



**Beijing Jingneng Clean Energy Co., Limited**  
**北京京能清潔能源電力股份有限公司**

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

Stock Code : 00579



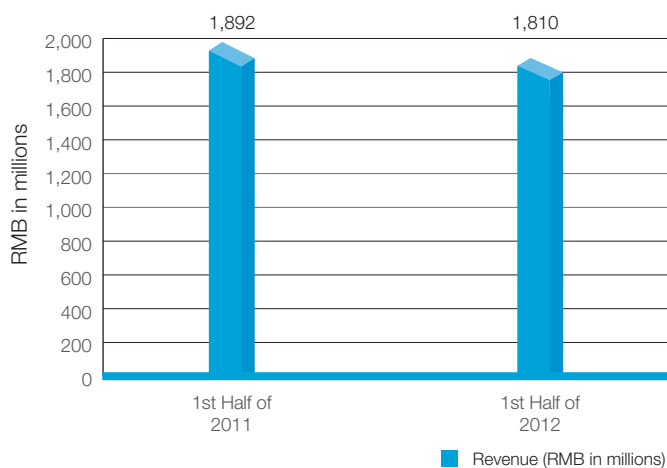
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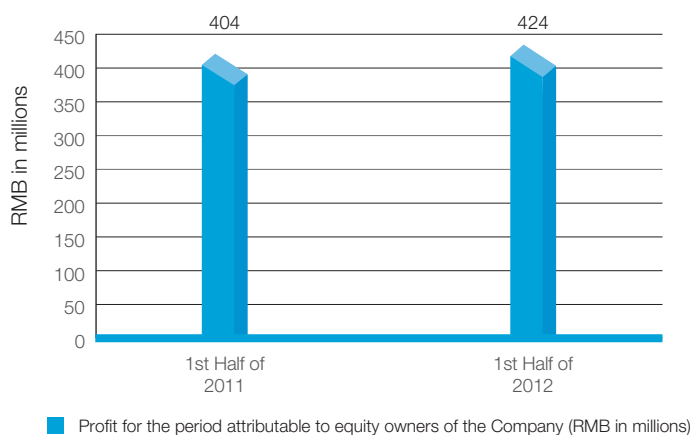
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# FINANCIAL HIGHLIGHTS

## Revenue



## Profit for the period attributable to equity owners of the Company



## Earnings per share



## FINANCIAL HIGHLIGHTS

	For the six months ended June 30	
	2012 RMB'000	2011 RMB'000
Revenue	<b>1,809,671</b>	1,892,255
Profit before taxation	<b>538,406</b>	511,342
Income tax	<b>(75,167)</b>	(76,273)
Profit and total comprehensive income for the period	<b>463,239</b>	435,069
Profit and total comprehensive income attributable to:		
Shareholders/equity owner of the Company	<b>423,521</b>	403,889
Non-controlling interests	<b>39,718</b>	31,180
Basic and diluted earnings per share (RMB cents)	<b>6.90</b>	8.08

	As at	As at
	June 30, 2012 RMB'000	December 31, 2011 RMB'000
Total non-current assets	<b>21,779,912</b>	20,942,453
Total current assets	<b>4,389,229</b>	4,358,600
Total assets	<b>26,169,141</b>	25,301,053
Total current liabilities	<b>6,793,776</b>	7,941,118
Total non-current liabilities	<b>10,300,457</b>	8,200,535
Total liabilities	<b>17,094,233</b>	16,141,653
Net assets	<b>9,074,908</b>	9,159,400
Total equity attributable to the shareholders of the Company	<b>8,739,476</b>	8,781,585
Non-controlling interests	<b>335,432</b>	377,815
Total equity	<b>9,074,908</b>	9,159,400

## CORPORATE PROFILE

### REGISTERED NAME

Beijing Jingneng Clean Energy Co., Limited

### DIRECTORS

#### Non-executive Directors

Mr. LU Haijun (*Chairman*)

Mr. GUO Mingxing

Mr. XU Jingfu

Mr. LIU Guochen

Mr. YU Zhongfu

#### Executive Director

Mr. MENG Wentao

#### Independent Non-executive Directors

Mr. LIU Chaoan

Mr. SHI Xiaomin

Ms. LAU Miu Man

### STRATEGY COMMITTEE

Mr. LU Haijun (*Chairman*)

Mr. GUO Mingxing

Mr. XU Jingfu

Mr. LIU Guochen

Mr. MENG Wentao

### REMUNERATION AND NOMINATION COMMITTEE

Mr. LIU Chaoan (*Chairman*)

Mr. GUO Mingxing

Mr. SHI Xiaomin

### AUDIT COMMITTEE

Ms. LAU Miu Man (*Chairman*)

Mr. LIU Guochen

Mr. LIU Chaoan

### SUPERVISORS

Mr. CHEN Yanshan

Mr. LIU Jiakai

Ms. HUANG Linwei

### COMPANY SECRETARIES

Mr. KANG Jian

Ms. LEUNG, Wai Han Corinna

### AUTHORIZED REPRESENTATIVES

Mr. LIU Guochen

Ms. LEUNG, Wai Han Corinna

### REGISTERED OFFICE

1 Ziguang East Road, Room 118 Badaling Economic Development Zone, Yanqing County, Beijing

### PRINCIPAL PLACE OF BUSINESS IN THE PRC

7/8 Floor, No. 6 Xibahe Road, Chaoyang District, Beijing

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong

## CORPORATE PROFILE

### PRINCIPAL BANKERS

Shanghai Pudong Development Bank Co., Ltd.  
(Fucheng Branch)  
No. 3, Chegongzhuangdajie,  
Xicheng District, Beijing,  
the PRC

Bank of Communications Co., Ltd. (Fuwai Branch)  
Building 1, No. 9, Chegongzhuangdajie,  
Xicheng District, Beijing, the PRC

Agricultural Bank of China Limited (Fengtai Branch)  
No. 9, East Anevue Street,  
Fengtai District, Beijing,  
the PRC

Industrial and Commercial Bank of China Limited  
(Taoranting Branch)  
No. 55, Taoranting Road,  
Xicheng District, Beijing,  
the PRC

### COMPLIANCE ADVISOR

Somerley Limited  
10/F Hong Kong Club Building, 3A Chater Road,  
Central, Hong Kong

### INTERNATIONAL AUDITORS

Deloitte Touche Tohmatsu  
Certified Public Accountants  
35/F, One Pacific Place, 88 Queensway, Hong Kong

### DOMESTIC AUDITORS

Crowe Horwath China CPAs Co., Ltd.  
Room 608, Zhenren Plaza, No. 9 Chongwanmenwai Street,  
Dongcheng District, Beijing, the PRC

### HONG KONG LEGAL ADVISORS

Freshfields Bruckhaus Deringer  
11/F, Two Exchange Square, Central, Hong Kong

### PRC LEGAL ADVISORS

Tian Yuan Law Firm  
10/F, CPIC Plaza, 28 Fengsheng Lane,  
Xicheng District, Beijing, the PRC

### H SHARE REGISTRAR

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

### STOCK CODE

579

### COMPANY'S WEBSITE

[www.jncec.com](http://www.jncec.com)

### LISTING PLACE

The Stock Exchange of Hong Kong Limited



## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2012, the national macro-economy, in general, was in stable operations in spite of a slowdown and continued to develop towards the expected direction pursuant to the macro-control mechanism. The electric power consumption across the country amounted to 2.38 trillion KWh for the first half of 2012, representing an increase of 5.5% compared with the corresponding period in 2011. The increase included a 12.1% consumption growth in tertiary industry and a 12.7% consumption growth for urban and rural residents, representing an increase of 10.4% and 15.2%, respectively, compared with the corresponding period in 2011, giving the power consumption across the country a significant thrust.

As a city with a service-oriented economy focusing on the tertiary industry, in order to implement the strategic concept of “Culture-enriched Beijing, Technology-empowered Beijing and Environment-friendly Beijing” and meet the requirements of becoming a “World City”, in the first half of 2012, Beijing strived to increase its electricity and heat supplies against the backdrop of a rapid increase in electric power consumptions and further optimized its electric power structure. Moreover, through measures such as monitoring PM2.5 which was centred on the “Beijing Municipal Clean Air Action Plan”, Beijing actively advanced the coal-free program within the 5th Ring Road and assiduously bolstered the development of clean energies.

In the first half of the year, adhering to our annual working targets, the Group seized various advantageous opportunities brought by industry policies and supports from the Beijing Municipal Government and strengthened our infrastructure management. The constructions of our top-notch projects were solid and effective while the constructions of the four major thermal power centres as well as the regional energy projects in key functional areas were progressing at a high speed. There was an apparent acceleration of the development of the Company.

### I. BUSINESS REVIEW FOR THE FIRST HALF OF THE YEAR

#### 1. Strengthen infrastructure management and effectively advance project construction

In the first half of 2012, while ensuring the infrastructure construction progress, the Group further improved construction standards, optimized technical solutions, and systemically strengthened the management of projects under construction, so as to forge top-notch projects. The main body in Phase II of the southwest thermal power centre – Jingqiao Power Plant was substantially completed. The equipment procurement bidding phase for the northeast thermal power centre – the Gaoantun Project was smoothly completed. The construction of the northwest thermal power centre – Gaojing Project was progressing rapidly after obtaining the project approval in late March, and subsequently entered the phase for the design plan optimization and equipment procurement bidding. The Project of Future Science and Technology City in Changping District was progressing at a high speed to ensure the commencement of production of the peak load shifting heat supply project at the end of 2012. With our safe and effective management of infrastructure constructions and strengthened supervisions over construction, the target milestones for wind power, photovoltaic power, hydropower and other clean energies related projects under construction were achieved as expected. Meanwhile, the Group strengthened the process management of projects under construction through refined management and stringent control on construction with centralized procurements and uniform biddings, ensured a solid and effective progress of project constructions by



## MANAGEMENT DISCUSSION AND ANALYSIS

a series of measures including stipulating technical construction standards, and made every effort to secure the production targets for the year with continuous emphasis on construction quality and progress, thus laying a foundation for achieving the phase II target of the “Multiplied Capacity Plan” of the Group.

### 2. Operate safely and steadily to maintain stable power generation

In the first half of 2012, with the objective of “strengthening production and guaranteeing electricity output”, the Group took various measures, such as specifying electricity output tasks, dispatching with a focus, strengthening marketing efforts and implementing incentive and punitive measures associated with electric power volumes, to maximise our power generation. As of June 30, 2012, the Group had a consolidated installed capacity of 2,460.15 MW with a consolidated gross power generation amount of 3,361,136 MWh for the six months ended June 30, 2012.

The Group’s consolidated installed capacity by power generation categories as of June 30, 2012 was as follows:

Power Generation Category	Consolidated Installed Capacity as of June 30, 2012 (MW)	Percentage
Gas-fired power	1,190.00	48.37%
Wind power	1,253.75	50.96%
Hydropower	6.40	0.26%
Photovoltaic power	10.00	0.41%
Total	2,460.15	100%

The Group’s consolidated gross power generation by power generation categories for the six months ended June 30, 2012 was as follows:

Power Generation Category	Consolidated Gross Power Generation for the six months ended June 30, 2012 (MWh)	Percentage
Gas-fired power	2,082,820	61.97%
Wind power	1,261,899	37.54%
Hydropower	9,320	0.28%
Photovoltaic power	7,097	0.21%
Total	3,361,136	100%





## MANAGEMENT DISCUSSION AND ANALYSIS

### 3. Continue to strengthen project development

In the first half of 2012, the Group continued to strengthen its efforts on project development. In addition to the existing pipeline projects, we added new pipeline projects such as Changping technology business district (“TBD”) energy project and Tongzhou Taihu energy project. The Group obtained approvals from the relevant provincial development and reform commissions (the “DRC”) for two additional projects with a total capacity of 1,347 MW.

### 4. Strengthen management with steady growth of profitability

In the first half of 2012, the Group continued to explore ways to optimize our operations, deepen professional and refined management, take vigorous measures to maintain economic operation and reliability of our equipment, and tighten cost control, thus realizing a profit and total comprehensive income for the period attributable to equity owners of the Company of RMB423.52 million, representing a slight increase over the corresponding period of last year.

### 5. Step up efforts on CDM project development with increasing number of CDM projects

During the six months ended June 30, 2012 (the “Reporting Period”), the Group’s CDM projects went smoothly with an increasing number of projects being registered. As of June 30, 2012, the Group had a total of 25 CDM projects registered with the CDM Executive Board, and the accumulated installed capacity reached 1,422 MW, among which, in the first half of 2012, the Group registered five new CDM wind power projects with an aggregate installed capacity of 228 MW.

### 6. Optimize financial structure and continue to seek diversified financing channels

To optimize our financial structure, the Group promotes effective use of financial resources and continues to seek diversified financing channels. In the first half of 2012, the Group obtained the approval from China Securities Regulatory Commission and successfully completed the issuance of corporate bonds on July 9, 2012 amounting to RMB3.6 billion with fixed coupon rates, among which, RMB2.4 billion were 3-year corporate bonds with a coupon rate at 4.35% and RMB1.2 billion were 5-year corporate bonds with a coupon rate at 4.6%. With the issuance of corporate bonds, the Group was able to lock in capital cost and further expand financing channels at lower finance costs. Meanwhile, the Group introduced capitals from sources other than banks via different methods such as the debt scheme, which not only satisfied the business capital requirements but also achieved a more balanced debt structure on an on-going basis, with an aim of reducing finance costs.

# MANAGEMENT DISCUSSION AND ANALYSIS

## II. OPERATING RESULTS AND ANALYSIS

### Overview

In the first half of 2012, the Company realized a profit and total comprehensive income for the period of RMB463.24 million, representing an increase of 6.47% as compared to RMB435.07 million for the corresponding period in 2011. The profit and total comprehensive income for the period attributable to equity owners of the Company amounted to RMB423.52 million, representing an increase of 4.86% as compared to RMB403.89 million for the corresponding period in 2011.

### Operating Income

In the first half of 2012, the total revenue of the Company amounted to RMB1,809.67 million, representing a decrease of 4.36% as compared to RMB1,892.26 million for the corresponding period in 2011, due to the decrease in power generation and heat energy generation as compared with the corresponding period in 2011 as a result of the inspection and maintenance of power generation units.

The table below sets forth the revenue by business segments and product types and the total revenue from reportable segments as well as the reconciliation to the adjusted revenue for the periods indicated:

	For the six months ended		
	June 30		Percentage Change (%)
	2012 (RMB million)	2011 (RMB million)	
<b>Gas-fired power and heat energy generation segment:</b>			
Sales of electricity	<b>982.30</b>	1,034.34	(5.03%)
Sales of heat energy	<b>213.17</b>	247.30	(13.80%)
Others	–	–	–
Total	<b>1,195.48</b>	1,281.64	(6.72%)
<b>Wind power segment:</b>			
Sales of electricity	<b>604.73</b>	608.72	(0.66%)
Others	–	–	–
Total	<b>604.73</b>	608.72	(0.66%)
<b>Hydropower and other businesses:</b>			
Sales of electricity	<b>8.79</b>	1.88	368.91%
Sales of heat energy	<b>0.68</b>	0.02	3,300%
Other revenue	–	–	–
Total	<b>9.47</b>	1.89	399.95%
<b>Total revenue from reportable segments</b>	<b>1,809.67</b>	1,892.26	(4.36%)
Add: government grants and subsidies related to clean energy production	<b>215.12</b>	329.24	(34.66%)
<b>Adjusted revenue</b>	<b>2,024.79</b>	2,221.49	(8.85%)



## MANAGEMENT DISCUSSION AND ANALYSIS

### Gas-Fired Power and Heat Energy Generation Segment

The revenue from our gas-fired power and heat energy generation segment decreased by 6.72% from RMB1,281.64 million for the first half of 2011 to RMB1,195.48 million for the first half of 2012, due to the decrease in electricity sales and heat supply as a result of the inspection and maintenance of power generation units. The revenue from sales of electricity decreased by 5.03% from RMB1,034.34 million for the first half of 2011 to RMB982.30 million for the first half of 2012, due to the decrease in electricity sales as a result of the inspection and maintenance of power generation units in our gas-fired power and heat energy generation segment. Revenue from sales of heat energy decreased by 13.80% from RMB247.30 million for the first half of 2011 to RMB213.17 million for the first half of 2012, due to the fact that Jingqiao Power Plant was under reconstruction for technical improvements making no contribution to our revenue from heat generation.

### Wind Power Segment

The revenue from our wind power segment decreased by 0.66% from RMB608.72 million for the first half of 2011 to RMB604.73 million for the first half of 2012, due to a decrease in electricity sales caused by slightly less wind resources as compared with the corresponding period last year, in spite of an expanded consolidated installed capacity from 895.25 MW in the first half of 2011 to 1,253.75 MW in the first half of 2012.

### Hydropower and Other Businesses

The revenue from our hydropower and other businesses increased by 399.95% from RMB1.89 million for the first half of 2011 to RMB9.47 million for the first half of 2012, due to the commencement of operation of Taiyangshan Photovoltaic Power Plant in February 2012.

### Other Income

Other income for the first half of 2012 amounted to RMB308.27 million, representing a decrease of 28.19% as compared to RMB429.30 million for the corresponding period in 2011 due to the two upward adjustments of grid tariff of gas-fired power in 2011 which resulted in lower tariff subsidies.

### Operating Expenses

Operating expenses for the first half of 2012 amounted to RMB1,360.18 million, representing a decrease of 15.66% as compared to RMB1,612.65 million for the corresponding period in 2011 mainly due to the decrease in gas consumptions.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gas Consumption

In the first half of 2012, the gas consumption amounted to RMB829.85 million, representing a decrease of 19.22% as compared to RMB1,027.24 million for the corresponding period in 2011 due to the inspection and maintenance of power generation units which led to the decrease in electricity sales and the gas consumption level in the gas-fired power and heat energy generation segment.

## Depreciation and Amortization

Depreciation and amortization for the first half of 2012 amounted to RMB406.56 million, representing an increase of 3.82% as compared to RMB391.61 million for the corresponding period in 2011 due to the increase in the production capacity of wind power segment.

## Personnel Costs

In the first half of 2012, the personnel costs amounted to RMB86.26 million, representing an increase of 6.22% as compared to RMB81.20 million for the corresponding period in 2011 due to the increase in the number of employees as a result of the business development of the Group and part of personnel costs expensed as new projects commenced production.

## Repairs and Maintenance

Expenses in repairs and maintenance for the first half of 2012 amounted to RMB45.13 million, representing an increase of 24.80% as compared to RMB36.16 million for the corresponding period in 2011 due to the increase in repair expenses for gas-fired power generation units.

## Other Expenses

Other expenses for the first half of 2012 amounted to RMB92.55 million, representing an increase of 20.59% as compared to RMB76.75 million for the corresponding period in 2011 due to the increase in relevant tax surcharges and listing maintenance fees as a result of our business development.

## Other Gains and Losses

In the first half of 2012, other gains amounted to RMB100.16 million, representing an increase of RMB99.86 million as compared to RMB0.31 million for the corresponding period in 2011 due to the gains from the transfer of 35% equity interests in Beijing Huayuan Heating Pipeline Co., Ltd by the Company and the transfer of the 100% equity interests in Jingneng Changtu New Energy Co., Ltd.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Profit from Operations

Profit from operations for the first half of 2012 amounted to RMB757.76 million, representing an increase of 6.89% as compared to RMB708.90 million for the corresponding period in 2011, which indicated a stable increase in the Group's operating results in the current period.

## Adjusted Segment Operating Profit

Our adjusted segment operating profit decreased by 6.83% from RMB608.84 million for the first half of 2011 to RMB567.27 million for the first half of 2012, due to a decrease in electricity sales and heat supplies as a result of the inspection and maintenance of power generation units in the gas-fired power and heat energy generation segment and an increase in our costs as a result of the commencement of production of newly-built projects in the wind power segment coupled with decreasing electricity sales due to insufficient wind resources and electricity control.

The table below sets forth the total adjusted segment operating profit as reported on the consolidated statement of comprehensive income by segment and the reconciliation to the operating profit:

	For the six months ended		
	June 30		
	2012 (RMB million)	2011 (RMB million)	Percentage Change (%)
Gas-fired power and heat energy generation segment	<b>294.18</b>	286.67	2.62%
Wind power segment	<b>280.54</b>	337.83	(16.96%)
Hydropower and other businesses	<b>(7.44)</b>	(15.66)	(52.47%)
<b>Total adjusted segment operating profit</b>	<b>567.27</b>	608.84	(6.83%)
Less: Government grants and subsidies related to clean energy production	<b>(215.12)</b>	(329.24)	(34.66%)
Add: Other income	<b>304.49</b>	427.21	(28.73%)
Add: Unallocated items	<b>101.12</b>	2.10	–
<b>Operating profit</b>	<b>757.76</b>	708.90	6.89%

Note: Unallocated items include dividend income from available-for-sale financial assets, gains from equity transfer of joint ventures and subsidiaries and others.

## Gas-Fired Power and Heat Energy Generation Segment

The total adjusted segment operating profit of our gas-fired power and heat energy generation segment increased by 2.62% from RMB286.67 million for the first half of 2011 to RMB294.18 million for the first half of 2012, due to the increase in grid tariff and the decrease in gas consumption in power generation attributable to technical improvement resulting in an increase in revenue per unit and a decrease in cost of power generation per unit.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Wind Power Segment

Adjusted segment operating profit of our wind power segment decreased by 16.96% from RMB337.83 million for the first half of 2011 to RMB280.54 million for the first half of 2012, due to decreased electricity sales in the wind power segment with increased costs following the commencement of production of newly-built projects.

## Hydropower and Other Businesses

Adjusted segment operating loss of our hydropower and other businesses decreased from RMB15.66 million for the first half of 2011 to RMB7.44 million for the first half of 2012, mainly due to the commencement of operation of photovoltaic power generation units.

## Finance Costs

In the first half of 2012, the finance costs amounted to RMB339.46 million, representing an increase of 19.63% as compared to RMB283.76 million for the corresponding period in 2011 due to interest payments expensed as a result of the commencement of production of new projects since the second half of 2011 in the wind power segment and the increase in interest rates of bank loans.

## Share of Results of Associates and Jointly Controlled Entities

In the first half of 2012, share of results of associates and jointly controlled entities amounted to RMB106.30 million, representing an increase of 38.02% as compared to RMB77.02 million for the corresponding period in 2011 due to the growth in net profit of our associate Beijing Jingneng International Power Co., Ltd. as a result of the increase in power tariffs and the control over coal prices.

## Income Tax Expense

Income tax expense for the first half of 2012 amounted to RMB75.17 million, representing a decrease of 1.45% as compared to RMB76.27 million for the corresponding period in 2011, and the effective tax rate decreased from 14.92% in the first half of 2011 to 13.96% in the first half of 2012. The decrease was primarily due to the tax preferential policies for the newly-launched wind power projects.

## Profit and Total Comprehensive Income for the Period

In the first half of 2012, profit and total comprehensive income for the period amounted to RMB463.24 million, representing an increase of 6.47% as compared to RMB435.07 million for the corresponding period in 2011.

## Profit and Total Comprehensive Income for the Period Attributable to Equity Owners of the Company

Profit and total comprehensive income for the period attributable to equity owners of the Company for the first half of 2012 amounted to RMB423.52 million, representing an increase of 4.86% as compared to RMB403.89 million for the corresponding period in 2011.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity and Source of Funds

As of June 30, 2012, the Group's bank balances and cash amounted to RMB2,276.58 million, representing a decrease of RMB166.85 million as compared with the RMB2,443.42 million at December 31, 2011, as we utilized part of the funds raised upon exchange settlements as described in the prospectus.

As of June 30, 2012, current assets of the Group (excluding bank balances and cash) amounted to RMB2,112.65 million, including trade and bill receivables of RMB1,137.58 million (primarily comprising receivables from the sales of electricity and heat energy) and prepayments and other current assets of RMB975.08 million (primarily comprising deductible value added tax and other receivables). Current liabilities amounted to RMB6,793.78 million, including short-term borrowings of RMB4,257.76 million and trade and other payables of RMB1,698.35 million (primarily comprising payables for the purchase of gases and engineering equipment). Other current liabilities amounted to RMB837.67 million, primarily comprising deferred income and the dividend payable.

Net current liabilities as of June 30, 2012 amounted to RMB2,404.55 million, representing a decrease of RMB1,177.97 million as compared with RMB3,582.52 at December 31, 2011. The decrease in net current liabilities was due to a decrease in short-term borrowings.

As of June 30, 2012, the Group's outstanding borrowings amounted to RMB14,460.93 million (of which short-term borrowings and long-term borrowings due within one year amounted to RMB4,257.76 million and long-term borrowings amounted to RMB10,203.17 million), representing an increase of RMB218.86 million as compared with RMB14,242.08 million at December 31, 2011.

### Foreign Exchange Management

The Group mainly operates its business in Mainland China, and most of its revenue and expenses are denominated in Renminbi. The proceeds from the initial public offering are in Hong Kong dollars. As at June 30, 2012, exchange settlement is still pending for some of the aforesaid proceeds and revenue from CDM projects. Therefore, fluctuations in the exchange rate of Renminbi may cause exchange loss or gain to the Group's operation settled in foreign currencies. The Group has not entered into any forward contracts to hedge such foreign currency risks. The management of the Group may consider hedging the risks by utilizing appropriate hedging instruments when necessary.

### Capital Expenditure

The capital expenditure of the Group amounted to RMB1,649.44 million in the first half of 2012, representing an increase of 31.27% as compared with RMB1,256.51 million for the corresponding period of 2011. The capital expenditure mainly represented construction costs. The capital expenditure was primarily funded by the cash flow generated from operating activities of the Group and bank borrowings.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Net Gearing Ratio

As of June 30, 2012, the net gearing ratio of the Group, which is calculated by dividing the net debt (total borrowings minus cash and cash equivalents) by the sum of net debt and total equity, was 57.31%, representing an increase of 1.01% as compared with 56.30% at December 31, 2011. The increase was due to a decrease of interest attributable to the owners caused by a special dividend distribution among the shareholders prior to the listing. The Directors are of the opinion that the Group has a reasonable capital structure which is sufficient to support its development plans and operations in the future.

## Material Investment

According to the development plan of the Group, the Company established two wholly-owned subsidiaries, Beijing Jingxi Gas-Thermal Power Co., Ltd and Beijing Shangzhuang Gas-Thermal Power Co., Ltd in April and June 2012, respectively, to engage in the gas-fired power generation and the development of heat supply project.

## Material Acquisition and Disposal

To further optimize its business development, the Company completed the transfer of a 35% equity interest in Beijing Huayuan Heating Pipeline Co., Ltd and the 100% equity interest in Jingneng Changtu New Energy Co., Ltd in the first half of 2012, at a consideration of RMB107.24 million and RMB170.00 million, respectively.

## Pledge of Assets

The Group did not pledge any assets in the first half of 2012.

## Contingent Liabilities

The Group had total outstanding guarantees in the amount of RMB599.44 million as of June 30, 2012.

## Employees' Remuneration

As to 30 June 2012, the Group has 2,218 employees in aggregate. The employees' remuneration comprises basic salary and performance-based salary. The performance-based salary is determined by reference to the performance appraisal of the employees of the Group. Through clearly locating position-oriented performance targets and formulating performance standards, the Company has managed to assess employees' performance in an objective manner. By materializing reward and penalty in the performance-related portion of the employees' remuneration, the Company is able to achieve the coexistence of incentives and restraints.



## MANAGEMENT DISCUSSION AND ANALYSIS

### III. BUSINESS PROSPECT FOR THE SECOND HALF OF THE YEAR

Despite the current complicated economic conditions and the increasing uncertainties at home and abroad with dynamic adjustments to economic policies, the Group believes that the overall prospect for the development of China is positive. Demands for electricity will continue to increase at a relatively rapid pace in the second half of 2012.

The Group will take full advantage of new opportunities, highlight the guideline of “maintaining stable development with emphasis on Beijing, prioritizing efficient use of resources to achieve maximum cost-efficiency”, proactively carry out the guiding principle on investment and operation to “maintain stability, devise strategic layout, optimize structure, strengthen management and promote growth”, and keep the momentum stable, so as to bolster our ability to serve Beijing and sustain our development.

During the “Twelfth Five-Year” period, China will place more emphasis on the clean energy sector as a source of newly installed capacity of electric power. The current circumstances, in general, provide favourable conditions for the business expansion of the Group. We will adhere to the principle of large-scale development with cost efficiency, and strengthen the development of high-quality projects while completing the construction and operation of the existing projects under construction and other reserve projects. The Group will be progressing solidly and strongly towards a first-class listed clean energy company in the world.

In the second half of 2012, the Group will focus on the following tasks to ensure the fulfilment of the annual operation targets:

#### **1. Forge top-notch projects to expand the scale and maximize cost efficiency**

Concentrating on the construction of the four thermal power centres, the Group will ensure that Phase II of Jingqiao Power Plant will commence production in the second half of the year as scheduled; and will vigorously promote the construction of the energy projects in the northeast thermal power centre, the northwest thermal power centre, Future Science and Technology City in Changping District and other regional energy projects. The Group will also strengthen the control on project quality, so as to lay a solid foundation for the future commencement of production and operation for such projects. Moreover, the Group will put stringent control over project costs, properly arrange construction stages and work schedules, and make sure that production commencement targets will be met, so as to spawn new growth of profitability for the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **2. Step up efforts on project development to secure sustainable development**

The Group will expand its project reserves by seizing the market opportunities brought by new town construction programs in key areas of Beijing and the demand for heating and cooling in key urban and rural areas as well as the science and technology districts. Meanwhile, the Group will exert every effort to advance the early-stage work for the existing reserve projects, such as the energy projects in the northern part of Haidian District, Changping TBD and Taihu, Tongzhou District. At the same time, the Group will strive to extend new projects for heat supplies and new decentralized energy projects.

### **3. Strengthen operation management to boost profitability of the existing assets**

The Group will enhance the efficiency of productions and operations, conserve energies and reduce consumptions, refine its cost control, optimize its debt structure, and put more rigid control over its budget. Also, the Group will closely monitor the orientation of CDM policies and market, better complete the registration and verification of CDM projects, so as to continue to boost the profitability of the existing projects.

### **4. Strengthen production supervision to ensure the fulfilment of the targets for annual power generation**

The Group will optimize the management of its equipment operation and maintenance, continue to strengthen the dynamic management during the process of safe productions, and make the utmost effort to build an inherently safe enterprise. As for gas-fired power generation and heat supply projects, the Group will extend the running hours of generation units and enhance their operation efficiency during the heat supply season in the second half of 2012. As for wind power generation projects, the Group will fortify its ability to operate the wind farms in a safe and stable manner via technical improvements, deepen communications with grid companies, and ensure fulfilment of the annual power generation targets through comprehensive technical and management measures.

### **5. Strengthen capital management and diversify financing channels to safeguard the enterprise development**

The Group will enhance its risk resistance capacity through diversifying financing channels and adjusting its debt structure. While ensuring the safety of its capital as a pre-condition, in addition to bank loans, the Group will expand its financing resources through various means and instruments, including issuance of bonds, with a view to strengthening its capital management and lowering capital costs, securing capital sources for the future development of the Group.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **6. Promote innovation in science and technology to pioneer in technological advancement**

Taking the national science and technology project “Key Technologies and Demonstrations for Upgrading the Efficiency of Heat Supply Systems in Urban and Rural Areas” as a paradigm, the Group will carry out the technology project of decentralized energy supplies in order to build the Future City into a national technology demonstration base. Furthermore, the Group will reinforce the management of intellectual property rights, striving to initiate the projects featuring advanced technologies and independent intellectual property rights in sectors like energy conservations and consumption reductions, heat supplies in urban areas, environment protection and comprehensive utilization of energy. During the construction of the four thermal power centres, the Group will enhance technology innovation, actively build digitalized power plants and boost management efficiency.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

As a company listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Company always strives to maintain a high level of corporate governance and complied with all code provisions as set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) for the three months ended March 31, 2012 and all code provisions of the Corporate Governance Code (the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering a period after April 1, 2012) as set out in Appendix 14 to the Listing Rules for the three months ended June 30, 2012.

## COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the code of conduct regarding transactions involving securities of the Company by the directors and supervisors of the Company. Upon making specific enquiries to all of the directors and supervisors of the Company, all directors and supervisors of the Company confirmed that during the Reporting Period, each of the directors and supervisors of the Company had fully complied with the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers.

## AUDIT COMMITTEE

The Audit Committee of the Company (the “**Audit Committee**”) has formulated terms of reference in written form in accordance with requirements of the Listing Rules. It comprises three members, namely, Ms. LAU Miu Man (independent non-executive director), Mr. LIU Guochen (non-executive director) and Mr. LIU Chaoan (independent non-executive director). Ms. Lau Miu Man currently serves as the chairman of the Audit Committee.

The Audit Committee of the Company has reviewed the Group’s 2012 interim results announcement, 2012 interim report, and the unaudited financial statements for the six months ended June 30, 2012 prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”).

## SHARE CAPITAL

As of December 31, 2011, the total share capital of the Company was RMB6,032,200,000, divided into 6,032,200,000 shares of RMB1.00 each. After exercising the over-allotment option on January 13, 2012, the total share capital of the Company was RMB6,149,905,454, divided into 6,149,905,454 shares of RMB1.00 each. As at June 30, 2012, the total share capital of the Company was RMB6,149,905,454, divided into 6,149,905,454 shares of RMB1.00 each. Details of movements in the share capital of the Company during the Reporting Period are set out in note 18 to the Financial Statements.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at June 30, 2012, no Director, Supervisor or senior management members of the Company had any interest or short position in the shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests and short position in accordance with such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at June 30, 2012, to the knowledge of the Directors of the Company, the persons (other than a Director, Supervisor or member of the senior management of the Company) who have an interest or short position 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 and as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholders	Types of Shares	Capacity	Number of shares/underlying shares held (share)		Percentage of relevant class of share capital (%)		Percentage of total share capital (%)	
			Long position	Short position	Long position	Short position	Long position	Short position
BEIH	Domestic share	Beneficial interest and interest of a controlled corporation	4,217,360,071	-	93.46	-	68.58	-
BSAMAC	Domestic share	Beneficial interest and interest of a controlled corporation	4,442,302,231	-	98.45	-	72.23	-
Barclays Bank PLC	H share	Beneficial Interest	153,450,000	137,008,928	9.37	8.37	2.50	2.23
Barclays PLC	H share	Interest of a controlled corporation	153,450,000	137,008,928	9.37	8.37	2.50	2.23
SAIF IV GP Capital Ltd.	H share	Beneficial Interest	233,532,000	-	14.26	-	3.80	-
SAIF IV GP LP	H share	Interest of a controlled corporation	233,532,000	-	14.26	-	3.80	-
SAIF Partners IV L.P.	H share	Interest of a controlled corporation	233,532,000	-	14.26	-	3.80	-

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of shareholders	Types of Shares	Capacity	Number of shares/underlying shares held (share)		Percentage of relevant class of share capital (%)		Percentage of total share capital (%)	
			Long position	Short position	Long position	Short position	Long position	Short position
Yan Andrew Y.	H share	Interest of a controlled corporation	233,532,000	–	14.26	–	3.80	–
Shanghai Electric Group Company Limited	H share	Beneficiary of a trust	232,000,000	–	14.17	–	3.77	–
Shanghai International Trust Co. Ltd.	H share	Trustee	232,000,000	–	14.17	–	3.77	–
Beijing Enterprises Holdings Limited	H share	Interest of a controlled corporation	219,200,000	–	13.39	–	3.56	–
Beijing Enterprises Energy Technology Investment Co. Limited	H share	Beneficial Interest	219,200,000	–	13.39	–	3.56	–
Beijing Enterprises Energy Technology (Hong Kong) Co. Ltd.	H share	Interest of a controlled corporation	219,200,000	–	13.39	–	3.56	–
JetCote Investments Limited	H share	Beneficial Interest	140,118,000	–	8.56	–	2.28	–
China Aerospace Science & Technology Co., Ltd.	H share	Interest of a controlled corporation	140,118,000	–	8.56	–	2.28	–
Xinjiang Goldwind Science & Technology Co. Ltd.	H share	Interest of a controlled corporation	140,118,000	–	8.56	–	2.28	–
New Wealth Investment Holdings Limited	H share	Beneficial Interest	137,008,928	–	8.37	–	2.23	–
Chen Li	H share	Interest of a controlled corporation	137,008,928	–	8.37	–	2.23	–
China Longyuan Power Group Corporation Limited	H share	Interest of a controlled corporation	98,000,000	–	5.98	–	1.59	–



## CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of shareholders	Types of Shares	Capacity	Number of shares/underlying shares held (share)		Percentage of relevant class of share capital (%)		Percentage of total share capital (%)	
			Long position	Short position	Long position	Short position	Long position	Short position
CSOF Inno Investments Limited	H share	Beneficial Interest	94,414,000	-	5.77	-	1.54	-
China Special Opportunities Fund III, L.P.	H share	Interest of a controlled corporation	94,414,000	-	5.77	-	1.54	-

### PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2012 except for the shares sold pursuant to the exercise of the over-allotment option as set out in the announcement of the Company dated January 13, 2012.

### INTERIM DIVIDEND

The Board has not made any recommendation on the distribution of an interim dividend for the six months ended June 30, 2012.

### CHANGE IN DIRECTORS' INFORMATION

The change in Director's information as required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules is set out below:

Ms Lau Miu Man, Independent Non-Executive Director – On June 1, 2012, appointed as Chief Financial Officer, Authorized Representative and Company Secretary of Huazhong Holdings Company Limited which is listed on the Stock Exchange (stock code: 6830).

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2012  
(AMOUNT EXPRESSED IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

	Notes	Six months ended June 30,	
		2012 RMB'000	2011 RMB'000
Revenue	3	<b>1,809,671</b>	1,892,255
Other income	4	<b>308,269</b>	429,301
Gas consumption		<b>(829,846)</b>	(1,027,237)
Depreciation and amortization	8	<b>(406,560)</b>	(391,610)
Personnel costs		<b>(86,258)</b>	(81,204)
Repairs and maintenance		<b>(45,132)</b>	(36,163)
Other expenses		<b>(92,549)</b>	(76,745)
Other gains and losses	5	<b>100,162</b>	305
Profit from operations		<b>757,757</b>	708,902
Interest income	6	<b>13,813</b>	9,178
Finance costs	6	<b>(339,460)</b>	(283,755)
Share of results of associates		<b>106,166</b>	78,298
Share of results of jointly controlled entities		<b>130</b>	(1,281)
Profit before taxation		<b>538,406</b>	511,342
Income tax expense	7	<b>(75,167)</b>	(76,273)
Profit and total comprehensive income for the period	8	<b>463,239</b>	435,069
Profit and total comprehensive income for the period attributable to:			
– Equity owners of the Company		<b>423,521</b>	403,889
– Non-controlling interests		<b>39,718</b>	31,180
		<b>463,239</b>	435,069

		Six months ended June 30,	
		2012 RMB cents	2011 RMB cents
Earnings per share			
Basic and diluted	10	<b>6.90</b>	8.08

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2012

(AMOUNT EXPRESSED IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

	Notes	June 30, 2012 RMB'000	December 31, 2011 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>14,992,564</b>	14,044,371
Intangible assets	12	<b>3,538,982</b>	3,627,509
Prepaid lease payments		<b>91,047</b>	91,499
Investments in associates		<b>1,373,915</b>	1,267,749
Loans to associates		<b>158,117</b>	136,440
Investments in jointly controlled entities		<b>80,351</b>	200,429
Deferred tax assets	13	<b>64,613</b>	107,220
Available-for-sale financial assets		<b>134,090</b>	98,028
Value-added tax recoverable		<b>554,583</b>	516,526
Deposit paid for acquisition of property, plant and equipment		<b>791,650</b>	852,682
		<b>21,779,912</b>	20,942,453
<b>Current assets</b>			
Inventories		<b>57,178</b>	51,445
Trade and bill receivables	14	<b>1,137,578</b>	1,401,721
Other receivables, deposits and prepayments		<b>498,548</b>	131,768
Current tax assets		<b>61,927</b>	1,048
Amounts due from related parties	22(b)	<b>96,119</b>	35,845
Prepaid lease payments		<b>2,267</b>	2,009
Value-added tax recoverable		<b>259,037</b>	291,343
Cash and cash equivalents	15	<b>2,276,575</b>	2,443,421
		<b>4,389,229</b>	4,358,600

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2012  
(AMOUNT EXPRESSED IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

	Notes	June 30, 2012 RMB'000	December 31, 2011 RMB'000
<b>Current liabilities</b>			
Trade and other payables	16	<b>1,698,347</b>	1,367,020
Amounts due to related parties	22(c)	<b>835,671</b>	260,743
Bank and other borrowings-due within one year	17	<b>4,257,761</b>	6,087,492
Income tax payable		-	65,769
Deferred income-current portion		<b>1,997</b>	160,094
		<b>6,793,776</b>	7,941,118
<b>Net current liabilities</b>		<b>(2,404,547)</b>	(3,582,518)
<b>Total assets less current liabilities</b>		<b>19,375,365</b>	17,359,935
<b>Non-current liabilities</b>			
Bank and other borrowings-due after one year	17	<b>10,203,173</b>	8,154,585
Deferred tax liabilities	13	<b>3,845</b>	3,845
Deferred income		<b>93,439</b>	42,105
		<b>10,300,457</b>	8,200,535
<b>Net assets</b>		<b>9,074,908</b>	9,159,400
<b>Capital and reserves</b>			
Share capital	18	<b>6,149,905</b>	6,032,200
Reserves		<b>2,589,571</b>	2,749,385
Equity attributable to equity owners of the Company		<b>8,739,476</b>	8,781,585
Non-controlling interests		<b>335,432</b>	377,815
<b>Total equity</b>		<b>9,074,908</b>	9,159,400

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2012

(AMOUNT EXPRESSED IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

	Attributable to equity owners of the Company						Attributable to non-controlling interests	Total equity
	Registered capital/ share capital	Capital reserve	Statutory surplus reserve	Other reserves	Accumulated profits	Total		
	RMB'000	RMB'000	RMB'000 (Note)	RMB'000	RMB'000	RMB'000		
At January 1, 2011	5,000,000	1,340,717	68,381	3,914	351,168	6,764,180	309,277	7,073,457
Additional capital injection in a subsidiary by non-controlling interests	-	-	-	-	-	-	19,480	19,480
Disposal of investment in an associate and an subsidiary to BEIH	-	35,739	-	-	-	35,739	1,166	36,905
Appropriation to statutory surplus reserve	-	-	83,701	-	(83,701)	-	-	-
Acquisition of a subsidiary from BEIH	-	(81,320)	-	-	-	(81,320)	-	(81,320)
Dividend declared	-	-	-	-	-	-	(43,638)	(43,638)
	5,000,000	1,295,136	152,082	3,914	267,467	6,718,599	286,285	7,004,884
Profit/total comprehensive income for the period	-	-	-	-	403,889	403,889	31,180	435,069
At June 30, 2011	5,000,000	1,295,136	152,082	3,914	671,356	7,122,488	317,465	7,439,953

	Attributable to equity owners of the Company						Attributable to non-controlling interests	Total equity
	Registered capital/ share capital	Capital reserve	Statutory surplus reserve	Other reserves	Accumulated profits	Total		
	RMB'000 (Note 27)	RMB'000	RMB'000 (Note)	RMB'000	RMB'000	RMB'000		
At January 1, 2012	<b>6,032,200</b>	<b>1,522,467</b>	<b>206,935</b>	<b>3,914</b>	<b>1,016,069</b>	<b>8,781,585</b>	<b>377,815</b>	<b>9,159,400</b>
Issue of shares (Note 18)	<b>117,705</b>	<b>42,360</b>	-	-	-	<b>160,065</b>	-	<b>160,065</b>
Issuance costs	-	<b>(6,118)</b>	-	-	-	<b>(6,118)</b>	-	<b>(6,118)</b>
Disposal of investment in subsidiary	-	-	<b>(377)</b>	-	<b>377</b>	-	-	-
Appropriation to statutory surplus reserve	-	-	<b>64,215</b>	-	<b>(64,215)</b>	-	-	-
Dividend declared (Note 9)	-	-	-	-	<b>(619,577)</b>	<b>(619,577)</b>	<b>(82,101)</b>	<b>(701,678)</b>
	<b>6,149,905</b>	<b>1,558,709</b>	<b>270,773</b>	<b>3,914</b>	<b>332,654</b>	<b>8,315,955</b>	<b>295,714</b>	<b>8,611,669</b>
Profit/total comprehensive income for the period	-	-	-	-	<b>423,521</b>	<b>423,521</b>	<b>39,718</b>	<b>463,239</b>
At June 30, 2012	<b>6,149,905</b>	<b>1,558,709</b>	<b>270,773</b>	<b>3,914</b>	<b>756,175</b>	<b>8,739,476</b>	<b>335,432</b>	<b>9,074,908</b>

Note: According to the relevant requirement in the memorandum of the Company and its subsidiaries, a portion of their profits after taxation computed in accordance with the relevant accounting principles and financial regulations in the PRC ("PRC GAAP") will be transferred to statutory surplus reserve. The transfer to this reserve must be made before the distribution of a dividend to equity owners. Such statutory surplus reserve can be used to offset the previous years' losses, if any, and increase capital. The statutory surplus reserve is non-distributable other than upon liquidation.

# UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2012  
(AMOUNT EXPRESSED IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

	Notes	Six months ended June 30,	
		2012 RMB'000	2011 RMB'000
<b>Operating activities</b>			
Profit before taxation		<b>538,406</b>	511,342
Adjustments for:			
Depreciation and amortization	8	<b>406,560</b>	391,610
Impairment losses on doubtful receivables	5	<b>72</b>	–
Dividend from available-for-sale financial assets		<b>(2,468)</b>	(2,096)
Loss on disposal of property, plant and equipment	5	<b>(44)</b>	606
Share of results of associates		<b>(106,166)</b>	(78,298)
Share of results of jointly controlled entities		<b>(130)</b>	1,281
(Gain) loss on disposal of JCE	5	<b>(23,091)</b>	–
(Gain) loss on disposal of subsidiary	5	<b>(71,065)</b>	–
Interest income	6	<b>(13,813)</b>	(9,178)
Finance costs	6	<b>339,460</b>	283,755
Prepaid lease payments released to profit or loss	8	<b>535</b>	799
Deferred income released to profit or loss	4	<b>(1,316)</b>	(1,316)
Operating cash flows before movements in working capital		<b>1,066,940</b>	1,098,505
Movements in working capital			
(Increase) Decrease in inventories		<b>(5,733)</b>	(2,152)
Decrease (Increase) in trade and bill receivables		<b>264,071</b>	424,469
Decrease (Increase) in amounts due from related parties		<b>16,963</b>	59
(Increase) Decrease in other receivables, deposits and prepayments		<b>(91,872)</b>	(13,957)
(Decrease) Increase in trade and other payables		<b>(102,560)</b>	(88,250)
(Decrease) Increase in amounts due to related parties		<b>–</b>	(7,550)
(Decrease) Increase in deferred income		<b>(158,098)</b>	(87,167)
Cash generated from operations		<b>989,711</b>	1,323,957
Income tax paid		<b>(159,207)</b>	(111,345)
<b>Net cash generated from operating activities</b>		<b>830,504</b>	1,212,612
<b>Investing activities</b>			
Interest received		<b>13,813</b>	7,551
Dividends received		<b>2,468</b>	–
Repayment of loans by associates		<b>109,394</b>	200,522
Cash advanced to associates		<b>(131,071)</b>	(214,001)
Repayment of loans by jointly controlled entities		<b>–</b>	40,604
Repayment of loan from related party		<b>–</b>	110,625
Acquisition of:			
– Property, plant and equipment		<b>(942,939)</b>	(1,711,611)
– Intangible assets		<b>(8,984)</b>	(9,474)
– Available-for-sales financial assets		<b>–</b>	–
Additional capital contribution to a jointly controlled entity		<b>–</b>	–

# UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2012

(AMOUNT EXPRESSED IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

	Six months ended June 30,	
	2012	2011
Notes	RMB'000	RMB'000
<b>Investing activities</b> – continued		
Prepaid lease payments on land use rights	(340)	(29,574)
Proceeds on disposals of		
– Property, plant and equipment	44	1,576
– Available-for-sales financial assets	–	–
Cash inflow on disposal of subsidiaries	–	17,499
Cash received from government grants	52,650	–
Settlement of consideration payable for acquisition of a subsidiary	–	(3,000)
Cash inflow on disposal of an investment in JCE classified as assets held for sales	30,000	–
	–	15,782
<b>Net cash used in investing activities</b>	<b>(874,965)</b>	<b>(1,573,501)</b>
<b>Financing activities</b>		
Interest paid	(340,180)	(283,471)
Cash received from capital contribution	–	19,480
Advances from related parties	–	–
New bank and other loans raised	5,365,430	5,452,411
Repayments of bank and other loans	(5,146,573)	(4,218,497)
Repayment to related parties	–	–
Prepaid cost for new share issuing	–	(26,915)
H Shares issued under the Over-allotment	160,065	–
H shares sold on behalf of National Council for Social Security Fund of the PRC (“NSSF”)	16,007	–
Payment to NSSF for issuance of new shares and sales of shares	(156,132)	–
Payment of transaction costs attributable to issue of new shares and sales of shares	(26,796)	–
Dividends paid to:		
– Shareholders	–	–
– non-controlling interests	–	(26,183)
<b>Net cash generated from financing activities</b>	<b>(128,179)</b>	<b>916,825</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(172,640)</b>	<b>555,936</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,443,421</b>	<b>640,590</b>
<b>Effect of foreign exchange rate changes</b>	<b>5,794</b>	<b>1</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>2,276,575</b>	<b>1,196,527</b>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 1. GENERAL AND BASIS OF PREPARATION

In preparing the consolidated financial statements, the Directors have given careful consideration that at June 30, 2012, the Group has net current liabilities of RMB2,404,547,000. Taking into consideration of the unutilized banking facilities available to Group and the Group's cash inflows generated from operating activities, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly the consolidated financial statements have been prepared on a going concern basis.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Such condensed consolidated financial statements has not been audited.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the function currency of the company.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except that certain properties, plant and equipment which are recorded as deemed cost and in accordance with IFRSs.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2012 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2011.

In the Reporting Period, the Group has applied, for the first time, the following amendments to IFRSs:

Amendments to IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to IFRSs in the Reporting Period has had no material effect on the amounts reported in these condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 3. REVENUE

An analysis of the Group's revenue is as follows:

	Six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
Sales of goods:		
– Electricity	<b>1,595,823</b>	1,644,934
– Heat energy	<b>213,848</b>	247,321
	<b>1,809,671</b>	1,892,255

## 4. OTHER INCOME

	Six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
Government grants and subsidies related to:		
– Clean energy production (Note (a))	<b>215,118</b>	329,235
– Construction of assets (Note (b))	<b>1,316</b>	1,316
Dividend from available-for-sale financial assets, unlisted	<b>2,468</b>	2,096
Income from CERs and VERs (Note (c))	<b>82,974</b>	95,600
Value-added tax refunds (Note (d))	<b>2,947</b>	2
Others	<b>3,446</b>	1,052
	<b>308,269</b>	429,301

Notes:

- The Group's gas and wind power facilities located in Beijing, the PRC, were entitled to a subsidy policy promulgated by the Beijing Government. The Beijing Government compensated the Group based on a pre-determined rate and quantities approved from time to time for the sale of electricity generated by those facilities. The grants will be released to profit or loss based on the actual volume of electricity generated from and sold by the Group's related gas and wind power facilities and at the pre-determined subsidized rate.
- Grants related to construction of assets are provided by several local governments in the PRC to encourage the construction of clean energy facilities. The Group records these grants as deferred income upon receipt of the grants and will release to profit or loss to match with the depreciation of related assets.
- The Group sells carbon credits known as Certified Emission Reductions ("CERs") generated from wind farms or other clean energy facilities which have been registered under the United Nation's Clean Development Mechanism ("CDM"). The Group also sells Voluntary Emission Reductions ("VERs") generated from CDM projects but generated before the registration with CDM. The revenue in relation to CERs and VERs are recognized when there is a persuasive arrangement between the Group and a buyer, the selling price is fixed or determinable, the relevant electricity has been generated and CERs and VERs have been verified and admitted by the Clean Development Mechanism Executive Board.
- The Group entitles to a 50% refund of value-added tax for its revenue from the sale of electricity generated from the wind farms and a full refund of value-added tax for its revenue from the sale of heat energy generated to residential customers.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 5. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
Other gains (losses) comprises:		
Impairment loss on doubtful receivables	(72)	–
Loss on disposal of property, plant and equipment	44	(606)
Net exchange gain (loss)	6,745	840
Gain on disposal of subsidiary and a jointly controlled entity (Note)	94,156	–
Others	(711)	71
	<b>100,162</b>	305

Note: Including in this item, the amount RMB71,065,000 represented the gain on disposal of subsidiary. In addition, the amount RMB23,091,000 represented the gain on disposal of jointly controlled entity during the period.

## 6. INTEREST INCOME/FINANCE COSTS

	Six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
Interest income	13,813	9,178
Interest expense	490,719	351,845
Less: Amounts capitalized in property, plant and equipment	(151,259)	(68,090)
Total finance costs	339,460	283,755
Net finance costs	325,647	274,577

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 7. INCOME TAX EXPENSE

	Six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
Current tax:		
PRC enterprise income tax ("EIT")	<b>34,825</b>	57,613
Deferred tax (Note 13):		
Current year	<b>40,342</b>	18,660
Income tax expense	<b>75,167</b>	76,273

PRC enterprise income tax has been generally provided at the applicable enterprise income tax rate of 25% on the estimated assessable profits of the companies in the Group during the six months ended June 30, 2012.

Pursuant to the joint circular (2008) No. 46 of the Ministry of Finance and the State Administration of Taxation of the PRC, a PRC enterprise engaging in public infrastructure projects is entitled to a three-year tax exemption and a three-year 50% deduction on the PRC enterprise income tax for taxable income generated by qualified public infrastructure projects which are approved after January 1, 2008 commencing from the first year when relevant projects generate revenue. Most wind farms of the Group enjoy this tax concession.

## 8. PROFIT FOR THE PERIOD

	Six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
Profit for the period has been arrived at after charging:		
Auditors' remuneration	<b>590</b>	255
Prepaid lease payments released to profit or loss	<b>535</b>	799
Operating lease payments in respect of land and building	<b>4,776</b>	3,584
Depreciation and amortization:		
Depreciation of property, plant and equipment	<b>309,048</b>	290,560
Amortization of intangible assets	<b>97,512</b>	101,050
Total depreciation and amortization	<b>406,560</b>	391,610

## 9. DIVIDENDS

- (a) On March 28, 2012, a special distribution in the total amount of approximately RMB565,857,000 was declared by the Company to its promoters.
- (b) On June 7, 2012, a dividend in the total amount of approximately RMB53,720,000 was declared by the Company.
- (c) The directors do not recommend the payment of any interim dividend for the six months ended June 30, 2012 (six months ended June 30, 2011: RMB nil).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company for the six months ended June 30, 2012 of RMB423,521,000 (six months ended June 30, 2011: RMB403,889,000) and the weighted average number of shares in issue during the six months ended June 30, 2012 of 6,138,911,000 (six months ended June 30, 2011: 5,000,000,000).

There was no difference between the basic and diluted earnings per share as there were no diluted potential shares outstanding for the periods presented.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2012, the Group acquired items of property, plant and equipment of approximately RMB1,273,236,000 (six months ended June 30, 2011: approximately RMB1,217,396,000). Items of property, plant and equipment with a net book value of approximately RMB13,518,000 (six months ended June 30, 2011: approximately RMB1,071,000) were disposed of during the six months ended June 30, 2012, resulting in a gain on disposal of RMB44,000 (six months ended June 30, 2011: loss on disposal of approximately RMB606,000).

## 12. INTANGIBLE ASSETS

Intangible assets mainly represent concession right and operation right assets of approximately RMB3,528,964,000 (Year ended December 31, 2011: approximately RMB3,622,452,000), software and other assets of approximately RMB10,018,000 (Year ended December 31, 2011: approximately RMB5,057,000).

## 13. DEFERRED TAXATION

The following are the Group's major deferred tax assets (liabilities) recognized and movements thereon during the year ended December 31, 2011 and six months ended June 30, 2012:

	Tax loss RMB'000	Impairment on doubtful receivables RMB'000	Impairment on property, plant and equipment RMB'000	Trial run profit RMB'000 (Note a)	Deferred income related to clean energy production RMB'000 (Note b)	Unpaid employee payroll RMB'000 (Note c)	Trial run loss RMB'000	Total RMB'000
At January 1, 2012	6,192	1,575	-	56,475	40,023	2,955	(3,845)	103,375
Disposal of subsidiary (Charge) credit to profit or loss (Note 7)	(324)	5	-	(2,265)	(40,023)	-	-	(2,265) (40,342)
At June 30, 2012	5,868	1,580	-	54,210	-	2,955	(3,845)	60,768

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 13. DEFERRED TAXATION (Continued)

Notes:

- (a) The revenue and cost generated from trial run of property, plant and equipment were credited and debited respectively in the property, plant and equipment but the profit margin is subject to PRC enterprise income tax and results in a temporary difference. The trial run profit resulted in the tax bases of the related property, plant and equipment to be higher than their carrying value on the consolidated statement of financial position in accounting, which the entity can receive more deductible depreciation charging to the tax profit to save the future income tax expense during the useful life of the related property, plant and equipment. Accordingly the deferred tax assets/(liabilities) are recognized from the trial run profit/(loss).
- (b) The subsidies from the government will be taxable immediately as taxable income upon the receipt, however the income can only be released from deferred income in accounting when the actual volume of electricity generated from and sold by the group's related gas and wind power facilities. Accordingly, the deferred tax assets are recognized.
- (c) Starting from January 1, 2010, employee payrolls accrued but unpaid at the end of the financial year will not be deductible for PRC enterprise income tax purpose until the allowed amount is paid.

For the purpose of consolidated statements of financial position presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	At June 30, 2012 RMB'000	At December 31, 2011 RMB'000
Deferred tax assets	<b>64,613</b>	107,220
Deferred tax liabilities	<b>(3,845)</b>	(3,845)
	<b>60,768</b>	103,375

## 14. TRADE AND BILL RECEIVABLES

	At June 30, 2012 RMB'000	At December 31, 2011 RMB'000
Trade receivables	<b>1,131,109</b>	1,386,103
Bill receivables	<b>6,850</b>	15,927
	<b>1,137,959</b>	1,402,030
Less: allowance for doubtful receivables	<b>381</b>	309
	<b>1,137,578</b>	1,401,721

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 14. TRADE AND BILL RECEIVABLES (Continued)

The following is an aged analysis of the Group's trade and bill receivables net of allowance for doubtful receivables by invoice date as at the reporting date:

	At June 30, 2012 RMB'000	At December 31, 2011 RMB'000
Within 60 days	253,849	773,505
61 to 365 days	518,022	455,397
1 to 2 years	340,229	173,041
2 to 3 years	25,859	87
	<b>1,137,959</b>	1,402,030
Less: allowance for doubtful receivables	<b>381</b>	309
	<b>1,137,578</b>	1,401,721

Movements in the allowance of doubtful receivables are set out as follows:

	Six months ended June 30, 2012 RMB'000	Year ended December 31, 2011 RMB'000
At the beginning of the year/period	309	134
Provided during the year/period	72	175
At the end of the year/period	<b>381</b>	309

## 15. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents comprise cash on hand and deposits to banks and a related non-bank financial institution with an original maturity of three months or less. Deposits to banks and a related non-bank financial institution carry prevailing market interest rate.

The Group had deposit of RMB255,755,000 placed with 京能集團財務有限公司 (BEIH Finance Co, Ltd., English name for identification purpose) ("BEIH Finance"), a non-bank financial institution approved by China Banking Regulatory Commission as at June 30, 2012. Such deposits were short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, accordingly, the balances as at June 30, 2012 have been regarded as cash and cash equivalent.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 16. TRADE AND OTHER PAYABLES

	At June 30, 2012 RMB'000	At December 31, 2011 RMB'000
Trade payables	1,088,497	977,596
Bills payable	356,493	31,594
Advance received from customers	100	400
Salary and staff welfares	36,268	43,952
Non-income tax related tax payables	10	49,890
Accrued interests payable	27,782	26,193
Dividends payables	92,499	–
Payable to NSSF for new share issuance	–	140,126
Other payables	96,698	97,269
	<b>1,698,347</b>	1,367,020

Note: All trade payables are expected to be settled within one year or are repayable on demand.

The following is an aged analysis of the Group's trade payables by invoices date as at the reporting date:

	At June 30, 2012 RMB'000	At December 31, 2011 RMB'000
Within 30 days	117,756	395,433
31 to 365 days	680,598	292,246
1 to 2 years	186,477	64,225
2 to 3 years	57,691	190,515
Over 3 years	45,975	35,177
	<b>1,088,497</b>	977,596

## 17. BANK AND OTHER BORROWINGS

	At June 30, 2012 RMB'000	At December 31, 2011 RMB'000
Bank loans	11,958,934	14,242,077
Medium-term Notes (Note (a))	1,000,000	–
Borrowings from a related non-bank financial institution (Note (b))	1,502,000	–
	<b>14,460,934</b>	14,242,077
Represented by:		
– Unsecured borrowings (Note (c))	14,165,934	13,929,077
– Secured borrowings (Note (d))	295,000	313,000
	<b>14,460,934</b>	14,242,077

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 17. BANK AND OTHER BORROWINGS (Continued)

	At June 30, 2012 RMB'000	At December 31, 2011 RMB'000
Bank and other borrowings repayable:		
– Within one year	<b>4,257,761</b>	6,087,492
– More than one year but not exceeding two years	<b>2,237,992</b>	2,107,262
– More than two years but not exceeding three years	<b>2,542,832</b>	710,693
– More than three years but not exceeding five years	<b>2,129,423</b>	1,402,047
– More than five years	<b>3,292,926</b>	3,934,583
	<b>14,460,934</b>	14,242,077
Less: Amount due within one year shown under current liabilities	<b>4,257,761</b>	6,087,492
Amount due after one year	<b>10,203,173</b>	8,154,585

Notes:

- (a) On April 20, 2012, 北京京能新能源有限公司 (Beijing jingneng New Energy Co., Ltd, English name for identification purpose) ("New Energy") issued a three-year unsecured medium-term Notes of RMB1,000,000,000 at par with a coupon rate of 5.86% per annum.
- (b) Other borrowings from a related non-bank financial institution at June 30, 2012 represented loans from BEIH Finance. The loans were unsecured and carried at variable interest rate by reference to the interest rate promulgated by PBOC. The interest expenses attributed to above loans from BEIH Finance were RMB24,342,000 for the period ended by June 30, 2012 (June 30, 2011: RMB28,393,000).
- (c) The Group's guaranteed borrowing in the unsecured borrowings include:
- (i) the borrowings with the balances amounting to RMB32,500,000 as at June 30, 2012 (December 31, 2011: RMB65,000,000) which were guaranteed by the non-controlling shareholder of Taiyanggong Power, a related party of the Group;
  - (ii) the borrowings with the balances amounting to RMB2,397,387,000 as at June 30, 2012 (December 31, 2011: RMB2,362,000,000) which were guaranteed by the Company and the total guarantee provided by the Company including the unutilized facilities is RMB2,982,217,000 (December 31, 2011: RMB2,923,000,000).
- (d) The Group's secured borrowings were pledged by a right to receive the wind power electricity sale consideration in a subsidiary of New Energy, and guaranteed by New Energy as at June 30, 2012. The relevant account receivable balances were RMB70,738,000 as at June 30, 2012 (December 31, 2012: RMB51,897,000).

The following is an analysis of the Group's bank and other borrowings by variable and fixed interest rate:

	At June 30, 2012 RMB'000	At December 31, 2011 RMB'000
Variable interest rate	<b>13,460,934</b>	14,072,077
Fixed interest rate	<b>1,000,000</b>	170,000
	<b>14,460,934</b>	14,242,077

	At June 30, 2012	At December 31, 2011
Range of interest rates per annum:		
– Variable-interest borrowings	<b>5.23% to 7.75%</b>	4.78% to 7.76%
– Fixed-interest borrowings	<b>5.86%</b>	4.78% to 5.81%

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 18. SHARE CAPITAL

	At June 30, 2012 RMB'000	At December 31, 2011 RMB'000
<b>Issued and fully Paid:</b>		
Domestic state-owned ordinary shares of RMB1.00 each	4,512,359	4,524,130
H shares of RMB1.00 each	1,637,546	1,508,070
	<b>6,149,905</b>	6,032,200

Note: The Company issued 117,705,454 ordinary shares of RMB1 each at the price of HK\$1.67 per share by way of exercise of the over-allotment option as set out in the announcement of the Company dated January 13, 2012.

## 19. LEASE ARRANGEMENTS

### The Group as a lessee

At June 30, 2012, the Group had future minimum lease payments under non-cancelable operating leases in respect of leased properties as follows:

	At June 30, 2012 RMB'000	At December 31, 2011 RMB'000
Within one year	5,970	981
In the second to fifth year inclusive	4,560	4,240
Over five years	13,680	14,381
	<b>24,210</b>	19,602

Operating lease payments represent rentals payable by the Group for certain of its operating and office premises. Leases are negotiated for the term in the range of one to two years and rentals are fixed at the date of signing of lease except for a land lease of the Company with a term of twenty years.

## 20. COMMITMENTS

The Group had the following commitments:

	At June 30, 2012 RMB'000	At December 31, 2011 RMB'000
Contracted but not provided for the acquisition or construction of property, plant and equipment for:	3,495,433	2,577,804

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 21. CONTINGENT LIABILITIES

The Group provided guarantees in respect of bank facilities granted to unlisted entity. In the opinion of the Directors, the fair values of these financial guarantee contracts are insignificant at the date of issue of the financial guarantee.

The amounts of the outstanding guarantees provided by the Group as at June 30, 2012 are as follows:

	At June 30, 2012 RMB'000	At December 31, 2011 RMB'000
Guarantee given to banks in respect of banking facilities granted to:		
— 北京華源熱力管網有限公司 (Beijing Huayuan Heating Pipeline Co., Ltd., English name for identification purpose) ("Huayuan Heating")	599,440	629,440

## 22. RELATED PARTY BALANCES AND TRANSACTIONS

- (a) The following parties are identified as related party to the Group and the respective relationships are set out below:

Name of related party	Relationship
BEIH	Ultimate holding company
北京國際電氣工程有限責任公司 (Beijing International Electric Engineering Co., Ltd., English name for identification purpose) ("BIEE")	Fellow subsidiary
BEIH Finance	Fellow subsidiary
Beijing Jingneng International	Fellow subsidiary and an associate company
北京京豐熱電有限責任公司 (Beijing Jingfeng Thermal Power Co., Ltd., English name for identification purpose) ("Jingfeng Thermal")	Fellow subsidiary
北京京西發電有限責任公司 (Beijing Jing Xi Power Generation Co., Ltd., English name for identification purpose) ("Jing Xi")	Fellow subsidiary
京能電力後勤服務有限公司 (Jing Neng Electricity Logistic Services Co., Ltd., English name for identification purpose) ("Jingneng Logistic")	Fellow subsidiary
北京市熱力集團有限責任公司 (Beijing District Heating (Group) Co., Ltd.) ("BDHG")	Fellow subsidiary

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 22. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

- (b) At June 30, 2012, other than loans to associates and jointly controlled entities and the deposit in a related non-bank financial institution as set out in Note 15, the Group has amounts receivable from the following related parties and the details are set out below:

	At June 30, 2012 RMB'000	At December 31, 2011 RMB'000
Amounts due from:		
BEIH	<b>77,237</b>	–
Associates	<b>5,123</b>	3,252
Fellow subsidiaries	<b>13,759</b>	32,593
	<b>96,119</b>	35,845
Represented by:		
Trade receivables	<b>11,114</b>	32,593
Non-trade receivables	<b>85,005</b>	3,252
	<b>96,119</b>	35,845

The balances were interest-free, unsecured and repayable on demand.

- (c) At June 30, 2012, other than the borrowings from related non-bank financial institution as set out in Note 17, the Group has amounts payable to the following related parties and the details are set out below:

	At June 30, 2012 RMB'000	At December 31, 2011 RMB'000
Amounts due to:		
BEIH	<b>534,736</b>	13,684
Non-controlling shareholder	<b>82,101</b>	–
Fellow subsidiaries	<b>218,834</b>	247,059
	<b>835,671</b>	260,743
Represented by:		
Trade payables aged within one year by invoice date	<b>211,164</b>	227,203
Non-trade payables	<b>624,507</b>	33,540
	<b>835,671</b>	260,743

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 22. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

- (d) During the six months ended June 30, 2012, the group entered into the following significant transactions with its related parties:

Continuing transactions:

- (i) Management services from related parties

Name of related party	Six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
Jing Xi	380	1,672
BIEE	5,050	6,000

- (ii) Equipment maintenance services from related parties

Name of related party	Six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
Jingfeng Thermal	2,631	3,967
BIEE	–	4,272

- (iii) Conference service from a related party

Name of related party	Six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
Jingneng Logistic	861	335

- (iv) Rental expense as a lessee charged by related parties

Name of related party	Six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
Jingfeng Thermal	4,479	4,000
BEIH	25	25

- (v) Commission for entrusted loan service from a related non-bank financial institution

Name of related party	Six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
BEIH Finance	–	2,271

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 22. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(d) (Continued)

(vi) Property management fee charged by a related party

Name of related party	Six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
Jingneng Logistic	<b>3,078</b>	1,477

(vii) Heat energy sold to a connected person

Name of related party	Six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
BDHG	<b>169,292</b>	203,724

The amount of the revenue to this connected person excludes the value added tax based on the 13% rate.

(viii) Purchase from related parties

Name of related party	Six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
BIEE	<b>340</b>	466,440

(e) Details of the guarantees provided to related parties are set out in Note 21.

## 23. SEGMENT INFORMATION

The Group manages its businesses by divisions. The Group has presented the following reportable segments.

- Wind power: constructs, manages and operates wind power plants and generates electric power for sale to external customers.
- Gas-fired power and heat energy generation: manages and operates natural gas-fired power plants and generates electric power and heat energy for sale to external customers.
- Hydropower and others: manages and operates hydropower plants and sales of electricity generated to external customers and other businesses. Business activities other than “Wind power” and “Gas-fired power and heat energy generation” are grouped as a whole and named as “Hydropower and others”, as they are not significant to the Group individually.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 23. SEGMENT INFORMATION (Continued)

### (a) Segment revenue, results, assets and liabilities

An analysis of the Group's reportable segment revenue, result, assets, and liabilities for the six months ended June 30, 2012, by operating segment is as follows:

	Wind power RMB'000	Gas-fired power and heat energy generation RMB'000	Hydropower and others RMB'000	Total RMB'000
<b>For the six months ended June 30, 2012 (Unaudited)</b>				
Revenue from external customers				
Sales of electricity	604,727	982,304	8,792	1,595,823
Sales of heat energy	–	213,171	677	213,848
Others	–	–	–	–
Reportable segment revenue/ consolidated revenue	604,727	1,195,475	9,469	1,809,671
Reportable segment profit (loss) (Note (i))	289,732	374,120	(7,212)	656,640
Reportable segment assets	13,398,344	6,750,905	5,262,881	25,412,130
Reportable segment liabilities	10,052,672	4,458,579	3,633,212	18,144,463
Additional segment information:				
Depreciation	173,303	131,714	4,031	309,048
Amortization	97,467	26	19	97,512
Finance costs (Note (ii))	236,747	63,405	39,308	339,460
Other income	25,593	279,978	2,698	308,269
Including:				
– Government grant related to clean energy production	15,083	200,035	–	215,118
– Income from Certified Emission Reductions and Voluntary Emission Reductions	3,816	79,158	–	82,974
– Others	6,694	785	2,698	10,177
Expenditures for reportable segment non-current assets	353,727	1,052,700	243,009	1,649,436



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 23. SEGMENT INFORMATION (Continued)

### (a) Segment revenue, results, assets and liabilities (continued)

An analysis of the Group's reportable segment revenue, result, assets, and liabilities for the six months ended June 30, 2011 by operating segment is as follows:

	Wind power RMB'000	Gas-fired power and heat energy generation RMB'000	Hydropower and others RMB'000	Total RMB'000
For the six months ended June 30, 2011 (Audited)				
Revenue from external customers				
Sales of electricity	608,719	1,034,340	1,875	1,644,934
Sales of heat energy	–	247,302	19	247,321
Others	–	–	–	–
Reportable segment revenue/ consolidated revenue	608,719	1,281,642	1,894	1,892,255
Reportable segment profit (loss) <i>(Note (i))</i>	338,728	382,420	(14,342)	706,806
Reportable segment assets	12,184,770	5,304,148	2,834,455	20,323,373
Reportable segment liabilities	9,144,403	3,423,053	1,980,372	14,547,828
Additional segment information:				
Depreciation	137,047	151,607	1,906	290,560
Amortization	101,023	26	1	101,050
Finance costs <i>(Note (ii))</i>	204,134	73,044	6,577	283,755
Other income	17,847	409,358	2,096	429,301
Including:				
– Government grant related to clean energy production	15,629	313,606	–	329,235
– Income from Certified Emission Reductions and Voluntary Emission Reductions	–	95,600	–	95,600
– Others	2,218	152	2,096	4,466
Expenditures for reportable segment non-current assets	580,507	448,272	227,729	1,256,508

Notes:

- (i) The segment profit is arrived at after the deduction of gas consumption, service concession construction costs, depreciation and amortization, personnel costs, repair and maintenance, other expenses, and other gains and losses from revenue and other income (excluding gain on capital contribution from the non-controlling interests in an associate and a jointly controlled entity, dividend from available-for-sale financial assets).
- (ii) Finance costs have been allocated among the segments for the additional information in the presentation of the segment information, but are not considered to arrive at the segment profit. However, the relevant borrowings have been allocated into the segment liabilities. It represents amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 23. SEGMENT INFORMATION (Continued)

### (b) Reconciliations of segment results, assets and liabilities to the consolidated financial statements

	For the six months ended June 30,	
	2012 (Unaudited) RMB'000	2011 (Audited) RMB'000
Results		
Reportable segment profit	<b>656,640</b>	706,806
Unallocated		
Dividend income from available-for sale financial assets, gains from equity transfer and others	<b>101,117</b>	2,096
Profit from operations	<b>757,757</b>	708,902
Interest income	<b>13,813</b>	9,178
Finance costs	<b>(339,460)</b>	(283,755)
Share of results of associates	<b>106,166</b>	78,298
Share of results of jointly controlled entities	<b>130</b>	(1,281)
Consolidated profit before taxation	<b>538,406</b>	511,342

	For the six months ended June 30,	
	2012 (Unaudited) RMB'000	2011 (Audited) RMB'000
Assets		
Reportable segment assets	<b>25,412,130</b>	20,323,373
Inter-segment elimination	<b>(1,867,695)</b>	(1,321,256)
Unallocated assets:		
– Investments in associates	<b>1,373,915</b>	1,198,649
– Loans to associates*	<b>158,117</b>	123,440
– Investments jointly controlled entities	<b>80,351</b>	199,464
– Deferred tax assets	<b>64,613</b>	63,889
– Available-for-sales financial assets	<b>134,090</b>	98,048
Different presentation on:		
– Value-added tax recoverable (Note)	<b>813,620</b>	753,005
Consolidated total assets	<b>26,169,141</b>	21,438,612

\* All the relevant interest income is allocated to segments but these balance sheet items are not allocated to segments, which caused the segment results and segment assets asymmetrically presented.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 23. SEGMENT INFORMATION (Continued)

### (b) Reconciliations of segment results, assets and liabilities to the consolidated financial statements (continued)

	For the six months ended June 30,	
	2012	2011
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Liabilities		
Reportable segment liabilities	<b>18,144,463</b>	14,547,828
Inter-segment elimination	<b>(1,867,695)</b>	(1,321,256)
Unallocated liabilities:		
– Income tax payable	–	15,066
– Deferred tax liabilities	<b>3,845</b>	4,016
Different presentation on:		
– Value-added tax recoverable (Note)	<b>813,620</b>	753,005
Consolidated total liabilities	<b>17,094,233</b>	13,998,659

Note: Value-added tax recoverable was net-off with value-added tax payables under segment information, but reclassified and presented as assets on the statement of financial position.

All assets are allocated to reportable segments, other than available-for-sale financial assets, investments in associates and jointly controlled entities, loans to associates and jointly controlled entities and deferred tax assets; all liabilities are allocated to reportable segments other than income tax payable, other non-current liabilities and deferred tax liabilities.

### (c) Geographical information

All of the Group's revenue and non-current assets (non-current assets excluded deferred tax assets) are located in the People's Republic of China (the "PRC"), therefore no geographic segment information was presented. The basis for attributing the revenue is based on the location of customers from which the revenue is earned, which are located in the PRC and the sales activities are made in the PRC.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)

## 23. SEGMENT INFORMATION (Continued)

### (d) Information of major customers

Revenue from the PRC government controlled power grid companies for the six months ended June 30, 2012 amounted to RMB1,595,823,000 (six months ended June 30, 2011: RMB1,644,934,000). Sales of electricity to the major customers for the six months ended June 30, 2012 by segment were as follows:

	For the six months ended June 30,	
	2012 (Unaudited) RMB'000	2011 (Audited) RMB'000
Wind Power	<b>604,727</b>	608,719
Gas-fired Power and Heat Energy Generation	<b>982,304</b>	1,034,340
Hydropower and others	<b>8,792</b>	1,875
<b>Total</b>	<b>1,595,823</b>	1,644,934

## 24. DISPOSAL OF SUBSIDIARY

During the current interim period, the Group entered into a sale agreement to dispose of its 100% equity interest in 京能昌圖新能源有限公司 (Jingneng Changtu New Energy Co., Ltd, English name for identification purpose). The purpose of the disposal is to improve the project portfolio of wind power business.

Details of net assets disposed of and gain on disposal are as follows:

	At June 30, 2012 RMB'000
Net assets disposed of:	
Property, plant and equipment	<b>436,208</b>
Intangible assets	<b>13</b>
Prepaid lease prepayments	<b>472</b>
Defer tax assets	<b>2,265</b>
Inventories	<b>1,152</b>
Trade and bills receivable	<b>30,271</b>
Other receivables, deposits and prepayments	<b>56,621</b>
Cash and cash equivalents	<b>7,494</b>
Trade and other payables	<b>(43,360)</b>
Bank and other borrowings	<b>(307,200)</b>
Other borrowings from the Company	<b>(85,000)</b>
	<b>98,936</b>
Gain on disposal of a subsidiary	<b>71,064</b>
Consideration satisfied by cash	<b>170,000</b>



## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UNAUDITED)*

### **25. EVENTS AFTER THE REPORTING PERIOD**

On July 9, 2012, the Company successfully completed the issuance of fixed-rate corporate bonds of RMB3.6 billion, RMB2.4 billion of which have a term of three years and a coupon rate of 4.35% and the remaining RMB1.2 billion of which have a term of five years and a coupon rate of 4.60%.

### **26. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors of the Company on August 23, 2012.