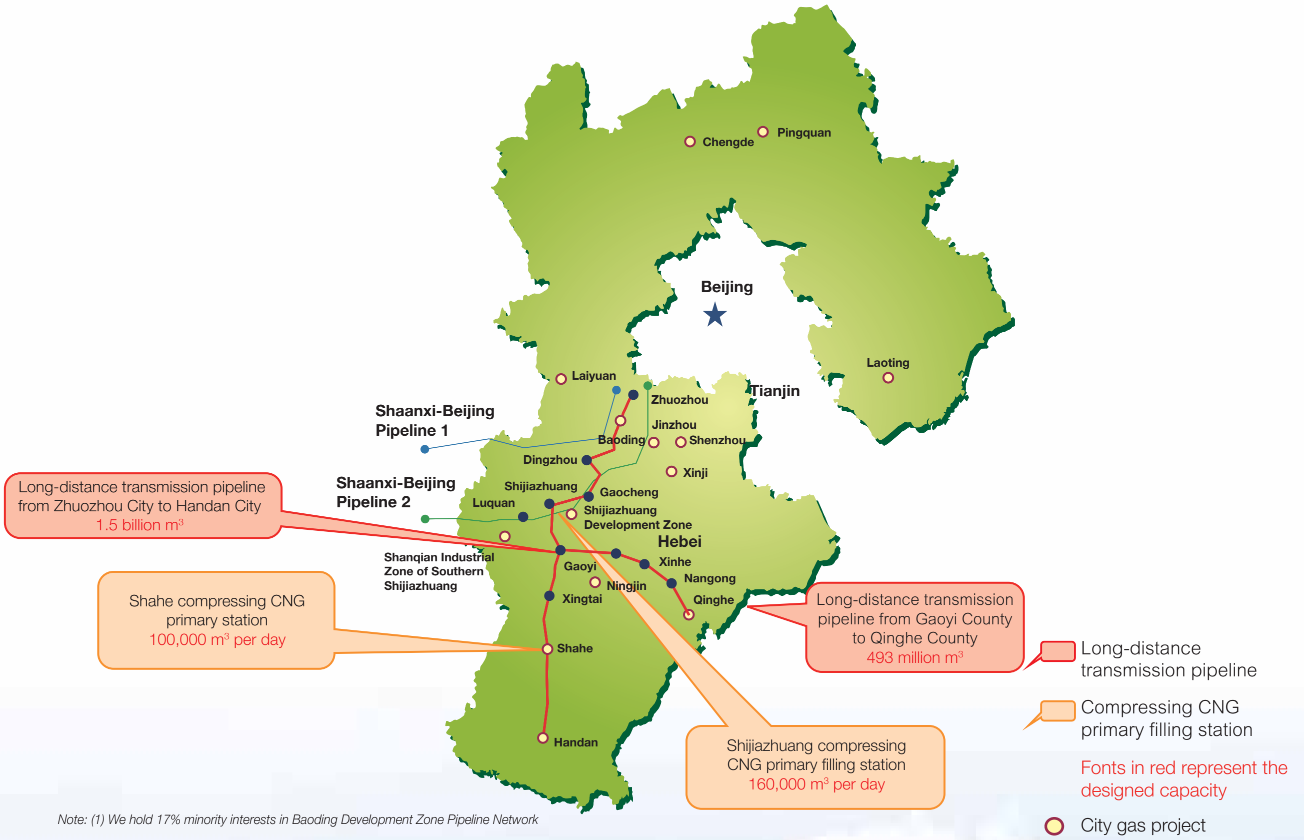
As at 31 December 2011, the Group controlled and operated 20 wind farms. The consolidated installed capacity was 1,201.3 MW and the attributable installed capacity was 1,048.6 MW. According to the research report of Wind Power Committee of China Renewable Energy Society, we ranked No. 10 in the PRC in terms of consolidated installed capacity and were the largest wind power operator in Hebei Province.

In addition, the Group owns a 1MW solar model project, which marks its entry into the solar power industry for active exploration.

As at 31 December 2011, the major operating projects and facilities of the Company were as follows:

Corporate Profile

(1) Major Natural Gas Operating Facilities of the Company



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

Corporate Profile

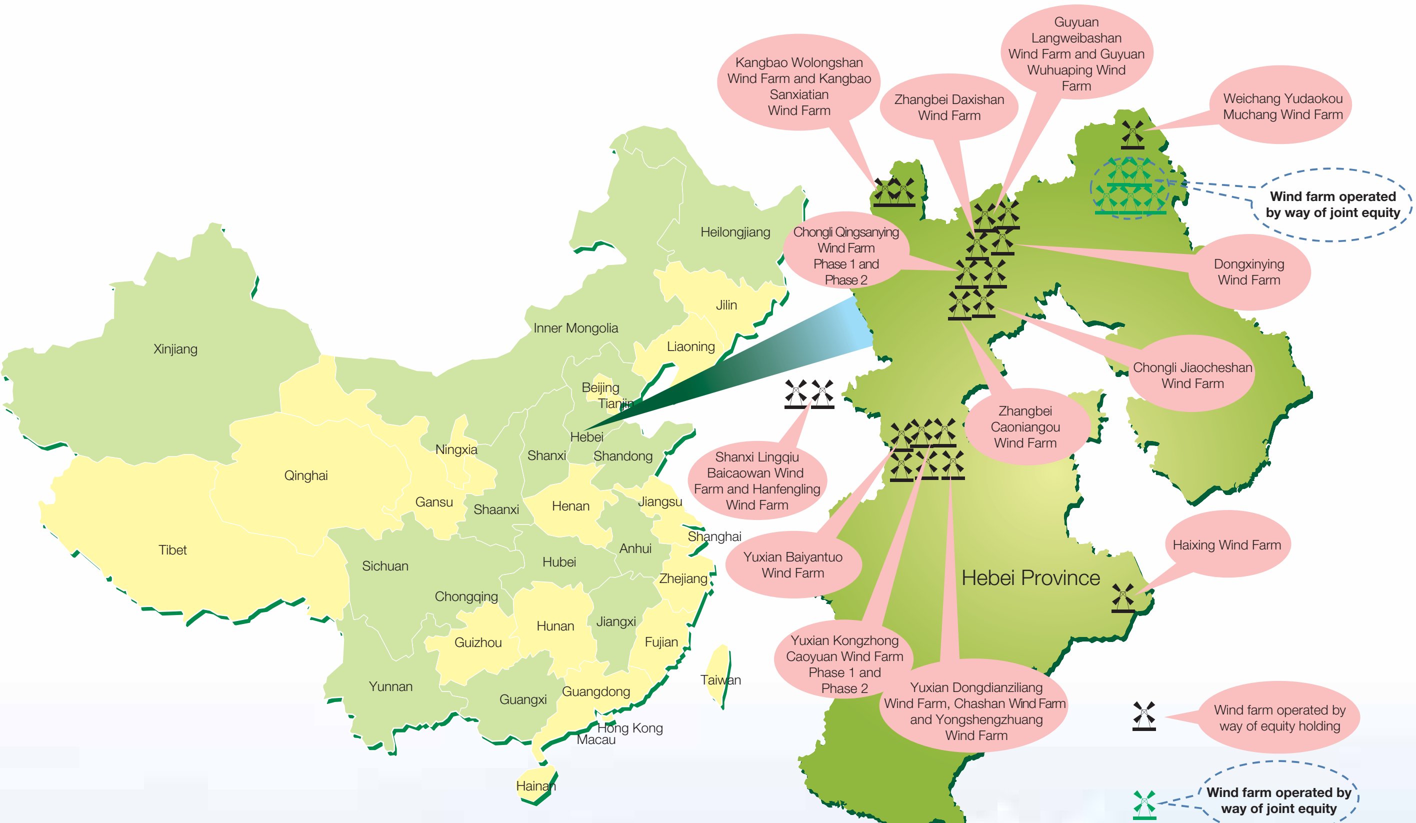
Facilities	Location	Ownership held	Description
Long-distance transmission pipeline	Zhuozhou City to Handan City[1]	100%	Transmits natural gas from our natural gas supplier to our various branch pipelines and city gas pipeline networks
	Gaoyi County to Qinghe County[2]	100%	Supplies natural gas by our natural gas supplier to pipelines from Gaoyi to Qinghe and surrounding cities
City gas project	Shahe City	100%	Distributes natural gas to retail customers of Shahe City and surrounding area
	Qinghe County	100%	Distributes natural gas to retail customers of Qinghe County jurisdiction
	Xinji City	100%	Distributes natural gas to retail customers of Xinji City jurisdiction
	Jinzhou City	100%	Distributes natural gas to retail customers of Jinzhou City jurisdiction
	Shenzhou City	100%	Distributes natural gas to retail customers of Shenzhou City jurisdiction
	Laiyuan County	100%	Distributes natural gas to retail customers of Laiyuan County jurisdiction
	Laoting County	100%	Distributes natural gas to retail customers of Laoting New District
	Pingquan County	100%	Distributes natural gas to retail customers of Pingquan County jurisdiction
	Shijiazhuang Economic Development Zone	100%	Distributes natural gas to retail customers of Shijiazhuang Economic and Technological Development Zone and High-Tech Industrial Development Zone
	Chengde City	90%	Distributes natural gas to retail customers of Chengde City jurisdiction
	Handan Development Zone	70%	Distributes natural gas to retail customers of Handan Economic and Technological Development Zone
	Shanqian Industrial Zone of Southern Shijiazhuang	55%	Distributes natural gas to retail customers of the Industrial Park Zone of Southern Shijiazhuang
	Ningjin County	51%	Distributes natural gas to retail customers of Ningjin County jurisdiction
	Baoding Development Zone	17%	Distributes natural gas to retail customers of Baoding National High-Tech Industrial Development Zone
CNG primary filling stations	Shijiazhuang[3]	100%	Serves vehicular, industrial, commercial and residential end-users
	Shahe[4]	100%	Serves vehicular, industrial, commercial and residential end-users

Notes:

1. Specification of long-distance transmission pipeline from Zhuozhou City to Handan City is: 6.3 MPa standard pipeline of 361 km in length, with an annual designed supply capacity of 1.5 billion m^3.
2. Specification of long-distance transmission pipeline from Gaoyi County to Qinghe County is: 6.3 MPa standard pipeline of 116 km in length, with an annual designed supply capacity of 493 million m^3.
3. Total designed capacity of compressing of Shijiazhuang CNG primary filling station is: 0.16 million m^3 per day.
4. Total designed capacity of compressing of Shahe CNG primary filling station is: 0.1 million m^3 per day.

Corporate Profile

(2) Operating wind farms of the Company



Note: The area in light green on the map on left indicates the Company has reserve of wind resources in that area.

Corporate Profile

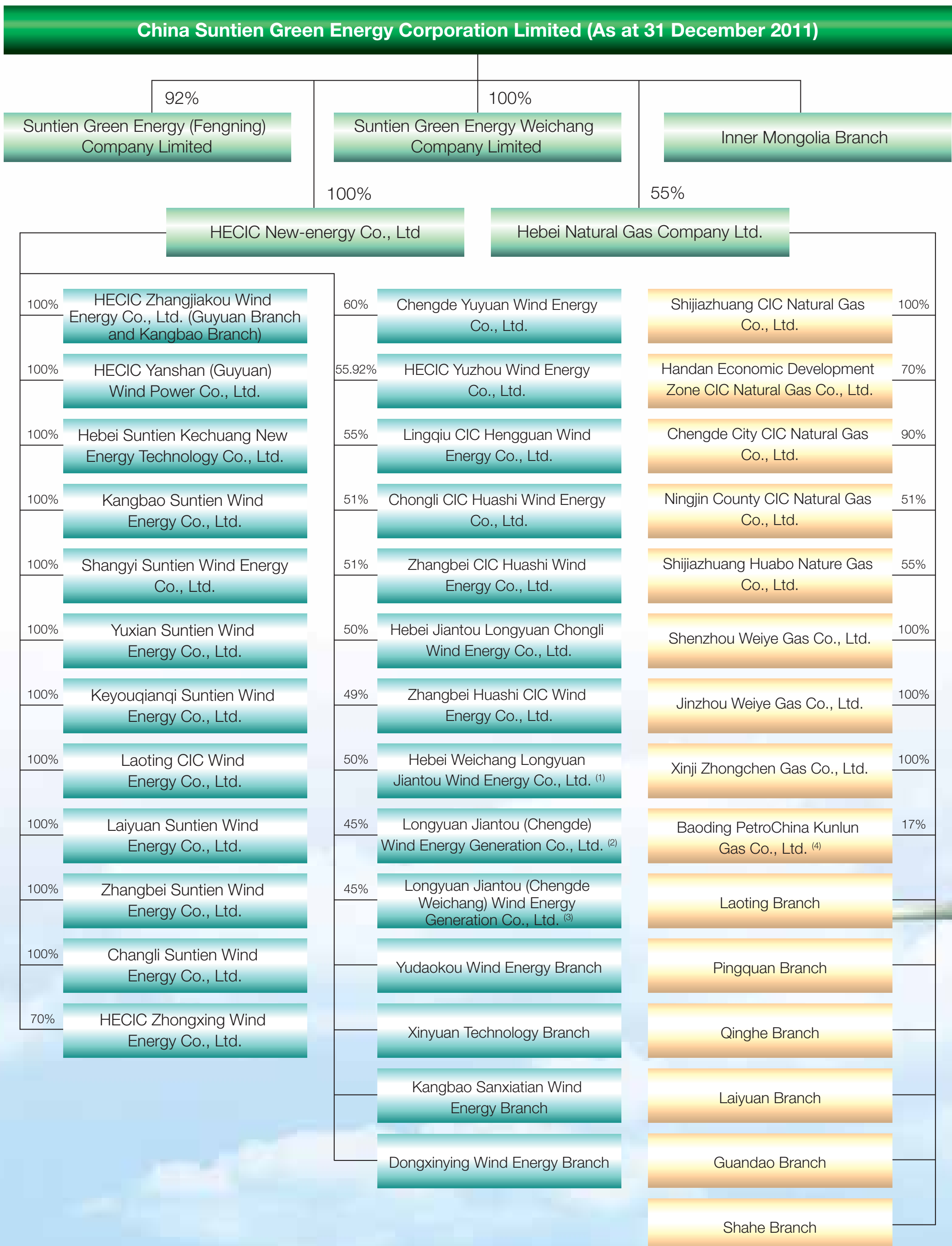
Project Name	Installed capacity (MW)	Ownership held by the Company	Location	Date of commencement of operation(Note)
Kangbao Wolongshan Wind Farm	30	100%	Zhangjiakou	October 2006
Guyuan Langweibashan Wind Farm	30.6	100%	Zhangjiakou	July 2007
Haixing Wind Farm	49.5	70%	Cangzhou	April 2008
Chongli Qingsanying Wind Farm Phase I	49.3	50%	Zhangjiakou	August 2008
Yuxian Kongzhong Caoyuan Wind Farm Phase I	49.5	55.92%	Zhangjiakou	September 2008
Chongli Qingsanying Wind Farm Phase III	49.3	51%	Zhangjiakou	January 2009
Yuxian Kongzhong Caoyuan Wind Farm Phase II	49.5	55.92%	Zhangjiakou	July 2009
Kangbao Sanxiatian Wind Farm	49.5	100%	Zhangjiakou	November 2009
Guyuan Wuhuaping Wind Farm	49.5	100%	Zhangjiakou	December 2009
Guyuan Dongxinying Wind Farm	199.5	100%	Zhangjiakou	May 2010
Weichang Yudaokou Muchang Wind Farm	150	100%	Chengde	November 2010
Yuxian Baiyantuo Wind Farm	49.3	55.92%	Zhangjiakou	December 2010
Zhangbei Caoniangou Wind Farm	49.5	49%	Zhangjiakou	December 2010
Chongli Jiaocheshan Wind Farm	49.3	51%	Zhangjiakou	March 2012
Yuxian Dongdianziliang Wind Farm	49.5	55.92%	Zhangjiakou	January 2012
Yuxian Chashan Wind Farm	49.5	100%	Zhangjiakou	February 2012
Yuxian Yongshengzhuang Wind Farm	49.5	100%	Zhangjiakou	March 2012
Zhangbei Daxishan Wind Farm	49.5	51%	Zhangjiakou	March 2012
Lingqiu Hanfengling Wind Farm	49.5	55%	Datong, Shanxi	March 2012
Lingqiu Baicaowan Wind Farm	49.5	55%	Datong, Shanxi	March 2012
Weichang Zhangjiawan Wind Farm *	49.5	50%	Chengde	December 2009
Weichang Guangfayong Wind Farm *	49.5	45%	Chengde	December 2009
Weichang Shanwanzi Wind Farm *	49.5	50%	Chengde	December 2009
Weichang Zhuzixia Wind Farm *	49.5	45%	Chengde	December 2009
Weichang Dishuihu Wind Farm*	49.5	45%	Chengde	October 2010

* Wind farms controlled by our business partners

Note: The date of connection to the power grid and commencement of power generation of the first wind turbine in a wind farm.

Corporate Profile

As at 31 December 2011, the corporate structure of the Group is as follows:



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

Financial Highlights and Major Operation Data

Consolidated Comprehensive Income

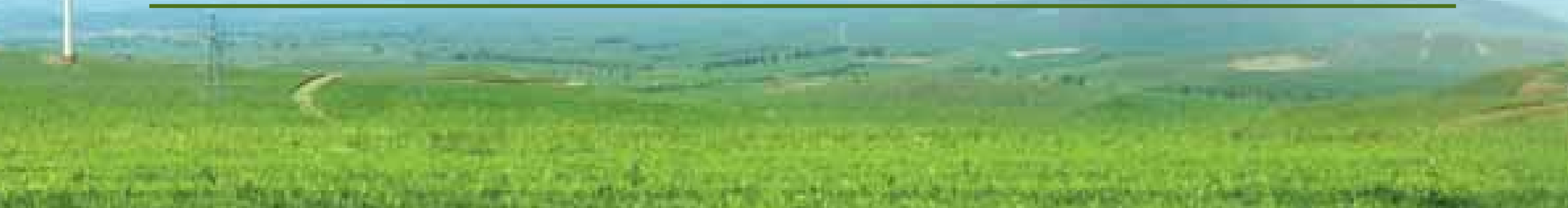
(Unit: RMB'000)

	2007	2008	2009	2010	**2011**
Revenue	628,789	1,018,733	1,517,261	2,242,757	**3,169,831**
Profit before taxation	45,713	161,162	305,839	489,872	**700,785**
Income tax	(8,252)	(9,936)	(18,735)	(58,181)	**(81,797)**
Profit for the year	37,461	151,226	287,104	431,691	**618,988**
Total comprehensive income for the year, net of taxation	37,461	151,226	287,104	431,691	**618,988**
Attributable to:					
Owners of the Company	25,475	86,850	166,322	279,719	**448,908**
Non-controlling interests	11,986	64,376	120,782	151,972	**170,080**
Earnings per share	1.27 cents	4.34 cents	8.32 cents	12.38 cents	**13.86 cents**
Diluted	1.27 cents	4.34 cents	8.32 cents	12.38 cents	**13.86 cents**

Consolidated Financial Position (as at 31 December)

(Unit: RMB'000)

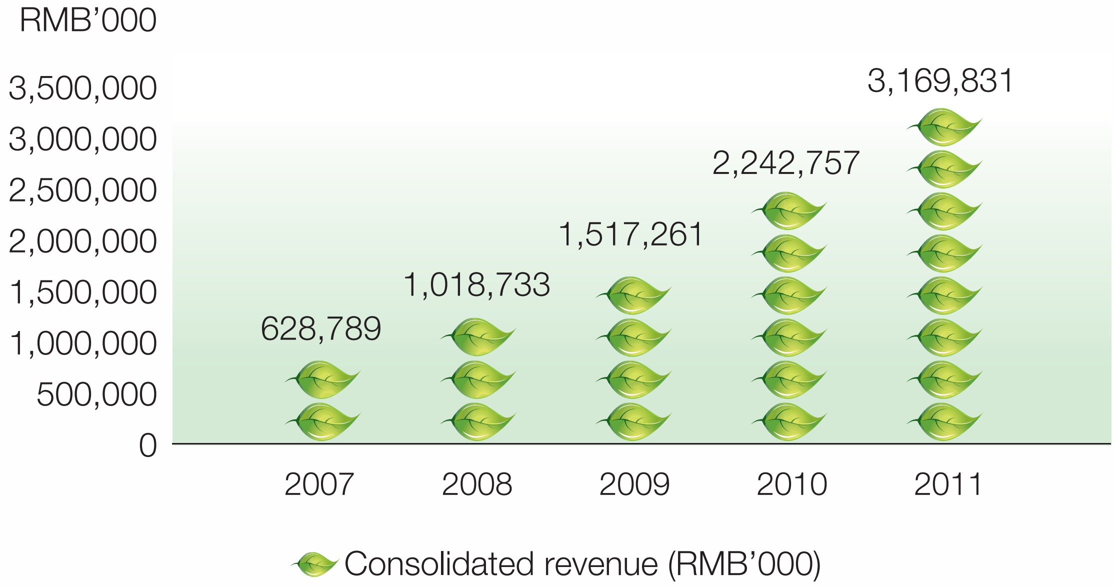
	2007	2008	2009	2010	**2011**
Total non-current assets	1,758,811	3,585,399	5,241,464	8,800,910	**12,096,646**
Total current assets	158,001	480,452	542,025	2,911,182	**1,962,490**
TOTAL ASSETS	1,916,812	4,065,851	5,783,489	11,712,092	**14,059,136**
Total current liabilities	538,784	788,522	1,728,290	2,696,046	**1,823,692**
Total non-current liabilities	625,928	1,885,829	2,177,398	3,577,457	**6,140,469**
TOTAL LIABILITIES	1,164,712	2,674,351	3,905,688	6,273,503	**7,964,161**
NET ASSETS	752,100	1,391,500	1,877,801	5,438,589	**6,094,975**
Equity					
Equity attributable to the owners of the Company	548,169	995,019	1,343,718	4,810,732	**5,205,785**
Non-controlling interests	203,931	396,481	534,083	627,857	**889,190**
TOTAL EQUITY	752,100	1,391,500	1,877,801	5,438,589	**6,094,975**



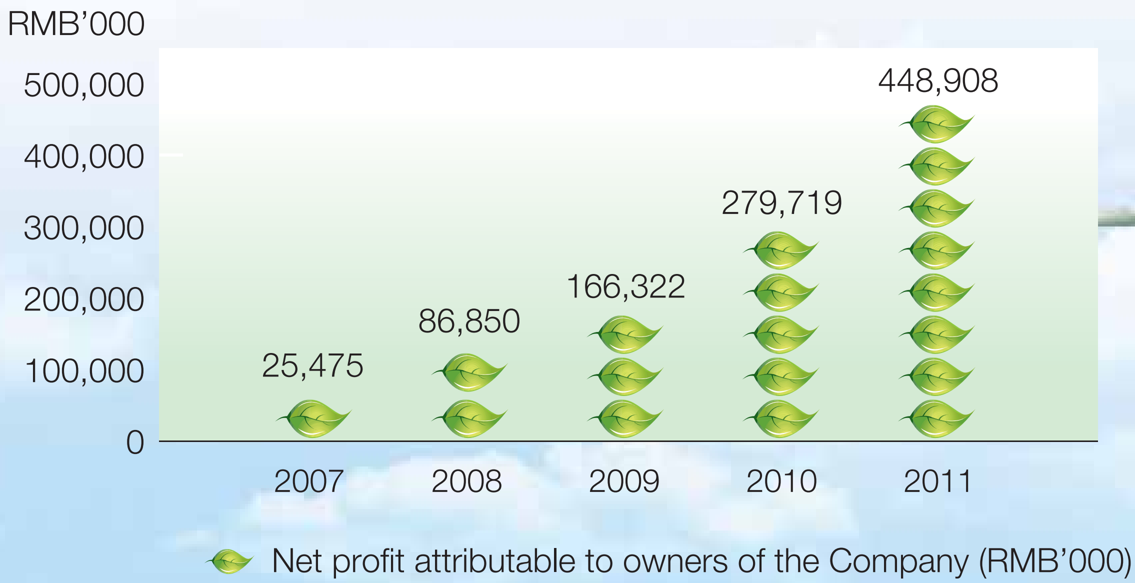
Financial Highlights and Major Operation Data

MAJOR OPERATION DATA:

Consolidated Revenue

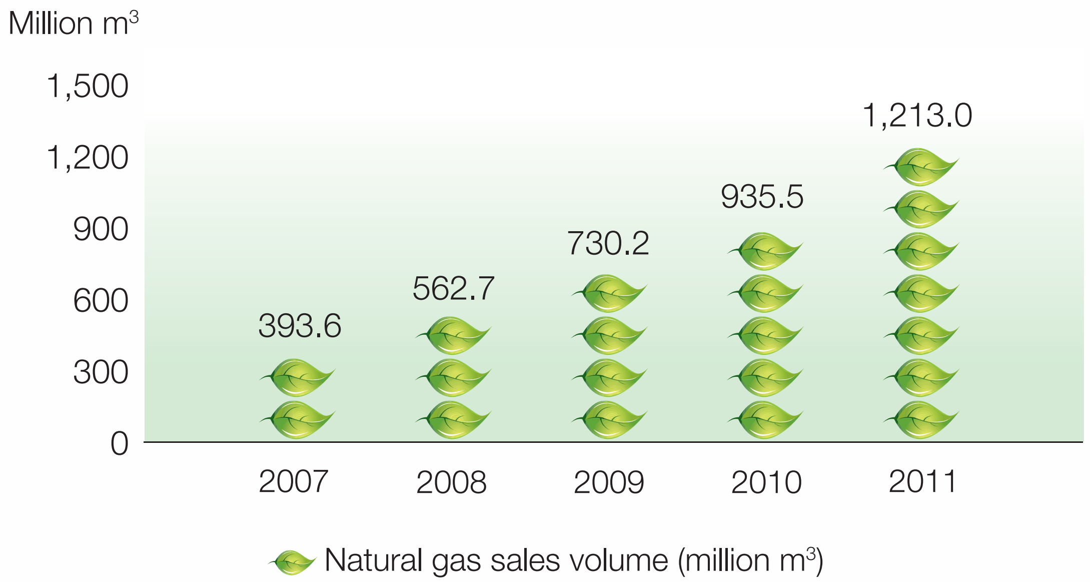


Consolidated Net Profit Attributable to owners of the Company

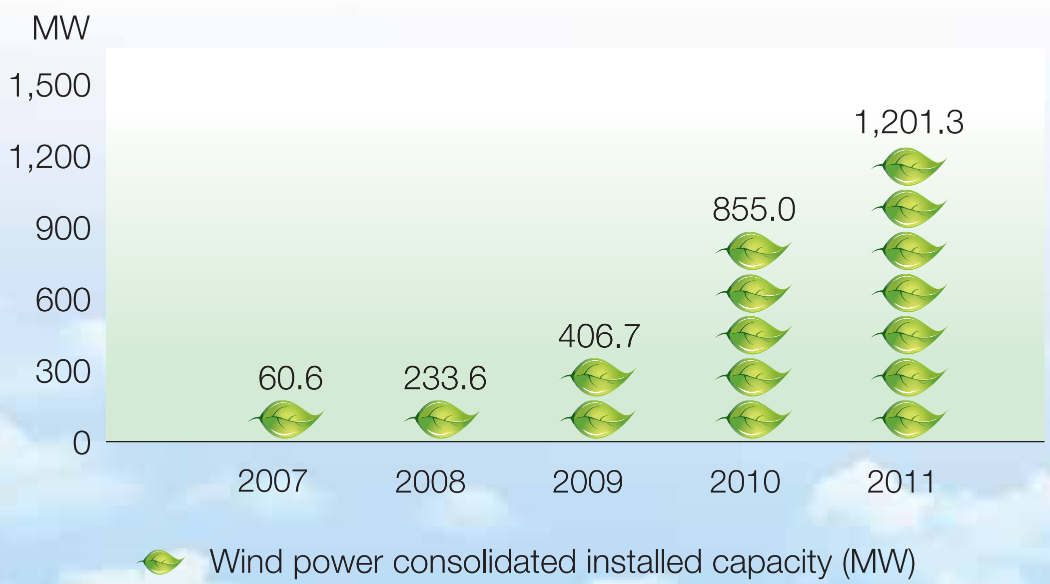


Financial Highlights and Major Operation Data

Natural Gas Sales Volume

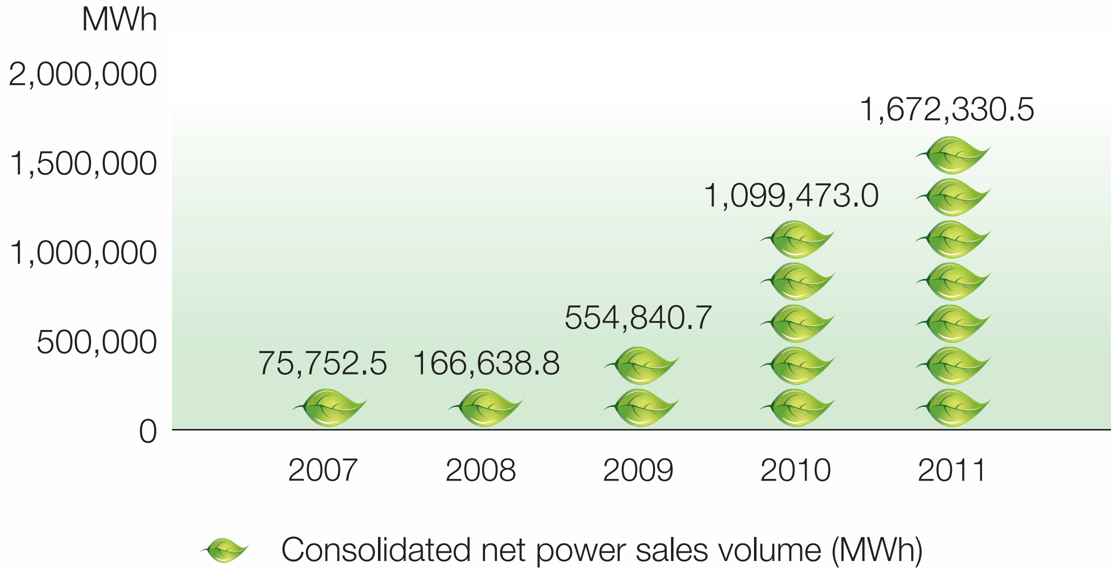


Wind Power Consolidated Installed Capacity



Financial Highlights and Major Operation Data

Consolidated Net Power Delivered to Grid



Management Discussion and Analysis

Year 2011 was over, which marked the beginning of the Twelfth Five-Year Plan. During the reporting period, affected by several factors including tightening macro-economic policy, increasingly intensified market competition and restriction on approving grid connection of wind power, the Group operated under a challenging environment. Under the strong leadership of the Board, the management led all staff to achieve goal under the Twelfth Five-year Plan and accelerated the transition process in order to actively explore some ways seek opportunity for incorporating the standards of H-shares enterprises into the actual business development of the Company. We worked hard to push aside all obstacles and difficulties to ensure the safety operation and stable growth of two business segments, gas and new energy. To maintain a satisfactory result, the Group established a regulated but dynamic governance system with an outstanding outcome.

I. NATURAL GAS BUSINESS

(1) Business Review

1. Steady growth in sales volume of natural gas

During the reporting period, the Group actively coordinated with the upstream supplier PetroChina to confirm the natural gas supply. During the year ended 31 December 2011, the Group sold 1,213 million cubic meters of gas, representing an increase of 29.7% from 2010, of which, the piped natural gas sold to wholesale customers was 740 million cubic meters, accounting for 61.0% of the total sales volume of gas of the Group, representing an increase of 16.0% from 2010. The sales volume of gas in retail business, including city natural gas, was 426 million cubic meters, accounting for 35.1% of the total sales volume of gas of the Group, representing an increase of 71.2% from 2010. CNG business remained stable, and CNG sold was 47 million cubic meters, accounting for 3.9% of the total sales volume.

2. Further expansion of city gas market

In 2011, the Group entered into agreements in relation to equity acquisition with Beijing Zhong Ran Weiye Gas Co., Ltd. (北京中燃偉業燃氣有限公司) and acquired three natural gas projects in three cities, namely Xinji City, Shenzhou City and Jinzhou City. During the reporting period, the Group also set up branches in Laoting County and Pingquan County, respectively, to develop the city natural gas markets locally.

As at 31 December 2011, the city gas business of the Group has expanded to the markets of 14 areas, namely Shahe City, Shijiazhuang Economic Development Zone, Baoding Development Zone, Handan Development Zone, Chengde City, Ningjin County, Qinghe County, Laiyuan County, Shanqian Industrial Zone of Southern Shijiazhuang, Xinji City, Shenzhou City, Jinzhou City, Laoting County and Pingquan County.

During the reporting period, the Group also entered into agreements on investment in and operation of natural gas utilization projects with local government authorities or gas companies of Xingtai Economic Development Zone, Laoting New District and Changli Industrial Park District in Hebei Province, respectively, to develop the city gas markets locally.

Management Discussion and Analysis

3. Smooth progress in the development of pipeline network projects

As at 31 December 2011, the work of the natural gas infrastructure management of the Group progressed smoothly. Among them, Gaoyi-Qinghe long-distance transmission pipeline commenced operation in December 2011 and the coverage of gas transmission extends to over 10 counties and cities (areas) in the south-eastern part of Hebei Province; construction of medium-pressure pipeline of Chengde Natural Gas Utilization Phase I project completed 22 kilometers, the gas refilling station there commenced pilot run for operation, and the secondary high-pressure and high-pressure pipeline construction projects were in progress as planned; the expected target of the construction of Shahe Phase II project was achieved, of which, Nanmen filling station was in pilot run, and CNG primary filling station commenced pilot run for operation in August 2011 with the daily consumption of gas volume of approximately 30,000 cubic meters.

During the reporting period, the Group actively commenced the preliminary work of pipeline network project (phase I) of 10 counties in Central Hebei Province. This project phase I involved seven counties (cities) at the junction of Cangzhou, Baoding and Hengshui, which was one of the key parts of the plan of gas transmission across all counties of Hebei Province during the period of Twelfth Five-Year Plan. A substantial progress has been made in the preliminary work of this project and approval was obtained in February 2012.

As at 31 December 2011, the Group owned two long-distance natural gas transmission pipelines, four high-pressure branch pipelines, 12 natural gas distribution stations and two CNG primary filling stations. The Group owned long-distance natural gas transmission pipelines with a total length of 550 km and city pipeline network with a length of 370 km.

4. Actively promoting the development of gas resources co-operative projects

In March 2011, Tangshan Caofeidian LNG project, a gas resources project of the Group, commenced its construction. In October 2011, the Group signed a joint venture contract with PetroChina and Beijing Enterprises Group to formally establish a joint venture.

Moreover, the Group has received a reply from the Development and Reform Commission of Shanxi Province and Hebei Province with respect to Shanxi coalbed methane introduction project and a preparation office of the project has been established for the approval and construction of the project.

Management Discussion and Analysis

5. **Strengthening cooperation with external parties to ensure sustainable development of our business**

In March 2011, the Group signed the Strategic Cooperation Framework Agreement on New Energy with CNOOC New Energy Investment Co., Ltd. (中海油新能源投資有限責任公司) to specify the supply of coal-made natural gas resources by CNOOC New Energy Investment Co., Ltd. in Hebei Province during the Twelfth Five-Year Plan period. Both parties ended up with an intention for cooperation in jointly developing city natural gas, combined heat, power and cooling supply and wind power generation projects.

In October 2011, the Group entered into the Cooperation Framework Agreement for the Natural Gas Integrated Utilization and Branch Pipelines Project in Hebei Province with PetroChina Kunlun Gas Company (中石油昆侖燃氣公司), pursuant to which both parties formed a strategic partnership for the proposed joint investment in the construction of natural gas pipelines in Hebei province.

In December 2011, the Group signed a cooperative joint venture agreement with Shahe City Construction Investment Company Limited (沙河市建設投資有限責任公司) for the proposed joint development of the gas refilling station project in Shahe City.

(2) Major Financial Indicators of Natural Gas Business

Revenue

In 2011, the Group achieved natural gas sales revenue of RMB2,405 million, representing an increase of 39.3% over the corresponding period last year. This was mainly due to the increase in natural gas sales volume and sales price during the year. In particular, pipeline wholesale business achieved sales revenue of RMB1,311 million, representing 54.5% of the Group's sales revenue from natural gas; retail business, such as city natural gas, recorded sales revenue of RMB924 million, representing 38.5% of the Group's total sales revenue from natural gas. CNG business remained stable, recording sales revenue of RMB108 million, representing 4.5% of the Group's sales revenue from natural gas. Other income was RMB62 million, representing 2.5% of the Group's sales revenue from natural gas.

Operating cost

In 2011, the operating cost (including cost of sales, selling and distribution cost, administrative expenses and other expenses) of the Group's natural gas business was RMB1,990 million, representing an increase of 39.3% from RMB1,429 million over the corresponding period last year. This was mainly due to the increase in natural gas sales volume during the year.

Management Discussion and Analysis

Operating profit

In 2011, the operating profit of the natural gas business was approximately RMB420 million, representing an increase of 31.9% from RMB318 million over the corresponding period last year. The increase was mainly due to the higher gas sales volume. Gross profit margin was 20.1%, basically the same compared with 20.2% over the corresponding period last year, as the increase in selling unit price and increase in purchase unit price of natural gas are basically the same.

II WIND POWER BUSINESS

(1) Business Review

1. Steady growth in the installed capacity of wind power

During the reporting period, the installed capacity of the Group continued its steady growth. However, the newly installed capacity of wind power slightly decreased from that in the corresponding period last year and the additional consolidated installed capacity of wind power amounted to 346.3MW due to the effect of restrictions on the power delivery of grids and the policy of national approval plan. As at 31 December 2011, the total installed capacity of wind power of the Group reached 1,448.8MW, representing an increase of 31.4% from last year, and consolidated installed capacity was 1,201.3MW, representing an increase of 40.5% from last year. The attributable installed capacity was 1,048.6MW, representing an increase of 30.3% from last year.

2. Steady growth in power generation

During the reporting period, benefited from the growth of the Group's wind power operating capacity and operation maintenance efficiency, the power generation of the Group grew significantly. As at 31 December 2011, the aggregate power generation of the Group amounted to 1,751 million KWh, representing an increase of 45.7% from last year. The average utilization hours of the Group for 2011 decreased by 13.2% from last year to 2,048 hours mainly due to lesser wind resources.

3. Enhanced level of operation, maintenance and management

The Group owns a subsidiary that is specialized in the operation and maintenance of wind farms and responsible for the professional management of operation and maintenance of all wind farms of the Group. In 2011, the Group's Zhangjiakou Production Technology Centre and its electrical laboratory opened for use, which became the first large-scale integrated wind power technology centre in Zhangjiakou City. In addition, the Group entered into an agreement for the joint construction of a post-graduate workstation with North China Electric Power University (華北電力大學) to take advantage of the professional research capability of tertiary institutions and the technological level of the Group was therefore enhanced remarkably. In 2011, the Group's average comprehensive auxiliary power rate reached at 2.4%, the average availability factor of the wind farms amounted to 96.8%, which was basically the same compared with last year under the situation where several wind farms no longer required wind power equipment manufacturers to carry out maintenance work for them.

Management Discussion and Analysis

In the second half of 2011, the Company upgraded the technology of wind farms, including low voltage ride through, reactive power compensation device and wind power forecasting system in accordance with the requirements set out in the Key Points of Anti-accident measures for the Operation of Wind Power Grid (風電併網運行反事故措施要點) issued by State Grid Corporation (國家電網公司). As of 31 December 2011, all wind farms of the Group had installed wind power forecasting system and most of wind farms installed low voltage ride through and reactive power compensation device. It is expected that all wind farms will be upgraded by June 2012 to satisfy the requirements of State Grid Corporation with regard to grids of wind farms and to ensure stable operation of the wind farms of the Group.

4. Nationwide layout of wind resources reserve

During the reporting period, the Group strengthened the development and reserve of wind resources and strongly promoted the regional management model for the establishment of independent bodies across China that are responsible for the resources development of different regions. The annual additional reserved capacity of wind resources was 5,030 MW, including 380 MW and 4,650KW within and outside Hebei Province, respectively. As at 31 December 2011, the wind resources reserve capacity of the Group reached 16,499.7MW, which spanned across 13 provinces and municipalities such as Hebei, Shanxi, Shandong, Inner Mongolia, Xinjiang, Yunnan, Guangxi, Hubei, Shaanxi, Anhui, Jiangxi, Chongqing and Heilongjiang. Hence, the nationwide strategic layout of wind resources was initially shaped.

During the reporting period, the Group had an additional Approved Wind Power Projects with a capacity of 295.5MW and an additional preliminary approved projects with a capacity of 1,078MW. The accumulated capacity of the Preliminary Approved Projects reached 2,389.6MW, representing an increase of 29.2% from last year.

5. Significant effect in infrastructure management

During the reporting period, infrastructure management of the Group gradually matured, and the construction of projects accelerated steadily. As at 31 December 2011, the Group completed the construction of seven wind farm projects with an aggregate installation capacity of 346.3MW. Besides, the preliminary construction for nine projects has been carried out successfully, five of which have been approved and the other four have been preliminary approved.

During the reporting period, based on the goal of "quality works, exquisite works" for infrastructure, the Group implemented whole-process management; the overall quality of construction works were excellent without any safety incidents occurred. In particulars, the 200MW wind power concession project of Dongxinying was awarded the Premium Quality Project in the PRC Power Industry.

Management Discussion and Analysis

The Group strived hard to control production cost. As a key customer of large scale wind turbine manufacturers, the Group could obtain wind turbines equipment with the highest performance-to-price ratio through tendering and bidding. During the reporting period, the procurement cost of wind turbines of the Group continued to decline, representing a decrease of 12.6% from last year.

6. Significant growth in the earnings of CDM

During the reporting period, the performance of the Group's CDM projects was remarkable. Both the projects registration and revenue achieved a great leap in terms of growth. There were ten new CDM registered projects, and the accumulated number of CDM projects reached 17; the power installed capacity in total was 1,052.8MW. In addition, there were another eight projects that were at the stage of application for CDM registration, two of which had obtained reply from the National Development and Reform Commission. In 2011, benefited from the increase of the Group's CDM registered projects, the sales revenue of CER was also increased significantly, amounting to RMB97.35 million.

7. Substantial progress in offshore wind power project

During the reporting period, the Group obtained a reply from the National Energy Administration for its application of the establishment of the offshore wind power project-the model project of 300MW offshore wind farm located at Puti Island, Laoting, Tangshan, Hebei. The project is the first offshore wind power project in China's Bohai Sea that had been preliminary approved by the PRC Government. The development of such model project marked the Company's significant achievements in implementing its strategic goals of "base onshore and expand to offshore".

(2) Major Financial Indicators of the Wind Power Business

Revenue

During the reporting period, the Group achieved wind power sales revenue of RMB765 million, representing an increase of 48.3% from last year. The increase was mainly due to the increase in operating capacity and power generation volume.

Operating cost

During the reporting period, the operating cost (including cost of sales, selling and distribution cost, administrative expenses and other expenses) of the Group's wind power business was RMB406 million, representing an increase of 66.2% from last year. This was mainly due to the addition of new operating wind farms during the year. With the increase in power generation volume, the operating cost increased correspondingly.

Management Discussion and Analysis

Operating profit

During the reporting period, the operating profit of the wind power business was RMB478 million, representing an increase of 43.8% from the same period last year. The increase was mainly due to the increase in operating capacity and power generation volume. The gross profit margin was 56.1%, representing a decrease of 4.6% from the same period last year. This was mainly due to the decrease in the utilization hours, which then led to the increase in unit fixed costs.

III. OTHER RENEWABLE ENERGY BUSINESS

The Group has long been concerned about the development of other renewable energy technologies and actively facilitated the building of model projects so as to accumulate experiences for industrialization in the future. The Group operated the 1MW solar power project in Baoding Laiyuan Jinjiajing of Hebei Province, and actively commenced the preparatory work for the 10MW solar power project in Laiyuan. The Group also kicked off the preliminary work of the 11MW solar power project in Kangbao County, Hebei Province.

IV. FINANCING

During the reporting period, the Group adopted diversified financing methods, which effectively reduced the financing cost, secured the demands for projects and avoided risks resulting from financing difficulties and increase in interest rate. Firstly, the Group secured RMB loan at prime rate with its good credit in local banks. Secondly, the Group successfully issued corporate bonds of RMB2,000 million comprising two types of products with terms of 6 years and 7 years at interest rates of 5.3% and 5.4%, respectively. Thirdly, a funding pool management system was established with a view to improve the efficiency of fund use. Fourthly, exchange settlement of the proceeds from the Listing of the Company was completed timely in order to meet the capital requirement of projects.

V. ANALYSIS OF COMBINED OPERATING RESULTS

Overview

During the reporting period, the profit of the Group increased significantly. According to the audited consolidated statement, net profit for the year was RMB619 million, representing an increase of 43.4% from 2010; net profit attributable to owners of the Company was RMB449 million, representing an increase of 60.5% from 2010.

Management Discussion and Analysis

Revenue

In 2011, the Group recorded a revenue of RMB3,170 million, representing an increase of 41.3% from 2010, of which:

1. natural gas business recorded sales revenue of RMB2,405 million, representing an increase of 39.3% from 2010. This was mainly attributable to the increase in gas sales volume during the year. While ensuring the natural growth of gas consumption, the Group reinforced new market development and pipeline network construction, which directly increased gas sales volume of the year.

2. wind power business achieved sales revenue of RMB765 million, representing an increase of 48.3% from 2010. This was mainly due to the significant increase in the installed capacity of the operating wind farms and thus raised the net sale of electricity significantly when compared with last year.

Revenue	**2011 RMB'000**	2010 RMB'000	Percentage Change %
Natural gas	**2,404,749**	1,726,918	39.3%
Wind power	**765,082**	515,839	48.3%
	3,169,831	2,242,757	41.3%

Other income and net gains

In 2011, the Group recorded other income and net gains of RMB135 million, representing an increase of 60.6% from 2010. This was mainly due to a higher revenue from CER of our wind power business.

Operating costs

During the reporting period, the Group's operating cost, including cost of sales, selling and distribution cost, administrative expenses and other expenses, aggregated to RMB2,432 million, representing an increase of 41.4% from last year. This was mainly due to the increase in the volume of natural gas sold and increase in wind power installed capacity in operation. Among others:

1) during the reporting period, the Group's cost of sales was RMB2,257 million, representing an increase of 42.8% from 2010. This was mainly due to the increase in cost of sales resulting from the increase in wind power installed capacity in operation, and the increase in cost of purchase resulting from the substantial growth in volume of gas sold from natural gas business.

2) during the reporting period, the Group's administrative expenses was RMB152 million, representing an increase of 51.1% from 2010. This was mainly due to the corresponding increase in staff costs and administrative costs as a result of the Group's business expansion.

Management Discussion and Analysis

3) during the reporting period, the Group's other expense was RMB22 million. This was mainly due to the exchange gain or loss on the Listing proceeds of the Company in Hong Kong dollar and the foreign currency revenue from the CERs receivables of our wind power business as a result of exchange rate fluctuations. The Group's other expenses decreased by RMB16 million from 2010, which was mainly due to the decrease in unsettlement of Hong Kong dollars as reserve.

Finance cost

During the reporting period, the Group's finance cost was RMB245 million, representing an increase of 45.7% from RMB168 million in 2010. This was mainly due to the fact that the interest expenses capitalized for wind power projects under construction in 2010 were all recognized as current finance cost after the completion and commencement of operation of such projects in 2011.

Share of profit of affiliates

During the reporting period, the Group's share of profit of affiliates was RMB73 million, representing an increase of RMB23 million from RMB50 million in 2010. This was mainly due to the profit increased in our affiliates.

Income tax expense

During the reporting period, the Group's net income tax expense was RMB82 million, representing an increase of 40.6% from RMB58 million for the corresponding period in 2010. This was mainly due to the increase in profit before tax.

Net profit

During the reporting period, the Group recorded a net profit of RMB619 million. Net profit attributable to owners of the Company was RMB449 million, representing an increase of 60.5% from 2010. Basic earnings per share attributable to owners of the Company was RMB0.1386, representing an increase of RMB0.0148 from 2010.

Interest-bearing bank and other borrowings

As of 31 December 2011, the Group's long-term and short-term borrowings totaled RMB6,751 million, representing an increase of RMB1,732 million compared with the end of 2010. Among the total borrowings, the short-term borrowings (including current portion of long-term borrowings) aggregated to RMB636 million and long-term borrowings amounted to RMB6,115 million.

Liquidity and capital resources

As of 31 December 2011, the Group's net current assets was RMB139 million. The decrease in cash and cash equivalents was RMB1,555 million. The Group has banking facilities of RMB10,745 million granted by various domestic banks, of which RMB5,211 million was utilised. In addition, the proceeds of the corporate bonds issued by the Company on 23 November 2011 was RMB2,000 million.

Management Discussion and Analysis

Net gearing ratio

As of 31 December 2011, the net gearing ratio (net liabilities divided by the sum of net liabilities and equity) of the Group was 54.0%, representing an increase of 13% from 41.0% as at 31 December 2010. The main reason was that the external financing of the Company kept increasing as a result of the increase in the investments of the Group's wind power projects and natural gas projects to meet the capital requirements of the projects.

Capital expenditures

Capital expenditures mainly include the construction cost for construction of new wind power projects, natural gas pipelines and additions to property, plant and equipment and prepaid land lease payments. Capital resources mainly include bank borrowings, bonds issue and cash flow from the Group's operating activities. During the reporting period, the Group's capital expenditures were RMB3,173 million, representing a decrease of 6.8% from RMB3,403 million in 2010. Segment information of capital expenditures is as follows:

Capital expenditures	**2011 RMB'000**	2010 RMB'000	Percentage Change %
Natural gas	**282,120**	231,857	21.7%
Wind power	**2,890,056**	3,171,004	-8.9%
Unallocated capital expenditures	**431**	–	
	3,172,607	3,402,861	-6.8%

VI. WORKING PLAN FOR YEAR 2012

Year 2012 is the critical year for the Group to fully implement the "Twelfth Five-Year" strategic plan and the management of the Group will overcome obstacles and devise annual planning eagerly to ensure the completion of the works for the year.

1. Actively promote the market development of natural gas, maintain growth in total wholesale volume, actively expand city gas business to enter into more new markets so as to achieve the continuing growth in annual natural gas sales volume and sales income.

2. Rapidly develop natural gas market in the areas along the Gaoyi-Qinghe Pipeline; try hard to provide preliminary services to those local natural gas companies in Linxi County, Lincheng County and Nangong County for natural gas utilization projects; facilitate the projects to commence construction during the year and to commence operation as soon as possible to create the scale of gas consumption.

Management Discussion and Analysis

3. Deeply explore the market potential of natural gas in East Hebei Province; speed up to capture the end-users market in the Tangshan and Qinhuangdao regions, commence the construction of city pipeline network while focus on exploring the actual consumer market to ensure there will be a gas consumption market to a certain extent upon the commencement of operation.

4. Actively push the progress of the preliminary work of pipeline network project (phase I) of ten counties in Central Hebei Province and strengthen the construction progress management to ensure the project fulfills its target in quality and construction cost.

5. Strengthen the management of operation and maintenance of wind farms and analysis of operating indicators, get rid of any defects timely to secure reliable and steady operation, strengthen the communication with grid companies, and maintain a higher availability factor and average utilization hour of wind farms.

6. Follow up with the plan of the wind industry and the local power grid plans, accelerate the process of obtaining preliminary approvals and formal approval of the Pipeline Projects, accelerate the construction of approved wind power projects to ensure the projects commence operation as scheduled.

7. Press ahead with the implementation of offshore wind farm at Puti Island, Laoting, Tangshan; and obtain the permits from the relevant industrial administration units, such as the State Grid Corporation and State Oceanic Administration (國家海洋局), so as to create favorable conditions for the final approval of projects; meanwhile, make advanced planning and actively prepare for the preparatory work of projects commencement.

VII. OPERATIONAL RISKS

(1) Gas Business

Industry Risks

Affected by the factors of increasing natural gas prices and adjustment to the national industries structures, the glass and steel industries have been greatly affected in recent years and the sale of the natural gas industry is also exposed to market risk. Firstly, owing to the surplus of low-end flat glass products in China, the Ministry of Industry and Information Technology of the PRC (中國工業和信息化部) resolutely demanded to restrain the production capacity of the flat glass industry from growing too fast while the regulatory policy of the property market promulgated by the PRC Government also dragged down the flat glass market. Secondly, the steel industry generally showed depressing signs of growth and profitability due to weak domestic demand for steel and the rising prices of raw materials and fuel. As such, the sales of natural gas industry are exposed to market risk.

Management Discussion and Analysis

Risks of competition in market

As the natural gas market in Hebei Province gradually develops, downstream competition becomes more intense. Capitalizing on the resources advantage of PetroChina, gas companies backed by PetroChina start to seize the market share of the pipeline network in the province. In addition, some local gas companies also expand their city networks externally with their local advantages, thereby leading to fierce gas market competition in cities, particularly the Bohai Rim region, a more economically developed area in Hebei Province.

Having fully raised the crisis awareness, the Group conducts research on market development and strengthens the downstream market development in the areas covered by the existing long-distance transmission pipelines to ensure the Group's leading position in gas supply in the areas of the existing market. The Group also actively involves in natural gas sourcing projects and LNG cooperative projects in the province to form a complementary gas source supply in Hebei Province. In non-dominant regions, the Group introduces strategic partners to form a body of common interest that can complement with each other. The Group adopts different kinds of measures to maintain a stable customer base, speed up its development and expand the gas market.

Price risks

The natural gas industry in China is booming where the demand for natural gas grows rapidly while domestic natural gas resources fall short. In 2006, China became a net importer of natural gas with increasing reliance on external sources. With the rising of crude oil price in the international market in recent years, imported gas price surges as well, resulting in low domestic gas price and high imported gas price. Currently, natural gas price enters the transitional period with the natural gas factory price having no restrictions but to be dictated by market competition as the ultimate goal. The government will only regulate the price of natural gas pipeline transmission that is of monopolistic nature. In the event that natural gas price continues to rise, it will suppress the consumption demand of the market and, at the same time, have certain adverse impacts on the Group's cost control and long-term sales targets.

(2) Wind Power Business

Industry risks

In 2011, China issued the Interim Measures for the Administration of the Development and Construction of Wind Power Projects (風電開發建設管理暫行辦法) to strictly regulate the approval system of wind power projects. During the Twelfth Five-Year Plan period, the China will continue to administer the approved plan of wind power development to encourage a more orderly development of the wind power industry. However, the regulation of the wind power approved plan will affect the development and construction progress of individual projects in certain areas, thereby affecting the development pace of the Group's wind power business. Based on the project development concept of the "nationwide layout, key implementation", the Company prudently launched quality projects in response to the national administration of the approved plan in an effective manner to ensure its steady growth.

Management Discussion and Analysis

Climatic risks

The annual generating capacity of wind farms depends on the weather conditions where they are located, particularly the wind resources. As the wind power resources vary greatly every year, our estimated annual generating capacity differs from the actual annual generation capacity to a certain extent. Moreover, some extreme weathers will also affect the construction and normal power generation of wind power projects, leading to a reduction in power generation. To resolve the problem, the Group will make use of the existing wind resources and the wind power forecasting team to improve its long- and short-term wind resource forecasting system and the construction of the wind power forecasting system for wind farms, actively communicate with grid authorities, and increase the generating hours of wind farms.

Risks of grid connection

After continuous large-scale development and construction in the wind power industry of the PRC in recent years, power grid ancillary works in some regions lagged behind significantly. Project approval and power grid connection are restricted by the transmission limitations of regional power grids. Located at the national wind power base in Hebei region, most of the Group's wind farms are exposed to a certain degree of grid connection and grid constraint risks. The State Grid Corporation has gradually introduced a number of initiatives to improve the conditions of wind power grid connection. The conditions of wind power grid connection will be further improved. Upon the completion of the wind power forecasting system for power grid and wind farms, wind farms will be equipped with the capability for energy management. In view of the increased control of power grid over wind farms, the risk of grid constraint will be gradually reduced.

CDM risks

With the approaching of the Phase I commitment period of the Kyoto Protocol at the end of 2012, the parties are not yet completed the negotiation on emission reduction of the Phase II commitment period and the Post-Kyoto emission reduction proposal has not yet been determined. As such, there are some risks in the policy of the Group's wind farm CDM projects. According to the rules of the EU emissions trading system, the Chinese CDM projects registered after 2012 will not be accepted, which may lead to the situation that the Group will not be able to earn any CDM income from wind power projects that are registered after 2012. On the other hand, the price of emissions units in secondary carbon market has appeared a dramatic decline, which exposes the Group's CDM projects to transactional risk. The Group is also exposed to price risk and default risk by purchasers in respect of CDM income.

(3) Financial risk

During the Twelfth Five-Year Plan period, the Group will be exposed to greater financial pressure due to huge capital expenditure as required for the construction of wind farms and natural gas pipelines. In 2011, China implemented the prudent monetary policy and raised the deposit reserve ratio and loan interest rates for several times. The tightening monetary policy increased the difficulty of corporate financing, which had certain impacts on the cost of corporate financing. China will continue to implement the prudent monetary policy in 2012 with "moderately easing measures" in place to readjust the economy in a timely manner, which will improve the availability of corporate financing. The Group will manage its financing with adequate arrangements to strengthen debt financing and effective risk control, and to ensure the stable supply of capital by gaining access to low-cost funds through a variety of financing channels.

Management Discussion and Analysis

Material investments

Hebei Natural Gas, a non-wholly owned subsidiary of the Company, entered into an equity joint venture contract with PetroChina and Beijing Enterprises Group on 16 October 2011 for the formation of a joint venture. The joint venture is located in Tangshan City, Hebei Province, the PRC, and its scope of business includes the receiving, storing and gasification of liquefied natural gas and related businesses. Upon the completion of the transaction, PetroChina, Beijing Enterprises Group and Hebei Natural Gas will hold 51%, 29% and 20% equity interests in the joint venture, respectively.

The total investment of Tangshan LNG terminal project was approximately RMB6,600 million. According to the joint venture contract, the registered capital of the joint venture is RMB2,600 million. According to the joint venture contract, the registered capital will be contributed to the joint venture in two installments. During the reporting period, the parties to the joint venture contributed a total of RMB1,000 million for the first installment and the second installment is scheduled to be settled by 2012.

The board of directors of Hebei Natural Gas has resolved to approve the transaction and agreed to the additional capital contribution in an amount of RMB200 million to the registered capital of Hebei Natural Gas by the Company and China Gas (Hebei) Ltd., another shareholder of Hebei Natural Gas, in proportion to their existing shareholding to provide the first installment of the capital injection into the joint venture by Hebei Natural Gas. Therefore, the additional capital to be injected to Hebei Natural Gas by the Company and China Gas (Hebei) Ltd. will be RMB110 million and RMB90 million, respectively. The capital contributed by the Company to Hebei Natural Gas was satisfied by the Group's internal resources.

Due to the investment made by PetroChina for the preliminary works, the construction of the project has been commenced in March 2011 and it is expected that the project will commence its operation in 2013.

Acquisitions and disposals

During the reporting period, HECIC New-energy, a wholly-owned subsidiary of the Company, and Hebei Green Energy Limited entered into an equity transfer agreement, pursuant to which HECIC New-energy acquired 25% equity interest in HECIC Yanshan (Guyuan) Wind Power held by Hebei Green Energy Limited. The transfer price was RMB46.68 million and the benchmark date of the equity transfer was 31 December 2010. All rights under the equity transfer would, in part or in whole, be attributable to HECIC New-energy after the benchmark date for the equity transfer. Upon the transfer of the equity interest became effective, HECIC Yanshan (Guyuan) Wind Power became a wholly-owned subsidiary of HECIC New-energy.

During the reporting period, Hebei Natural Gas, a subsidiary of the Company, signed a transfer agreement with Beijing Zhong Ran Weiye Gas Co., Ltd. to acquire 100% equity interests in three of its subsidiaries, namely Jinzhou Weiye Gas Co., Ltd. (晉州市偉業燃氣有限公司), Shenzhou Weiye Gas Co., Ltd. (深州偉業燃氣有限公司) and Xinji Zhongchen Gas Co., Ltd. (辛集市中晨燃氣有限公司) at a consideration of RMB40.58 million on 26 March 2011 pursuant to the No.1 written board resolution of Hebei Natural Gas in 2011. On 31 May 2011, both parties completed the handover and Jinzhou Weiye Gas Co., Ltd., Xinji Zhongchen Gas Co., Ltd. and Shenzhou Weiye Gas Co., Ltd., which then became the wholly-owned subsidiaries of Hebei Natural Gas.

Management Discussion and Analysis

During the reporting period, HECIC New-Energy entered into a shareholders voting agreement with Beijing Hua Shi in relation to Zhangbei CIC Huashi, pursuant to which Beijing Hua Bei has agreed that to vote unanimously with HECIC New-Energy in relation to the matters determined by shareholders' poll. Zhangbei CIC Huashi was jointly established by HECIC New-Energy and Zhangbei CIC Huashi on 17 July 2010. Zhangbei CIC Huashi has been regarded as joint-controlled entity since the date of its incorporation. Following signing the above shareholders voting agreement, the Company formally counted Zhangbei CIC Huashi as a subsidiary of the Group under accounting treatment and the same was consolidated into the accounting statements of the Group.

Asset charge of the Group

During the reporting period, the Group had no charge on its assets.

Risk of fluctuations in exchange rate

The CDM income of the wind power business of the Group is in foreign currencies. Hence, fluctuations in exchange rate would cause exchange losses or gains in the Group's foreign currency business. The Group will keep track of changes in exchange rates, improve the management of settlement and use of foreign exchange and control foreign exchange risks.

Contingent liabilities

During the reporting period, the Group had no significant contingent liabilities.

Biographies of Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTORS

Dr. Li Lian Ping (李 連 平), aged 49, is a non-executive Director and chairman of the Board. He graduated from the University of Science and Technology Beijing with a doctorate in materials processing engineering. He was appointed as non-executive Director of the Company on 9 February 2010. Since July 2009, he has been acting as chairman of HECIC. Prior to that, Dr. Li served as director and deputy general manager of Hebei Iron & Steel Group Co., Ltd (河北鋼鐵集團有限公司) and chairman of Handan Iron & Steel Group Co., Ltd. (邯鄲鋼鐵集團有限責任公司) in chronological order.

Mr. Zhao Hui Ning (趙會寧), aged 44, is a non-executive Director and vice chairman of the Board of the Company. He obtained a master's degree from Flinders University in a post-graduate course on international trade relations jointly offered by Nankai University (南開大學) and Flinders University, Australia. He was appointed as non-executive Director of the Company on 9 February 2010. Since July 2009, he has also been acting as vice chairman and general manager of HECIC. Prior to that, Mr. Zhao was an executive director and general manager of both Hebei Information Industry Investment Co., Ltd. (河北省信息產業投資有限公司) and Hebei Economic and Trade Investment Co., Ltd.(河北省經濟貿易投資有限公司) in chronological order.

Mr. Xiao Gang (肖剛), aged 53, is a non-executive Director and vice chairman of the Board of the Company. He graduated from Beijing Jiaotong University (北京交通大學) with a master's degree in business administration (EMBA). He was appointed as non-executive Director of the Company on February 9, 2010. Since June 2007, he has been acting as deputy general manager of HECIC and manager of its Beijing operation. Mr. Xiao held various positions of HECIC, including manager and assistant to general manager of Beijing operation, manager of agricultural projects, and deputy manager of capital department in chronological order.

EXECUTIVE DIRECTORS

Dr. Cao Xin (曹欣), aged 40, is an executive Director and president of the Company. He graduated from Renmin University of China (中國人民大學) with a doctorate in economics. He was appointed as executive Director of the Company on 9 February 2010. Since June 2006, he has been acting as general manager of HECIC New-energy. Dr. Cao used to serve as the assistant to the general manager and manager of the second public utilities department of HECIC.

Mr. Gao Qing Yu (高慶余), aged 48, is an executive Director and vice president of the Company. He graduated from The Open University of Hong Kong (香港公開大學) with a master's degree in business administration. He was appointed as executive Director of the Company on 9 February 2010. He has been acting as general manager of Hebei Natural Gas since April 2010 and chairman of the labour union in Hebei Natural Gas since October 2004. From October 2004 to April 2010, Mr. Gao was the deputy general manager of Hebei Natural Gas.

Biographies of Directors, Supervisors and Senior Management

Mr. Zhao Hui (趙輝), aged 39, is an executive Director, vice president, secretary to the Board and the joint company secretary of the Company. He graduated from Nankai University (南 開 大 學) with a master's degree in business administration. He was appointed as executive Director of the Company on 9 February 2010. Mr. Zhao was the secretary to the board of JEI and manager of its investment development department and the director of the board office of Shijiazhuang International Building (Group) Co., Ltd. (石家莊國際大廈(集團)股份有限公司).

Mr. Sun Xin Tian (孫新田), aged 47, is an executive Director and vice president of the Company. He graduated from Huabei Electricity University (華 北 電 力 大 學) with a master's degree in engineering and is a senior engineer. He was appointed as executive Director of the Company on 28 June 2010. Since May 2008, Mr. Sun has been acting as deputy general manager of HECIC New-energy. Mr. Sun used to serve as the deputy general manager of HECIC Zhangjiakou Wind Energy and deputy chief engineer, of Hebei Xingtai Power Co. Ltd. (河北興泰發電有限責任公司, formerly known as Xingtai Electricity Generation Factory(邢臺發電廠)) in chronological order.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qin Hai Yan (秦海岩), aged 41, is an independent non-executive Director of the Board of the Company. Mr. Qin graduated from Renmin University of China (中國人民大學) with a master's degree in business administration. He was appointed as independent non-executive Director of the Company on 5 March 2010 and he also serves as an independent non-executive director of Huaneng Renewables Corporation Limited (華能新能源股份有限公司). Mr. Qin is the standing director of China Renewable Energy Society (中國可再生能源學會), the secretary-general to the Wind Power Committee of China Renewable Energy Society (中國可再生能源學會風能專業委員會), the deputy director of Climatic Resources Utilization Research Institute of Chinese Meteorological Society (中國氣象學會氣候資源應用研究委員會), the deputy director of Renewable Energy Committee of China Association of Resource Comprehensive Utilization (中國資源綜合利用協會可再生能源專業委員會) and the honorary president of Wind Energy Industry Association of Huishan District, Wuxi City (無錫市惠山區風能行業協會). In additional, he is a member of the National Wind Power Machinery Standardization and Technology Commission (全國風力機械標準化委員會). Mr. Qin is also a part-time professor of Nanjing University of Technology (南京工業大學).

Mr. Ding Jun (丁軍), aged 49, is an independent non-executive Director of the Board of the Company. Mr. Ding graduated from China Academy of Social Sciences (中國社會科學院) with a master's degree in economics. He was appointed as independent non-executive Director of the Company on 5 March 2010. Mr. Ding is an associate researcher of Beijing Academy of Social Sciences Economics Research Institute (北京市社會科學院經濟研究所), which he joined in 1992. Mr. Ding was also appointed as standing director and vice secretary-general of China Association for Studying the Construction of Well-off Society (中國小康建設研究會).

Biographies of Directors, Supervisors and Senior Management

Mr. Wang Xiang Jun (王相君), aged 47, is an independent non-executive Director of the Board of the Company. He graduated from Central University of Finance and Economics (中央金融學院) with a bachelor's degree in economics. He was appointed as independent non-executive Director of the Company on 5 March 2010. Since November 2005, Mr. Wang has been acting as associate professor of Hebei University of Economics and Business (河北經貿大學) and is a part-time teacher of Accountant Service Centre of Hebei Finance Office (河北省財政廳會計人員服務中心). He is currently also a financial consultant of Hebei Information Industry and Accounting Association (河北省信息產業會計學會), Hebei Grain Group Co., Ltd. (河北省糧食產業集團有限公司), China Construction Bank (Hebei Branch) (河北省中國建設銀行), Finance Department of Hebei Publishing Group (河北省出版集團財務部) and Hebei Products (Group) Co., Ltd. (河北物產(集團)公司).

Mr. Yue Man Yiu Matthew (余文耀), aged 50, is an independent non-executive Director of the Company. He graduated from the Chinese University of Hong Kong (香港中文大學) with a bachelor's degree in business administration. He was appointed as independent non-executive Director of the Company on 28 June 2010. Mr. Yue has been acting as chief financial officer of Ko Shi Wai Holdings Limited (高士威控股有限公司) since September 2009. He is currently an independent non-executive director of China Financial Leasing Group Limited (中國金融租賃集團), Asia Cassava Resources Holdings Limited (亞洲木薯資源控股有限公司) and Royale Furniture Holdings Limited (皇朝家私控股有限公司). He is a fellow of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute.

SUPERVISORS

Mr. Yang Hong Chi (楊洪池), aged 55, is a supervisor of the Company. Mr. Yang graduated from Tianjin University (天津大學). Since January 2006, Mr. Yang has been acting as chairman of the labour union of HECIC. From July 2000 to January 2006, he served as director of the general office of the Organization Department of Hebei Provincial Committee (河北省委組織部辦公室).

Mr. Qiao Guo Jie (喬國傑), aged 49, is a supervisor of the Company. He graduated from Tianjin University with a master's degree in business administration. He has been acting as chairman of the labour union of HECIC New-energy since September 2007. He was the deputy manager of the second public utilities department of HECIC from February 2004 to October 2009. Mr. Qiao was also a director of Tangshan Sanyou Chemical Industries Co., Ltd. (唐山三友化工股份有限公司) from December 2005 to September 2008.

Mr. Mi Xian Wei (米獻煒), aged 46, is a supervisor of the Company. Mr. Mi graduated from Hebei Normal University (河北師範大學) with a master's degree of science. Since June 2008, he has been acting as deputy general manager of HECIC Water. Prior to that, Mr. Mi served as the deputy manager of the business management department of HECIC from March 2007 to June 2008 and the finance department of HECIC from March 2005 to March 2007.

Biographies of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

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

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

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

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

Mr. Mei Chun Xiao (梅春曉), aged 43, is the vice-president of the Company. He graduated from Beijing Jiaotong University with a master’s degree in electrical engineering. Mr. Mei was appointed as vice-president on 30 March 2012. Since October 2010, he served as deputy general manager and chief engineer of HECIC New-energy. Prior to that, he was the chief engineer and assistant to general manager of HECIC New-energy and deputy general manager of Hebei Weichang Longyuan Jiantou Wind Energy Co., Ltd.

Mr. Feng Chun Xiao (馮春曉), aged 49, is the financial controller of the Company responsible for its overall financial management. Mr. Feng graduated from Beijing Jiaotong University with a master’s degree in business administration. He is a certified public accountant of China, senior accountant and a certified assets appraiser. Mr. Feng was appointed as the financial controller of the Group on 5 March 2010. He has served HECIC New-energy since September 2006 when he was appointed as the financial controller of the company.

JOINT COMPANY SECRETARIES

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

Ms. Lam Yuen Ling, Eva (林婉玲), aged 45, was appointed as the joint company secretary of the Company on 1 April 2010. She has worked in Norcola Company Limited as a senior company secretary since September 2005. Ms. Lam obtained a higher certificate in company secretaryship and administration from the Hong Kong Polytechnic University in 1993. She is an associate of The Hong Kong Institute of Chartered Secretaries and also an associate of The Institute of Chartered Secretaries and Administrators.

Report of the Board of Directors

The Board of the Company hereby presents to shareholders the annual report and the audited Financial Statements for the year ended 31 December 2011.

SHARE CAPITAL

As of 31 December 2011, the total amount of share capital of the Company was RMB3,238,435,000, divided into 3,238,435,000 shares of RMB1.00 each. Details of movements in the share capital of the Company during the reporting period are set out in Note 30 to the Financial Statements.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

PRE-EMPTIVE RIGHTS

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

USE OF NET PROCEEDS

The Company first issued shares to the public on the Hong Kong Stock Exchange in October 2010 and exercised its over-allotment option. The net proceeds raised was RMB2,658 million. As of now, RMB2.408 million of the net proceeds was used for investment in the Group's wind power and natural gas projects in China, representing 90.6% of the net proceeds.

PRINCIPAL BUSINESS

The Group is principally engaged in the transmission and sale of piped natural gas, liquefied and compressed natural gas as well as investment, construction and operation of wind farms and sale of electricity to grid companies. Details of major subsidiaries of the Company are set out in Note 17 to the Financial Statements.

RESULTS

The audited results of the Company and its subsidiaries for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 60. The financial position of the Company and its subsidiaries as of 31 December 2011 is set out in the consolidated statement of financial position on pages 61 to 62. The consolidated cash flows of the Company and its subsidiaries for the year ended 31 December 2011 are set out in the consolidated statement of cash flows on pages 64 to 65. A discussion and analysis of the Group's performance and financial position during the reporting period are set out in the Management Discussion and Analysis on pages 14 to 28 of this annual report.

PROFIT DISTRIBUTION

The Board recommends the distribution of a final dividend of RMB0.058 per share (RMB187.83 million in total) (tax included) for the year ended 31 December 2011 to all shareholders, details of which are set out in Note 11 to the Financial Statements.

Report of the Board of Directors

According to the *Circular on Questions Concerning Withholding and Remitting Enterprise Income Tax for Dividends Received by Overseas H-share Holders (Non-enterprise Shareholders) from Chinese Resident Enterprises* (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知，Guoshuihan [2008] No.897) issued by the State Administration of Taxation (國家稅務總局), enterprise income tax at the rate of 10% shall be levied on dividends paid in or after 2008 by Chinese resident enterprises to overseas H-share shareholders that are non-resident enterprises.

Any shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the enterprise income tax. If H Shareholders intend to change its shareholder status, please enquire about the relevant procedures with your agents or transferee agent. The Company will strictly comply with the law or the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H shares of the Company as at 15 June 2012.

If the individual H shareholders who are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for dividend with China under the relevant tax treaties, the Company should withhold and pay individual income tax on behalf of the relevant H shareholders at a rate of 10%. Should the individual H shareholders are residents of the countries which had an agreed tax rate of less than 10% with China under the relevant tax treaties, the Company shall withhold and pay individual income tax on behalf of the relevant H shareholders at a rate of 10%. In that case, if the relevant individual H shareholders wish to apply for a refund of the additional amount of tax withheld and paid, the Company can assist the relevant H Shareholders to handle the application for the underlying preferential tax benefits pursuant to tax treaties. Should the individual H shareholders are residents of the countries which had an agreed tax rate of over 10% but less than 20% with China under the tax agreement, the Company shall withhold and pay the individual income tax on behalf of the relevant H shareholders at the actual rate stipulated in the relevant tax treaties. In the case that the individual holders of the H shares are residents of the countries which had an agreed tax rate of 20% with China under the tax treaties, or which has not entered into any tax treaties with China, or otherwise, the Company shall withhold and pay the individual income tax on behalf of the relevant H Shareholders at a rate of 20%.

The Company shall base on the registered address as recorded in the register of members of the Company on 15 June 2012 to determine the identity of the individual H shareholders.

The Company assumes no responsibility and will not entertain any claims arising from any failure to timely determine, or inaccurate determination of, the status of the shareholders or any dispute over the arrangement of withholding and paying tax on behalf of such shareholders. Shareholders should consult their tax advisers regarding the PRC, Hong Kong and other tax implications of owning and disposing of the H shares of the Company.

Report of the Board of Directors

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

Details of the movement in reserves of the Company for the year 2011 are set out in Note 31 to the Financial Statements, among which, details of reserves distributable to shareholders are set out in Note 31 to the Financial Statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company and its subsidiaries as of 31 December 2011 are set out in Note 29 to the Financial Statements.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

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

Name	Age	Position	Date of Appointment
Li Lian Ping	49	Chairman of the Board, non-executive Director	9 February 2010
Zhao Hui Ning	44	Vice chairman of the Board, non-executive Director	9 February 2010
Xiao Gang	53	Vice chairman of the Board, non-executive Director	9 February 2010
Cao Xin	40	Executive Director, president	9 February 2010
Gao Qing Yu	48	Executive Director, vice president	9 February 2010
Zhao Hui	39	Executive Director, vice president, joint company secretary, secretary to the Board	9 February 2010
Sun Xin Tian	47	Executive Director, vice president	28 June 2010
Qin Hai Yan	41	Independent non-executive Director	5 March 2010
Ding Jun	49	Independent non-executive Director	5 March 2010
Wang Xiang Jun	47	Independent non-executive Director	5 March 2010
Yue Man Yiu Matthew	50	Independent non-executive Director	28 June 2010

Report of the Board of Directors

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, supervisors and senior management are set out on pages 29 to 32 of this annual report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

DIRECTORS' AND SUPERVISORS' REMUNERATION

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

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS OF SIGNIFICANCE

At the end of the year 2011 or at any time during the year 2011, none of the Directors and supervisors of the Company had any personal interest, either directly or indirectly, in any subsisting contract of significance to which the Company or any of its subsidiaries was a party.

INTEREST OF DIRECTORS IN COMPETING BUSINESS

During the year of 2011, none of the Directors and their associates had any competing interests in any business which competed, either directly or indirectly, with the business of the Group.

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

On 31 December 2011, none of the Directors, supervisors or senior management of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO")) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the supervisors).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

On 31 December 2011, to the best knowledge of the Directors, the following persons (other than the Directors, senior management or supervisors of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Report of the Board of Directors

Name of Shareholder	Class of Share	Capacity	Number of Shares Held (Share)	Percentage in the Relevant Class of Share Capital (%)	Percentage in the Total Share Capital (%)
HECIC Group	Domestic shares	Interests of beneficial owner and controlled company	1,876,156,000 (Long position)	100%	57.93%
MIRAE ASSET GLOBAL INVESTMENTS (HONG KONG) LIMITED	H Shares	Investment Manager	124,042,000 (Long position)	9.11%	3.83%
JP Morgan Chase & Co.	H Shares	Interests of beneficial owner and Investment Manager	119,000 (Long position)	0.01%	0.003%
			4,849,000 (Long position)	0.36%	0.15%
		Approved lending agent	75,732,328 (Long position)	5.56%	2.34%
National Social Security Fund	H Shares	Interests of beneficial owner	107,690,000 (Long position)	7.91%	3.33%

MANAGEMENT CONTRACTS

The Company did not enter into any contract in respect of the management or administration of the entire or any significant part of the business of the Company nor any such contract subsisted at any time during 2011 (save for the service contracts with Directors, supervisors and full-time employees of the Group)

SUBSEQUENT EVENTS

Pursuant to the Notice on Issues Relating to the Enterprise Income Tax Preferential Policy for Public Infrastructure Projects, Environmental Protection, and Energy and Water Conservation Projects issued by the Ministry of Finance and State Administration of Taxation (財政部、國家稅務總局關於公共基礎設施項目和環境保護、節能節水項目企業所得稅優惠政策問題的通知,Caishui [2012] No.10, the "Notice") on 5 January 2012, certain subsidiaries of the Company, which were established before 1 January 2008 and are engaged in the activities specified in the Notice are entitled to the 3+3 tax holiday commencing from 1 January 2008. Following the issue of the Notice in January 2012, the subsidiaries applicable to the above-mentioned enterprise income tax preferential policy are in the process of preparing the required documentation for submission to the respective tax authorities to apply for the enjoyment of the 3+3 tax holiday.

Report of the Board of Directors

CONNECTED TRANSACTIONS

1. CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

During the reporting period, HECIC New-energy, a wholly-owned subsidiary of the Company, and Hebei Green Energy Limited entered into an equity transfer agreement, pursuant to which HECIC New-energy acquired 25% equity interest in HECIC Yanshan (Guyuan) Wind Power held by Hebei Green Energy Limited. The transfer price was RMB46.68 million as of 31 December 2010, being the effective date for the equity interest transfer. All rights under the equity interest transfer would, in part or in whole, be attributable to HECIC New-energy after the effective date for the equity interest transfer. Upon the transfer of the equity interest, HECIC Yanshan (Guyuan) Wind Power became a wholly-owned subsidiary of HECIC New-energy.

2. CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVEL REQUIREMENT

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

(a) Properties leased to the Group

On 19 September 2010 the Company and HECIC, the Company's controlling shareholder entered into the Tenancy Agreement, pursuant to which we agreed to lease up to a total of three and a half floors, four floors and five floors of office space at Yu Yuan Plaza, No. 9 Yuhua West Road, Shijiazhuang City, Hebei Province, PRC for the three years ending 31 December 2012 respectively. In the same agreement, HECIC also agreed to provide the Group certain ancillary office support services. The Tenancy Agreement will expire on 31 December 2012. HECIC or its subsidiaries is responsible for insurance and maintenance of such properties. The Company is responsible for the costs of utilities. During the reporting period, the annual cap of this continuing connected transaction for 2011 was RMB5,700,000 and the actual transaction amount was RMB4,369,280.

Report of the Board of Directors

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

On 19 September 2010, the Company and HECIC Yanshan (Guyuan) Wind Power entered into the Operation and Maintenance Framework Agreement to provide wind farm operation and maintenance services to HECIC Yanshan (Guyuan) Wind Power. The term of such Operation and Maintenance Services Framework Agreement shall expire on 31 December 2012. The Company and/or its subsidiaries will enter into individual wind farm services contracts with HECIC Yanshan (Guyuan) Wind Power (or its subsidiaries) with respect to the specific operation and maintenance services HECIC Yanshan (Guyuan) Wind Power will require.

HECIC Yanshan (Guyuan) Wind Power was a non-wholly owned subsidiary of HECIC New-energy, which was also owned as to 25% by Hebei Green Energy Limited, an indirect wholly-owned subsidiary of HECIC. Accordingly, HECIC Yanshan (Guyuan) Wind Power was a connected person of the Group pursuant to Rule 14A.11(5). On 28 March 2011, HECIC New-energy signed an equity transfer agreement with Hebei Green Energy Limited. Upon the agreement became effective, HECIC New-energy owned 100% equity interest of HECIC Yanshan (Guyuan) Wind Power. Hence, HECIC Yanshan (Guyuan) Wind Power has no longer been the connected person of the Group sinced 28 March 2011.

During the reporting period, the annual cap of this continuing connected transaction for 2011 was RMB4,300,000 and the actual transaction amount was RMB607,877.

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

On 21 September 2010, the Company, HECIC Yanshan (Guyuan) Wind Power and China Construction Bank Hebei Branch entered into the first entrusted loan for a term expiring on 31 December 2012, pursuant to which the Company agreed to provide RMB 30.0 million to HECIC Yanshan (Guyuan) Wind Power to finance the construction and development of wind farm. Such loan bears interest equivalent to the People's Bank of China's 3-year benchmark rate over the term of the first entrusted loan. On 21 September 2010, HECIC New-energy, HECIC Yanshan (Guyuan) Wind Power and Hebei Branch of China Construction Bank entered into the second entrusted loan for a term expiring on 31 December, 2012, pursuant to which HECIC New-energy agreed to provide RMB 40.0 million to HECIC Yanshan (Guyuan) Wind Power to finance the construction and development of wind farms. Such loan bears interest equivalent to the People's Bank of China's 3-year benchmark rate over the term of the second entrusted loan.

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

Report of the Board of Directors

entrusted loan and the second entrusted loan are made on normal commercial terms as required under Rule 14A.66(2) of the Listing Rules.

HECIC Yanshan (Guyuan) Wind Power was a non-wholly owned subsidiary of HECIC Newenergy, which was also owned as to 25% by Hebei Green Energy Limited, an indirect wholly-owned subsidiary of HECIC. Accordingly, HECIC Yanshan (Guyuan) Wind Energy Power was a connected person of the Group pursuant to Rule 14A.11(5). On 28 March 2011, HECIC New-energy signed an equity transfer agreement with Hebei Green Energy Limited. Upon the agreement becoming effective, HECIC New-energy owned 100% equity interest of HECIC Yanshan (Guyuan) Wind Power. Hence, HECIC Yanshan (Guyuan) Wind Power has no longer been the connected person of the Group since 28 March 2011.

During the reporting period, the annual cap of this continuing connected transaction for 2011 was RMB70,000,000 and the actual transaction amount was RMB69,000,000.

3. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

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

In the ordinary and usual course of business, the Company and its subsidiaries have been and will be selling electricity generated by the Company's wind farms to local power grid companies in accordance with applicable PRC laws. The Company and/or its subsidiaries will enter into written agreements (i.e. power purchase agreements) with relevant local power grid companies in respect of the sales of electricity when the on-grid tariff has been determined by the National Development and Reform Commission and approved by the relevant pricing authorities. A power purchase agreement typically contains various standard terms, such as an on-grid tariff, the procedure for measurement and payment, and provides that the relevant local power grid company shall purchase the full amount of electricity generated by the relevant wind farm.

North China Grid Company Limited is the controlling shareholder of Beijing Hua Shi which in turn is the substantial shareholder of the Company's non-wholly owned subsidiaries, Chongli CIC Huashi Wind Energy Co., Ltd. and Zhangbei CIC Huashi, by virtue of its respective shareholdings of 49% and 49% therein. In addition, prior to Beijing Hua Bei Power Industrial Company's transfer its shareholding of 48% in Zhangbei Huashi CIC Wind Energy Co., Ltd. on 1 March 2011, Beijing Hua Bei Power Industrial Company was the substantial shareholder of Zhangbei Huashi CIC Wind Energy Co., Ltd.

Report of the Board of Directors

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

During the reporting period, the annual cap of this continuing connected transaction for 2011 was RMB1,300,000,000 and the actual transaction amount was RMB783,495,000.

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

In the ordinary and usual course of business, the Group has been receiving wind farm related services from various service providers, including those independent to the Group and subsidiaries of State Grid Corporation. As the State Grid Corporation group of companies are the leading wind farm service providers in the locations where we operate, we expect that we will continue to invite them to bid for wind farm service contracts for our wind farms in the future. Upon winning a bid for wind farm service contracts for our wind farms, the Company and/or its subsidiaries will enter into written wind farm services contracts with the relevant connected parties with respect to the specific wind farm related services required by the Company. Such services typically include construction and installation, exploration services, design and planning services, surveying services, quality surveillance, repair and maintenance and other operation related services. A wind farm service contract typically contains various standard terms, such as payment method and warranties, but the scope of service, cost of service and other terms will vary from project to project. As these wind farm service contracts will be entered into in the future and the terms and conditions of such service contracts will change and evolve during a competitive bidding process, the Company and connected wind farm service providers are therefore unable to pre-execute these wind farm service contracts. We believe it is industry practice for wind farm service providers to only enter into services agreements upon the completion of the relevant bidding process and such service providers are not accustomed to enter into long term framework agreements to govern future bids and service contracts.

State Grid Corporation is the ultimate controlling shareholder of Beijing Hua Shi which in turn is the substantial shareholder of the Company's non-wholly owned subsidiaries, Chongli CIC Huashi Wind Energy Co., Ltd. and Zhangbei CIC Huashi by virtue of its respective shareholdings of 49% and 49% therein. In addition, prior to Beijing Hua Shi's transfer of its shareholding of 48% in Zhangbei Huashi CIC Wind Energy Co., Ltd. on 1 March 2011, Beijing Hua Shi was the substantial shareholder of Zhangbei Huashi CIC Wind Energy Co., Ltd. Therefore, State Grid Corporation is a connected person of the Company under Chapter 14A of the Listing Rules. Subsidiaries

Report of the Board of Directors

of State Grid Corporation are associates of the State Grid Corporation and will be deemed to be connected persons of the Company under Chapter 14A of the Listing Rules.

During the reporting period, the annual cap of this continuing connected transaction for 2011 was RMB600,000,000 and the actual transaction amount was RMB254,747,000.

4. CONFIRMATION OF THE INDEPENDENT NONEXECUTIVE DIRECTORS

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

(1) in the ordinary course of business of the Group;

(2) on normal commercial terms or, if there are no sufficient comparable transactions to determine whether they are on normal commercial terms, from the perspective of the Group, on terms no less favorable than the terms available to or from independent third parties; and

(3) in accordance with relevant agreed terms governing the relevant transactions, on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

5. CONFIRMATION OF THE AUDITOR

The auditor of the Company, Ernst & Young has provided a letter to the Board, confirming that for the year ended 31 December 2011, the aforementioned transactions:

(1) have been approved by the Board of the Company;

(2) are in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;

(3) have been entered into in accordance with the terms of the agreements governing such transactions; and

(4) have not exceeded the relevant annual caps for 2011 as disclosed in the prospectus of the Company.

Report of the Board of Directors

COMPLIANCE WITH NON-COMPETITION AGREEMENT

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

HECIC has confirmed that pursuant to the undertakings in the Non-Competition Agreement, HECIC has complied with its undertakings therein. The independent non-executive Directors of the Company have reviewed the implementation of the Non-Competition Agreement during 2011 and confirmed that HECIC has been in full compliance with such agreement and there was no breach by HECIC.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2011, the purchase amount from the Group's five largest suppliers in aggregate contributed 97.3% of the Group's total purchase amount for the reporting period, among which, the total purchase amount from the largest supplier contributed 94.3% of the Group's total purchase amount for the reporting period.

For the year ended 31 December 2010, the sales to the Group's five largest customers in aggregate contributed 47.1% of the Group's total sales for the reporting period, among which, the sales to the largest customer contributed 19.0% of the Group's total sales for the reporting period.

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

Report of the Board of Directors

PUBLIC FLOAT

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

MATERIAL LITIGATION

As of 31 December 2011, the Group was not involved in any material litigation or arbitration. So far as the Directors are aware, no such litigation or claims are pending or threatened against the Company.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the 2011 annual results of the Group and the financial statements for the year ended 31 December 2011 prepared in accordance with the International Financial Reporting Standards.

AUDITORS

Ernst & Young and Zhonglei Certified Public Accountants (中磊會計師事務所) were appointed as auditors for the Financial Statements prepared in accordance with International Financial Reporting Standards and Accounting Standards for Business Enterprises of PRC for the year ended 31 December 2011, respectively. The enclosed Financial Statements prepared in accordance with the International Financial Reporting Standards have been audited by Ernst & Young.

By order of the Board of
China Suntien Green Energy Corporation Limited
Li Lian Ping
Chairman
Beijing • 30 March 2012

Corporate Governance Report

The Board of the Company hereby presents to shareholders the corporate governance report for the year ended 31 December 2011.

The Company has always been committed to improving its corporate governance and considered good corporate governance an indispensable part in creating value for shareholders. The Company has established a modern and balanced corporate governance structure which comprises a number of independently operated bodies including shareholders meeting, the Board, the board of supervisors and senior management in accordance with the PRC Company Law, the Mandatory Provisions for the Articles of Association of Companies Listed Overseas and the Code on Corporate Governance Practice as set out in the Listing Rules. The Company has also adopted the Code on Corporate Governance Practice as our corporate governance rules. In 2011, the Company strictly complies with the principles and provisions set out in the Code on Corporate Governance Practice, as well as some are recommended as the best practices. No behavior is deviated from the provisions set out in the Code on Corporate Governance Practice.

The corporate governance practices adopted by the Company are summarized below:

1. BOARD OF DIRECTORS

Composition of the Board

The Board of the Company comprises 11 Directors, which includes three non-executive Directors, four executive Directors and four independent non-executive Directors. Biographical details of the Directors as at the reporting date are included in page 29 to page 31 of this annual report.

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

We have entered into service contracts with each of the Directors. Each of the service contracts with our Director is up to the expiry date of the current session of the Board from the relevant date of appointment.

Corporate Governance Report

Name	Age	Position	Date of Appointment
Li Lian Ping	49	Chairman of the Board, non-executive Director	9 February 2010
Zhao Hui Ning	44	Vice chairman of the Board, non-executive Director	9 February 2010
Xiao Gang	53	Vice chairman of the Board, non-executive Director	9 February 2010
Cao Xin	40	Executive Director, president	9 February 2010
Gao Qing Yu	48	Executive Director, vice president	9 February 2010
Zhao Hui	39	Executive Director, vice president, joint company secretary, secretary to the Board	9 February 2010
Sun Xin Tian	47	Executive Director, vice president	28 June 2010
Qin Hai Yan	41	Independent non-executive Director	5 March 2010
Ding Jun	49	Independent non-executive Director	5 March 2010
Wang Xiang Jun	47	Independent non-executive Director	5 March 2010
Yue Man Yiu Matthew	50	Independent non-executive Director	28 June 2010

In 2011, the Board has been in compliance with the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Moreover, the Company has received from each independent non-executive Director an annual confirmation of his independence, and considers that all the independent non-executive Directors are independent from the Company.

Board Meetings

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

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

In 2011, seven meetings were held by the Board. Details of Directors' attendance to Board meetings are as follows:

Corporate Governance Report

Name	Position	Number of Meetings attended/held	Attendance rate
Li Lian Ping	Chairman of the Board, non-executive Director	7/7	100%
Zhao Hui Ning	Vice chairman of the Board, non-executive Director	7/7	100%
Xiao Gang	Vice chairman of the Board, non-executive Director	7/7	100%
Cao Xin	Executive Director, president	7/7	100%
Gao Qing Yu	Executive Director, vice president	7/7	100%
Zhao Hui	Executive Director, vice president, joint company secretary, secretary to the Board	7/7	100%
Sun Xin Tian	Executive Director, vice president	7/7	100%
Qin Hai Yan	Independent non-executive Director	7/7	100%
Ding Jun	Independent non-executive Director	7/7	100%
Wang Xiang Jun	Independent non-executive Director	7/7	100%
Yue Man Yiu Matthew	Independent non-executive Director	7/7	100%

Note: Li Lian Ping and Zhao Hui Ning did not attend two meetings in person , respectively, but they did authorize other Directors as their proxies to attend these meetings, while Xiao Gang, Qin Hai Yan and Yue Man Yiu, Matthew did not attend one meeting in person, respectively but they did authorize other Directors as their proxies to attend these meetings.

Powers Exercised by the Board and the Management

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

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

Chairman and President

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

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

Corporate Governance Report

Directors' Remuneration

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

2. BOARD COMMITTEES

Audit Committee

The audit committee consists of three Directors: Mr. Wang Xiang Jun (independent non-executive Director), Mr. Xiao Gang (non-Executive Director) and Mr. Yue Man Yiu Matthew (independent non-executive Director). Mr. Wang Xiang Jun currently serves as the Chairman of the audit committee. The primary responsibilities of the audit committee are to review and supervise the Company's financial reporting procedure, which include, among others:

- appointing and supervising the work of the Company's independent auditors and pre-approving all non-audit services to be provided by our independent auditors;
- reviewing the Company's annual and interim financial statements, profit distribution, critical accounting policies and practices used to prepare financial statements;
- reviewing the planning and staffing of internal audits, the organization, responsibilities, plans, results, budget and staffing of our internal audit team and the quality and effectiveness of our internal controls; and
- reviewing the Company's risk assessment and management policies.

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

Remuneration and Assessment Committee

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

- approving and overseeing the overall compensation packages for Directors and senior management, assessing the performance of senior management, setting and approving the remunerations to be paid to the senior management;
- review the compensation for Directors and make recommendations to the Board in respect thereof; and

Corporate Governance Report

- reviewing and making recommendations to the Board with respect to the compensation policies, strategies or principles for Directors and senior management.

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

On 30 March 2012, Dr. Li Lian Ping resigned as the chairman of the remuneration and assessment committee of the Company, but he will continue to be a member of this committee. Mr. Qin Hai Yan was appointed as the chairman of the remuneration and assessment committee on the same day.

Nomination Committee

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

During the reporting period, the nomination committee was mainly responsible for reviewing the composition of the Board and the senior managements, formulating the nomination policies for Directors and assessing the independence of the independent non-executive Directors, etc.

Strategic and Investment Committee

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

During the reporting period, the strategic and investment committee was mainly responsible for reviewing the Group's development plan and significant investments, etc. On 26 March 2011, the Company convened a strategic and investment committee meeting to review the strategic planning of the Group for the "Twelfth Five-Year Plan".

Corporate Governance Report

3. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Code on Corporate Governance Practices as set out in the Listing Rules. During the reporting period, none of the Directors are aware of any information that would reasonably indicate that the Company or any Director was not for any time in 2011 in compliance with the requirement of the Code on Corporate Governance Practices.

4. DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Board acknowledges its responsibility for preparing the Financial Statements of the Group for the year ended 31 December 2011. There are also no material uncertainties relating to events or conditions that may affect the Company's ability to continue as a going concern.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies to the Listing Rules. After making specific enquiries to all of the Directors and supervisors, all Directors and Supervisors confirmed that they had fully complied with the Model Code for Securities Transactions by Directors of Listed Companies in 2011.

6. INTERNAL CONTROL

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

The Company's internal control system mainly includes the "Rules and Procedures of the Board Meeting"(董事會工作規程), "Detailed Rules of Board Committees" (董事委員會工作細則), "Manual for Management with Authorization"(授權管理手冊), "Measures for the Administration of Information Disclosure" (信息披露管理辦法), "Measures for the Administration of Connected Transactions" (關連交易管理辦法),"Risk Management System"(風險管理制度), "Internal Audit Regulations"(內部審計條 例),"Employee Code of Conduct and Reporting System" (員工行為規範及舉報制度)and "Emergency Management System" (突發事件應急管理制度). The Board has assessed the internal control system of the Group, and considers that the internal control system of the Group is effective.

Corporate Governance Report

7. AUDITORS AND REMUNERATION

Ernst & Young and Zhong Lei Certified Public Accountants were appointed as auditors for the financial statements prepared in accordance with International Financial Reporting Standards and Accounting Standards for Business Enterprises of PRC for the year ended 31 December 2011, respectively. The Company has not changed its auditors during the past three financial years. For the year ended 31 December 2011, the fees payable to Ernst & Young and Zhong Lei Certified Public Accountants for audit services were RMB1.80 million and RMB0.20 million, respectively.

The Company's external auditor, Ernst & Young's responsibility to the Financial Statements are set out on pages 58 to 59 of this annual report.

8. COMMUNICATION WITH SHAREHOLDERS

The Company highly appreciated shareholders' opinions and advice, actively organised various investor relations activities to maintain connections with shareholders and made timely response to the reasonable requests of shareholders.

The Company set up a website at www.suntien.com, as a channel to promote effective communication, publishing announcements, financial information and other relevant information of the Company. Shareholders are welcome to make enquiries directly to the Company at its principal place of business in Hong Kong. The Company will deal with all enquiries in a timely and appropriate manner.

The Board welcomes views from shareholders and encourages them to attend general meetings to communicate any concerns they may have with the Board or the management. The chairman of the Board and the chairmen of all committees usually attend the annual general meeting and other general meetings to handle shareholders' queries.

During the reporting period, the Company held one annual general meeting and one extraordinary general meeting.

Dr. Cao Xin, president of the Company, attended the 2010 general meeting and arranged for the Board of Directors to reply to shareholders' queries.

Detailed voting procedures and resolutions to be voted on by way of poll were contained in the circular dispatched to the shareholders together with the annual report.

9. INVESTOR RELATIONS ACTIVITIES

During the reporting period, the Company complied with the Listing Rules and provided investors with comprehensive and accurate information in a timely manner as well as the information disclosure obligations of listed companies on a continuing basis.

Results roadshows

The Company regularly discloses the interim and annual results and establishes a good relationship with many institutional investors and analysts through conferences and non-deal roadshows, and provides individual investors with reference information through the media.

Corporate Governance Report

The management of the Company held an analysts' meeting and news media conference at the end of March 2011 followed by annual results roadshows in Hong Kong, Singapore, the United Kingdom and the United States and organized a total of over 30 one-on-one or small-group investor meetings.

The management of the Company issued the interim report in mid-August 2011; and organized an analyst conference and media luncheon in Hong Kong, followed by the road shows of interim results both in Hong Kong and Singapore. Over 30 one-on-one meetings or small-group investors meetings were organized.

Investors' Routine Visits

During the reporting period, the Company addressed investor inquiries in respect of the Company's operation mainly by telephone conference, and was visited by individual institutional investors and accompanied investors to conduct site visits. We also fully communicated and exchanged opinions with investors and analysts from domestic and foreign institutions.

Investment summit

The management of the Company also actively participates in a variety of investor summits to maintain a close relationship with investors through information exchange, and listens to investor feedbacks on advices of sound business operation and corporate governance to ensure the sustainable development of the Company.

During the reporting period, the management of the Company participated in nine investor summits held abroad by internationally renowned investment banks to fully communicate with investors primarily through one-on-one meetings as well as group meetings.

In addition, the Company also participated in four reverse roadshows of the wind power industry organized by investment banks in the PRC to report the operating conditions of the Company to the investors of the wind power industry.

Voluntary information disclosure

The Company also made voluntary information disclosure on its major production and operation projects to investors, mainly including wind power CDM registration projects of the Company, major development of natural gas business and positive profit alert to enable investors to access to information in a timely manner.

During the reporting period, the Company provided investors with a more convenient communication channel through constant exchange and participation and strengthened the transparency and accuracy of the information disclosed to safeguard investors' interests in respect of information disclosure.

Human Resources

1. SUMMARY OF HUMAN RESOURCES

As of 31 December 2011, the Group had a total of 1,067 staff, of which, 888 are male employees and 179 are female employees. The average age of employees was 29. Those who had the academic qualifications of undergraduate or above represented 42.5%. The staff structure is as follows:

By business segments

Staff of the Group's Headquarter	35
Staff of Wind Power Segment	477
Staff of Natural Gas Segment	555
Total	1,067

By academic qualifications

Doctor	4
Master	75
Undergraduate	375
College diploma or below	613
Total	1,067

By professional qualifications

Specialist	2
Senior	47
Middle-level	60
Junior	88
Other	870
Total	1,067

2. MANAGEMENT OF HUMAN RESOURCES

Human Resources Strategy

Under the objective of strategy plan of the Group, it had a clear demand of human resources. It had developed the strategic policies of inducing employees' capability and behavior development; concerned about the continued development, capability assessment and enhancement, talent echelon setup; the human resources strategy policy penetrated into the establishment of human resources management system, and divided into various management measures including employees recruitment, human resources development, employees remuneration and incentives as well as employees relation management, so as to achieve that the implementation of company human resources meets the requirements of the strategic development goals.

Human Resources

Recruitment and employment

The Group has established a recruitment management system including recruitment, selection and hiring function. A talent assessment center is formed, by means of recruitment networks of various levels and channels, use of knowledge assessment, scenario simulation testing, personality assessment and comprehensive interview by the recruitment committee, to select appropriate talent to join the Group; so as to infuse new life into the Group, and meanwhile to ensure the provision of brilliant talents and intellectual support for the development of the Group. This is also a fair and reasonable recruitment mechanism which attracts a large number of outstanding talents to join the career of green energy.

Staff Remuneration and Incentives

In order to promote the implementation of the overall development strategy, the Group found a pay incentive mechanism of "results-oriented", by the principles of "fairness", "competition" and "incentive" to set up pay system; to further improve the dual role of positive and negative incentive of remuneration management system.

The employees pay structure is composed of pay by position, pay by seniority, bonus, pay by title and benefits. The basic salary of each level of staff is determined based on the job nature. The basic salary of the staff is classified into 3 levels – management, expert and general staff, which provides different wage promotion opportunities for the staff.

The Group has also established a performance management system of multi-level and multi-category.

The performance management of the corporate level, by means of management by objectives, is to break the assessment of operation responsibility of annual target plan into different levels for the Group and its subsidiaries; and set up an objective indicator of annual completion of the required tasks.

The performance management of the team level is to fully integrate the works of team level, in accordance with the special assessment of the objectives set for different types of work including project development assessment, CDM projects assessment and construction project assessment.

The performance management of the employee level is assessing the completion of their major tasks, work attitude and various indicators of discipline, to push to achieve the work target of the employees.

Human Resources Development

The Group has established a smooth operating and effective human resources management system, in particular the training management system, including functions of training needs analysis, training plans, training implementation, evaluation of training effectiveness; and aiming at achieving the strategic objectives of the Group's business, plans the required staff knowledge, abilities, skills and overall qualities in accordance with the training plans and needs, make use of various training methods such as the on-job training, classroom training and network training, as well as various talent development methods like job rotation, basic training and work expansion, etc.; to enhance effectively the individual work abilities and overall quality of employees of different categories, professionals and positions; and stimulates the enthusiasm, sense of belonging and responsibility of the employees.

Human Resources

During the reporting period, the Group has carried out 840 training courses and the total number of employees participating in these training courses amounted to 1,560 people. The training courses not only include MBA training courses for senior and middle management, orientation camp for new comers, outward-bound training, work skills competition and Changfeng engineers trainings, etc., but also targeted the commencement of various training projects such as file management, business writing, accounting policy, the legal practice of listed companies, risk management, project quality inspection and safety management, etc. for different types of employees at various levels.

Employees Relations Management

During the reporting period, the Group has further improved the human resources management system and smoothed the human resources workflow. The Group strictly complies with the requirements of "Labor Law" and "Labor Contract Law", and establishes labor relation management and human resources management team and labor disputes management system. During the reporting period, the Group did not have any labor relations disputes and controversies, and was awarded AAA Harmonized Labour Relations Enterprise of Hebei Province.

Meanwhile, the Group made great efforts in safeguarding staff safety, not only infused safety awareness, strengthened safety education and established safety concept, but also established the systematic, standardized and normalized safety production management system. The Group insisted that production safety management staff and special operation staff at different levels should have training certificates and special operation practioner licenses issued by the relevant state authorities.

Report of the Board of Supervisors

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

All of our existing supervisors were elected to their current term to the board of supervisors by our shareholders on 9 February 2011.

SUPERVISORS

Name	Age	Position	Date of Appointment
Yang Hong Chi	55	Chairman of the board of supervisors	9 February 2010
Qiao Guo Jie	49	Employee representative supervisor	9 February 2010
Mi Xian Wei	46	Supervisor	9 February 2010

I. MEETINGS CONVENED BY THE BOARD OF SUPERVISORS

The second meeting of the first session of the Board of Supervisors was held on 28 March 2011 in Beijing, at which the resolution regarding the audited financial statements of the Company and the letter of auditor for annual continuing connected transactions for the Year 2010, the final account of the Company for 2010, the 2010 annual report and the report of the board of supervisors 2010 were considered and approved. The third meeting of the first session of the board of supervisors was held on 16 August 2011 in Shijiazhuang, at which the resolution regarding interim report and results announcement as at 30 June 2011 was considered and approved.

Report of the Board of Supervisors

II. WORK INFORMATION OF THE BOARD OF SUPERVISORS

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

Monitoring the Company's Operation

During the reporting period, members of the board of supervisors of the Company attended all of the general meetings and Board meetings, exercised supervision over the convention and compliance of decision making of the meetings. The board of supervisors is of the opinion that the Company was in compliance with all laws, regulations and rules in 2011. All of its businesses were operated normally. The internal control systems were well established. None of the Directors and members of the senior management of the Company were found in violation of any laws or regulations.

Monitoring the Disclosure of Information

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

Monitoring the Company's Financial Condition

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

Yang Hong Chi
Chairman of the Board of Supervisors
Beijing, 30 March 2012

Independent Auditors' Report

ERNST & YOUNG
安 永

Ernst & Young
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

電話：+852 2846 9888
傳真：+852 2868 4432

To the shareholders of China Suntien Green Energy Corporation Limited

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

We have audited the consolidated financial statements of China Suntien Green Energy Corporation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 60 to 154, which comprise the consolidated and the company's statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

Independent Auditors' Report

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

AUDITORS' RESPONSIBILITY (CONTINUED)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
30 March 2012

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
REVENUE	5	**3,169,831**	2,242,757
Cost of sales	6	**(2,256,982)**	(1,580,715)
Gross profit		**912,849**	662,042
Other income and gains, net	5	**135,009**	84,048
Selling and distribution costs		**(664)**	(358)
Administrative expenses		**(151,956)**	(100,572)
Other expenses		**(22,068)**	(37,591)
PROFIT FROM OPERATIONS		**873,170**	607,569
Finance costs	7	**(244,924)**	(168,066)
Share of profits of associates		**72,539**	50,369
PROFIT BEFORE TAX	6	**700,785**	489,872
Income tax expense	9	**(81,797)**	(58,181)
PROFIT FOR THE YEAR		**618,988**	431,691
Other comprehensive income		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**618,988**	431,691
Total comprehensive income for the year attributable to:			
Owners of the Company		**448,908**	279,719
Non-controlling interests		**170,080**	151,972
		618,988	431,691
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic (RMB)	12	**13.86 cents**	12.38 cents
Diluted (RMB)	12	**13.86 cents**	12.38 cents

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

Consolidated Statement of Financial Position

31 December 2011

	Notes	**31 December 2011 RMB'000**	31 December 2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**7,713,222**	6,079,374
Prepaid land lease payments	14	**113,115**	71,106
Goodwill	15	**9,215**	–
Intangible assets	16	**2,449,122**	1,423,436
Investments in associates	18	**383,172**	337,941
Investment in a jointly-controlled entity	19	**–**	10,200
Held-to-maturity investments	20	**5,000**	5,000
Available-for-sale investments	21	**3,400**	3,400
Deferred tax assets	22	**93**	227
Prepayments and other receivables	25	**1,420,307**	870,226
Total non-current assets		**12,096,646**	8,800,910
CURRENT ASSETS			
Prepaid land lease payments	14	**3,437**	1,973
Inventories	23	**24,685**	25,264
Trade and bills receivables	24	**396,445**	189,430
Prepayments, deposits and other receivables	25	**290,167**	219,545
Available-for-sale investments	21	**328,190**	–
Pledged deposits	26	**64**	63
Cash and cash equivalents	26	**919,502**	2,474,907
Total current assets		**1,962,490**	2,911,182
CURRENT LIABILITIES			
Trade and bills payables	27	**125,325**	326,108
Other payables and accruals	28	**1,048,133**	901,420
Interest-bearing bank and other borrowings	29	**636,075**	1,442,655
Tax payable		**14,159**	25,863
Total current liabilities		**1,823,692**	2,696,046
NET CURRENT ASSETS		**138,798**	215,136
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,235,444**	9,016,046

continued/...

Consolidated Statement of Financial Position

31 December 2011

	Notes	31 December 2011 RMB'000	31 December 2010 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**6,114,499**	3,576,256
Other payables and accruals	28	**25,970**	1,201
Total non-current liabilities		**6,140,469**	3,577,457
Net assets		**6,094,975**	5,438,589
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	30	**3,238,435**	3,238,435
Reserves	31(a)	**1,779,521**	1,514,127
Proposed final dividend	11	**187,829**	58,170
		5,205,785	4,810,732
Non-controlling interests		**889,190**	627,857
Total equity		**6,094,975**	5,438,589

Director
Li Lian Ping

Director
Cao Xin

Consolidated Statement of Changes in Equity

31 December 2011

	Attributable to owners of the Company								
	Owner's equity RMB'000	Issued share capital RMB'000 (note 30)	Capital reserve RMB'000	Reserve funds RMB'000	Retained profits RMB'000	Proposed dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2011	**–**	**3,238,435**	**1,373,791**	**15,413**	**124,923**	**58,170**	**4,810,732**	**627,857**	**5,438,589**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**448,908**	**–**	**448,908**	**170,080**	**618,988**
Second Special Dividend declared (note 11(c))	**–**	**–**	**–**	**–**	**–**	**(41,978)**	**(41,978)**	**–**	**(41,978)**
Final 2010 dividend declared (note 11(d))	**–**	**–**	**–**	**–**	**–**	**(16,192)**	**(16,192)**	**–**	**(16,192)**
Dividends declared to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(88,089)**	**(88,089)**
Cash contributions by non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**214,715**	**214,715**
Acquisition of non-controlling interests	**–**	**–**	**(1,513)**	**–**	**–**	**–**	**(1,513)**	**(45,173)**	**(46,686)**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9,800**	**9,800**
Proposed final 2011 dividend (note 11(e))	**–**	**–**	**–**	**–**	**(187,829)**	**187,829**	**–**	**–**	**–**
Others	**–**	**–**	**5,828**	**–**	**–**	**–**	**5,828**	**–**	**5,828**
Transfer from retained profits	**–**	**–**	**–**	**25,000**	**(25,000)**	**–**	**–**	**–**	**–**
As at 31 December 2011	**–**	**3,238,435**	**1,378,106***	**40,413***	**361,002***	**187,829**	**5,205,785**	**889,190**	**6,094,975**
As at 1 January 2010	1,343,718	–	–	–	–	–	1,343,718	534,083	1,877,801
Total comprehensive income for the year	38,495	–	–	–	241,224	–	279,719	151,972	431,691
Distributions (note 11(a))	(38,495)	–	–	–	–	–	(38,495)	–	(38,495)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	(162,974)	(162,974)
Cash contributions received (note (i))	610,178	–	–	–	–	–	610,178	–	610,178
Cash contributions by non-controlling shareholders	–	–	–	–	–	–	–	104,776	104,776
Capitalisation upon the Restructuring (note (ii))	(1,953,896)	2,000,000	(46,104)	–	–	–	–	–	–
Proposed First Special Dividend (note 11(b))	–	–	–	–	(42,718)	42,718	–	–	–
First Special Dividend declared (note 11(b))	–	–	–	–	–	(42,718)	(42,718)	–	(42,718)
Issue of H shares (note 30(ii))	–	1,238,435	1,419,895	–	–	–	2,658,330	–	2,658,330
Proposed Second Special Dividend (note 11(c))	–	–	–	–	(41,978)	41,978	–	–	–
Proposed final 2010 dividend (note 11(d))	–	–	–	–	(16,192)	16,192	–	–	–
Transfer from retained profits	–	–	–	15,413	(15,413)	–	–	–	–
As at 31 December 2010	–	3,238,435	1,373,791*	15,413*	124,923*	58,170	4,810,732	627,857	5,438,589

* These reserve accounts comprise the consolidated reserves of RMB1,779,521,000 (2010: RMB1,514,127,000) in the consolidated statement of financial position as at 31 December 2011.

Notes:

(i) Cash contributions received by China Suntien Green Energy Corporation Limited (the "Company") during the year ended 31 December 2010 represent cash contributions by Hebei Construction & Investment Group Co., Ltd. (河北建投投資集團有限責任公司, "HECIC", a state-owned enterprise in the People's Republic of China (the "PRC", or Mainland China, which excludes, for the purpose of these financial statements, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan)) and HECIC Water Investment Co., Ltd. (河北建投水務投資有限公司, "HECIC Water", a wholly-owned subsidiary of HECIC incorporated in the PRC) of approximately RMB203 million and RMB407 million, respectively, pursuant to the reorganisation (the "Reorganisation") of HECIC, details of which are set out in note 1 to the financial statements below.

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

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**700,785**	489,872
Adjustments for:			
Finance costs	7	**244,924**	168,066
Foreign exchange differences, net	6	**22,052**	35,701
Interest income	5	**(17,854)**	(5,928)
Share of profits of associates		**(72,539)**	(50,369)
Gain on acquisition of a subsidiary	6	**(2,372)**	–
Gain on held-to-maturity investments	6	**(1,954)**	–
Depreciation of items of property, plant and equipment	6	**278,960**	229,193
Amortisation of prepaid land lease payments	6	**2,849**	2,062
Amortisation of intangible assets	6	**87,732**	5,591
Loss/(gain) on disposal of items of property, plant and equipment, net	6	**(161)**	1,561
		1,242,422	875,749
Decrease/(increase) in inventories		**1,281**	(3,716)
Increase in trade receivables		**(206,942)**	(104,654)
Increase in prepayments, deposits and other receivables		**(85,887)**	(141,436)
Increase in trade and bills payables		**6,836**	57,434
Increase in other payables and accruals		**1,676**	16,857
Cash generated from operations		**959,386**	700,234
Income tax paid		**(93,369)**	(45,891)
Net cash flows from operating activities		**866,017**	654,343

continued/...

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of items of property, plant and equipment		**(3,203,588)**	(3,402,578)
Payments for acquisition of prepaid land lease payments		**(7,710)**	(2,422)
Payments for acquisition of intangible assets		**(2,177)**	(1,152)
Payments on investment		**(200,000)**	–
Proceeds for acquisition of subsidiaries	32	**63,340**	–
Proceeds from disposal of items of property, plant and equipment		**942**	2,357
Capital contributions to a jointly-controlled entity		**–**	(10,200)
Capital contributions to associates		**(18,024)**	(65,682)
Payments for acquisition of held-to-maturity investments		**(1,350,000)**	(713,000)
Payments for acquisition of non-controlling interests		**(46,686)**	–
Proceeds from settlement of held-to-maturity investments		**1,350,000**	710,000
Interest from held-to-maturity investments		**1,954**	401
Decrease/(increase) in pledged bank balances	26	**(1)**	14,670
Increase in non-pledged time deposits with original maturity of more than three months when acquired		**(200,000)**	–
Purchases of available-for-sale investments		**(328,190)**	–
Dividends received from associates		**45,332**	917
Interest received		**17,854**	5,928
Net cash flows used in investing activities		**(3,876,954)**	(3,460,761)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions by HECIC and HECIC Water		**–**	610,178
Capital contributions by non-controlling shareholders		**124,715**	102,276
New bank and other borrowings		**4,130,474**	4,450,007
Repayment of bank and other borrowings		**(2,485,185)**	(2,448,475)
Interest paid		**(302,117)**	(202,120)
Dividends paid to non-controlling shareholders		**(122,328)**	(26,652)
Distributions to HECIC and HECIC Water		**(41,978)**	(164,215)
Dividend paid to owners of the Company		**(16,192)**	–
Commission charge paid for debt financing		**(16,230)**	(8,000)
Proceeds from issue of H shares		**–**	2,722,029
Listing expenses paid		**(3,700)**	(52,623)
Net cash flows from financing activities		**1,267,459**	4,982,405
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,743,478)**	2,175,987
Cash and cash equivalents at beginning of year		**2,474,907**	330,158
Effect of exchange rate changes on cash and cash equivalents		**(11,927)**	(31,238)
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	**719,502**	2,474,907

Statement of Financial Position

31 December 2011

	Notes	**31 December 2011 RMB'000**	31 December 2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**17,688**	5,268
Intangible assets	16	**396**	379
Investments in subsidiaries	17	**3,800,269**	2,129,269
Prepayments and other receivables	25	**1,984,131**	2,000
Total non-current assets		**5,802,484**	2,136,916
CURRENT ASSETS			
Prepayments, deposits and other receivables	25	**989,401**	666,270
Available-for-sale investments	21	**328,190**	–
Cash and cash equivalents	26	**691,897**	2,016,780
Total current assets		**2,009,488**	2,683,050
CURRENT LIABILITIES			
Other payables and accruals	28	**620,091**	16,295
Interest-bearing bank loans	29	**206,420**	–
Total current liabilities		**826,511**	16,295
NET CURRENT ASSETS		**1,182,977**	2,666,755
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,985,461**	4,803,671
NON-CURRENT LIABILITIES			
Interest-bearing other borrowing	29	**1,984,131**	–
Total non-current liabilities		**1,984,131**	–
Net assets		**5,001,330**	4,803,671
EQUITY			
Issued share capital	30	**3,238,435**	3,238,435
Reserves	31(b)	**1,575,066**	1,507,066
Proposed final dividends	11	**187,829**	58,170
Total equity		**5,001,330**	4,803,671

Director
Li Lian Ping

Director
Cao Xin

Notes to Financial Statements

31 December 2011

1. CORPORATE INFORMATION

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

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

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

Clean Energy Business Operations

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

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

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

The Company's H shares were issued and listed on the main board of The Stock Exchange of Hong Kong Ltd. ("The Hong Kong Stock Exchange") in the last quarter of 2010 (note 30(ii)).

During the year ended 31 December 2011, the Group acquired the remaining 25% shareholding interest of Yanshan (Guyuan). Upon the completion of the acquisition, Yanshan (Guyuan) became a wholly-owned subsidiary of the Company.

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

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

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

Notes to Financial Statements

31 December 2011

2.1 BASIS OF PRESENTATION

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

(b) These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee and the disclosure requirements of the Hong Kong Companies Ordinance.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

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

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

Notes to Financial Statements

31 December 2011

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010

Other than as further explained below regarding the impact of IAS 24 (Revised) and amendment to IFRS 3, IAS 1 and IAS 27 included in *Improvements to IFRSs 2010*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these IFRSs are as follows:

(a) IAS 24 (Revised) *Related Party Disclosures*

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 36 to the consolidated financial statements.

Notes to Financial Statements

31 December 2011

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(b) *Improvements to IFRSs 2010* issued in May 2010 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

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

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

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

- IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- IAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

Notes to Financial Statements

31 December 2011

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1]
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: *Disclosures – Transfers of Financial Assets* [1]
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: *Disclosures – Offsetting Financial Assets and Financial Liabilities* [4]
IFRS 9	*Financial Instruments* [6]
IFRS 10	*Consolidated Financial Statements* [4]
IFRS 11	*Joint Arrangements* [4]
IFRS 12	*Disclosure of Interest in Other Entities* [4]
IFRS 13	*Fair Value Measurement* [4]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statement – Presentation of Items of Other Comprehensive Income* [3]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [2]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits* [4]
IAS 27 (Revised)	*Separate Financial Statements* [4]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures* [4]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation– Offsetting Financial Assets and Financial liabilities* [5]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine* [4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

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

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

Notes to Financial Statements

31 December 2011

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

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

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12.

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Ventures*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12 and the consequential amendments to IAS 27 and IAS 28 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

Amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

Notes to Financial Statements

31 December 2011

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

IAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in SIC 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. The Group expects to adopt IAS 12 Amendments from 1 January 2012.

IAS 19 Amendments include a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt IAS 19 Amendments from 1 January 2013.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint ventures (continued)

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with IAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

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

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

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

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

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Associates

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

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

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

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

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

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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

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

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

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

Impairment of non-financial assets

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

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

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

Related parties

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

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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); and
- (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).

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

Office software

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

Operating concession

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

Operating leases

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

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

Service concession arrangement

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

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service concession arrangement (continued)

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as loans and receivables, held-to-maturity investments, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction cost, expect in the case of financial assets recorded at fair value through profit or loss.

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

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

Subsequent measurement

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

Loans and receivables

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Held-to-maturity investments

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

Available-for-sale financial investments

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

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

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

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

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of IAS 39 are satisfied.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Loans and borrowings

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Fair value of financial instruments

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

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

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

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

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

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

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance the entity will comply with the condition attaching to them and that the grant will be received. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

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

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

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

Revenue recognition

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

(a) Sale of natural gas and gas appliances

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

(b) Sale of electricity

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

(c) Connection and construction of natural gas pipelines

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

(d) CERs income

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

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

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

(f) Interest income

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

(g) Dividend income

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

Borrowing costs

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

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

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

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Employee benefits

Defined contribution plans

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

Short term employee benefits

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

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

Notes to Financial Statements

31 December 2011

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2011 was RMB9,215,000 (31 December 2010: nil). Further details are given in note 15.

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

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

The carrying amount of property, plant and equipment as at 31 December 2011 was approximately RMB7,713,222,000 (31 December 2010: RMB6,079,374,000). More details are given in note 13.

Current income tax

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

The carrying amount of tax payable as at 31 December 2011 was RMB14,159,000 (31 December 2010: RMB25,863,000).

Notes to Financial Statements

31 December 2011

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Deferred income tax

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

The carrying amount of deferred tax assets as at 31 December 2011 was RMB93,000 (31 December 2010: RMB227,000). More details are given in note 22.

Impairment of trade receivables

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

The carrying amount of trade and bills receivables as at 31 December 2011 was RMB396,445,000 (31 December 2010: RMB189,430,000). More details are given in note 24.

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

The Group has contractual obligations which it must fulfill as a condition of its right and among which is to restore the site of the infrastructures to a specified condition at the end of the service concession arrangement. The contractual obligation to restore the site of the infrastructures is recognised and measured in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The estimation of the expenditure that would be requires the Group to estimate the expected future cash outlays regarding the obligation over the service concession period and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the provision carried as a liability in the consolidated statement of financial position as at 31 December 2011 was approximately RMB40,125,000 (31 December 2010: RMB24,090,000).

Notes to Financial Statements

31 December 2011

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 December 2011 and 2010.

Notes to Financial Statements

31 December 2011

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2011

	Natural gas RMB'000	Wind power RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	2,404,749	765,082	3,169,831
Intersegment sales	–	–	–
Total revenue	2,404,749	765,082	3,169,831
Segment results	416,190	545,652	961,842
Interest income	3,314	4,519	7,833
Finance costs	(18,477)	(216,191)	(234,668)
Income tax expense	(53,846)	(27,951)	(81,797)
Profit of segments for the year	347,181	306,029	653,210
Unallocated interest income			10,021
Unallocated interest expense			(10,256)
Corporate and other unallocated expenses			(33,987)
Profit for the year			618,988
Segment assets	1,683,809	11,349,633	13,033,422
Corporate and other unallocated assets			1,025,694
Total assets			14,059,136
Segment liabilities	959,655	6,974,430	7,934,085
Corporate and other unallocated liabilities			30,076
Total liabilities			7,964,161
Other segment information:			
Depreciation and amortisation	(50,432)	(318,448)	(368,880)
Unallocated depreciation and amortisation			(661)
			(369,541)
Share of profit of associates	–	72,539	72,539
Investments in associates	–	383,172	383,172
Capital expenditure *	282,120	2,890,056	3,172,176
Unallocated capital expenditure *			431
			3,172,607

Notes to Financial Statements

31 December 2011

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2010

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

Note:

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

Notes to Financial Statements

31 December 2011

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

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

Information about major customers

For the year ended 31 December 2011, revenue generated from one of the Group's customers in the wind power segment amounting to RMB602,135,000 (2010: RMB367,497,000) individually accounted for over 10% of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2011	2010
	RMB'000	RMB'000
Revenue		
Sales of natural gas	**2,342,901**	1,673,340
Sales of electricity	**764,021**	512,808
Construction and connection of natural gas pipelines	**33,804**	23,483
Natural gas transportation revenue and others	**28,044**	30,095
Wind power services	**1,061**	3,031
	3,169,831	2,242,757
Other income and gains, net		
Government grants:		
– CERs income, net	**97,346**	42,441
– Value-added tax refunds	**12,451**	13,176
Bank interest income	**17,854**	5,928
Others	**7,358**	22,503
	135,009	84,048

Notes to Financial Statements

31 December 2011

6. PROFIT BEFORE TAX

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

	Notes	2011 RMB'000	2010 RMB'000
Cost of goods sold		**2,238,272**	1,563,192
Cost of services rendered		**18,710**	17,523
Total cost of sales		**2,256,982**	1,580,715
Depreciation of items of property, plant and equipment (note (a))	13	**278,960**	229,193
Amortisation of prepaid land lease payments	14	**2,849**	2,062
Amortisation of intangible assets	16	**87,732**	5,591
Total depreciation and amortisation		**369,541**	236,846
Minimum lease payments under operating leases of land and buildings		**4,965**	3,544
Auditors' remuneration		**2,862**	2,162
Employee benefit expenses (including directors' and supervisors' remuneration):			
Wages, salaries and allowances		**70,775**	45,027
Pension scheme contributions (defined contribution schemes) (note (b))		**5,887**	2,780
Welfare and other expenses		**25,524**	14,952
Gain on acquisition of a subsidiary (note 32(b))		**(2,372)**	–
Gain on held-to-maturity investments		**(1,954)**	–
Loss/(gain) on disposal of items of property, plant and equipment, net		**(161)**	1,561
Foreign exchange loss, net		**22,052**	35,701

Notes:

(a) Depreciation of approximately RMB260,012,000 (2010: RMB214,574,000) is included in the cost of sales on the face of the consolidated statement of comprehensive income for the year ended 31 December 2011.

(b) All of the Group's full-time employees in Mainland China are covered by various government-sponsored retirement plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group is required to make monthly contributions to these plans at 20% of the employees' salaries. Contributions to these plans are expensed as incurred. As at 31 December 2011 and 2010, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

Notes to Financial Statements

31 December 2011

7. FINANCE COSTS

	2011 RMB'000	2010 RMB'000
Interest on bank loans and other borrowings wholly repayable within five years	**171,567**	93,154
Interest on discount on bills receivable wholly repayable within five years	**–**	10,386
Interest on bank loans and other borrowings wholly repayable beyond five years	**145,433**	147,960
Total interest expense	**317,000**	251,500
Less: Interest capitalised to items of property, plant and equipment	**(72,076)**	(83,434)
	244,924	168,066

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

	2011	2010
Capitalisation rates	**5.0%-6.8%**	4.4%-5.7%

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and supervisors' remuneration

The Directors' and Supervisors' remuneration for the year, disclosure pursuant to the Hong Kong Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2011 RMB'000	2010 RMB'000
Fees	**328**	253
Other emoluments:		
– Salaries, allowances and benefits in kind	**1,626**	774
– Performance-related bonuses	**370**	457
– Pension scheme contributions (defined contribution scheme)	**114**	41
	2,438	1,525

Notes to Financial Statements

31 December 2011

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

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

The names of the Directors and Supervisors and their remuneration for the year ended 31 December 2011 and 2010 are as follows:

2011

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive Directors					
Dr. Cao Xin	–	340	–	16	356
Mr. Gao Qing Yu	–	378	370	41	789
Mr. Zhao Hui	–	282	–	16	298
Mr. Sun Xin Tian	–	383	–	25	408
	–	1,383	370	98	1,851
Non-executive Directors					
Dr. Li Lian Ping (Chairman)	–	–	–	–	–
Mr. Zhao Hui Ning	–	–	–	–	–
Mr. Xiao Gang	–	–	–	–	–
	–	–	–	–	–
Independent non-executive Directors					
Mr. Qin Hai Yan	82	–	–	–	82
Mr. Ding Jun	82	–	–	–	82
Mr. Wang Xiang Jun	82	–	–	–	82
Mr. Yue Man Yiu, Matthew	82	–	–	–	82
	328	–	–	–	328
Supervisors					
Mr. Yang Hong Chi	–	–	–	–	–
Mr. Qiao Guo Jie	–	243	–	16	259
Mr. Mi Xian Wei	–	–	–	–	–
	–	243	–	16	259
	328	1,626	370	114	2,438

Notes to Financial Statements

31 December 2011

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

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

2010

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive Directors					
Dr. Cao Xin	–	136	–	–	136
Mr. Gao Qing Yu	–	281	357	17	655
Mr. Zhao Hui	–	113	–	–	113
Mr. Sun Xin Tian	–	244	100	24	368
	–	774	457	41	1,272
Non-executive Directors					
Dr. Li Lian Ping (Chairman)	–	–	–	–	–
Mr. Zhao Hui Ning	–	–	–	–	–
Mr. Xiao Gang	–	–	–	–	–
	–	–	–	–	–
Independent non-executive Directors					
Mr. Qin Hai Yan	70	–	–	–	70
Mr. Ding Jun	70	–	–	–	70
Mr. Wang Xiang Jun	70	–	–	–	70
Mr. Yue Man Yiu, Matthew	43	–	–	–	43
	253	–	–	–	253
Supervisors					
Mr. Yang Hong Chi	–	–	–	–	–
Mr. Qiao Guo Jie	–	–	–	–	–
Mr. Mi Xian Wei	–	–	–	–	–
	–	–	–	–	–
	253	774	457	41	1,525

Those Directors or Supervisors who received no emoluments for the year ended 31 December 2011 and 2010 did not receive any remuneration for their service in the capacity as Directors and Supervisors during those years.

Notes to Financial Statements

31 December 2011

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

(b) Five highest paid employees

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

	2011	2010
Directors	**1**	1
Non-director and non-supervisor employees	**4**	4
	5	5

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

	2011 **RMB'000**	2010 RMB'000
Salaries, allowances and benefits in kind	**1,042**	816
Performance-related bonuses	**1,127**	1,358
Pension scheme contributions	**112**	24
	2,281	2,198

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

	2011	2010
Nil to HK$1,000,000	**4**	4

During the years ended 31 December 2011 and 2010, no Directors, Supervisors or any of the non-director and non-supervisor, highest paid individuals waived or agreed to waive any emoluments, and no emoluments were paid by the Group to the Directors, Supervisors or any of the non-director and non-supervisor, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to Financial Statements

31 December 2011

9. INCOME TAX EXPENSE

A subsidiary of the Company is an equity joint venture in which a foreign investor owns a 45% shareholding interest. It is identified as a manufacturing enterprise with an operating period of 10 years or more which is entitled to a tax holiday of a two-year full exemption followed by a three-year 50% exemption commencing from its first profit-making year after offsetting accumulated tax losses, if any. However, pursuant to *Notice of the State Council on the Implementation of the Transitional Preferential Tax Polices* (國務院關於實施企業所得稅過渡優惠政策的通知) (Guofa [2007] No. 39), the subsidiary has started enjoying the tax holiday from the year 2008 due to the income tax reform.

In addition, pursuant to Caishui [2008] No. 46 *Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment* ("Circular 46") (財政部、國家稅務總局關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知), certain subsidiaries of the Company, which were set up after 1 January 2008 and are engaged in public infrastructure projects, are each entitled to a tax holiday of a three-year full exemption followed by a three-year 50% exemption commencing from their respective first year generating operating income ("3+3 tax holiday"). As at 31 December 2011, these entities were in the process of the preparation and submission of the required documents to the respective tax authorities to qualify for the 3+3 tax holidays.

Under the relevant PRC Corporate Income Tax Law and respective regulations, except for certain preferential treatment available to certain subsidiaries of the Company as mentioned above, the entities within the Group were subject to corporate income tax at a rate of 25% during the years ended 31 December 2011 and 2010.

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong for the years ended 31 December 2011 and 2010.

	2011 **RMB'000**	2010 RMB'000
Current income tax – Mainland China	**81,663**	57,996
Deferred income tax (note 22)	**134**	185
Tax charge for the year	**81,797**	58,181

Notes to Financial Statements

31 December 2011

9. INCOME TAX EXPENSE (CONTINUED)

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

	2011 **RMB'000**	2010 RMB'000
Profit before tax	**700,785**	489,872
Income tax charge at the statutory income tax rate of 25%	**175,196**	122,468
Effect of tax exemption for specific locations or enacted by local authorities	**(86,299)**	(68,944)
Tax effect of share of profits of associates	**(18,135)**	(12,592)
Expenses not deductible for tax purposes	**1,084**	796
Adjustments in respect of current income tax of previous periods	**12,380**	2,002
Tax losses not recognised	**2,785**	14,451
Tax losses utilised from previous periods	**(5,214)**	–
Tax charge for the year at the effective rate	**81,797**	58,181

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2011 includes a profit of RMB250,001,000 (2010: RMB154,132,000) which has been dealt with in the financial statements of the Company (note 31(b)).

Notes to Financial Statements

31 December 2011

11. DISTRIBUTIONS AND DIVIDENDS

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

	2011 **RMB'000**	2010 RMB'000
Distributions:		
Pre-establishment cash distribution pursuant to the Reorganisation (note (a))	**–**	38,495
Dividends:		
Declared:		
– First Special Dividend (note (b))	**–**	42,718
– Second Special Dividend (note (c))	**41,978**	–
– Final 2010 dividend (note (d))	**16,192**	–
	58,170	42,718
Proposed:		
– Second Special Dividend (note (c))	**–**	41,978
– Final dividend – RMB 5.8 cent (2010: RMB0.5 cent) per ordinary share (note (e))	**187,829**	16,192
	187,829	58,170
	245,999	100,888

Notes:

(a) In accordance with the *Notice of Provisional Regulation Relating to Corporate Restructuring of Enterprises and Related Management of State-owned Capital and Financial Treatment* (財政部關於印發《企業公司制改建有關國有資本管理與財務處理的暫行規定》的通知) (the English name of the notice is a direct translation of the Chinese name) issued by the Ministry of Finance (the "MOF"), which became effective from 27 August 2002, and pursuant to the Reorganisation, after the Company's incorporation, the Company is required to make a distribution to HECIC, which represents an amount equal to the net profit attributable to an owner of the Company, as determined based on the audited consolidated financial statements of the Group prepared in accordance with the Accounting Standards for Business Enterprises issued by the MOF of the PRC in 2006, and other related regulations issued by the MOF (collectively "PRC ASBE"), generated for the period from 30 June 2009, the effective date of the Reorganisation, to 9 February 2010 (the date of incorporation of the Company) by the businesses and operations contributed to the Group by HECIC.

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

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

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

Notes to Financial Statements

31 December 2011

11. DISTRIBUTIONS AND DIVIDENDS (CONTINUED)

Notes (continued):

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

The Second Special Dividend paid to HECIC and HECIC Water was in an aggregate amount of RMB41,978,000, which is determined based on (1) the net profit of the Group attributable to the owners of the Company as stated in the audited consolidated financial statements of the Group, prepared in accordance with PRC ASBE and IFRSs, whichever is lower, after deducting any appropriation to the statutory and discretionary reserve funds, if any, for the seven-month period ended 31 October 2010, minus (2) the profit of the Group attributable to the owners of the Company for the period from the day of the Listing to 31 October 2010. The net profit of the Group attributable to the owners of the Company for the period from the day of the Listing to 31 October 2010 equals the amount, calculated on a pro-rata basis, of the net profit of the Group attributable to the owners of the Company, as stated in the audited consolidated financial statements of the Group, prepared in accordance with PRC ASBE and IFRSs, whichever is lower, after deducting any appropriation to the statutory and discretionary reserve funds, if any, for the seven-month period ended 31 October 2010.

The Second Special Dividend was declared on 28 March 2011 and approved by the Company's shareholders at the annual general meeting on 3 June 2011, and was settled in full on 30 June 2011.

(d) At the annual general meeting held on 3 June 2011, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2010 of RMB0.005 per share which amounted to RMB16,192,000 and was settled in full in June and July 2011.

(e) The proposed final dividend for the year ended 31 December 2011 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

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

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

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

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

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

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

Notes to Financial Statements

31 December 2011

11. DISTRIBUTIONS AND DIVIDENDS (CONTINUED)

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

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

Due to the repeal of the *Circular on the Questions Concerning Tax on the Profits Earned by Enterprises with Foreign Investment, Foreign Enterprises and Individual Foreigners from the Transfer of Stocks (Stock Rights) and on Dividend Income* (Guo Shui Fa 1993 No. 45)（關於外商投資企業、外國企業和外籍個人取得股票（股權）轉讓收益和股息所得稅收問題的通知（國稅發[1993]045號））from 4 January 2011, the Company is required under the Individual Income Tax Law of the PRC（中華人民共和國個人所得稅法）and its implementing rules and regulations to withhold and pay individual income tax ranging from 10% to 20% when it distributes dividends to its non-PRC resident individual shareholders out of profit earned in 2010 and beyond.

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

The calculation of basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the years ended 31 December 2011 and 2010.

	2011 RMB'000	2010 RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**448,908**	279,719

	Number of shares	
	2011	2010
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,238,435,000**	2,259,193,603

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

Notes to Financial Statements

31 December 2011

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Wind turbines and related equipment RMB'000	Natural gas pipelines RMB'000	Other machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Leasehold improve –ments RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2011									
Cost:									
At 1 January 2011	148,038	3,522,877	639,036	79,146	51,419	26,333	11,713	2,209,033	6,687,595
Additions	1,792	2,878	883	18,551	16,597	8,647	5,942	2,951,701	3,006,991
Acquisition of subsidiaries (note 32)	1,468	–	29,990	3,427	86	20	40	5,135	40,166
Transfers to prepaid land lease payments (note 14)	–	–	–	–	–	–	–	(44,814)	(44,814)
Transfers to intangible assets (note 16)	(22,278)	(1,076,991)	–	–	–	–	–	(722)	(1,099,991)
Transfers	126,564	1,755,083	68,334	40,201	–	18	12,768	(2,002,968)	–
Disposals	–	(494)	–	–	(562)	(392)	–	–	(1,448)
At 31 December 2011	255,584	4,203,353	738,243	141,325	67,540	34,626	30,463	3,117,365	8,588,499
Accumulated depreciation:									
At 1 January 2011	(20,448)	(310,980)	(210,304)	(28,466)	(22,850)	(9,200)	(5,973)	–	(608,221)
Depreciation provided during the year (note 6)	(7,321)	(209,830)	(30,939)	(10,561)	(8,592)	(4,818)	(6,899)	–	(278,960)
Acquisition of subsidiaries (note 32)	(27)	–	(310)	(119)	(41)	(7)	–	–	(504)
Transfers to intangible assets (note 16)	277	11,464	–	–	–	–	–	–	11,741
Disposals	–	55	–	–	240	372	–	–	667
At 31 December 2011	(27,519)	(509,291)	(241,553)	(39,146)	(31,243)	(13,653)	(12,872)	–	(875,277)
Net carrying amount:									
At 31 December 2011	228,065	3,694,062	496,690	102,179	36,297	20,973	17,591	3,117,365	7,713,222
At 1 January 2011	127,590	3,211,897	428,732	50,680	28,569	17,133	5,740	2,209,033	6,079,374

Notes to Financial Statements

31 December 2011

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

	Buildings RMB'000	Wind turbines and related equipment RMB'000	Natural gas pipelines RMB'000	Other machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Leasehold improve –ments RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2010									
Cost:									
At 1 January 2010	141,744	3,465,987	593,158	77,019	40,770	21,570	4,734	400,460	4,745,442
Additions	78	2,859	1,005	2,061	10,649	5,402	6,979	3,328,986	3,358,019
Disposals	(53)	(529)	(5,159)	(598)	–	(639)	–	–	(6,978)
Transfers to prepaid land lease payments (note 14)	–	–	–	–	–	–	–	(13,139)	(13,139)
Transfers to intangible assets (note 16)	–	(1,395,749)	–	–	–	–	–	–	(1,395,749)
Transfers	6,269	1,450,309	50,032	664	–	–	–	(1,507,274)	–
At 31 December 2010	148,038	3,522,877	639,036	79,146	51,419	26,333	11,713	2,209,033	6,687,595
Accumulated depreciation:									
At 1 January 2010	(14,005)	(146,112)	(180,986)	(22,714)	(16,424)	(6,442)	(1,201)	–	(387,884)
Depreciation provided during the year (note 6)	(6,455)	(170,716)	(31,309)	(6,169)	(6,426)	(3,346)	(4,772)	–	(229,193)
Transfers to intangible assets (note 16)	–	5,796	–	–	–	–	–	–	5,796
Disposals	12	52	1,991	417	–	588	–	–	3,060
At 31 December 2010	(20,448)	(310,980)	(210,304)	(28,466)	(22,850)	(9,200)	(5,973)	–	(608,221)
Net carrying amount:									
At 31 December 2010	127,590	3,211,897	428,732	50,680	28,569	17,133	5,740	2,209,033	6,079,374
At 1 January 2010	127,739	3,319,875	412,172	54,305	24,346	15,128	3,533	400,460	4,357,558

Interest of approximately RMB72,076,000 was capitalised to construction in progress for the year ended 31 December 2011 (2010: RMB83,434,000) prior to being transferred to buildings and machinery (note 7).

Up to the date of these financial statements, the Group is in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB 81,120,000. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter does not have any significant impact on the Group's financial position as at 31 December 2011.

Notes to Financial Statements

31 December 2011

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Motor vehicles RMB'000	Office equipment and others RMB'000	Leasehold improve –ments RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2011					
Cost:					
At 1 January 2011	**250**	**818**	**858**	**3,418**	**5,344**
Additions	**–**	**161**	**152**	**12,667**	**12,980**
At 31 December 2011	**250**	**979**	**1,010**	**16,085**	**18,324**
Accumulated depreciation:					
At 1 January 2011	**–**	**(28)**	**(48)**	**–**	**(76)**
Depreciation provided during the year	**(47)**	**(177)**	**(336)**	**–**	**(560)**
At 31 December 2011	**(47)**	**(205)**	**(384)**	**–**	**(636)**
Net carrying amount:					
At 31 December 2011	**203**	**774**	**626**	**16,085**	**17,688**
At 1 January 2011	**250**	**790**	**810**	**3,418**	**5,268**
31 December 2010					
Cost:					
At 1 January 2010	–	–	–	–	–
Additions	250	818	858	3,418	5,344
At 31 December 2010	250	818	858	3,418	5,344
Accumulated depreciation:					
At 1 January 2010	–	–	–	–	–
Depreciation provided during the year	–	(28)	(48)	–	(76)
At 31 December 2010	–	(28)	(48)	–	(76)
Net carrying amount:					
At 31 December 2010	250	790	810	3,418	5,268
At 1 January 2010	–	–	–	–	–

Notes to Financial Statements

31 December 2011

14. PREPAID LAND LEASE PAYMENTS

Group

	2011 **RMB'000**	2010 RMB'000
Carrying amount at beginning of the year	**73,079**	72,115
Additions	**7,710**	366
Acquisition of a subsidiary (note 32)	**722**	–
Transfer from construction in progress (note 13)	**44,814**	13,139
Transfer to intangible assets (note 16)	**(6,924)**	(10,479)
Amortisation for the year (note 6)	**(2,849)**	(2,062)
Carrying amount at end of the year	**116,552**	73,079
Portion classified as current assets	**(3,437)**	(1,973)
Non-current portion	**113,115**	71,106

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

	31 December 2011 RMB'000	31 December 2010 RMB'000
Lease terms, at carrying amount:		
Long term leases of not less than 50 years	**–**	–
Medium term leases of less than 50 years but not less than 10 years	**116,552**	73,079
Short term leases of less than 10 years	**–**	–
	116,552	73,079

Up to the date of this report, the Group is in the process of applying for the title certificate of one of its land use rights with net carrying amount of approximately RMB3,069,000. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land. The Directors are also of the opinion that the aforesaid matter does not have any significant impact on the Group's financial position as at 31 December 2011.

Notes to Financial Statements

31 December 2011

15. GOODWILL

Group

	2011 RMB'000	2010 RMB'000
Cost and carrying amount at beginning of the year	–	–
Acquisition of subsidiaries (note 32)	9,215	–
Cost and carrying amount at end of the year	9,215	–

Goodwill acquired through business combinations in 2011 in the amounts of RMB6,843,000 and RMB2,372,000 has been allocated to the wind power and natural gas cash-generating units, respectively, which are reportable segments,for impairment testing.

The recoverable amounts of the wind power and natural gas cash-generating units have been determined based on a value in use calculation using cash flow projections based on a financial budget covering a twenty-year period approved by senior management. The discount rates applied to the cash flow projections were 10.01% and 10%, respectively.

Key assumptions were used in the value in use calculation of the wind power and natural gas cash-generating units for 31 December 2011. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

Notes to Financial Statements

31 December 2011

16. INTANGIBLE ASSETS

Group

	Office software RMB'000	Operating concession RMB'000 (note)	Total RMB'000
31 December 2011			
Cost:			
At beginning of the year	5,214	1,424,522	1,429,736
Additions	2,203	16,008	18,211
Acquisition of a subsidiary (note 32)	34	–	34
Transfer from property, plant and equipment, net (note 13)	–	1,088,250	1,088,250
Transfer from prepaid land lease payments (note 14)	–	6,924	6,924
At end of the year	7,451	2,535,704	2,543,155
Accumulated amortisation:			
At beginning of the year	(1,552)	(4,748)	(6,300)
Amortisation for the year (note 6)	(1,136)	(86,596)	(87,732)
Acquisition of a subsidiary (note 32)	(1)	–	(1)
At end of the year	(2,689)	(91,344)	(94,033)
Net carrying amount:			
At end of the year	4,762	2,444,360	2,449,122
At beginning of the year	3,662	1,419,774	1,423,436

Notes to Financial Statements

31 December 2011

16. INTANGIBLE ASSETS (CONTINUED)

Group (continued)

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

Note:

On 30 November 2010 and 25 April 2011, the Group entered into two service concession arrangements with a governmental authority concerning the operation of two of its self-constructed wind power plants, respectively. Pursuant to these service concession arrangements, the Group transferred the carrying amount of the related property, plant and equipment and the prepaid land lease payments to operating concession as intangible assets. The arrangements involve the Group as an operator operating and maintaining the infrastructure at a specified level of serviceability for a period of 25 years (the "service concession period") and restoring the sites of the infrastructure at a specified level of serviceability at the end of the service concession periods, and the Group will be paid for its service over the relevant periods of the service concession arrangements at price stipulated through a pricing mechanism.

Notes to Financial Statements

31 December 2011

16. INTANGIBLE ASSETS (CONTINUED)

Company

	31 December 2011 RMB'000 Office software	31 December 2010 RMB'000 Office software
Cost:		
At beginning of the year	**386**	–
Additions	**118**	386
At end of the year	**504**	386
Accumulated amortisation:		
At beginning of the year	**(7)**	–
Amortisation for the year	**(101)**	(7)
At end of the year	**(108)**	(7)
Net carrying amount:		
At end of the year	**396**	379
At beginning of the year	**379**	–

17. INVESTMENTS IN SUBSIDIARIES

Company

	31 December 2011 RMB'000	31 December 2010 RMB'000
Unlisted investments, at cost	**3,800,269**	2,129,269

Notes to Financial Statements

31 December 2011

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries of the Company are as follows:

Company name**	Notes	Place and date of establishment/ place of operations	Fully paid-up capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
HECIC New-energy Co., Ltd. (河北建投新能源有限公司)		The PRC/ Mainland China 17 July 2006	RMB3,099,300,000	100	–	Wind power generation, wind farms investing and service consulting
HECIC Zhangjiakou Wind Energy Co., Ltd. (河北建投張家口風能有限公司)		The PRC/ Mainland China 22 November 2005	RMB204,750,000	–	100	Wind power generation
HECIC Zhongxing Wind Energy Co., Ltd. (河北建投中興風能有限公司)		The PRC/ Mainland China 20 April 2006	RMB163,000,000	–	70	Wind power generation
HECIC Yuzhou Wind Energy Co., Ltd. (河北建投蔚州風能有限公司)	(i)	The PRC/ Mainland China 18 January 2007	RMB364,000,000	–	55.92	Wind power generation
Hebei Jiantou Longyuan Chongli Wind Energy Co., Ltd. (河北建投龍源崇禮風能有限公司)	(i)	The PRC/ Mainland China 26 March 2007	RMB95,000,000	–	50	Wind power generation
Yanshan (Guyuan)		The PRC/ Mainland China 3 March 2009	RMB423,000,000	–	100	Wind power generation
Chongli CIC Huashi Wind Energy Co., Ltd. (崇禮建投華實風能有限公司)	(i)	The PRC/ Mainland China 26 March 2008	RMB178,600,000	–	51	Wind power generation
Lingqiu CIC Hengguan Wind Energy Co., Ltd. (靈丘建投衡冠風能有限公司)	(i)	The PRC/ Mainland China 18 July 2008	RMB143,700,000	–	55	Wind power generation

Notes to Financial Statements

31 December 2011

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries of the Company are as follows: (continued)

Company name**	Notes	Place and date of establishment/ place of operations	Fully paid-up capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Zhangbei Huashi CIC Wind Energy Co., Ltd. (張北華實建投風能有限公司)	(i)	The PRC/ Mainland China 24 April 2008	RMB80,000,000	–	49	Wind power generation
Hebei Suntien Kechuang New Energy Technology Co., Ltd. (河北新天科創新能源技術有限公司)		The PRC/ Mainland China 29 March 2010	RMB6,000,000	–	100	Provision of maintenance and consulting services in relation to wind farm and other new energies
Suntien Green Energy (Fengning) Co., Ltd. (新天綠色能源(豐寧)有限公司)		The PRC/ Mainland China 9 December 2010	RMB6,000,000	92	–	Wind power generation
Chengde Yuyuan Wind Energy Co., Ltd. (承德御源風能有限公司)	(i)	The PRC/ Mainland China 6 April 2010	RMB10,000,000	–	60	Wind power generation
Changli Suntien Wind Energy Co., Ltd. (昌黎新天風能有限公司)		The PRC/ Mainland China 4 July 2011	RMB6,000,000	–	100	Wind power generation
Zhangbei CIC Huashi Wind Energy Co., Ltd. ("Zhangbei CIC Huashi") (張北建投華實風能有限公司)	(ii)	The PRC/ Mainland China 17 July 2010	RMB80,000,000	–	51	Wind power generation
Laiyuan Suntien Wind Energy Co., Ltd. (淶源新天風能有限公司)		The PRC/ Mainland China 25 March 2011	RMB180,000,000	–	100	Wind power generation
Suntien Green Energy Weichang Wind Energy Co., Ltd. (新天綠色能源圍場有限公司)		The PRC/ Mainland China 30 March 2011	RMB298,000,000	100	–	Wind power generation

Notes to Financial Statements

31 December 2011

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries of the Company are as follows: (continued)

Company name**	Notes	Place and date of establishment/ place of operations	Fully paid-up capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Keyouqianqi Suntien Wind Energy Co., Ltd. (科右前旗新天風能有限公司)		The PRC/ Mainland China 10 January 2011	RMB37,200,000	–	100	Wind power generation
Yuxian Suntien Wind Energy Co., Ltd. (蔚縣新天風能有限公司)		The PRC/ Mainland China 27 January 2011	RMB180,000,000	–	100	Wind power generation
Laoting CIC Wind Energy Co., Ltd. (樂亭建投風能有限公司)		The PRC/ Mainland China 19 February 2011	RMB46,000,000	–	100	Wind power generation
Kangbao Suntien Wind Energy Co., Ltd. (康保新天風能有限公司)		The PRC/ Mainland China 3 March 2011	RMB10,000,000	–	100	Wind power generation
Shangyi Suntien Wind Energy Co., Ltd. (尚義新天風能有限公司)		The PRC/ Mainland China 17 March 2011	RMB6,000,000	–	100	Wind power generation
Zhangbei Suntien Wind Energy Co., Ltd. (張北新天風能有限公司)		The PRC/ Mainland China 11 April 2011	RMB5,000,000	–	100	Wind power generation
Hebei Natural Gas Company Ltd. ("Hebei Natural Gas") (河北省天然氣有限責任公司)	(iii)	The PRC/ Mainland China 27 April 2001	RMB420,000,000	55	–	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Shijiazhuang CIC Natural Gas Co., Ltd. ("Shijiazhuang CIC") (石家莊建投天然氣有限公司)		The PRC/ Mainland China 1 September 2005	RMB57,100,000	–	55*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines

Notes to Financial Statements

31 December 2011

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries of the Company are as follows: (continued)

Company name**	Notes	Place and date of establishment/ place of operations	Fully paid-up capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Handan Economic Development Zone CIC Natural Gas Co., Ltd. ("Handan CIC") (邯鄲開發區建投燃氣有限責任公司)		The PRC/ Mainland China 21 November 2007	RMB15,000,000	–	38.5*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Chengde City CIC Natural Gas Co., Ltd. ("Chengde CIC") (承德市建投天然氣有限責任公司)		The PRC/ Mainland China 15 June 2009	RMB50,000,000	–	49.5*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Ningjin CIC Natural Gas Co., Ltd. ("Ningjin CIC") (甯晉縣建投天然氣有限責任公司)		The PRC/ Mainland China 17 May 2010	RMB10,000,000	–	28.05*	The connection and construction of gas pipelines and sale of natural gas appliances
Shijiazhuang Hua Bo Nature Gas Co., Ltd. ("Hua Bo") (石家莊華博燃氣有限公司)		The PRC/ Mainland China 21 December 2010	RMB5,000,000	–	30.25*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Jinzhou Weiye Gas Co., Ltd. ("Jinzhou Weiye") (晉州市偉業燃氣有限公司)	(iv)	The PRC/ Mainland China 19 July 2004	RMB13,659,877	–	55*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Shenzhou Weiye Gas Co., Ltd. ("Shenzhou Weiye") (深州偉業燃氣有限公司)	(iv)	The PRC/ Mainland China 23 December 2005	RMB8,258,114	–	55*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines

Notes to Financial Statements

31 December 2011

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries of the Company are as follows: (continued)

Company name**	Notes	Place and date of establishment/ place of operations	Fully paid-up capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Xinji Zhongchen Gas Co., Ltd. ("Xinji Zhongchen") (辛集市中晨燃氣有限公司)	(iv)	The PRC/ Mainland China 7 February 2007	RMB10,000,000	–	55*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines

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

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

All the above subsidiaries are limited liability companies.

Notes:

(i) The Company indirectly either owns half or less than half of the equity interests in these companies or owns more than half of equity interests but the voting power attached to the equity interests does not allow the Company to have the power to govern the financial and operating activities of these companies according to the articles of association of these companies. According to the articles of association, the Company is the biggest equity owner of these companies and no other equity owners individually or in the aggregate have the power to control these companies. A subsidiary of the Company, which holds the shareholding interests in these companies, signed shareholders voting agreements with certain equity owners of these companies during or before the year ended 31 December 2010, whereby such equity owners have agreed to vote unanimously with the Group. Such equity owners have also confirmed that the unanimous voting with the Group existed since the establishment of these entities or the Group becoming the biggest equity owner of these entities. The PRC lawyer of the Company confirmed that the shareholders voting agreements are valid under the relevant PRC laws. On top of the shareholders voting agreements, the Company controlled the operation of these entities by appointing senior management, approving the annual budget and determining the remuneration of senior management, etc. Considering the above mentioned factors, the Directors are of the opinion that the Company controlled these entities during the years ended 31 December 2011 and 2010. Therefore the financial statements of these companies are consolidated by the Company during the years ended 31 December 2011 and 2010 (or where the companies were established at a date later than 1 January 2010, for the periods from the date of establishment to 31 December 2011).

(ii) Zhangbei CIC Huashi was established by a subsidiary of the Company and an independent third party on 17 July 2010. Zhangbei CIC Huashi has been accounted for as a jointly-controlled entity of the Group from the date of its establishment. On 1 March 2011, a subsidiary of the Company, which holds the shareholding interests in Zhangbei CIC Huashi, signed shareholders voting agreement with the other equity owner of Zhangbei CIC Huashi, whereby the other equity owner has agreed to vote unanimously with the Group. Since the signed shareholders voting agreement became effective on 1 March 2011, Zhangbei CIC Huashi was ceased to be jointly-controlled by the subsidiary and the financial statements of Zhangbei CIC Huashi are consolidated by the Company from 1 March 2011 (note 32(b)).

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

(iv) These subsidiaries were acquired by the Group during the year ended 31 December 2011. More details are given in note 32(a).

Notes to Financial Statements

31 December 2011

18. INVESTMENTS IN ASSOCIATES

	Group 31 December 2011 RMB'000	31 December 2010 RMB'000
Share of net assets	**383,172**	337,941

Particulars of the associates of the Group are as follows:

Company name*	Place and date of establishment/ place of operations	Fully paid-up capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Hebei Weichang Longyuan Jiantou Wind Power Generation Co., Ltd. (河北圍場龍源建投風力發電有限公司)	The PRC/ Mainland China 25 August 2006	RMB209,300,000	–	50	Wind power generation
Longyuan Jiantou (Chengde) Wind Power Generation Co., Ltd. (龍源建投(承德)風力發電有限公司)	The PRC/ Mainland China 27 March 2009	RMB307,850,000	–	45	Wind power generation
Longyuan Jiantou (Chengde Weichang) Wind Power Generation Co., Ltd. (龍源建投(承德圍場)風力發電有限公司)	The PRC/ Mainland China 27 March 2009	RMB138,320,000	–	45	Wind power generation

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

Notes to Financial Statements

31 December 2011

18. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	31 December 2011 RMB'000	31 December 2010 RMB'000
Aggregate of associates' financial position:		
Assets	**2,137,549**	2,093,406
Liabilities	**(1,326,384)**	(1,363,358)

	2011 RMB'000	2010 RMB'000
The associates' results:		
Revenue	**328,654**	259,079
Profit for the year	**144,571**	107,855

19. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

Group

	31 December 2011 RMB'000	31 December 2010 RMB'000
Share of net assets	**–**	10,200

Particular of the jointly-controlled entity of the Group as at 31 December 2010 is as follows:

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

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

(i) Zhangbei CIC Huashi ceased to be accounted for as a jointly-controlled entity from 1 March 2011. The fully paid-up capital of Zhangbei CIC Huashi increases to RMB80,000,000 as at 31 December 2011. More details are given in note 17(ii).

Notes to Financial Statements

31 December 2011

19. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY (CONTINUED)

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

	31 December 2011 RMB'000	31 December 2010 RMB'000
Share of the jointly-controlled entity's assets and liabilities:		
Assets	**–**	10,225
Liabilities	**–**	(25)
	–	10,200

	2011 RMB'000	2010 RMB'000
Share of the jointly-controlled entity's results:		
Revenue	**–**	–
Profit for the year	**–**	–

20. HELD-TO-MATURITY INVESTMENTS

Group

	31 December 2011 RMB'000	31 December 2010 RMB'000
Unlisted debt investment	**5,000**	5,000

Held-to-maturity investment is analysed as follows:

	31 December 2011 RMB'000	31 December 2010 RMB'000
Corporate entity	**5,000**	5,000

As at 31 December 2011, the effective interest rate of the held-to-maturity investment was 7.05% per annum (31 December 2010: 6.4%). The carrying amount of the held-to-maturity investment approximates to its fair value.

Notes to Financial Statements

31 December 2011

21. AVAILABLE-FOR-SALE INVESTMENTS

Group

	31 December 2011 RMB'000	31 December 2010 RMB'000
Unlisted equity investments, at cost (i)	**3,400**	3,400
Other financial assets (ii)	**328,190**	–
	331,590	3,400
Portion classified as non-current assets	**(3,400)**	(3,400)
Current portion	**328,190**	–

Company

	31 December 2011 RMB'000	31 December 2010 RMB'000
Other financial assets(ii)	**328,190**	–
Current portion	**328,190**	–

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

(ii) The other financial assets represented corporate wealth management products purchased by the Company from certain banks. The principals of the above products are guaranteed by banks with repayment due date within the term.

No other comprehensive income or loss was recognised in the income statement for the year ended 31 December 2011 because the aggregate changes of fair value of such financial assets were immaterial since their respective acquisition dates.

Notes to Financial Statements

31 December 2011

22. DEFERRED TAX ASSETS

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

Group

	2011	2010
	RMB'000	RMB'000
Deferred tax assets:		
At beginning of the year	**227**	412
Deferred tax charged to the statement of comprehensive income during the year (note 9)	**(134)**	(185)
At end of the year	**93**	227

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

	31 December 2011	31 December 2010
	RMB'000	RMB'000
Deferred tax assets:		
Pre-operating expenses	**93**	227

As at 31 December 2011, tax losses of the Group arising in the PRC were RMB59,972,000 (31 December 2010: RMB69,691,000), which had not been recognised as deferred tax assets. The tax losses were available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Notes to Financial Statements

31 December 2011

23. INVENTORIES

Group

	31 December 2011 RMB'000	31 December 2010 RMB'000
Natural gas	**5,819**	4,420
Spare parts and others	**18,530**	20,715
Low-value consumables	**336**	129
	24,685	25,264

24. TRADE AND BILLS RECEIVABLES

The majority of the Group's revenues are generated through sales of natural gas and electricity. The credit period offered by the Group to customers of natural gas and electricity generally ranges from one month to two months. The Group seeks to maintain strict control over its outstanding receivables and minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over these balances. Trade and bills receivables are non-interest-bearing.

Group

	31 December 2011 RMB'000	31 December 2010 RMB'000
Trade and bills receivables	**396,445**	189,430
Impairment	**–**	–
	396,445	189,430

Included in the trade receivables as at 31 December 2011 is a receivable under a service concession arrangement in the amount of RMB32,264,000 (31 December 2010: RMB34,806,000).

Notes to Financial Statements

31 December 2011

24. TRADE AND BILLS RECEIVABLES (CONTINUED)

Group (continued)

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

	31 December 2011 RMB'000	31 December 2010 RMB'000
Within 3 months	**267,324**	188,860
3 to 6 months	**117,923**	304
6 months to 1 year	**8,464**	266
1 to 2 years	**2,734**	–
	396,445	189,430

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

Group

	31 December 2011 RMB'000	31 December 2010 RMB'000
Neither past due nor impaired	**392,812**	189,430
Less than 3 months past due	**1,347**	–
3 to 6 months past due	**1,693**	–
1 to 2 years past due	**593**	–
	396,445	189,430

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

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

Notes to Financial Statements

31 December 2011

24. TRADE AND BILLS RECEIVABLES (CONTINUED)

Group (continued)

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

	31 December 2011 RMB'000	31 December 2010 RMB'000
A fellow subsidiary	**908**	593

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

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		**Company**	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Prepayments to suppliers	**557,944**	416,520	**–**	–
Deductible VAT (i)	**833,616**	592,971	**–**	–
CERs receivable	**97,942**	64,319	**–**	–
Deposits and other receivables (ii)	**16,877**	8,982	**2,814,392**	587,738
Dividend receivable	**–**	–	**159,079**	77,809
Other prepayments	**204,095**	6,979	**61**	2,723
	1,710,474	1,089,771	**2,973,532**	668,270
Portion classified as non-current assets	**(1,420,307)**	(870,226)	**(1,984,131)**	(2,000)
Current portion	**290,167**	219,545	**989,401**	666,270

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

Notes to Financial Statements

31 December 2011

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

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

	Group		Company	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Fellow subsidiaries	**1,121**	1,413	**404**	–
Subsidiaries	**–**	–	**2,969,924**	662,846
	1,121	1,413	**2,970,328**	662,846

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

The above amounts are unsecured, non-interest-bearing and have no fixed terms of repayment, except for the amounts due from subsidiaries which bear interest at rates ranging from 5.60% to 6.89% per annum (2010: 4.86% to 5.76%).

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	31 December 2011 RMB'000	31 December 2010 RMB'000
Cash and bank balances	**308,066**	2,474,970
Time deposits	**611,500**	–
	919,566	2,474,970
Less: Pledged bank balances for letters of guarantee	**(64)**	(63)
Cash and cash equivalents in the consolidated statement of financial position	**919,502**	2,474,907
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**(200,000)**	–
Cash and cash equivalents in the consolidated statement of cash flows	**719,502**	2,474,907
Cash and bank balances and time deposits denominated in:		
– RMB	**912,567**	1,445,443
– Other currencies	**6,999**	1,029,527
	919,566	2,474,970

Notes to Financial Statements

31 December 2011

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (CONTINUED)

Company

	31 December 2011 RMB'000	31 December 2010 RMB'000
Cash and bank balances	**80,397**	2,016,780
Time deposits	**611,500**	–
Cash and cash equivalents in the statement of financial position	**691,897**	2,016,780
Cash and bank balances and time deposits denominated in:		
– RMB	**684,898**	987,253
– Other currencies	**6,999**	1,029,527
	691,897	2,016,780

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

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

Notes to Financial Statements

31 December 2011

27. TRADE AND BILLS PAYABLES

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

Group

	31 December 2011 RMB'000	31 December 2010 RMB'000
Bills payable	**–**	208,916
Trade payables	**125,325**	117,192
	125,325	326,108

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

	31 December 2011 RMB'000	31 December 2010 RMB'000
Within 6 months	**99,988**	309,398
6 months to 1 year	**11,055**	11,757
1 to 2 years	**11,641**	3,644
2 to 3 years	**1,625**	479
More than 3 years	**1,016**	830
	125,325	326,108

Notes to Financial Statements

31 December 2011

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Retention money payables	**219,968**	161,346	**324**	–
Dividend payable to non-controlling shareholders	**9,583**	133,822	**–**	–
Wind turbine and related equipment payables	**490,890**	311,915	**–**	–
Advances from customers	**99,417**	67,613	**–**	–
Construction payables	**92,147**	87,517	**–**	–
Accrued salaries, wages and benefits	**20,700**	18,704	**935**	354
Other taxes payable	**8,691**	10,251	**981**	2,522
Interest payable	**62,631**	48,038	**14,225**	–
Accrued expenses	**40,125**	24,090	**–**	–
Others	**29,951**	39,325	**603,626**	13,419
	1,074,103	902,621	**620,091**	16,295
Portion classified as current liabilities	**(1,048,133)**	(901,420)	**(620,091)**	(16,295)
Non-current portion	**25,970**	1,201	**–**	–

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

The amounts due to related parties included in the other payables and accruals are as follows:

	Group		Company	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
HECIC	**912**	–	**912**	–
A fellow subsidiary	**314**	–	**–**	–
Subsidiaries	**–**	–	**600,015**	–
	1,226	–	**600,927**	–

The amount due to HECIC represented the fee charged by HECIC for the guarantee of the issue of corporate bonds, which should be repaid annually (note 36(a)).

Except for the amount due to HECIC and retention money payables which have fixed repayment terms, the above amounts are unsecured and have no fixed terms of repayment.

Except for the amount due to subsidiaries which bears interest, the above amounts are non-interest-bearing.

Notes to Financial Statements

31 December 2011

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	Effective interest rate (%)	Maturity	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Current				
Short term bank loans:				
– Unsecured	5.5-7.0	2011-2012	**316,420**	465,000
Short term other borrowings:				
– Unsecured			**–**	698,900
Current portion of long term bank loans:				
– Unsecured	5.9-6.3	2011-2012	**142,455**	126,955
– Secured	5.8-6.3	2011-2012	**177,200**	151,800
			319,655	278,755
Total current portion			**636,075**	1,442,655
Non-current				
Long term bank loans:				
– Unsecured	5.0-7.1	2012-2024	**799,285**	514,677
– Secured	5.5-7.1	2012-2025	**2,037,369**	1,769,008
			2,836,654	2,283,685
Long term other borrowings:				
– Unsecured	5.9	2017	**1,293,714**	1,292,571
Corporate bond: (i)				
– Unsecured	5.3-5.4	2017-2018	**1,984,131**	–
Total non-current portion			**6,114,499**	3,576,256
			6,750,574	5,018,911

Notes to Financial Statements

31 December 2011

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Company

	Effective interest rate (%)	Maturity	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Current				
Short term bank loans:				
– Unsecured	5.5	2012	**206,420**	–
Non-current				
Corporate bond: (i)				
– Unsecured	5.3-5.4	2017-2018	**1,984,131**	–
			2,190,551	–

(i) On 24 October 2011, the Company received an approval from the China Securities Regulatory Commission (中國證券監督管理委員會) to issue corporate bonds of up to RMB2 billion on Mainland China. During the period from 18 November to 22 November 2011, the Company issued corporate bonds with an aggregate value of RMB2 billion. The corporate bonds were issued at a price of RMB100 each.

The corporate bonds separated into two types of products amounting to RMB1 billion each, namely 6-Year and 7-Year product, which are repayable on 18 November 2017 and 2018, respectively and their applicable interest rate are 5.3% and 5.4% per annum, respectively. At the end of three years and five years, respectively, the Company has an option to adjust interest rate whereas the holders of the corporate bonds have an option to sell their bonds back to the Company at the face value.

On 23 December 2011, the corporate bonds were listed on the Shanghai Stock Exchange.

Notes to Financial Statements

31 December 2011

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

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

Group

	31 December 2011 RMB'000	31 December 2010 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**636,075**	743,755
In the second year	**303,747**	263,948
In the third to fifth years, inclusive	**1,174,243**	714,374
Beyond five years	**1,358,664**	1,305,363
	3,472,729	3,027,440
Other borrowings repayable:		
Within one year	**–**	698,900
Beyond five years	**1,293,714**	1,292,571
	1,293,714	1,991,471
Corporate bonds repayable:		
Beyond five years	**1,984,131**	–
	6,750,574	5,018,911

Notes to Financial Statements

31 December 2011

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Company

	31 December 2011 RMB'000	31 December 2010 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**206,420**	–
Corporate bonds repayable:		
Beyond five years	**1,984,131**	–
	2,190,551	–

Certain interest-bearing bank loans of the Group in an aggregate amount of RMB2,214,569,000 were secured by the right of future electricity fees collection as at 31 December 2011 (31 December 2010: RMB1,915,808,000).

An interest-bearing bank loan of the Group of RMB4,500,000 was guaranteed by a non-controlling shareholder of a subsidiary of the Company as at 31 December 2011 (31 December 2010: RMB5,000,000).

A long term other borrowing of the Group of RMB1,293,714,000 was guaranteed by the ultimate holding company as at 31 December 2011 (31 December 2010: RMB1,292,571,000) (note 36(a)).

The corporate bonds were guaranteed by HECIC, the ultimate holding company as at 31 December 2011 (note 36(a)).

30. ISSUED SHARE CAPITAL

	31 December 2011		31 December 2010	
	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
Registered, issued and fully paid:				
– State legal person shares of RMB1.00 each	**1,876,156**	**1,876,156**	1,876,156	1,876,156
– H shares of RMB1.00 each	**1,362,279**	**1,362,279**	1,362,279	1,362,279
	3,238,435	**3,238,435**	3,238,435	3,238,435

Notes to Financial Statements

31 December 2011

30. ISSUED SHARE CAPITAL (CONTINUED)

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

	31 December 2011		31 December 2010	
	Number of shares '000	**Nominal value RMB'000**	Number of shares '000	Nominal value RMB'000
At the beginning of the year	**3,238,435**	**3,238,435**	–	–
Upon incorporation of the Company				
State legal person shares (note (i))	**–**	**–**	2,000,000	2,000,000
Addition of H shares (note (ii))	**–**	**–**	1,362,279	1,362,279
Reduction of state legal person shares (note (ii))				
State legal person shares converted to H shares	**–**	**–**	(123,844)	(123,844)
At the end of the year				
State legal person shares	**1,876,156**	**1,876,156**	1,876,156	1,876,156
H shares	**1,362,279**	**1,362,279**	1,362,279	1,362,279
	3,238,435	**3,238,435**	3,238,435	3,238,435

Notes:

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

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

Notes to Financial Statements

31 December 2011

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2011 and 2010 are presented in the consolidated statement of changes in equity on page 63 of the financial statements.

(b) Company

	Capital reserve RMB'000	Reserve funds RMB'000	Retained earnings RMB'000	Proposed dividend RMB'000	Total RMB'000
Upon incorporation of the Company (note 1 and 30(i))	33,927	–	–	–	33,927
Total comprehensive income for the period from 9 February 2010 (date of incorporation of the Company) to 31 December 2010	–	–	154,132	–	154,132
Issue of new shares (note 30(ii))	1,594,790	–	–	–	1,594,790
Shares issue expenses (note 30(ii))	(174,895)	–	–	–	(174,895)
Transfer from retained profits	–	15,413	(15,413)	–	–
Proposed First Special Dividend (note 11(b))	–	–	(42,718)	42,718	–
First Special Dividend Declared (note 11(b))	–	–	–	(42,718)	(42,718)
Proposed Second Special Dividend (note 11(c))	–	–	(41,978)	41,978	–
Proposed final 2010 dividend (note 11(d))	–	–	(16,192)	16,192	–
At 31 December 2010	1,453,822*	15,413*	37,831*	58,170	1,565,236
Total comprehensive income for the year (note 10)	–	–	250,001	–	250,001
Transfer from retained profits	–	25,000	(25,000)	–	–
Declared Second Special Dividend (note 11(c))	–	–	–	(41,978)	(41,978)
Declared final 2010 dividend (note 11(d))	–	–	–	(16,192)	(16,192)
Proposed final 2011 dividend (note 11(e))	–	–	(187,829)	187,829	–
Others	5,828	–	–	–	5,828
At 31 December 2011	1,459,650*	40,413*	75,003*	187,829	1,762,895

* These reserve accounts comprise the reserve of RMB1,575,066,000 (2010: RMB1,507,066,000)in the statement of financial position as at 31 December 2011.

Notes to Financial Statements

31 December 2011

32. ACQUISITIONS OF SUBSIDIARIES

(a) Jinzhou Weiye, Shenzhou Weiye and Xinji Zhongchen

On 26 March 2011, one of the Company's subsidiaries, Hebei Natural Gas entered into a share purchase agreement with Beijing Zhong Ran Weiye Gas Co. Ltd ("Zhong Ran Weiye"), an independent third party, to acquire 100% equity interest in three entities: Jinzhou Weiye, Shenzhou Weiye and Xinji Zhongchen from Zhong Ran Weiye with an aggregate cash consideration of RMB40,583,000. Upon the completion of the acquisition, Hebei Natural Gas holds 100% equity interest of Jinzhou Weiye, Shenzhou Weiye and Xinji Zhongchen. Jinzhou Weiye, Shenzhou Weiye and Xinji Zhongchen are all engaged in sales of natural gas and gas appliances, and the connection and construction of natural gas pipelines. In the opinion of the Directors, the effective acquisition date was 31 May 2011, the day when Hebei Natural Gas obtained the controlling voting right over the operating and financial decision making of these three entities.

The fair values of the identifiable assets and liabilities of Jinzhou Weiye, Shenzhou Weiye and Xinji Zhongchen as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	13	39,028
Prepaid land lease payments	14	722
Cash and bank balances		180
Other current assets		795
Current liabilities		(6,985)
Total identifiable net assets at fair value		33,740
Goodwill	15	6,843
Satisfied by cash		40,583

An analysis of the cash flows in respect of the acquisitions of the entities is as follows:

	RMB'000
Cash consideration	(40,583)
Cash and bank balances acquired	180
Net outflow of cash and cash equivalents included in cash flows from investing activities	(40,403)

Notes to Financial Statements

31 December 2011

32 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(a) Jinzhou Weiye, Shenzhou Weiye and Xinji Zhongchen (continued)

Acquirees' contributions

Contributions of the acquirees to the Group's revenue and the Group's profit before tax for the year ended 31 December 2011 between the date of acquisition and 31 December 2011 are as follows:

	2011 RMB'000
Contributions to	
Group's revenue	**216**
Losses before tax	**(5,437)**

Had the acquisitions taken place at the beginning of the year of acquisition, the revenue of the Group and the profit before tax of the Group would have been as follows:

	2011 RMB'000
Group's revenue	**3,173,925**
Profit before tax	**619,764**

Notes to Financial Statements

31 December 2011

32. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(b) Zhangbei CIC Huashi

As mentioned in note 17(ii) above, the Group obtained control of Zhangbei CIC Huashi during the year. The fair values of the identifiable assets and liabilities of Zhangbei CIC Huashi as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	13	634
Intangible assets	16	33
Cash and bank balances		103,743
Other current assets		15,888
Current liabilities		(100,298)
Total identifiable net assets at fair value		20,000
Add: Goodwill	15	2,372
Less: Non-controlling interests on acquisition		(9,800)
Fair value of shares held before the acquisition date		12,572

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	–
Cash and bank balances acquired	103,743
Inflow of cash and cash equivalents included in cash flows from investing activities	103,743

The Group recognised a gain of RMB2,372,000 in the consolidated statement of comprehensive income as a result of remeasuring its original interest of RMB10,200,000 at the date of obtaining control to its acquisition-date fair value of RMB12,572,000.

Acquirees' contributions

Zhangbei CIC Huashi is currently under construction, and had no contributions to the Group's turnover or profit for the year ended 31 December 2011.

Notes to Financial Statements

31 December 2011

33. OPERATING LEASE ARRANGEMENTS

As lessee

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

	Group		Company	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Within one year	**3,489**	3,519	**1,315**	1,315
In the second to fifth years, inclusive	**3,138**	6,930	**1,315**	2,631
Beyond five years	**122**	135	**–**	–
	6,749	10,584	**2,630**	3,946

34. COMMITMENTS

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

	31 December 2011 RMB'000	31 December 2010 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**1,456,665**	1,572,148
Capital contributions payable to associates	**320,000**	7,299
	1,776,665	1,579,447
Authorised, but not contracted for:		
Property, plant and equipment	**4,672,652**	2,534,376
Capital contributions payable to associates	**4,900**	525,000
	4,677,552	3,059,376

The Company does not have any capital commitments as at 31 December 2011.

Notes to Financial Statements

31 December 2011

35. CONTINGENT LIABILITIES

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

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

36. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the year ended 31 December 2011 and 2010:

	2011 RMB'000	2010 RMB'000
Continuing transactions		
Fellow subsidiaries		
Sales of natural gas *	**223**	212
Connection of nature gas pipelines	**228**	1,314
Rental expenses *	**4,369**	3,472
Non-continuing transactions		
HECIC		
Interest income	**–**	294
Interest expenses	**–**	10,905

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

Notes to Financial Statements

31 December 2011

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with related parties during the year ended 31 December 2011 and 2010: (continued)

(i) Transactions with HECIC*

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

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

On 30 August 2011, the Company entered into an agreement with HECIC pursuant to which HECIC agreed to provide a guarantee to the Company for the issuance of domestic corporate bonds with an aggregate nominal value of up to RMB2.0 billion. The guarantee is unconditional and irrevocable with an annual charge of 0.3% of the nominal value of the corporate bonds to the Company by HECIC. On 18 November 2011, the Company issued domestic corporate bonds with an aggregate nominal value of RMB2.0 billion. Guarantee fee of approximately RMB912,000 (2010: nil) is payable or charged by HECIC for the year ended 31 December 2011.

(ii) Transactions with other State-owned Enterprises in the PRC

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Enterprises" ("SOEs")). During the period, the Group had transactions with other SOEs, other than HECIC and its subsidiaries, including, but not limited to, sales of electricity and natural gas, depositing and borrowing money and purchase of natural gas, materials, receiving construction work services, and entering into service concession arrangement, in the normal course of business at terms comparable to those with other non-SOEs.

The receipt of construction work service from SOEs and sales of natural gas to SOEs are individually not significant. The individually significant transactions with SOEs are as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Continuing transactions		
Sales of electricity*		
– North China Grid Company Limited (note)	**617,555**	367,497
– Hebei Electric Power Corporation (note)	**165,940**	145,311
	783,495	512,808
Purchase of natural gas		
– PetroChina Company Limited	**1,828,481**	1,290,587

note: Including sales of electricity generated during the construction and testing period. These sale are not included in the revenue of electricity sales, and are offset against the cost of property, plant and equipment.

Notes to Financial Statements

31 December 2011

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with related parties during the year ended 31 December 2011 and 2010: (continued)

(ii) Transactions with other State-owned Enterprises in the PRC (continued)

The Group has certain of its cash and time deposits and outstanding interest-bearing bank borrowings with certain state-owned banks in the PRC as at 31 December 2011 and 2010, as summarised below:

	Group	
	31 December 2011 RMB'000	31 December 2010 RMB'000
Cash and cash equivalents	**890,077**	1,774,802
Short-term bank loans	**306,420**	315,000
Current portion of long-term bank loans	**273,700**	237,300
Long-term bank loans	**2,505,011**	1,905,586
	3,085,131	2,457,886

In addition, the Group entered into service concession arrangements with a government authority, Hebei Energy Bureau (河北省能源局) (the English name is a direct translation of the Chinese name), during the year ended 31 December 2011 and 2010. Details of which are set out in note 16 to the financial statements above.

* These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing.

(b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 24, 25 and 28 to these financial statements.

(c) Compensation of key management personnel of the Group

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

	2011 RMB'000	2010 RMB'000
Short term employee benefits	**2,587**	1,578
Pension scheme contributions	**130**	41
	2,717	1,619

Notes to Financial Statements

31 December 2011

37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Non-cash transaction

During the year ended 31 December 2011, a dividend payable to a non-controlling shareholder amounting to RMB90,000,000 (2010: RMB2,500,000) was reinvested by the non-controlling shareholder into the respective subsidiary of the Company as further capital contribution by the non-controlling shareholder.

38. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Group		**Company**	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Financial assets				
Held-to-maturity investments	**5,000**	5,000	**–**	–
Available-for-sale investments	**331,590**	3,400	**328,190**	–
Loans and receivables:				
Trade and bills receivables	**396,445**	189,430	**–**	–
Financial assets included in prepayments, deposits and other receivables	**114,819**	73,301	**2,973,471**	665,547
Pledged deposits	**64**	63	**–**	–
Cash and cash equivalents	**919,502**	2,474,907	**691,897**	2,016,780
	1,767,420	2,746,101	**3,993,558**	2,682,327
Financial liabilities				
Financial liabilities at amortised cost:				
Trade and bills payables	**125,325**	326,108	**–**	–
Financial liabilities included in other payables and accruals	**945,295**	806,053	**618,175**	13,419
Interest-bearing bank and other borrowings	**6,750,574**	5,018,911	**2,190,551**	–
	7,821,194	6,151,072	**2,808,726**	13,419

Notes to Financial Statements

31 December 2011

39. FAIR VALUE AND FAIR VALUE HIERARCHY

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

Group

	Carrying amount		Fair value	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Financial assets				
Held-to-maturity investments	**5,000**	5,000	**5,000**	5,000
Available-for-sale investments	**331,590**	3,400	**331,590**	3,400
Trade receivables	**396,445**	189,430	**396,445**	189,430
Financial assets included in prepayments, deposits and other receivables	**114,819**	73,301	**114,819**	73,301
Pledged deposits	**64**	63	**64**	63
Cash and cash equivalents	**919,502**	2,474,907	**919,502**	2,474,907
	1,767,420	2,746,101	**1,767,420**	2,746,101
Financial liabilities				
Trade and bills payables	**125,325**	326,108	**125,325**	326,108
Financial liabilities included in other payables and accruals	**945,295**	806,053	**942,528**	805,987
Interest-bearing bank and other borrowings	**6,750,574**	5,018,911	**6,749,118**	5,018,911
	7,821,194	6,151,072	**7,816,971**	6,151,006

Notes to Financial Statements

31 December 2011

39. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

Company

	Carrying amount		Fair value	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Financial assets				
Available-for-sale investments	**328,190**	–	**328,190**	–
Financial assets included in prepayments, deposits and other receivables	**2,973,471**	665,547	**2,973,471**	665,547
Cash and cash equivalents	**691,897**	2,016,780	**691,897**	2,016,780
	3,993,558	2,682,327	**3,993,558**	2,682,327
Financial liabilities				
Financial liabilities included in other payables and accruals	**618,175**	13,419	**618,175**	13,419
Interest-bearing bank and other borrowings	**2,190,551**	–	**2,189,095**	–
	2,808,726	13,419	**2,807,270**	13,419

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

The fair value of cash and cash equivalents, pledged deposits, trade and bills receivables, available-for-sale investments, trade and bills payables, financial assets included in prepayments, deposits and other receivables, the current portion of financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

Notes to Financial Statements

31 December 2011

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Fair value and cash flow interest rate risks

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

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

If there would be a general increase/decrease in the interest rates of bank loans with floating interest rates by one percentage point, with all other variables held constant, the consolidated pre-tax profit would have decreased/increased by approximately RMB47,564,000 (2010: RMB38,500,000) for the year, and there is no impact on other components of the consolidated equity, except for retained profits, of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred as at the end of the reporting period and has applied the exposure to interest rate risk to those financial instruments in existence at those dates. The estimated one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

Notes to Financial Statements

31 December 2011

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk on trade receivables and cash balances which are derived from sales that are denominated in a currency other than the respective functional currencies of the Group's entities. The currencies giving rise to this risk are primarily the United States dollar, Euro and the Hong Kong dollar. As at 31 December 2011, the Group is also exposed to foreign currency risk on the Company's significant unused cash proceeds, denominated in currency different from its functional currency, from its H-share issuance during prior year. The Directors do not anticipate any significant impact resulting from the changes in foreign exchange rates because except for CERs and proceeds from H-share issuance which are denominated in foreign currencies, the majority of the Group's business is transacted in RMB, the Group's functional currency. RMB is not freely convertible into foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. The Group has not entered into any hedging transactions in order to reduce the Group's exposure to foreign currency risk in this regard.

The following table indicates the appropriate change in the Group's profit before tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at 31 December 2011 and 2010. The sensitivity analysis includes bank deposits, trade receivables and other receivables in foreign currencies.

Effect on profit before tax

	Increase/ (decrease) in foreign exchange rate	**2011** **RMB'000**	2010 RMB'000
If RMB weakens against United States dollar	5%	**500**	600
If RMB strengthens against United States dollar	5%	**(500)**	(600)
If RMB weakens against Hong Kong dollar	5%	**350**	51,476
If RMB strengthens against Hong Kong dollar	5%	**(350)**	(51,476)
If RMB weakens against Euro	5%	**5,417**	2,616
If RMB strengthens against Euro	5%	**(5,417)**	(2,616)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 31 December 2011 and has applied the exposure to foreign currency risk to those monetary assets and liabilities in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in foreign exchange rates over the year until the next reporting date. The sensitivity analysis is performed on the same basis for the years ended 31 December 2011 and 2010.

Notes to Financial Statements

31 December 2011

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

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

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

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

As the Group's major customers are either long-standing or various local power grid companies, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. As at 31 December 2011, 45.8% (31 December 2010: 61.3%) of the Group's trade receivables were due from the provincial power grid companies. Management reviews and assesses the creditworthiness of the Group's existing customers on an ongoing basis.

The Group did not have any impairment of trade receivables for the year (2010: nil).

(d) Liquidity risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Group has already obtained banking facilities from several PRC banks of amounts up to RMB10,745 million as at 31 December 2011 of which approximately RMB5,211 million has been utilised as at 31 December 2011.

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

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

Notes to Financial Statements

31 December 2011

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at 31 December 2011 and 2010, based on the contractual undiscounted payments, is as follows:

Group

	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
31 December 2011					
Interest-bearing bank and other borrowings	**636,075**	**303,747**	**3,158,374**	**2,652,378**	**6,750,574**
Interest payments on financial liabilities	**393,620**	**366,382**	**857,387**	**327,568**	**1,944,957**
Trade and bills payables	**125,325**	**–**	**–**	**–**	**125,325**
Financial liabilities included in other payables and accruals	**919,325**	**15,711**	**10,259**	**–**	**945,295**
	2,074,345	**685,840**	**4,026,020**	**2,979,946**	**9,766,151**
31 December 2010					
Interest-bearing bank and other borrowings	1,442,655	263,948	714,374	2,597,934	5,018,911
Interest payments on financial liabilities	204,478	189,415	482,689	219,212	1,095,794
Trade and bills payables	326,108	–	–	–	326,108
Financial liabilities included in other payables and accruals	804,852	1,201	–	–	806,053
	2,778,093	454,564	1,197,063	2,817,146	7,246,866

Notes to Financial Statements

31 December 2011

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (continued)

Company

	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 7 years RMB'000	Total RMB'000
31 December 2011				
Interest-bearing bank and other borrowings	**206,420**	**–**	**1,984,131**	**2,190,551**
Interest payments on financial liabilities	**118,836**	**112,103**	**212,117**	**443,056**
Financial liabilities included in other payables and accruals	**618,175**	**–**	**–**	**618,175**
	943,431	**112,103**	**2,196,248**	**3,251,782**
31 December 2010				
Financial liabilities included in other payables and accruals	13,419	–	–	13,419

Notes to Financial Statements

31 December 2011

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Capital management

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

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

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

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

	31 December 2011 RMB'000	31 December 2010 RMB'000
Trade and bills payables (note 27)	**125,325**	326,108
Other payables and accruals (note 28)	**1,074,103**	902,621
Interest-bearing bank and other borrowings (note 29)	**6,750,574**	5,018,911
Less: Cash and cash equivalents (note 26)	**(919,502)**	(2,474,907)
Less: Pledged deposits (note 26)	**(64)**	(63)
Net debt	**7,030,436**	3,772,670
Total equity	**6,094,975**	5,438,589
Capital and net debt	**13,125,411**	9,211,259
Gearing ratio	**54%**	41%

Notes to Financial Statements

31 December 2011

41. EVENT AFTER THE REPORTING PERIOD

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

"Pursuant to Chaishui [2012] No. 10, *Notice on Preferential Tax Treatment for Projects relating to Public Infrastructure, Environmental Protection, and Water and Energy Conservation*"(財政部、國家稅務總局關於公共基礎設施項目和環境保護、節能節水項目企業所得稅優惠政策問題的通知)issued on 5 January 2012 (the "Notice"), certain subsidiaries of the Company, which were established before 1 January 2008 and are engaging in the activities set forth in the Notice, are each entitled to the 3+3 tax holiday commencing 1 January 2008. Following the issuance of the Notice in January 2012, the subsidiaries entitling to the above-mentioned tax holiday are in the process of the preparation the required documentation for submission to the respective tax authorities to apply for the enjoyment of the 3+3 tax holiday."

Except for the event disclosed above, the Group had no other significant subsequent events.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 30 March 2012.

Definitions

"Approved Wind Power Project" wind power project which has obtained a reply from the National Development and Reform Commission of the PRC or the relevant provincial Development and Reform Commission for their approval of commencing project construction

"availability factor" the amount of time that a power plant is able to produce electricity after it starts commercial operations over a certain period divided by the amount of time in such period

"average utilization hours" the consolidated gross power generation in a specified period (in MWh or GWh) divided by the consolidated installed capacity in the same period (in MW or GW)

"Beijing Enterprises Group" Beijing Enterprises Group Company Ltd., a company incorporated in PRC with limited liability and an independent third party not connected to the Company

"Beijing Hua Shi" Beijing Hua Bei Power Industrial Company (北京華北電力實業總公司), a substantial shareholder of two of the Company's non-wholly owned subsidiaries, Chongli CIC Huashi Wind Energy Co., Ltd. and Zhangbei CIC Huashi

"Board" the board of Directors of the Company

"CDM" the Clean Development Mechanism, an arrangement under the Kyoto Protocol allowing industrialized countries to invest in projects that reduce greenhouse gas emissions in developing countries in order to earn emission credits

"CER" certified emission reductions, which are carbon credits issued by CDM EB for emission reductions achieved by CDM projects and verified by a DOE under the Kyoto Protocol

"commercial operation date" the date on which a wind, farm begins commercial operations after the construction and testing period

"CNG" compressed natural gas, a type of natural gas that is compressed to high density through imposing high-pressure to facilitate the ease and efficiency of transportation

" Company", "we" or "us" China Suntien Green Energy Corporation Limited (新天綠色能源股份有限公司)

Definitions

"consolidated installed capacity" or "consolidated operating capacity"	the aggregate installed capacity or operating capacity (as the case may be) of our project companies that we fully consolidate in our consolidated financial statements. This is calculated by including 100% of the installed capacity or operating capacity of our project companies that we fully consolidate in our consolidated financial statements and are deemed as our subsidiaries. Consolidated installed capacity and consolidated operating capacity do not include the capacity of our associated companies
"consolidated gross power generation" or "consolidated net power delivered to grid"	for a specified period, the aggregate gross power generation or net power delivered to grid (as the case may be) of our project companies that we fully consolidate in our financial statements.
"Director(s)"	the Director(s) of the Company
"DOE"	designated operating entity accredited for monitoring CDM projects under the Kyoto Protocol
"Financial Statement"	the audited financial statements for the year ended 31 December 2011
"GW"	unit of power, gigawatt. 1 GW = 1,000 MW
"GWh"	unit of energy, gigawatt-hour. 1 GWh = 1 million kWh. GWh is typically used as a measurement for the annual energy production of large power plants
"gross power generation"	for a specified period, the total amount of electricity produced by a power plant in that period, consisting of net power delivered to grid, auxiliary electricity and electricity generated during the construction and testing period
"Group"	the Company and its subsidiaries
"Hebei Natural Gas"	Hebei Natural Gas Company Ltd., a non-wholly-owned subsidiary of the Company
"HECIC"	Hebei Construction & Investment Group Co., Ltd. (河北建設投資集團有限責任公司), a state-owned enterprise established in the PRC and the controlling shareholder of the Company, which invests in the energy and transportation infrastructure industries
"HECIC Water"	HECIC Water Investment Co., Ltd. (河北建投水務投資有限公司), a wholly-owned subsidiary of HECIC

Definitions

"HECIC New Energy"	HECIC New Energy Co., Ltd. (河北建投新能源有限公司), a wholly-owned subsidiary of the Company
"HECIC Yanshan (Guyuan) Wind Power"	HECIC Yanshan (Guyuan) Wind Energy Co., Ltd. (建投燕山(沽源)風能有限公司) a company incorporated in the PRC and a subsidiary 75% owned by HECIC New-energy and 25% owned by Hebei Green Energy Limited, and a connected person of the Company
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IAS"	International Accounting Standards
"IASB"	the International Accounting Standard Board
"IFRSs"	the International Financial Reporting Standards, which include standards and interpretations approved by the IASB, and the IAS and interpretation issued by the international Accounting standards Committee
"installed capacity"	the capacity of the wind turbines that have been completely assembled and erected
"JEI"	Jointo Energy Investment Co., Ltd. (河北建投能源投資股份有限公司), a Stock Exchange listed company (Stock code: 000600) there is primarily engaged in the operating of coal-fixed power plants and is controlled by HECIC
"kW"	unit of power, kilowatt, 1 kW = 1,000 watts
"kWh"	unit of energy, kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be consumed by a 1 kW electrical appliance in one hour
"Listing"	listing of the H Shares of the Company on the Main Board of the Stock Exchange on 13 October 2010
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MW"	unit of power, megawatt. 1MW = 1,000 kW. The installed capacity of power plants is generally expressed in MW
"net power delivered to grid"	for a specified period, the total amount of electricity sold to the relevant local grid companies by a power plant in that period, which equals to gross power generation less auxiliary electricity and the electricity generated during the construction and testing period. Income attributable to the sales of electricity generated during the construction and testing period is not included in the revenue of electricity sales, but is offset against the cost of property, plant and equipment

Definitions

"operating capacity"	the installed capacity of the wind turbines that have been connected to power grids and started generating electricity
"PetroChina"	PetroChina Company Limited (中國石油天然氣股份有限公司), a joint stock company incorporated in China with limited liability and listed on the Stock Exchange (Stock code: 857), and/or its subsidiaries, and an independent third party not connected with the Company
"Pipeline Projects"	wind power projects that have been indentified and reserved for future development pursuant to the wind energy investment and development agreements that we entered into with local governments, under which we are authorized to develop wind farms at specified sites with certain estimated total capacity
"Preliminary Approved Project"	wind power project which has obtained a reply from the National Development and Reform Commission of the PRC or the relevant provincial Development and Reform Commission for their approval of commencing preliminary preparation for such wind power project
"PRC Enterprises Accounting Standards"	the Accounting Standards for Business Enterprises issued by the MOF of the PRC in 2006, and other related regulations issued by the MOF
"projects under construction"	projects for which the construction work on the roads, foundations or electrical infrastructure has commenced but not been completed, and the project company has received the project approval from the National Development and Reform Commission of the PRC or the relevant provincial Development and Reform Commission or local Development and Reform Commission and detailed engineering and construction blueprints have been completed
"Renminbi" or "RMB"	the lawful currency of the PRC
"Zhangbei CIC Huashi"	Zhangbei CIC Huashi Wind Energy Co., Ltd. (張北建投華實風能有限公司), a non-wholly-owned subsidiary of the Company

Corporate Information

REGISTERED NAME:

新天綠色能源股份有限公司

NAME IN ENGLISH:

China Suntien Green Energy Corporation Limited

REGISTERED OFFICE AND HEADQUARTER:

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

PRINCIPAL PLACE OF BUSINESS IN HONGKONG:

Room 4202
Far east finance Centre
16 Harcourt Road
Admiralty, Hong Kong

COMPANY'S WEBSITE:

www.suntien.com

STOCK CODE:

00956

LEGAL REPRESENTATIVE OF THE COMPANY:

Dr. Li Lian Ping

JOINT COMPANY SECRETARIES:

Mr. Zhao hui
Ms. Lam Yuen Ling, Eva

DIRECTORS OF THE COMPANY

Non-executive Directors:

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

Executive Directors:

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

Independent non-executive Directors:

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

SUPERVISORS OF THE COMPANY:

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

AUTHORIZED REPRESENTATIVES:

Mr. Zhao Hui
Ms. Lam Yuen Ling, Eva

Corporate Information

INDEPENDENT AUDITORS:

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

LEGAL ADVISERS:

As to Hong Kong law

Latham & Watkins
18th Floor
One Exchange Square
Central
Hong Kong

As to PRC law

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

COMPLIANCE ADVISER:

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

H SHARE REGISTRAR:

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

PRINCIPAL BANKS:

China Construction Bank
Shijiazhuang Ping'an Street Sub-branch
No.30 Ping'an South Street
Shijiazhuang City, Hebei province
PRC

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

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

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

新天绿色能源股份有限公司
China Suntien Green Energy Corporation Limited *