新天绿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 2013

Green Energy Makes the World Better

*For identification purpose only

Contents

Chairman's Statement

Chairman's Statement

Dear Shareholders:

In 2013, amidst the slow recovery of the global economy and stable growth in China's macro-economy, the Chinese government continued to adjust energy structure with a focus on clean energy development. The Group continued to strengthen its operational management and optimize its development strategy, this led to continuous improvement of management standards and further enhancement in core competitiveness, and in turn this provides a solid foundation for the Company's long-term sustainability and ascending development.

During 2013, the Group continued to place an active focus on the construction of its natural gas, wind power and solar photovoltaic power generation projects and continued to strengthen the management of its operation projects. In the year, the natural gas sales volume reached 1,484 million cubic meters, representing an increase of 19.0% as compared with last year; electricity sales reached 2,875 million KWh, representing an increase of 16.5% as compared with last year. The 20 MW solar power plant in Hejing, Xinjiang, successfully connected to grid and generated electricity.

In 2013, the Group had consolidated total assets of RMB17,414 million, representing an increase of 14.1% as compared with the start of the year; its total equity amounted to RMB7,107 million, representing an increase of 7.3% as compared with the start of the year; revenue reached RMB4,661 million, representing an increase of 25.9%; and profit before tax amounted to RMB832 million, representing an increase of 3.6%.

With the worsening of hazy weather across the whole country, it was imminent that the Chinese government would strengthen the energy structure adjustment. The State Council promulgated the Action Plan for Prevention and Control of Air Pollution（大氣污染防治行動計劃）to speed up the use of clean energy alternatives, so that the proportion of non-fossil energy consumption can reach 13% in 2017. Upholding the business philosophy of "efficiency, pragmatism, innovation and proactivity", the Group will seize the development opportunity brought by the country and Hebei Province's urge for energy conservation as well as atmospheric improvement to innovate, expand across the country, develop, and ultimately provide better returns to the shareholders.

Chairman
Cao Xin

Beijing, 24 March 2014

Corporate Profile

China Suntien Green Energy Corporation Limited was established on 9 February 2010 with contribution by the promoter shareholders HECIC and HECIC Water. The Company was listed on the Main Board of the Hong Kong Stock Exchange on 13 October 2010. The Group is a leading company in the development and utilization of clean energy in northern China and is the largest natural gas distributor in Hebei Province, as well as the largest wind power operator in the province and one of China's top ten wind power operators.

The Group is primarily engaged in the exploration and utilization of clean energy, with two major business segments: the natural gas business and the wind power business.

The Group possesses natural gas transmission and ancillary facilities in Hebei Province, and sells natural gas through natural gas distribution channels. As at 31 December 2013, the Group owned 2 long-distance natural gas transmission pipelines, 4 high-pressure branch pipelines, 24 urban gas projects, 10 distribution stations, 4 gate stations, 3 CNG refilling stations and 2 CNG primary filling stations. In 2013, the sales volume of natural gas of the Group was 1,484 million cubic meters. With a solid natural gas wholesale business, the Group actively expanded into the upstream and downstream markets. Regarding the upstream market, the Group has been actively expanding its gas sources. During the reporting period, the LNG terminal project in Tangshan, an investment project of the Group, officially began production; and the Group invested into and established Hebei Xintian Guohua Gas Co., Ltd, which was responsible for the construction of Shanxi Licheng-Hebei Shahe coalbed methane pipeline project, which introduces Shanxi coalbed methane. Regarding the middle stream market, the Group established a long pipeline to pass through all of Hebei Province and accelerated the construction work of the Phase I pipeline network for 10 counties in central Hebei Province. Regarding the downstream market, the Group actively developed city gas projects. During the reporting period, the Group established a number of branches and subsidiaries to develop the markets in new regions, including Xingtai, Gaoyi, Lulong and Anping and new operation districts in existing markets of Chengde and Shijiazhuang.

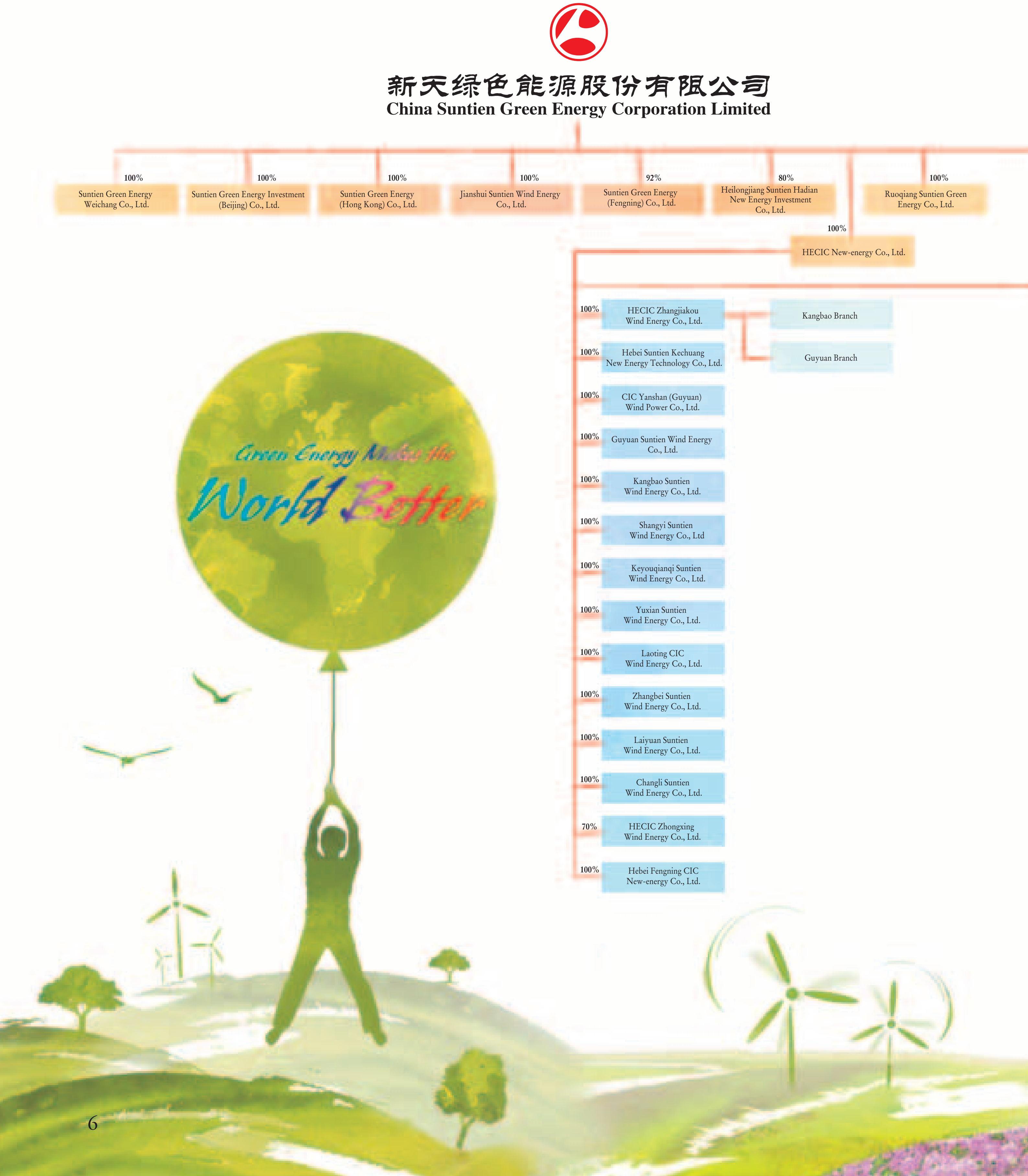
Engaged in the planning, development and operation of wind farms as well as sales of electricity, the Group owns wind power projects in the regions of Hebei, Shanxi, Xinjiang, Shandong, Yunnan and Inner Mongolia. Based in Hebei, the Group has invested and developed wind power projects across the country, and is actively seeking suitable investment projects overseas. As at 31 December 2013, the Group had controlling interests in the operation of 23 wind farms and consolidated installed capacity of 1,445.30 MW as well as interests in installed capacity of 1,292.60 MW. In 2013, the gross power generation of the Group was 2,927 million KWh with 2,312 utilization hours, 11% above the industry average.

In 2013, hazy weather was recorded in numerous places in the country, prompting the government to introduce a number of measures to control air pollution by promoting energy structure adjustment and upgrades, limitation and gradual reduction of coal consumption as well as the development of clean alternative energy. Located in Hebei Province, the Company has thoroughly appreciated the urgent need for environmental protection and air pollution control. Development of clean energy is the essential towards environmental protection and air pollution control. The Group will seize the opportunity brought by the governmental control of air pollution to proactively develop clean energy such as natural gas, wind power and solar photovoltaic power generation, promote the development and use of clean energy and fulfill its social responsibility to protect the environment and support the rise of a greener Hebei.

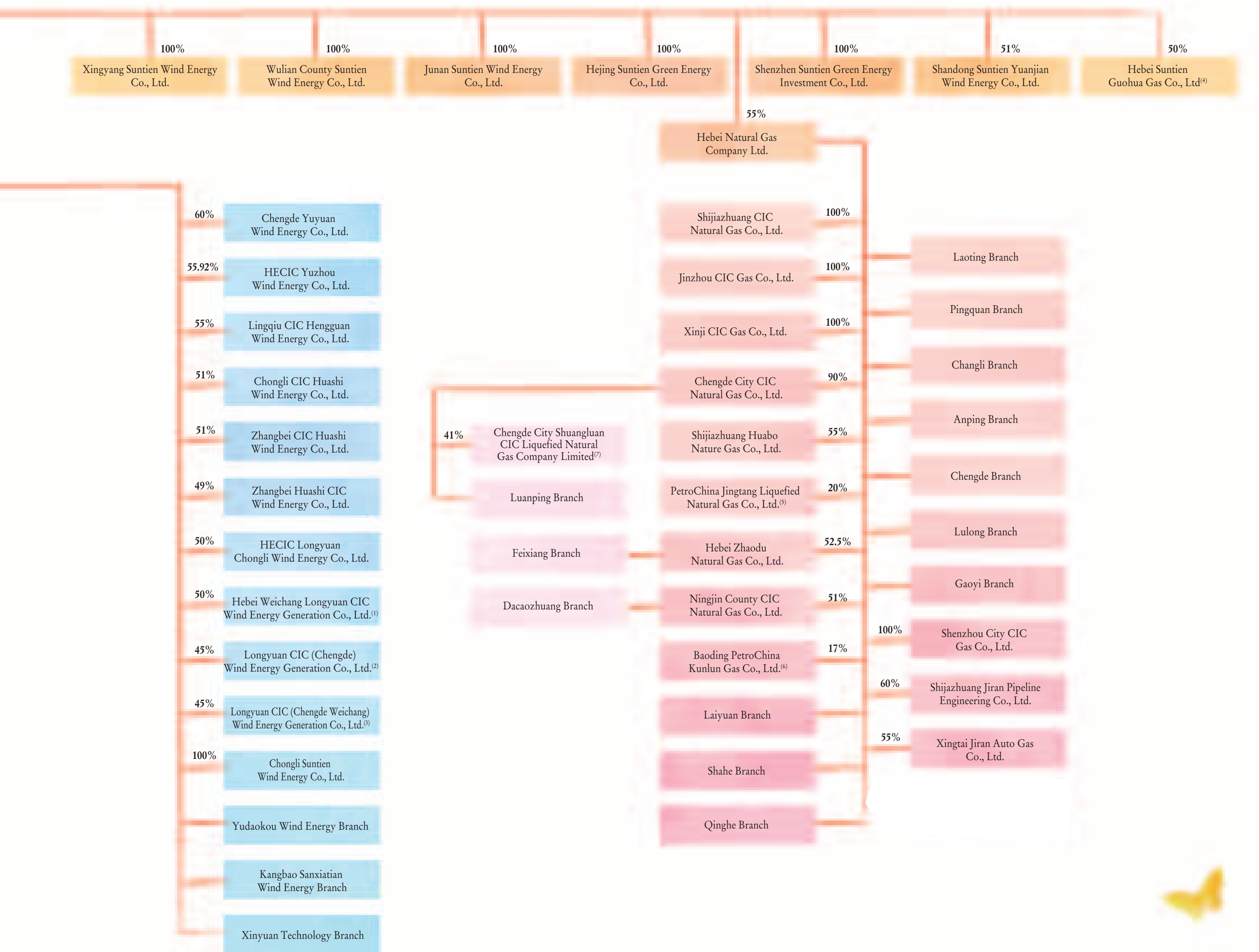
Corporate Profile

1. CORPORATE STRUCTURE

As at 31 December 2013, the corporate structure of the Group is as follows:



Corporate Profile



Notes:

(1) Hebei Weichang Longyuan CIC Wind Energy Co., Ltd. is an associated company of the Company

(2) Longyuan CIC (Chengde) Wind Energy Generation Co., Ltd. is an associated company of the Company

(3) Longyuan CIC (Chengde Weichang) Wind Energy Generation Co., Ltd. is an associated company of the Company

(4) Hebei Suntien Guohua Gas Co., Ltd is a joint venture of the Company

(5) PetroChina Jingtang Liquefied Natural Gas Co., Ltd. is a long-term investment company of the Company

(6) Baoding PetroChina Kunlun Gas Co., Ltd. is a long-term investment company of the Company

(7) Chengde City Shuangluan CIC Liquefied Natural Gas Company Limited is an associated company of the Company

2. NATURAL GAS AND WIND POWER PROJECTS OF THE GROUP

(1) Summary of the major natural gas projects of the Group

Project type	Project location	Ownership held by Hebei Natural Gas	Project summary
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 areas
	Qinghe County	100%	Distributes natural gas to retail customers of the area under the administration of Qinghe County
	Xinji City	100%	Distributes natural gas to retail customers of the area under the administration of Xinji City
	Jinzhou City	100%	Distributes natural gas to retail customers of the area under the administration of Jinzhou City
	Shenzhou City	100%	Distributes natural gas to retail customers of the area under the administration of Shenzhou City
	Laiyuan County	100%	Distributes natural gas to retail customers of the area under the administration of Laiyuan County
	Laoting County	100%	Distributes natural gas to retail customers of Laoting New District
	Pingquan County	100%	Distributes natural gas to retail customers of the area under the administration of Pingquan County

Project type	Project location	Ownership held by Hebei Natural Gas	Project summary
	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 the area under the administration of Chengde City
	Baoding City	100%	Operating CNG refilling station in Baoding City
	Changli County	100%	Distributes natural gas to retail customers of the area under the administration of Qinhuangdao Western Industrial Park Changli Park (including Zhugezhuang Town)
	Luanping County	100%	Distributes natural gas to retail customers of the area under the administration of Luanping County
	Feixiang County	100%	Distributes natural gas to retail customers of the area under the administration of Feixiang County
	Dacaozhuang Management District	100%	Distributes natural gas to retail customers of the area under the administration of Dacaozhuang Management District County
	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 Zone of Southern Shijiazhuang
	Ningjin County	51%	Distributes natural gas to retail customers of the area under the administration of Ningjin County
	Baoding Development Zone	17%	Distributes natural gas to retail customers of Baoding National High-Tech Industrial Development Zone

Corporate Profile

Project type	Project location	Ownership held by Hebei Natural Gas	Project summary
	Chengde City Shuangluan	41%	Supplies liquefied natural gas for use by automobiles in Shuangluan District, Chengde City
	Lulong County	100%	Distributes natural gas to retail customers of Qinhuangdao Western Industrial Park Lulong Park
	Anping County	100%	Distributes natural gas to retail customers of Anping County
	Gaoyi County	100%	Distributes natural gas to retail customers of Gaoyi County
	Xingtai City	55%	Operating CNG refilling station in Xingtai city
CNG primary filling station	Shijiazhuang[(3)]	100%	Provides services for vehicular, industrial, commercial and residential end-users
	Shahe[(4)]	100%	Provides services for vehicular, industrial, commercial and residential end-users

Notes:

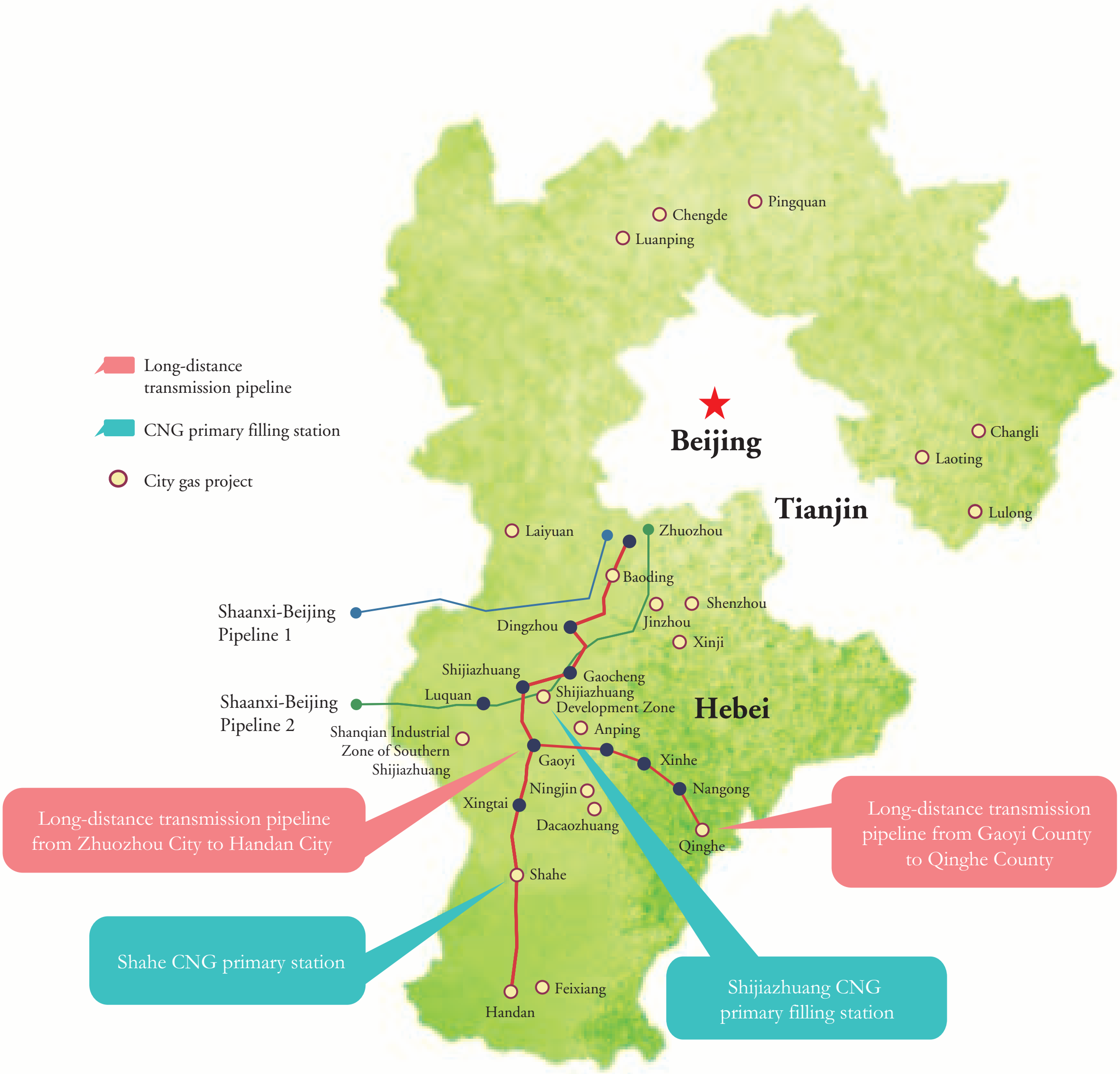
(1) Specification of the long-distance transmission pipeline from Zhuozhou City to Handan City: 6.3 MPa standard pipeline of 361 km in length.

(2) Specification of the long-distance transmission pipeline from Gaoyi County to Qinghe County: 6.3 MPa standard pipeline of 116 km in length.

(3) Total designed capacity of Shijiazhuang CNG primary filling station is: 0.16 million m^3 per day.

(4) Total designed capacity of Shahe CNG primary filling station is: 0.1 million m^3 per day.

(2) Distribution of the natural gas projects of the Group



(3) Summary of the wind power projects of the Group

Project name	Installed Capacity (MW)	Ownership held by the Company	Location
Kangbao Wolongshan Wind Farm	30	100%	Zhangjiakou Kangbao County
Guyuan Langweibashan Wind Farm	30.6	100%	Zhangjiakou Guyuan County
Kangbao Sanxiatian Wind Farm	49.5	100%	Zhangjiakou Kangbao County
Guyuan Wuhuaping Wind Farm	49.5	100%	Zhangjiakou Guyuan County
Guyuan Dongxinying Wind Farm	199.5	100%	Zhangjiakou Guyuan County
Chongli Qingsanying Wind Farm Phase I	49.3	50%	Zhangjiakou Chongli County
Chongli Qingsanying Wind Farm Phase II	49.3	51%	Zhangjiakou Chongli County
Chongli Jiaocheshan Wind Farm	49.3	51%	Zhangjiakou Chongli County
Zhangbei Caoniangou Wind Farm	49.5	49%	Zhangjiakou Zhangbei County
Zhangbei Daxishan Wind Farm	49.5	51%	Zhangjiakou Zhangbei County
Yuxian Kongzhong Caoyuan Wind Farm Phase I	49.5	55.92%	Zhangjiakou Yuxian
Yuxian Kongzhong Caoyuan Wind Farm Phase II	49.5	55.92%	Zhangjiakou Yuxian
Yuxian Baiyantuo Wind Farm	49.3	55.92%	Zhangjiakou Yuxian
Yuxian Dongdianziliang Wind Farm	49.5	55.92%	Zhangjiakou Yuxian
Yuxian Chashan Wind Farm	49.5	100%	Zhangjiakou Yuxian
Yuxian Yongshengzhuang Wind Farm	49.5	100%	Zhangjiakou Yuxian
Yuxian Lihuajian Wind Farm	49.5	100%	Zhangjiakou Yuxian

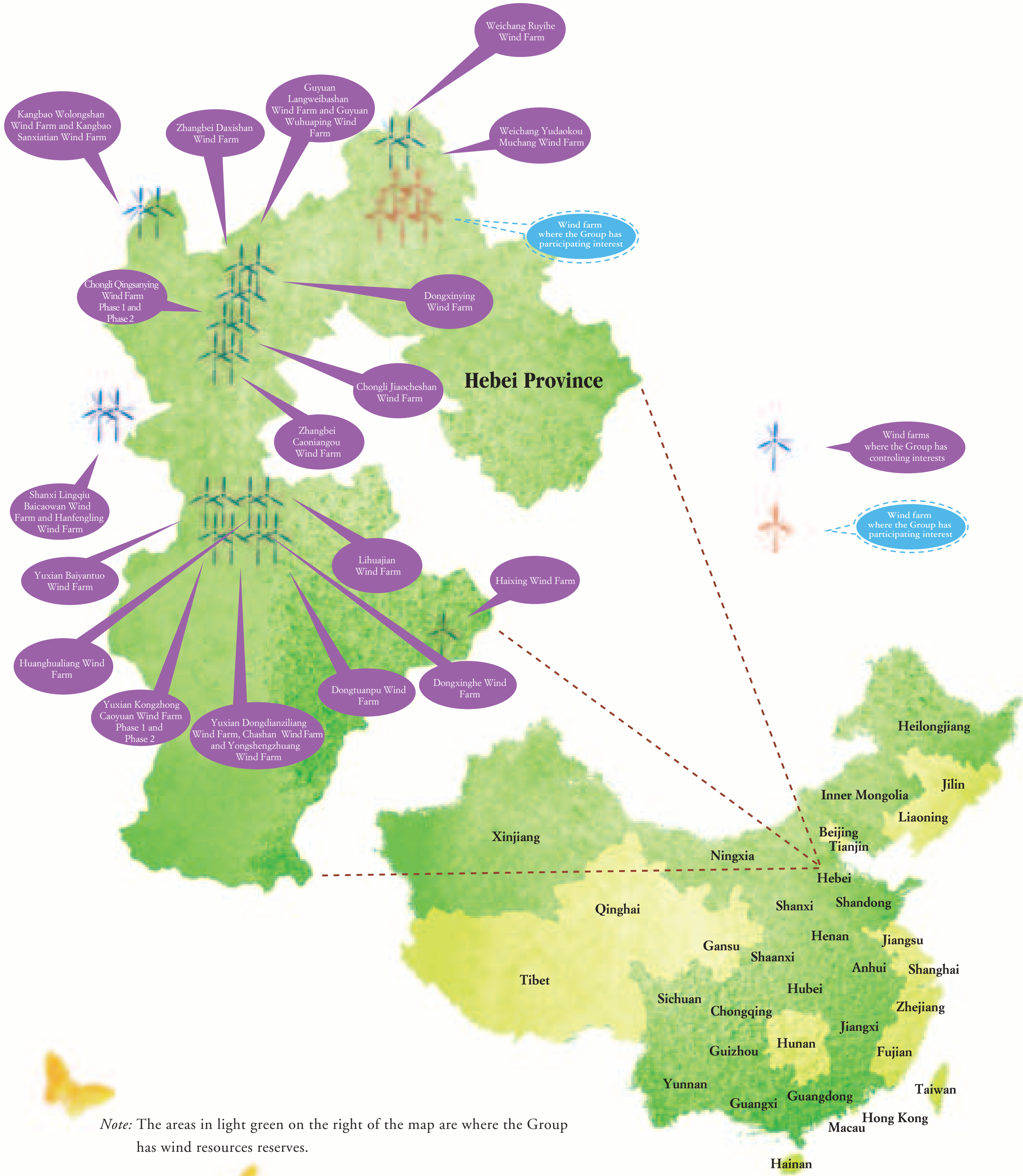
Corporate Profile

Project name	Installed Capacity (MW)	Ownership held by the Company	Location
Yuxian Dongxinghe Wind Farm	49.5	100%	Zhangjiakou Yuxian
Lingqiu Hanfengling Wind Farm	49.5	55%	Shanxi Lingqiu County
Lingqiu Baicaowan Wind Farm	49.5	55%	Shanxi Lingqiu County
Weichang Yudaokou Muchang Wind Farm	150	100%	Chengde Weichang County
Haixing Wind Farm	49.5	70%	Cangzhou Haixing County
Laiyuan Dongtuanpu Wind Farm	49.5	100%	Baoding Laiyuan County
Laiyuan Huanghualiang Wind Farm	22.5	100%	Baoding Laiyuan County
Weichang Ruyihe Wind Farm	73	100%	Chengde Weichang County
Weichang Zhangjiawan Wind Farm*	49.5	50%	Chengde Weichang County
Weichang Guangfayong Wind Farm*	49.5	45%	Chengde Weichang County
Weichang Shanwanzi Wind Farm*	49.5	50%	Chengde Weichang County
Weichang Zhuzixia Wind Farm*	49.5	45%	Chengde Weichang County
Weichang Dishuihu Wind Farm*	49.5	45%	Chengde Weichang County

* Wind farms in which the Group has participating interests

Corporate Profile

(4) Locations of the wind power projects of the Group



Note: The areas in light green on the right of the map are where the Group has wind resources reserves.

Financial Highlights and Major Operational Data

1. CONSOLIDATED COMPREHENSIVE INCOME

(RMB'000)

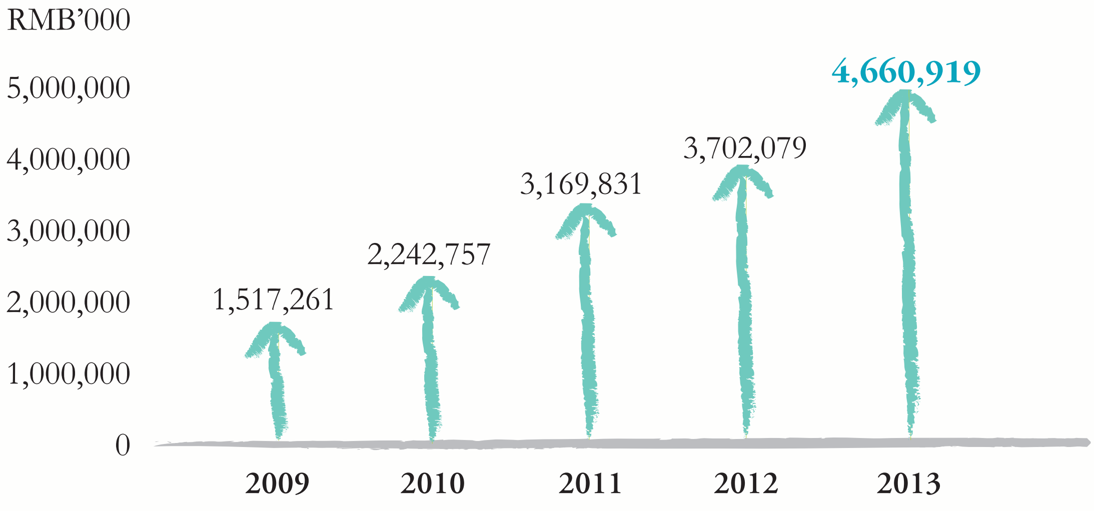
	2009	2010	2011	2012	**2013**
Revenue	1,517,261	2,242,757	3,169,831	3,702,079	**4,660,919**
Profit before tax	305,839	489,872	700,785	803,438	**832,304**
Income tax	(18,735)	(58,181)	(81,797)	(7,415)	**(157,502)**
Profit for the year	287,104	431,691	618,988	796,023	**674,802**
Total comprehensive income for the year, net of tax	287,104	431,691	618,988	796,023	**674,802**
Attributable to:					
Owners of the Company	166,322	279,719	448,908	549,701	**459,516**
Non-controlling interests	120,782	151,972	170,080	246,322	**215,286**
Earnings per share	8.32 cents	12.38 cents	13.86 cents	16.97 cents	14.19 cents
Diluted	8.32 cents	12.38 cents	13.86 cents	16.97 cents	14.19 cents

2. CONSOLIDATED FINANCIAL POSITION (AS AT 31 DECEMBER)

(RMB'000)

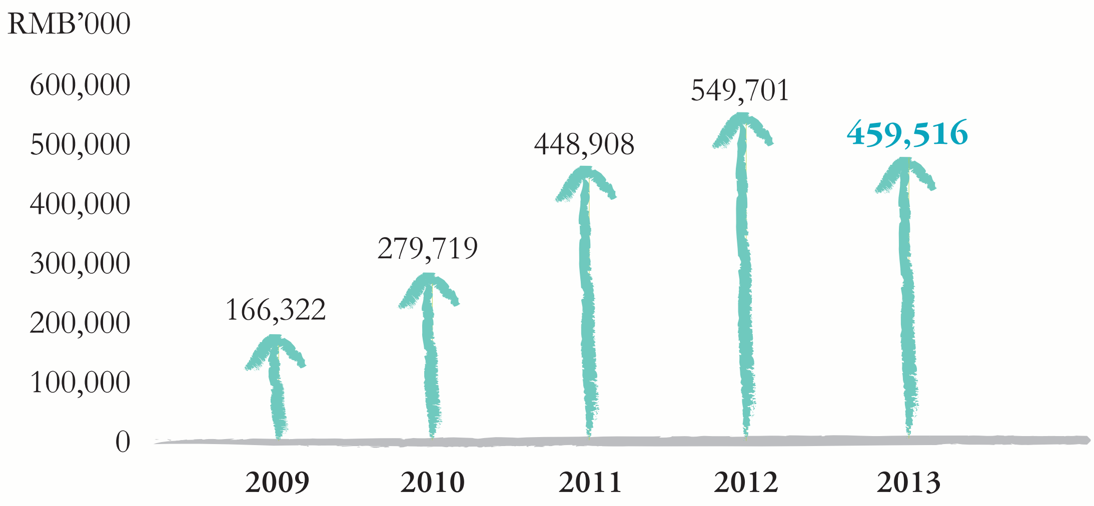
	2009	2010	2011	2012	**2013**
Total non-current assets	5,241,464	8,800,910	12,096,646	13,031,304	14,291,244
Total current assets	542,025	2,911,182	1,962,490	2,231,307	3,122,743
TOTAL ASSETS	5,783,489	11,712,092	14,059,136	15,262,611	17,413,987
Total current liabilities	1,728,290	2,696,046	1,823,692	2,096,288	2,744,283
Total non-current liabilities	2,177,398	3,577,457	6,140,469	6,543,635	7,563,139
TOTAL LIABILITIES	3,905,688	6,273,503	7,964,161	8,639,923	10,307,422
NET ASSETS	1,877,801	5,438,589	6,094,975	6,622,688	7,106,565
Equity					
Equity attributable to the owners of the Company	1,343,718	4,810,732	5,205,785	5,567,657	5,965,580
Non-controlling interests	534,083	627,857	889,190	1,055,031	1,140,985
TOTAL EQUITY	1,877,801	5,438,589	6,094,975	6,622,688	7,106,565

3. CONSOLIDATED REVENUE



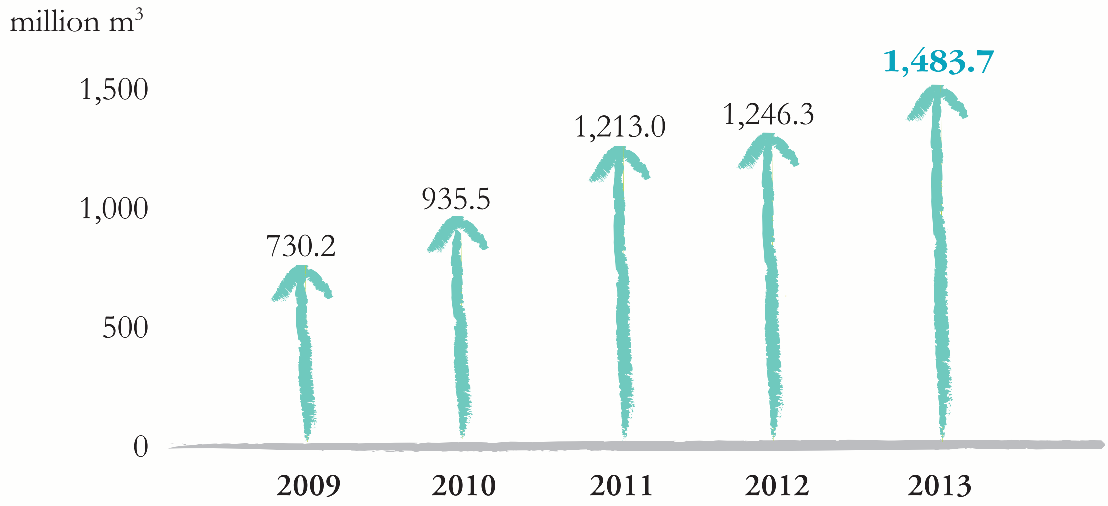
Consolidated Revenue (RMB'000)

4. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY



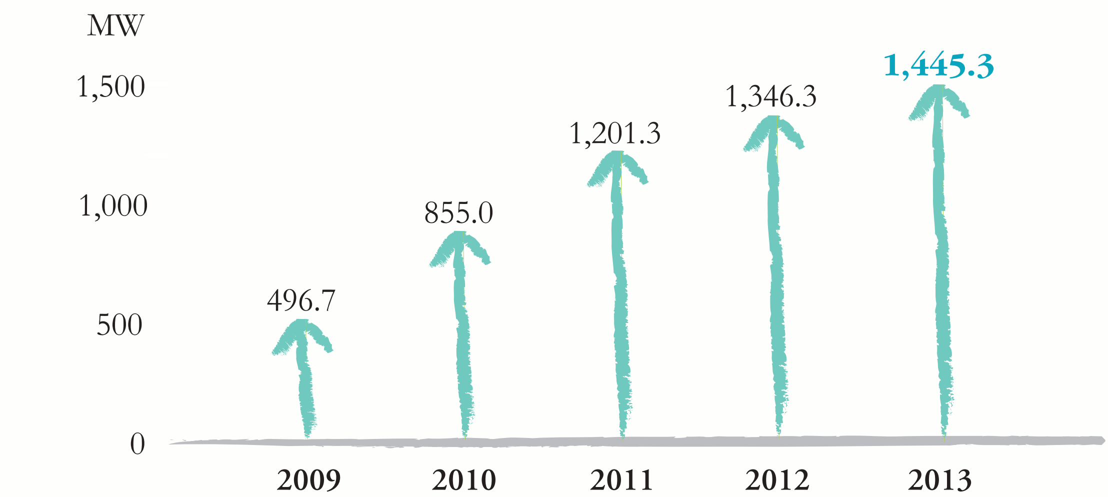
Consolidated Net Profit Attributable to Owners of the Company (RMB'000)

5. NATURAL GAS SALES VOLUME



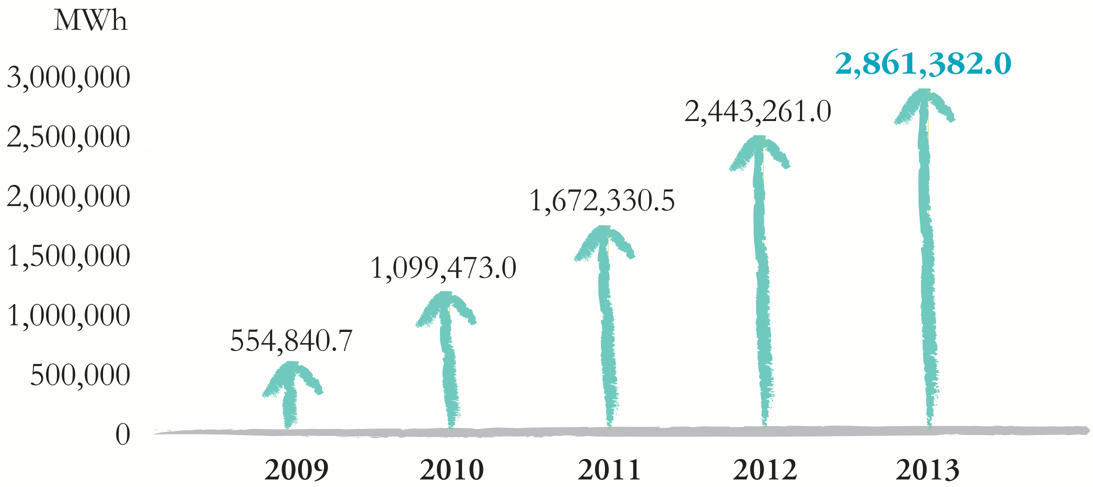
Natural Gas Sales Volume (million m^3)

6. WIND POWER CONSOLIDATED INSTALLED CAPACITY



Wind Power Consolidated Installed Capacity (MW)

7. WIND POWER CONSOLIDATED NET POWER DELIVERED TO GRID



Wind Power Consolidated Net Power Delivered to Grid (MWh)

Management Discussion and Analysis

I. OPERATING ENVIRONMENT

In 2013, the global economy recovered slowly and China was faced with multiple economic challenges, greater downward pressure on the economy and apparent market fluctuations. However, with the macro-economic policy controls of the government, the economy was stable and tended to rise. China's Purchasing Managers Index remained over 50% in 2013. The stable growth of the macro-economy has created a favorable economic environment for the Chinese government to continue its energy structure adjustment and to focus on clean energy development.

In 2013, many regions in China saw hazy weather, especially the Beijing-Tianjin-Hebei region, and this attracted close attention on environment protection from the government and the society. The government further enhanced its energy structure adjustment and promulgated a series of policies in favor of clean energy to promote clean energy development. In September 2013, the State Council promulgated the Action Plan for the Prevention and Control of Atmospheric Pollution (大氣污染防治行動計劃), which was intended to reduce the proportion of coal consumption in the total energy consumption to below 65% by 2017. Hebei Province, a region severely affected by the hazy weather, also promulgated the Implementation Scheme of Hebei Province for the Action Plan for the Prevention and Control of Atmospheric Pollution (河北省大氣污染防治行動計劃實施方案) in September 2013, which aimed to cut the coal consumption of the province by a net of 40 million tons in 2017 as compared with 2012, equivalent to more than 30 billion cubic meters of natural gas. The scheme also requires the acceleration of the substitution and utilization of clean energy, the increased supply of natural gas, liquefied petroleum gas ("LPG") and coal-made natural gas, the active development of hydroelectric power in an orderly manner, the development and utilisation of the geothermal energy, wind energy, solar energy and biomass energy and the gradual increase of the use of clean energy in cities.

In 2013, the major operating environment for the natural gas industry and the wind power industry was as follows:

(i) Operating environment for the natural gas industry

1. *The infrastructure of natural gas was further improved*

In 2013, the China-Burma Natural Gas Pipelines (中國－緬甸天然氣管道), the Zhongwei-Guiyang Connecting Lines (中貴聯絡線) and the Datang Coal Gas Pipelines (大唐煤制氣管道) were put into production successively. The infrastructure of natural gas in China was further improved, establishing the foundation for the long-term development of the natural gas market.

2. *Demands in the natural gas market grew constantly*

In 2013, China's atmospheric pollution worsened. The promotion of clean energy accelerated around the country and coal-to-gas projects were carried out in many places, leading to an apparent growth in the demand for natural gas. The apparent consumption of natural gas in China amounted to 169.2 billion cubic meters, representing an increase of 12.9% as compared with 2012. The consumption of natural gas in Hebei Province amounted to 5.23 billion cubic meters in 2013, representing an increase of 0.96 billion cubic meters or 22.5% as compared with 2012, 10 percentage points higher than the average growth in China.

Domestic consumption of natural gas increased, but the production volume in China was unable to satisfy the market demands thus increasing the import dependence of natural gas. In 2013, China's import of natural gas grew rapidly. The total import for the year amounted to 53.4 billion cubic meters, representing an increase of 25.6% as compared with 2012.

3. *Promulgation of detailed rules for implementation of policies promoted the development of natural gas industry*

In September 2013, many ministries and commissions jointly issued the Detailed Rules for Implementation of the Action Plans for the Prevention and Control of Air Pollution in the Beijing-Tianjin-Hebei Region and the Surrounding Regions (京津冀及周邊地區落實大氣污染防治行動計劃實施細則), which required that, by the end of 2017, self-provided coal fired boilers shall be gradually removed and clean energies such as natural gas or concentrated heat supplies from surrounding power plants shall be used in all industrial regions, parks and clustered areas of chemical industry, paper making, printing and dyeing, tanning and pharmaceutical industries in Beijing, Tianjin, Hebei Province, Shanxi Province and Shandong Province; facilities powered by coal in existing refinery enterprises in Beijing, Tianjin, Hebei Province and Shandong Province shall switch to natural gas or be powered by surrounding power plants. The successive promulgation of environment protection and air pollution related policies of the country and Hebei Province will strongly promote the development of the natural gas industry.

4. *Marketization of the price of natural gas was further promoted*

In June 2013, the National Development and Reform Commission (國家發展和改革委員會) promulgated the Circular on Adjusting the Price of Natural Gas, which aimed to implement "One Price for One Province" all over the country (except for Fujian and Tibet), to distinguish incremental gas (增氣量) with existing gas supply (存量氣), to adjust the price of incremental gas to a reasonable price level relative to alternative energy such as fuel oil and LPG, adjust the price of existing gas supply step by step and to gradually smooth the price relation of natural gas and alternative energy. The price adjustment raised the enthusiasm of natural gas suppliers, thus aiding the relief of the current supply shortage.

(ii) Operating environment for the wind power industry in 2013

1. *Approved capacity and on-grid capacity of wind power saw stable growth*

According to the statistics of the National Renewable Energy Information Management Center (國家可再生能源信息管理中心), the accumulative approved capacity of wind power in China amounted to 134.25 million KW, with a newly increased approved capacity of 27.55 million KW, representing an increase of 10.0% as compared with 2012; annual on-grid capacity of wind power amounted to 137.1 billion KWh, representing an increase of 36.0% as compared with 2012; and the newly increased connected grid capacity amounted to 14.92 million KW, representing an increase of approximately 0.6 percentage point as compared with 2012.

In 2013, the newly increased approved capacity of wind power in Hebei Province amounted to 2.376 million KW, representing an increase of 47.5% as compared with 2012; annual on-grid capacity of wind power amounted to 14.65 billion KWh, representing an increase of 18.3% as compared with 2012; and the newly increased connected grid capacity amounted to 434,600 KW, representing a decrease of about 79% as compared with 2012. Along with the successive promulgation of policies in favor of wind powers and the gradual improvement of grid connection conditions, the wind power industry will continue to see a stable growth in the coming years.

2. *Approval procedures for large wind power projects were simplified*

In May 2013, the State Council issued the Decision on Cancelling and Decentralizing A Batch of Administrative Approval Items (關於取消和下放一批行政審批項目等事項的決定). The approval for enterprises to invest in wind power station projects were delegated to the competent authorities of investment of local governments and so the approval procedures for large wind power projects were simplified, the time of approval was reduced and the development and construction of wind power projects were accelerated.

3. *Issues of wind curtailments and power constraints were partially relieved*

In March 2013, the National Energy Administration (國家能源局) promulgated certain policies, including the Circular on Grid Connection and Absorption of Wind Power in 2013 (關於做好2013年風電併網和消納相關工作的通知) to promote the absorption and utilization of wind powers, to lessen the wind curtailments and power constraints, to improve power grid connection and to improve the proportion of wind power consumption. According to the statistics of the National Energy Administration, the annual utilization hours for 2013 exceeded 2,000 hours, with an average abandoning rate of 10.0%, representing a decrease of 7 percentage points as compared with 2012.

4. *Additional standards of prices of renewable energy were raised and the procedures for the payment of subsidies were simplified*

In August 2013, the National Development and Reform Commission issued the Circular on Adjusting the Additional Standards of Power Prices of Renewable Energy and Matters Concerning the Power Prices of Environment Protection (關於調整可再生能源電價附加標準與環保電價有關事項的通知) to raise the additional standard of the power price of renewable energy from RMB0.008 per KWh to RMB0.015 per KWh. And meanwhile, several ministries and departments including the Ministry of Finance promulgated the Interim Measures for the Administration of Additional Subsidies for Power Prices of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) to simplify the payment procedures for the subsidies for photovoltaic power stations and large wind power generation.

II. BUSINESS REVIEW

(i) Business review and major financial indicators of natural gas

1. *Business review of natural gas*

During the reporting period, the Group constantly promoted the construction of pipelines, actively developed the gas business in cities and saw the rapid growth in the natural gas business which was attributable to the coal-to-gas project in Hebei Province.

(1) Sales volume of natural gas saw constant growth

During the reporting period, the Group's sales volume of natural gas amounted to 1,484 million cubic meters, representing an increase of 19.0% as compared with 2012, of which the wholesales volume amounted to 757 million cubic meters, representing an increase of 9.0% as compared with 2012 and accounting for 51.0% of total sales volume of 2013; the retail sales volume amounted to 665 million cubic meters, representing an increase of 35.0% as compared with 2012 and accounting for 44.8% of total sales volume of 2013; and the sales volume of CNG accounted to 62 million cubic meters, representing an increase of 2.8% as compared with 2012 and accounting for 4.2% of total sales volume of 2013.

(2) Actively promoting the construction projects of natural gas infrastructure

During the year, the Group's construction of natural gas infrastructure progressed smoothly. The high pressure pipeline construction of the Chengde natural gas utilization project, 10 kilometers of medium pressure pipeline and the initial design for the Luanping station were all completed. The construction of the major pipeline of the pipework for ten counties in middle Hebei Province (Phase I) was 90% completed; and the civil engineering for the main body of the Shenzhou station was completed. The construction of the 2 CNG primary filling stations in Baoding and Chengde, the 2 CNG refilling stations in Pingquan and Laiyuan and the LNG refilling station in Shahe have commenced.

The Group increased 172.5 kilometers of urban natural gas pipeline in 2013. As of 31 December 2013, the Group accumulatively operated 1,123.5 kilometers of pipeline, including 550 kilometers of long-distance transmission pipeline and 573.5 kilometers of city gas pipeline; 10 distribution stations, 4 gate stations, 3 CNG refilling stations and 2 CNG primary refilling stations.

(3) Striving to expand upstream new gas sources

While stabilizing the middle-stream market of natural gas, and developing the downstream market, the Group continued to implement diversified strategies for gas sources, and to implement various measures to guarantee the supply of natural gas. LNG terminal project in Tangshan, in which the Group has a non-controlling interest, was formally put into production in December 2013 with a daily maximum gasification capacity of 24 million cubic meters and an annual output capacity of 8.7 billion cubic meters. During the reporting period, the Group established a joint venture named Hebei Suntien Guohua Gas Co., Ltd. (河北新天國化燃氣有限責任公司) in September 2013, which was responsible for promoting the Shanxi Licheng-Hebei Shahe coalbed methane pipeline project (山西黎城－河北沙河煤層氣管道工程項目). The bidding process for the survey, design, supervision, equipment and construction for the project was completed, and the construction will start in the first half of 2014. In addition, during the reporting period, the Group increased 15.95 million cubic meters of external LNG as the supplementary gas source to relieve the tight gas supply in Hebei Province arising from the heating supply in the winter, and to guarantee the supply in the peak winter season in Hebei Province.

(4) Actively exploring the downstream natural gas market

During the reporting period, the Group actively explored the retail business of natural gas. New industrial users increased by 19, representing an increase of 21.0% as compared with 2012, to a total of 307 industrial users. New residential users increased by 16,188, representing an increase of 33.0% as compared with 2012, to a total of 65,014 residential users.

During the reporting period, the Group vigorously explored city gas projects and registered and established a number of branches and subsidiaries to develop the market in new regions, including Xingtai, Gaoyi, Lulong and Anping and new operation districts in existing markets of Chengde and Shijiazhuang.

(5) Breakthrough made in the CNG and LNG businesses

During the reporting period, the Group enhanced the development of the CNG and LNG businesses and made breakthrough progress. As of 31 December 2013, the Group completed the initiation of projects for 4 CNG primary refilling stations, 10 CNG refilling stations and 4 LNG refilling stations. The construction of 2 CNG refilling stations in Pingquan and Laiyuan, 1 LNG refilling station in Shahe and 2 CNG primary refilling stations in Baoding and Chengde also commenced, and preparation for construction was made for the rest projects.

(6) Smooth implementation of the price adjustment of natural gas

On 28 June 2013, the National Development and Reform Commission promulgated the Circular on Adjusting the Price of Natural Gas (關於調整天然氣價格的通知), pursuant to which the highest wholesale price of existing gas supply in Hebei Province was RMB2.24 per cubic meter and that of incremental gas was RMB3.12 per cubic meter. After the adjustment, the average purchase cost of the Group increased by approximately RMB0.43 per cubic meter. The Price Bureau of Hebei Province (河北省物價局) issued the Circular on Forwarding the Circular of the National Development and Reform Commission on Adjusting the Price of Natural Gas (關於轉發《國家發改委關於調整天然氣價格的通知》) on 19 July 2013, confirming that for industrial users in Shijiazhuang, Baoding, Xingtai and Handan areas, the highest wholesale price of existing gas supply should be RMB2.49 (including a pipeline transportation fee RMB0.25) and that of incremental gas should be RMB3.37 (including a pipeline transportation fee of RMB0.25). The Group has successfully completed the price adjustment for the wholesale business. The price bureau of all cities successively issued notices in the second half of 2013 to confirm the price adjustment of the wholesale business. As of November 2013, the price adjustment of the Group to the downstream markets and various branches and subsidies of the Group were generally completed.

2. *Major financial indicators of natural gas*

(1) Revenue

During the reporting period, the Group recorded a natural gas sales revenue of RMB3,327 million, representing an increase of 29.5% as compared with 2012, which was mainly due to the increase in the unit price and significant increase of natural gas sales volume during the year. In particular, the pipeline wholesale business recorded a sales revenue of RMB1,457 million, representing 43.8% of the Group's sales revenue from natural gas; retail business, such as city natural gas, recorded a sales revenue of RMB1,605 million, representing 48.2% of the Group's sales revenue from natural gas. CNG business recorded a sales revenue of RMB145 million, representing 4.4% of the Group's sales revenue from natural gas. Other income was RMB120 million, representing 3.6% of the Group's sales revenue from natural gas.

(2) Operating cost

During the reporting period, the operating cost (including cost of sales, selling and distribution expenses, administrative expenses and other expenses) of the Group's natural gas business was RMB2,781 million, representing an increase of 32.3% as compared to the RMB2,103 million in 2012. This was mainly due to the increase in the price of natural gas in China during the year, leading to the increase in the purchase cost of natural gas and a significant increase in the volume of gas purchased.

(3) Profit from operations

During the reporting period, the profit from operations of the natural gas business was RMB548 million, representing an increase of approximately 16.6% as compared with RMB470 million in 2012. The increase was mainly due to the increase in gas sales volume. Gross profit margin was 19.8%, which was a 1.8 percentage points lower than that in 2012, and this was mainly due to rise of the unit price. However, the unit gross profit margin basically maintained at the same level as last year.

(ii) Business review and major financial indicators of wind power

1. Business review of wind power

During the reporting period, the Group further expanded the scale of its wind power business. The gross power generation, and the consolidated and attributable installed capacity grew stably as compared with 2012. The Group actively expanded wind resource projects around the country, and promoted the establishment and approval of wind resource projects, establishing a solid foundation for the future development of wind power business.

(1) Power generation of wind farms saw a stable growth

During the reporting period, the consolidated wind farms realized a power generation of 2,927 million KWh, representing an increase of 15.8% as compared with 2012; the utilization hours of the consolidated wind farms was 2,312 hours, representing an increase of 22 hours as compared with 2012; and the average availability factor was 97.48%, which was basically the same as last year.

(2) The scale of installation continued to expand

As of 31 December 2013, the consolidated installed capacity of the Group was 1,445.30MW, and the attributable installed capacity was 1,292.60MW. During the reporting period, newly increased consolidated installed capacity was 99MW and newly increased attributable installed capacity was 99MW. Affected by factors including the slow handling of formalities for occupation and delay in the construction of power grid, the completed installed capacity of wind power for the year was 99MW. As of 31 December 2013, the Group had 4 projects under construction with a construction capacity of 251MW.

(3) Actively expanding the wind resource reserve

The Group vigorously promoted the wind resource reserve, and the establishment and approval of wind power projects. In 2013, the increase of reserved capacity of the Group was 3,158MW, including 350MW in Hebei Province and 2,808MW in other provinces and cities. The accumulated reserved capacity of wind resources amounted to 21,273MW over 20 cities and provinces in China. As of 31 December 2013, The Group's newly increased project capacity with final approvals was 884 MW, the newly increased reserved capacity of preliminary approved projects was 1,381.5 MW, accumulated reserved capacity of preliminary approved projects was 3,161.40MW and accumulated reserved capacity with final approval was 1,220.5 MW. This provides solid project reserves for the Group to realize the "Twelfth 5-year" installation target and the further sustainable and stable development of wind power business.

(4) Offshore wind power demonstration project obtained approval

The Group's 300 MW offshore wind power demonstration project in Puti Island, Laoting, Tangshan was approved by the Development and Reform Commission of Hebei Province in December 2013, which was the first offshore wind power project obtaining approval in the Bohai Sea of China. The approval of this demonstration project marks the commencement of the substantial development stage of this project. The Group will continue to stably promote the development and construction of more offshore wind power projects.

(5) Enhancing the administration of wind power project to create quality projects

The Group further enhanced the precision and standardization management of wind power projects and guaranteed the construction quality of the wind power projects. The Chongli Jiaocheshan wind power project was successfully awarded the 2013 China National Premium Quality Project, being the second project of the Group receiving such honor after the Dongxingying wind power project. The Dongxingying wind power project, after receiving the awards of the Industrial Premium Quality Project and the National Premium Quality Project, was accredited with the National Premium Investment Project, becoming one of seven wind power projects that received awards.

(6) Wind power operation and maintenance level improved

During the reporting period, the Group conducted overall examination of the operation of wind farms and reformed the wind farms technically according to the requirements of the grid companies to guarantee the safe and economic operation of the generating units. During the reporting period, the Group had 8 wind power project companies with a total of 75.60MW installed capacity of wind farms that passed the level two examination of safety and production standardization.

2. *Major financial indicators of wind power business*

(1) Revenue

During the reporting period, the Group realized wind power sales revenue of RMB1.332 billion, representing an increase of 17.6% as compared with 2012. The wind power sales revenue accounted for 28.6% of the Group's sales revenue, mainly attributable to the facts that (1) the 7 wind farms that were put into operation successively in 2012 were all generating power in 2013 and 3 new wind farms were put into operation in 2013 to significant increase in sales volume of power; and (2) the utilization hours of wind farms increased.

(2) Operating cost

During the reporting period, the operating cost (including cost of sales, selling and distribution expenses, administrative expenses and other expenses) of the Group's wind power business was RMB639 million, representing an increase of 12.0% as compared with 2012. This was mainly due to 7 wind farms putting into operation in 2012 and 3 new wind farms putting into operation in 2013 and the corresponding increase in operating costs during the year.

(3) Profit from operations

During the reporting period, the profit from operations of the wind power business was RMB705 million, representing an increase of 14.2% as compared with 2012. The increase was mainly due to increased profit from operations resulting from the increase in the number of wind farms in operation and the improvement of utilization hours. The gross profit margin was 60.0%, which was almost the same as that of last year.

(iii) Other renewable energy business

During the reporting period, the Group, while vigorously developing its natural gas and wind power businesses, paid close attention to the development trend of new energy technologies and tracked relevant projects in time to fully explore new market potential and business growth points.

1. With respect to the solar power generation projects of the Group, in addition to the 1MW solar power project in Baoding Laiyuan Zhoucun of Hebei Province which has been in operation, the 20MW solar power station in Hejing of Xinjiang Province was successfully connected to the grid. In 2013, the newly increased agreed capacity of solar energy was 570MW and the accumulated agreed capacity of solar energy was 1,381MW.

2. The Group's demonstration project in Yulai in connection with the industry load absorption distributed renewable energy obtained preliminary approval from the Reform and Development Commission of Hebei Province. The implementation of the demonstration project will bring precious experience for the Group in developing distributed clean energy projects in the future.

3. The Group's demonstration project of comprehensive utilization of wind power to generate hydrogen in Guyuan obtained preliminary approval from the Reform and Development Commission of Hebei Province. The implementation of the project may help promote the hydrogen energy business of Hebei and the development of energy conservation, emission reduction, recycling economy and clean energy in Hebei.

III. MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITION AND OPERATING RESULTS

(i) Overview

According to the audited consolidated financial statements for 2013, the Group's net profit for the year was RMB675 million, representing a decrease of 15.2% from 2012. The net profit attributable to owners of the Company was RMB460 million, representing a decrease of 16.4% from 2012.

(ii) Revenue

In 2013, the Group recorded revenue of RMB4,661 million, representing an increase of 25.9% from 2012, of which:

1. Natural gas business recorded revenue of RMB3,327 million, representing an increase of 29.5% from 2012. This was mainly attributable to the raise of unit price of gas sales and significant increase in gas sales volume during the reporting period.

2. Wind power business achieved revenue of RMB1,332 million, representing an increase of 17.6% from 2012. This was mainly due to the increase in electricity sales volume from wind farms for the year.

3. Solar energy business achieved revenue of RMB2 million, unchanged comparing with 2012.

(iii) Other income and net gains

During the reporting period, the Group recorded other income and net gains of RMB31 million, representing a decrease of 60.1% from 2012. This was mainly due to the fact that during the reporting period, the net CERs income from wind power business of the Group decreased significantly due to the maturity of the first commitment period of the Kyoto Protocol at the end of 2012.

(iv) Operating costs

During the reporting period, the Group's operating costs, including cost of sales, selling and distribution expenses, administrative expenses and other expenses, aggregated to RMB3,476 million, representing an increase of 28.1% from 2012. Among others:

1. Cost of sales was RMB3,202 million, representing an increase of 30.0% from 2012. This was mainly due to the increase in purchase cost caused by the growth in volume of gas sales and rise of the unit price from the natural gas business, and the increase in cost of sales caused by the increase in wind power operating capacity.

2. The Group's administrative expenses was RMB239 million, representing an increase of 22.6 % from 2012. This was mainly due to the corresponding increase in staff costs and administrative costs as a result of the Group's business expansion.

3. Other expenses were RMB34 million, representing a decrease of 36.6% from 2012. This was mainly due to the amount provided for impairment this year is less than that of last year.

(v) Finance costs

During the reporting period, the Group's finance costs were RMB424 million, representing an increase of 19.9% when compared with RMB354 million in 2012. This was mainly due to the fact that following the expansion of production capacity of the Company, the increase in interest expenses resulting from the increase of borrowings and interest from the projects putting into operation were capitalized.

(vi) Share of profit of associates

During the reporting period, the Group's share of profit of associates was RMB40 million, representing a decrease of RMB50 million as compared with RMB90 million last year. This was mainly due to the decline in profitability of the enterprises in which the Group has non-controlling interest.

(vii) Income tax expenses

During the reporting period, the Group's net income tax expense was RMB158 million, representing a significant increase as compared with RMB7 million of last year. The main reasons for this increase are as follows: (1) the expiration of "2+3" tax holiday of Hebei Natural Gas, resulting in an applicable tax rate of 25% starting from 1 January 2013; (2) the substantial increase in profit before tax of Hebei Natural Gas, resulting in the growth of income tax year-on-year; (3) Pursuant to Notice of Taxation on Issues Concerning Preferential Policies on Enterprise Income Tax for Public Infrastructure Projects and Projects of Environmental Protection, Energy Saving and Water Conservation（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，Cai Shui [2012] No.10）issued by the Ministry of Finance and State Administration of Taxation, 7 projects of the Group, which were approved before 31 December 2007 and entitled to the "3+3" tax holiday commencing from the taxable year in which the project first generates operating income, could enjoy such tax benefits for remaining years within the preferential period calculated by new taxation laws after 1 January 2008. In 2012, the current income tax expenses were offset against the income tax relief for each project, which caused significant decrease in income tax expenses of the wind power segment that year; (4) 3 wind farms of the Group were subject to half payment of income tax from 2013 and ceased to enjoy full exemption.

(viii) Net profit

During the reporting period, the Group recorded a net profit of RMB675 million, representing a decrease of 15.2% as compared with 2012. Among others, the natural gas segment recording a net profit of RMB364 million, representing slight decline as from 2012; the wind power segment recording a net profit of RMB354 million, representing a decrease of 20.2% as compared with 2012. This was primarily due to: (1) the decrease in revenue of the wind farms in which the Group has non-controlling interests; (2) new taxation policies applicable to the wind power segment, resulting in the write-off of income tax for 7 wind power projects in 2012 (for details, please refer to the analysis in "(vii) Income tax expenses" in this section).

(ix) Profit attributable to owners of the Company

During the reporting period, the profit attributable to owners of the Company was RMB460 million, representing a decrease of RMB90 million compared with the RMB550 million last year. This was primarily attributable to the decrease in net profits from the wind power segment as compared with last year.

The basic earnings per share attributable to shareholders of the Company was RMB0.1419.

(x) Profit attributable to non-controlling interests

During the reporting period, the profit attributable to non-controlling interests was RMB215 million, representing a decrease of RMB31 million compared with the RMB246 million last year. This was primarily attributable to the decrease in net profit from the wind power segment as compared with last year.

(xi) Trade and bills receivables

As of 31 December 2013, the Group's trade and bills receivables amounted to RMB846 million, which is approximately the same as last year.

(xii) Bank and other borrowings

As of 31 December 2013, the Group's long-term and short-term borrowings totaled RMB8,904 million, representing an increase of RMB1,404 million compared with the figure at the end of 2012. Among the total borrowings, the short-term borrowings (including current portion of long-term borrowings) aggregated to RMB1,359 million and long-term borrowings amounted to RMB7,545 million.

During the reporting period, the Company adopted diversified financing methods, which effectively reduced financing costs and maintained sound liquidity. Firstly, relying on good bank credit in the PRC, the Group obtained RMB denominated loans with favorable lending rates. Secondly, Hebei Natural Gas obtained a direct overseas loan amounting to RMB400 million in the Hong Kong market, which was 17% below the domestic benchmark lending rate for the corresponding period.

(xiii) Liquidity and capital resources

As of 31 December 2013, the Group's net current assets was RMB378 million, and the net increase in cash and cash equivalents was RMB912 million. The Group has total banking facilities of RMB15,214 million granted by various domestic banks and credit facilities provided by HECIC Group Finance Company Limited of amounts up to RMB560 million, bringing the credit facilities obtained by the Group to an aggregate of RMB15,774 million, of which RMB7,863 million was utilised.

(xiv) Capital expenditure

During the reporting period, capital expenditures mainly included construction costs for new wind power projects, solar energy projects, natural gas pipelines and additions to property, plant and equipment and prepayment for leased land. Capital resources mainly include self-owned capital, bank borrowings and cash flow from the Group's operating activities. The Group formulated financial policies such as procurement and payment management policy, comprehensive budget management policy and capital management policy to ensure smooth allocation of capital to the Group's projects while optimizing capital structure, making good use of leverage and lowering finance and construction costs in our active pursuit of minimizing investment cost for projects. During the reporting period, the Group's capital expenditure was RMB1,544 million, representing an increase of 5.5% from RMB1,464 million of last year. A breakdown of capital expenditure is as follows:

	2013 RMB'000	2012 RMB'000	Percentage change (%)
Natural gas	**410,449**	283,869	44.6
Wind power and solar energy	**1,125,337**	1,129,519	-0.4
Unallocated capital expenditures	**7,941**	50,495	-84.3
Total	**1,543,727**	1,463,883	5.5

(xv) Gearing ratio

As at 31 December 2013, the gearing ratio (net debt divided by capital plus net debt) of the Group was 54.7%, representing a increase of 0.4 percentage point from 54.3% as at 31 December 2012.

(xvi) Material investments

Hebei Natural Gas entered into a joint venture contract with PetroChina (中國石油) and Beijing Enterprises Group (北控集團) on 16 October 2011 to set up a joint venture, PetroChina Jingtang LNG Co., Ltd (中石油京唐液化天然氣有限公司), to develop the LNG terminal project in Tangshan. For further details, please refer to the announcement titled "Discloseable Transaction-Establishment of a Joint Venture Company" issued by the Company on 17 October 2011. Hebei Natural Gas made the second capital injection to the joint venture in an amount of RMB320 million in September 2013. This capital contribution was funded by internal resources of Hebei Natural Gas.

(xvii) Material acquisitions and disposals

The Group had no material acquisitions and disposals during the year.

(xviii) Charge on assets of the Group

During the year, the Group had no charges on its assets.

(xix) Contingent liabilities

During the year, the Group had no contingent liabilities.

IV. PROSPECTS FOR 2014

In 2014, the global economy will continue to recover slowly and China's economy will maintain a stable growth. The power consumption and natural gas consumption in the society will continue to grow. In particular, as the coal consumption in Beijing, Tianjing, Hebei and Shandong will be reduced by 17 million tons in the year, it is expected that the consumption of natural gas and power generated from alternative energies will grow rapidly. The Group will seize the good opportunity derived from China's attempts to control air pollution and to develop clean energy, continue to focus on natural gas and wind power businesses while exploring other clean energy projects to diversify clean energy projects of the Group so as to maximize the interests of the Company and shareholders.

(I) Making reasonable arrangements for natural gas projects

In terms of natural gas business, the Group will further carry out the development strategy of "participating in the upstream, controlling the middle stream and developing the downstream projects".

1. *Upstream projects*

The Group will promote the construction of Shanxi Licheng-Hebei Shahe coalbed methane pipeline project; explore opportunity to utilize the LNG terminal project in Tangshan, in which the Group has non-controlling interests, to provide for gas resources for new natural gas projects developed in areas such as Tangshan and Qinhuangdao, etc.; and strive to introduce coal-based natural gas from Datang Keqi project.

2. *Middle stream project*

The Group will accelerate the construction progress of the pipework for ten counties in central Hebei Province (Phase I) and ensure its commencement of operation on schedule, and actively handle the formalities for the construction progress of the pipework for ten counties in central Hebei Province (Phase II) to strive for an early commencement of construction work. The Group will advance the preliminary work for projects such as Beijing-Handan dual pipeline to seek their preliminary approval soon.

3. *Downstream projects*

The Group will grasp the opportunity from Hebei Province's interest in reducing the use of coal and in switching coals to gas to actively develop urban natural gas projects, LNG and CNG projects. The Group will step up its effort to develop markets around the Beijing-Handan and Gaoyi-Qinghe pipelines and construct urban natural gas projects in Xingtai, Nangong and Linxi. It will also fully develop the market in the areas covered by the pipeline network project (phase I) of ten counties in Central Hebei Province to solicit users in anticipation of the commencing operation of such pipeline in the future, strive to introduce coal-made natural gas from Datang Keqi project, develop the natural gas utilization project in Chengde, develop the regional markets for LNG and CNG and accelerate construction of the Shahe LNG project. In addition, the Group will constantly seek for opportunities for construction of gas source projects and merger of natural gas project in and outside Hebei province, with a focus on expanding urban gas projects.

(II) Steady promotion of the development and construction of wind power projects

The Group will actively reserve wind resources based on wind power environment, policies, resources, technological development and absorption of wind power industry, proactively accumulate our wind resources reserves make reasonable arrangements for wind power projects, and decide on the investment and development of projects according to the resource endowment of each project to form a hierarchical development system for wind power projects. In 2014:

1. The Group will actively promote the development of wind power projects in Hebei, and vigorously promote the development of wind power projects in regions with advantageous resources such as Shandong, Yunnan and Henan. In 2014, the Group will strive to promote the preliminary development of the wind power projects in Fengning Shuiquan, Hebei, Junan Wanghai, Shandong, Qikeshu, Yunnan and Feilongding, Henan, etc..

2. The Group will steadily promote the construction of wind power projects in Hebei Province, complete the Ruyihe project and accelerate the construction progress of our projects such as the Changli Datan wind power project. It will also actively seek commencement of the construction of wind power project in Fengning Senjitu (Phase I and Phase II), Hebei.

3. The Group will accelerate the development outside Hebei province, and accelerate the construction of Ruoqiangluobuzhuang wind power project (Phase I) in Xinjiang.

4. The Group will promote off-shore wind power projects and commence the construction of Tangshan Laoting Puti Island wind power project as soon as possible.

(III) Other clean energy business

The Group will further enhance the development of solar energy projects, seek overseas highly feasible project for prime projects and constantly develop more reserved resources for the Group. It will also accelerate the construction of 10 MW Laiyuan solar energy generation project and strive to commence operation in 2014, actively promote the approval of the demonstration project of Yulai industry load absorption distributed renewable energy and the demonstration project of comprehensive utilization of wind power to generate hydrogen in Guyuan to commence the construction of both projects as soon as possible.

(IV) Enhancing the implementation of management system

In 2013, the Group, based on the needs for business development, comprehensively improved the management system and the internal control system, formed a series of complete and effective management system covering bidding to procurement management, planning and design to infrastructure management, financing plans to capital management, and improved the Group's ability of risk aversion. In 2014, the Group will focus on the implementation of all these management systems, to further improve management efficiency, effectively control management costs and improve the competitiveness of the Group.

(V) Optimizing capital structure and lowering capital costs

With strong demand for long-term capital, the Group has been committed to formulating favorable financing plans and pursuing optimized capital structure so as to effectively lower capital costs. In 2014, the Group will further expand financing channels, take full advantage of the favorable position of our Shenzhen Subsidiary in Qianhai Economic Development Zone, and cooperate with our Hong Kong Subsidiary to create a unified capital channel connecting onshore and offshore capital channels as soon as possible to obtain cross-border RMB loans. At the same time, the Group will actively make judgments on macro-economy trends and market interest rate and issue low-cost debt financing instruments from time to time. In addition, the Group will continue to enhance bank-enterprise relationship with various domestic and overseas banks for bank facilities and obtain capital with low interest rates.

V. RISK FACTORS AND RISK MANAGEMENT

(I) Natural gas business

1. The reform of natural gas price affects the market demand for natural gas

The adjustment made to the upstream price mechanism of natural gas may affect the downstream market. As the added value of downstream industrial users of the Group is low, the rise of gas consumption cost may result in some users reducing or abandoning the usage of natural gas and use of other alternative energy resources instead.

2. Risk of gas source shortage

The upstream gas source supply of the Group are relatively concentrated. When the upstream gas supply are constricted, this may cause adverse impact to the operation and production expansion of the Group's natural gas business. However, along with the increased reform of natural gas prices, the prices of natural gas will be further market-driven, and the initiatives of upstream suppliers will be mobilized. And meanwhile, the Group will actively seek for new gas sources based on existing gas sources, and obtain diversified gas sources in the future.

3. Risk of competition

The Group is mainly engaged in pipeline natural gas wholesale business in Hebei Province, and active development of the downstream retail market in Hebei and the natural gas market in other provinces. However, given that there are many nationwide operators and local natural gas companies in the downstream retail market in Hebei Province, and that the barrier for entry into the natural gas market in other provinces is high, the Group will face keen competition when it develops a new natural gas market.

While steadily developing the existing natural gas business in Hebei Province, the Group will actively seek cooperation with local gas companies, explore other methods and channels to enter into the gas market outside the province, accumulate market resources and successfully develop the Group's natural gas business beyond Hebei Province.

(II) Wind power business

1. Risks of wind curtailment and power constraints

The construction of power grids is lagging behind the construction of wind power projects, and the development and construction of wind power projects is limited by grid congestion. Especially in the region of Zhangjiakou where wind resources are concentrated, constructed wind farms are subject to grid congestion. It is impossible for the power grid to absorb new wind power projects on a large scale in the short term. Wind power projects that have been approved for construction will be affected.

The Group will, based on the construction of power grids, where each wind power project is located, prioritise the development and construction of wind power projects with great availability of power grid facilities and grid connection. At the same time, along with the advancement of power grid restructuring by power grid companies and investment and construction of extra-high voltage and power distribution network, power grids will improve constantly, and the power grid output issues can be further improved.

2. *Risks of policies*

The development of wind power depends on the supplementary encouragement and support of government policies. The financial subsidies and tax preferential policies which wind power projects are entitled to may impact the profitability of the projects. However, there may be uncertainties on the preferential policies for wind farms, and this may in turn affect the wind power business and financial position of the Group.

3. *Risks of interest rates*

The major financing channel for wind power projects of the Group is debt financing. The interest rate may have a greater impact on the infrastructure cost and operating results of the Group. If the interest rate rises, the Group may face the risk of increased financing costs.

To lower capital cost in the future, the Group will further expand financing channels, optimize financing plans, make reasonable arrangements in allocating the proportion of equity financing and debt financing.

4. *Risks of wind sources*

The power generation of wind farms depends greatly on climate condition and especially wind conditions. This may vary significantly due to seasonal change and geographical location, and reduce the operation efficiency of the Group and level of power generations and may cause material adverse effects to the business, financial position and operating results of the Group. At the stage of project planning and before the construction of wind farms, the Group will have comprehensive tests to determine the potential installed capacity of wind resources so as to lower the climatic risks.

Human Resources

1. SUMMARY OF HUMAN RESOURCES

As of 31 December 2013, the Group had a total of 1,321 staff, 1,135 of which, are male employees and 186 are female employees. The average age of employees was 31. 45% had the academic qualifications of bachelor degree or above.

The staff structure is as follows:

By business segments	No. of Staff
The Group's headquarters	59
Wind Power Segment	500
Natural Gas Segment	762

By academic qualifications	No. of Staff
Master's degree or above	82
Bachelor's degree	514
College diploma or below	725

By titles	No. of Staff
Specialist level	3
Senior level	55
Middle level	136
Junior level	217
Other level	910

2. MANAGEMENT OF HUMAN RESOURCES

(1) Human resources strategy

With the principle of close adherence to its strategic development objectives, the Group focuses on aligning its human resources strategy with its strategic development plan, so as to further enhance the human resource management system with core strategic penetration and optimize human resources management and procedures for business management.

(2) Remuneration and performance management

In order to further strengthen the incentive function of performance-based remuneration, in the Reporting Period, the Group optimized its remuneration system for incentive purposes and based on market research data and suitability for its development, and also actively fostered the establishment of channels for remuneration and promotions on the basis of elevating occupational professional skills.

(3) Recruitment management

Upholding the urge for a composition of talent which fits the Group's development needs, and the principle of combining internal and external recruitment, the Group has actively expanded its recruitment channels. During the reporting period, the Group actively explored its localized recruitment model to meet the long-term development needs of the Group.

(4) Human resources development

Insisting on the principle of combining talent development with the Group's business and organizational core capabilities, the Group gradually enhanced its personnel training mode. In the reporting period, the Group improved its training management system, strengthened the team building of the Company's internal training team, and arranged senior and middle-level staff to attend seminars in topics such as macro-economy and industry prospects, which boosted the overall capability of staff.

(5) Staff relations management

The Group regulates the labor usage and social insurance management in strict compliance with relevant laws and regulations including the Labor Law and the Labor Contract Law, to maximize protection of the legitimate rights of employees. During the reporting period, the Group made arrangements for collective wage agreement and collective contract bargaining negotiations, which clarified its approach towards labor relations and enabled the continued maintenance of stable and harmonious labor relations.

Biographies of Directors, Supervisors and Senior Management

1. NON-EXECUTIVE DIRECTORS

Dr. Cao Xin (曹欣), aged 42, is a non-executive Director and the chairman of the Board of the Company. He obtained a doctorate in economics from Renmin University of China (中國人民大學). Dr. Cao has served as director of the Company since 9 February 2010 and chairman of the Board of the Company since 28 March 2013. He has been a deputy general manager of HECIC since January 2014. In addition, since July 2013, Dr. Cao has been a non-executive director of Datang International Power Generation Co., Ltd, which is listed on Hong Kong Stock Exchange (Stock Code: 00991) and Shanghai Stock Exchange (Stock Code: 601991). From February 2010 to March 2013, Mr. Cao served as president of the Company. From June 2006 to March 2013, he was acting as general manager of HECIC New-energy. Dr. Cao successively served as manager of the second public utilities department and the assistant to the general manager of HECIC.

Mr. Xiao Gang (肖剛), aged 55, is a non-executive Director and vice chairman of the Board of the Company. He obtained a master's degree in business administration (EMBA) from Beijing Jiaotong University (北京交通大學). Mr. Xiao has served as non-executive Director and vice chairman of the Company since February 2010. Since June 2007, Mr. Xiao has been acting as deputy general manager of HECIC. Mr. Xiao held various positions of HECIC, including deputy manager of the capital department, manager of the agricultural project department, manager of Beijing operations and assistant to the general manager.

Mr. Ma Guo Qing (馬國慶), aged 45, is a non-executive Director and vice chairman of the Board of the Company. He obtained a doctorate in management science and engineering from the Hebei University of Technology (河北工業大學). Mr. Ma was appointed as non-executive Director and vice chairman of the 2nd session of the Board of the Company on 6 June 2013. He also serves as a full-time member of the Board and Chief Investment Officer of HECIC. Prior to that, Mr. Ma successively served as deputy manager, manager and head of the investment development department of HECIC.

Mr. Zhao Hui Ning (趙會寧), aged 46, is a non-executive Director 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. Mr. Zhao has served as non-executive Director of the Company since February 2010. Since October 2012, Mr. Zhao has also been acting as chairman of HECIC. Prior to that, Mr. Zhao successively served as an executive director and general manager of both Hebei Economic and Trade Investment Co., Ltd. (河北省經濟貿易投資有限公司) and Hebei Information Industry Investment Co., Ltd. (河北省信息產業投資有限公司), and as vice chairman and general manager of HECIC.

Mr. Zhao Hui (趙輝), aged 41, is a non-executive Director of the Company. He obtained a master's degree in business administration from Nankai University (南開大學). Mr. Zhao served as executive Director, vice president and joint company secretary of the Company from February 2010 to March 2014, and the secretary to the Board from February 2010 to June 2013. Since October 2013, he has served as general manager of the investment development department of HECIC. Prior to that, Mr. Zhao was 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) and the secretary to the board of Jointo Energy Investment Co., Ltd. (河北建投能源投資股份有限公司) (a company listed on Shenzhen Stock Exchange, Stock Code: 000600) and manager of its investment development department.

Dr. Li Lian Ping (李連平), aged 51, obtained a doctorate in materials processing engineering from the University of Science and Technology Beijing (北京科技大學). Dr. Li was a non-executive Director and chairman of the Board during the period from February 2010 to March 2013. Since October 2012, he has been acting as deputy director of Hebei SASAC. Prior to that, Dr. Li successively served as chairman of Handan Iron & Steel Group Co., Ltd. (邯鄲鋼鐵集團有限責任公司), 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 HECIC. Dr. Li resigned as a non-executive Director and chairman of the Board of the Company on 27 March 2013.

2. EXECUTIVE DIRECTORS

Mr. Gao Qing Yu (高慶余), aged 50, is an executive Director and the president of the Company. He obtained a master's degree in business administration from The Open University of Hong Kong (香港公開大學). Mr. Gao served as executive Director and vice president of the Company during February 2010 to March 2013, and has served as executive Director and president of the Company since March 2013. Prior to that, Mr. Gao successively served as the deputy general manager and chairman of the labour union and the general manager and chairman of the labour union of Hebei Natural Gas.

Mr. Wang Hong Jun (王紅軍), aged 49, is an executive Director of the Company. He obtained a master's degree in business administration from Tianjin University (天津大學). Mr. Wang was appointed as executive Director of the Company on 6 June 2013. Prior to that, Mr. Wang served as the deputy director of the general office, deputy director and director of the general manager office as well as the director of the general office of HECIC.

Mr. Sun Xin Tian (孫新田), aged 49, is a vice president of the Company, and served as executive Director and vice president of the Company during June 2010 to June 2013. He obtained a master's degree in power engineering from Huabei Electricity University (華北電力大學) and is a senior engineer conferred by the Senior Engineer Assessment Committee of Hebei Provincial Electricity Industry Bureau(河北電力工業局高級工程師評審委員會). Mr. Sun served as technician, engineer, deputy factory manager of a power engineering branch factory, deputy director and deputy chief engineer of the equipment and technology department 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)), deputy general manager of HECIC Zhangjiakou Wind Energy Co., Ltd., as well as deputy general manager and chief engineer of HECIC New Energy.

3. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qin Hai Yan (秦海岩), aged 43, is an independent non-executive Director of the Company. He obtained a master's degree in business administration from Renmin University of China (中國人民大學). Mr. Qin has served as independent non-executive Director of the Company since March 2010. Mr. Qin also serves as an independent non-executive director of Huaneng Renewables Corporation Limited (華能新能源股份有限公司) (a company listed on the Hong Kong Stock Exchange (Stock Code: 00958)), the standing director of the China Renewable Energy Society (中國可再生能源學會), the secretary-general to the Wind Power Committee of the China Renewable Energy Society (中國可再生能源學會風能專業委員會), the vice chairman of the Climatic Resources Utilization Research Institute of the Chinese Meteorological Society (中國氣象學會氣候資源應用研究委員會), the vice chairman of the Renewable Energy Committee of the 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), the honorary president of the Wind Energy Industry Association of Huishan District, Wuxi City (無錫市惠山區風能行業協會, a member of the National Wind Power Machinery Standardization and Technology Commission (全國風力機械標準化委員會) and a part-time professor of Nanjing University of Technology (南京工業大學).

Mr. Ding Jun (丁軍), aged 51, is an independent non-executive Director of the Company. He graduated from the graduate school of the China Academy of Social Sciences (中國社會科學院) with a master's degree in economics. Mr. Ding has served as independent non-executive Director of the Company since March 2010. Mr. Ding is an associate researcher of the 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. In addition, Mr. Ding was also appointed as standing director and vice secretary-general of the China Association for Studying the Construction of Well-off Society (中國小康建設研究會).

Mr. Wang Xiang Jun (王相君), aged 49, is an independent non-executive Director of the Company. He obtained a bachelor's degree in economics from the Central University of Finance and Economics (中央金融學院). Mr. Wang has served as independent non-executive Director of the Company since March 2010. Since November 2005, Mr. Wang has acted as associate professor of Hebei University of Economics and Business (河北經貿大學). In addition, he is a senior teacher of the Accountant Service Centre of Hebei Finance Office (河北省財政廳會計人員服務中心), a standing director of the Hebei Information Industry and Accounting Association (河北省資訊產業會計學會) and a financial consultant of Hebei Grain Group Co., Ltd. (河北省糧食產業集團有限公司), China Construction Bank Hebei Branch (中國建設銀行河北省分行), the finance department of Hebei Publishing Group (河北省出版集團財務部) and Hebei Products (Group) Co., Ltd. (河北物產企業(集團)公司).

Mr. Yue Man Yiu Matthew (余文耀), aged 52, is an independent non-executive Director of the Company. He graduated from the Chinese University of Hong Kong (香港中文大學) and obtained a bachelor's degree in business administration. Mr. Yue has served as independent non-executive Director of the Company since June 2010. Since 2009, Mr. Yue has acted as chief financial officer of Ko Shi Wai Holdings Limited (高士威控股有限公司), an independent non-executive director of Asia Cassava Resources Holdings Limited (亞洲木薯資源控股有限公司) (a company listed on the Hong Kong Stock Exchange (Stock Code: 00841)) and Royale Furniture Holdings Limited (皇朝家私控股有限公司) (a company listed on the Hong Kong Stock Exchange (Stock Code: 1198)). Mr. Yue is a fellow of the Association of Chartered Certified Accountants and of the Hong Kong Institute of Certified Public Accountants, and a member of the Hong Kong Securities Institute.

4. SUPERVISORS

Mr. Yang Hong Chi (楊洪池), aged 57, is chairman of the Board of Supervisors of the Company. He graduated from Tianjin University (天津大學). Mr. Yang was appointed as chairman of the 2nd session of the Board of Supervisors on 6 June 2013. Since January 2006, Mr. Yang has acted 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 (喬國杰), aged 51, is the staff representative supervisor of the Company. He obtained a master's degree in business administration from Tianjin University(天津大學). Mr. Qiao was elected as the staff representative supervisor at the 2nd session of the Board of Supervisor on 6 June 2013. Prior to that, Mr. Qiao served as deputy secretary of the party committee, secretary of the disciplinary committee and chairman of the labour union of HECIC New Energy, and then as deputy secretary of the party committee and secretary of the disciplinary committee of the Company and deputy secretary of the party committee, secretary of the disciplinany commitlee and chairman of the labour union of HECIC New Energy.

Mr. Liu Jin Hai (劉金海), aged 41, is a supervisor of the Company. He received a master's degree in business administration from the Hebei University of Technology(河北工業大學) and is a senior accountant in China. Mr. Liu was appointed as supervisor of the Company in June 2013. Mr. Liu also serves as general manager of HECIC Water. Prior to that, Mr. Liu was the financial manager of Shijiazhuang International Building (Group) Ltd. (石家莊國際大廈(集團)股份有限公司), the deputy chief accountant, financial controller and financial manager of Jointo Energy Investment Co., Ltd. (a company listed on the Shenzhen Stock Exchange (Stock Code: 000600)), and head of financial management department of HECIC.

Mr. Mi Xian Wei (米獻煒), aged 48, left office on 6 June 2013. He obtained a master's degree of science from Hebei Normal University (河北師範大學) and served as a supervisor of the Company from February 2010 to June 2013. Since June 2008, he has acted as deputy general manager of HECIC Water. 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.

5. SENIOR MANAGEMENT

For details of Mr. Gao Qing Yu, president of the Company, please see the second section of this chapter headed "Executive Directors".

For details of Mr. Sun Xin Tian, vice president of the Company, please see the second section of this chapter headed "Executive Directors".

Mr. Mei Chun Xiao (梅春曉), aged 45, obtained a master's degree in electrical engineering from Beijing Jiaotong University (北京交通大學). He was appointed as vice president of the Company on 6 June 2013, and is also the general manager of HECIC New Energy. Prior to that, Mr. Mei served as the chief engineer and assistant to the general manager of HECIC New Energy, and as the deputy general manager and chief engineer of Hebei Weichang Longyuan CIC Wind Energy Co., Ltd.

Ms. Ding Peng (丁鵬), aged 43, obtained a master's degree in senior business administration from Renmin University of China (中國人民大學). Ms Ding was appointed as vice president of the Company on 24 March 2014, and is also the general manager of Hebei Natural Gas. Prior to that, Ms Ding successively served as financial manager, then chief accountant, and then deputy general manager and chief accountant of Hebei Natural Gas.

Mr. Lu Yang (陸陽), aged 44, obtained a master's degree in senior business administration from Renmin University of China (中國人民大學). Mr. Lu was appointed as vice president of the Company on 24 March 2014. From January 2008 to March 2014, he served as deputy general manager of Hebei Natural Gas. Prior to that, Mr. Lu served as chief engineer and then as deputy general manager and chief engineer of Handan City Gas Company, and then as manager for engineering technical support of Hong Kong & China Gas Investment Limited.

Ms Fan Wei Hong (范維紅), aged 43, obtained a bachelor's degree in accounting from Hebei University of Economics and Business (河北經貿大學). Ms. Fan was appointed as financial controller of the Company on 16 August 2013 and resigned from the position on 24 March 2014 and was appointed as chief accountant of the Company on the same day. Prior to that, Ms Fan served as accountant of Shijiazhuang Sixth Cotton Mill Factory (石家莊市第六棉紡織廠), accountant of Shijiazhuang Committee of Planned Economy (石家莊市計劃經濟委員會), financial controller and deputy general manager of Shijiazhuang Construction and Investment Company (石家莊市建設投資公司), and as deputy manager and manager of the financial planning department of HECIC Communication Investment Co., Ltd (河北建設交通投資有限責任公司).

Mr. Ban Ze Feng (班澤鋒), aged 36, obtained a master's degree in business administration from Nankai University. Mr. Ban was appointed as secretary of the Board of the Company on 6 June 2013 and joint company secretary of the Company on 24 March 2014. Prior to that, Mr. Ban served as secretary of the general office of HECIC, deputy director of the general manager's office of Shijiazhuang International Building (Group) Co., Ltd. (石家莊國際大厦(集團)股份有限公司), as well as general office secretary, head of the secretarial confidential documents department and assistant to the director of the general office of HECIC.

6. JOINT COMPANY SECRETARIES

For details of Mr. Ban Ze Feng, a joint company secretary, please see the fifth section of this chapter headed "Senior Management".

Ms. Lam Yuen Ling, Eva (林婉玲), aged 47, 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 fellow of The Hong Kong Institute of Chartered Secretaries and also a member of The Institute of Chartered Secretaries and Administrators.

Report of the Board of Directors

The Board of the Group hereby presents to the Shareholders the annual report and the audited Financial Statements for the year ended 31 December 2013.

1. PRINCIPAL BUSINESS

The Group is principally engaged in the investment of projects involving the exploration and utilization of natural gas, LNG, CNG, coal gas and coalbed methane, as well as projects of renewable energy sources including wind power and solar power, etc. Details of major subsidiaries of the Company are set out in Note 17 to the Financial Statements.

2. RESULTS

The audited results of the Company and its subsidiaries for the year ended 31 December 2013 are set out in the consolidated statement of comprehensive income on page 73. The financial position of the Company and its subsidiaries as of 31 December 2013 is set out in the consolidated statement of financial position on page 74. The consolidated cash flows of the Company and its subsidiaries for the year ended 31 December 2013 are set out in the consolidated statement of cash flows on page 77.

Discussion and analysis of the Group's performance and financial position during the reporting period is set out in the Management Discussion and Analysis on pages 20 to 35 of this annual report.

3. SHARE CAPITAL

As of 31 December 2013, the total issued share capital of the Company was RMB3,238,435,000, divided into 3,238,435,000 shares of RMB1.00 each.

On 28 January 2014, the Company successfully placed 476,725,396 H Shares, thereby increasing registered capital by RMB476,725,396 and raising a total funds of approximately RMB1,257 million. After the completion of the placing, the total issued share capital of the Company amounted to RMB3,715,160,396, divided into 3,715,160,396 shares of RMB1.00 each.

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

During the reporting period, the Company did not redeem any of its securities, and neither the Company nor any of its subsidiaries purchased or sold any of the Company's securities that listed on the Hong Kong Stock Exchange.

On 28 January, 2014, an aggregate of 476,725,396 H Shares, were successfully allotted and issued by the Company at the placing price of HK$3.35 per H Share to no less than six and no more than ten placees. The aggregate gross proceeds from the placing amount to approximately RMB1,257 million and the aggregate net proceeds received by the Company (after deducting all applicable costs and expenses) amount to approximately RMB1,231 million. For further details, please refer to the announcements titled "Proposed Issuance of New H Shares", "Placing of H Shares" and "Completion of the Placing of H Shares" published on the websites of the Hong Kong Stock Exchange and the Company on 16 August 2013, 22 January 2014 and 28 January 2014, respectively, and the circular dated 5 September 2013.

5. PRE-EMPTIVE RIGHTS

Shareholders of the Company have no pre-emptive rights under laws and regulations, such as the PRC Company Law, and Articles of Association of the Company.

6. USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company first issued shares to the public on the Hong Kong Stock Exchange in October 2010 and exercised its overallotment option. The net proceeds raised was RMB2,658 million. As of 31 December 2013, RMB2,408 million was used for investment in the Group's natural gas and wind power projects, representing 90.6% of the net proceeds.

7. RESERVES

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

8. PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group acquired property, plant and equipment of a total cost of RMB116.591 million. The property, plant and equipment disposed or of which bad debts were written off by the Group had a carrying value of RMB707,000, resulting in net loss on asset disposal of RMB523,000.

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

9. PROFIT DISTRIBUTION

The Board recommends the distribution of a final dividend of RMB0.046 per share (tax included) (RMB170.897 million in total (tax included)) for the year ended 31 December 2013 to all shareholders, details of which are set out in Note 11 to the Financial Statements.

According to the Circular on Questions Concerning Withholding and Remitting Enterprise Income Tax for Dividends Received by Overseas H-share Holders (Non-resident 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税有關問題的通知，Guoshuihan [2008] No.897) issued by the State Administration of Taxation (國家税務總局), 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 12 June 2014.

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 treaties, 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 12 June 2014 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.

10. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2013, the purchase amount from the Group's five largest suppliers in aggregate contributed 98.9% of the Group's total purchase amount for the year, among which, the total purchase amount from the largest supplier contributed 97.0% of the Group's total purchase amount for the year.

For the year ended 31 December 2013, the sales to the Group's five largest customers in aggregate contributed 41.7% of the Group's total sales for the year, among which, the sales to the largest customer contributed 16.4% of the Group's total sales for year.

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

11. BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company and its subsidiaries as of 31 December 2013 are set out in Note 29 to the Financial Statements.

12. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Currently, our Board consists of eleven Directors, of whom five are non-executive Directors, two are executive Directors and four are independent non-executive Directors.

Information on the Directors, supervisors and senior management of the Company are as follows:

Name	Age	Position	Date of Appointment
Li Lian Ping (1)	51	Non-executive Director, chairman of the Board	9 February 2010
Cao Xin (2)	42	Non-executive Director, chairman of the Board	6 June 2013
Xiao Gang	55	Non-executive Director, vice chairman of the Board	6 June 2013
Ma Guo Qing	45	Non-executive Director, vice chairman of the Board	6 June 2013
Zhao Hui Ning	46	Non-executive Director	6 June 2013
Gao Qing Yu (3)	50	Executive director, president	6 June 2013
Wang Hong Jun	49	Executive director	6 June 2013
Zhao Hui (4)	41	Non-executive Director	6 June 2013
Qin Hai Yan	43	Independent non-executive Director	6 June 2013
Ding Jun	51	Independent non-executive Director	6 June 2013
Wang Xiang Jun	49	Independent non-executive Director	6 June 2013
Yue Man Yiu Matthew	52	Independent non-executive Director	6 June 2013
Yang Hong Chi	57	Chairman of the Board of Supervisors	6 June 2013
Qiao Guo Jie	51	Staff representative supervisor	6 June 2013
Liu Jin Hai	41	Supervisor	6 June 2013
Mi Xian Wei (5)	48	Supervisor	9 February 2010
Sun Xin Tian (6)	49	Vice president	6 June 2013
Mei Chun Xiao	45	Vice president	6 June 2013
Ding Peng	43	Vice president	24 March 2014
Lu Yang	44	Vice president	24 March 2014
Fan Wei Hong	43	Chief accountant (7)	24 March 2014
Ban Ze Feng (8)	36	Secretary to the Board, joint company secretary	6 June 2013

Notes: (1) Due to change in work arrangements, Dr. Li Lian Ping resigned as chairman of the Board and non-executive Director on 27 March 2013.

(2) Dr. Cao Xin resigned as president and was appointed as chairman of the Board on 28 March 2013; and redesignated as chairman of the Board and non-executive Director of the Company on 24 March 2014.

(3) Mr. Gao Qing Yu was redesignated as president from vice president on 28 March 2013.

(4) Due to change in work arrangements, Mr. Zhao Hui was redesignated as non-executive Director from executive Director on 24 March 2014, and resigned as vice president, joint company secretary and authorized representative of the Company.

(5) Mr. Mi Xian Wei ceased to serve as supervisor after the supervisor term from the Company's 1st session of the Board of Supervisors ended on 6 June 2013.

(6) Mr. Sun Xin Tian retired as executive Director of the Company after the executive director term of the 1st session of the Board ended on 6 June 2013, but he remains as vice president of the Company.

(7) Ms. Fan Wei Hong was appointed as financial controller on 16 August 2013, and resigned as financial controller on 24 March 2014 and appointed on the same day as chief accountant.

(8) Mr. Ban Ze Feng was appointed as secretary to the Board of the Company on 6 June 2013, and as joint company secretary of the Company on 24 March 2014.

The Company has accepted the annual confirmation of independence issued by the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules of the Hong Kong Stock Exchange, and is of the opinion that all independent non-executive Directors are independent of the Company.

13. CHANGES IN DIRECTORS AND SUPERVISORS

(1) Changes in members of the 1st session of the Board

On 27 March 2013, Dr. Li Lian Ping, chairman of the 1st session of the Board of the Company, resigned as chairman and non-executive Director of the Company, member and chairman of the Nomination Committee, member of the Remuneration and Appraisal Committee as well as member and chairman of the Strategy and Investment Committee of the Board due to change in work arrangements. After review and approval at the 13th meeting of the 1st session of the Board of the Company, Dr. Cao Xin has been appointed as chairman and redesignated as non-executive Director of the 1st session of the Board, member and chairman of the Nomination Committee, member of the Remuneration and Appraisal Committee as well as member and chairman of the Strategy and Investment Committee since 28 March 2013 and until the end of the 1st session of the Board of the Company.

(2) The election of members of the 2nd session of the Board and the Board of Supervisors

1. On 6 June 2013, the Company convened its annual general meeting 2012. With the approval of shareholders from the Annual General Meeting, Directors of the 2nd session of the Board were elected with the following composition: Mr. Zhao Hui Ning, Mr. Xiao Gang and Mr. Ma Guo Qing as non-executive Directors; Dr. Cao Xin, Mr. Gao Qing Yu, Mr. Wang Hong Jun and Mr. Zhao Hui as executive Directors; Mr. Qin Hai Yan, Mr. Ding Jun, Mr. Wang Xiang Jun and Mr. Yue Man Yiu Matthew as independent non-executive Directors. Mr. Sun Xin Tian, former executive Director of the Company, ceased to serve this position after the end of his term. On the same day, after review at the first extraordinary meeting of the 2nd session of the Board, Dr. Cao Xin was appointed as chairman of the 2nd session of the Board of the Company; Mr. Xiao Gang and Mr. Ma Guo Qing were appointed as vice chairmen of the Board; Mr. Gao Qing Yu was appointed as president; and Mr. Zhao Hui, Mr. Sun Xin Tian and Mr. Mei Chun Xiao were appointed as vice presidents.

2. The Company convened a staff representatives meeting on 7 April 2013, where Mr. Qiao Guo Jie was appointed as the employee representative supervisor of the Board of Supervisors of the Company. On 6 June 2013, the Annual General Meeting was convened, where Mr. Yang Hong Chi and Mr. Liu Jin Hai were appointed as non-staff representative supervisors of the 2nd session of the Board of Supervisors of the Company. On the same day, after review at the first extraordinary meeting of the 2nd session of the Board of Supervisors, Mr. Yang Hong Chi was appointed as chairman of the Board of Supervisors. The three supervisors above together formed the 2nd session of the Board of Supervisors of the Company. Mr. Mi Xian Wei, the former non-staff representative supervisor, ceased to serve in this position after the end of his term.

(3) Changes in members of the 2nd session of the Board

On 24 March 2014, Dr. Cao Xin, an executive Director and the chairman of the Board of the Company, was redesignated as non-executive Director, and continued to serve as chairman of the Board. Due to changes in work arrangements, Mr. Zhao Hui, an executive Director and vice president of the Company, was redesignated as non-executive Director from executive Director, and resigned as vice president, joint company secretary and authorized representative.

Biographical details of Directors, supervisors and senior management are set out on pages 38 to 42 of this annual report.

14. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

15. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

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

16. INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS OF SIGNIFICANCE

At the end of the year 2013 or at any time during the year 2013, 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.

17. INTEREST OF DIRECTORS AND SUPERVIORS IN COMPETING BUSINESS

Save as disclosed in the annual report, none of the Directors and supervisors and their associates (as defined under the Listing Rules) had any competing interests in any business which competed, either directly or indirectly, with the business of the Group during the reporting period.

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

On 31 December 2013, 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) 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.

19. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

On 31 December 2013, 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 need 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:

Name of Shareholder	Class of Share	Capacity	Number of shares/ underlying shares held	Percentage in the Relevant Class of Share Capital (%)	Percentage in the Total Share Capital (%)
HECIC [1]	Domestic shares	Beneficial owner and controlled company	1,876,156,000 (Long position)	100%	57.93% [2]
National Social Security Council	H Shares	Beneficial owner	107,690,000 (Long position)	7.91%	3.33%
Allianz SE	H Shares	Investment Manager	123,454,000 (Long position)	9.06%	3.81%
JPMorgan Chase & Co	H Shares	Investment Manager	82,849,396 (Long position)	6.08%	2.56%
			78,425,396 (Lending pool)	5.76%	2.42%
Norges Banks	H Shares	Investment Manager	68,914,193 (Long position)	5.06%	2.13%
Government of Singapore Investment Corporation Pte Ltd	H Shares	Investment Manager	68,333,000 (Long position)	5.02%	2.11%

Notes: (1) HECIC, directly and indirectly through HECIC Water, held a total of 1,875,156,000 shares of the Company.

(2) The Company placed 476,725,396 H Shares on 28 January 2014, which increased the total share capital of the Company to 3,715,160,396 shares. After the completion of the placing, the shareholding ratio held by HECIC was 50.5% and the shareholding ratio held by holders of H shares was 49.5%.

20. MANAGEMENT CONTRACTS

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

21. CONNECTED TRANSACTIONS

(1) Connected transactions exempt from independent shareholders' approval requirements

During the reporting period, the Group carried out below continuing connected transactions subject to reporting and announcement requirements but exempt from independent shareholders' approval pursuant to Rule 14A.34 of the Listing Rules. The specific details are as follows:

As disclosed in the section headed "Connected Transactions" in the Company's prospectus dated 30 September 2010, on 19 September 2010, the Company and its controlling shareholder HECIC entered into the tenancy master agreement, pursuant to which HECIC leased the office space at Yu Yuan Plaza, No. 9 Yuhua West Road, Shijiazhuang City, Hebei Province, PRC to the Group and provided the Group with certain ancillary office support services for the three years ended 31 December 2012.

After the aforementioned tenancy master Agreement expired on 31 December 2012, the Group continued to rent such property from HECIC and its subsidiaries. On 9 June 2013, the Company and HECIC entered into a new tenancy master agreement for a term from 1 January 2013 to 31 December 2015. Under the new master tenancy agreement, the Group 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, respectively, from HECIC for the three years ended 31 December 2015. HECIC agreed to provide to the Group certain ancillary office support services. While HECIC and/or its subsidiaries are responsible for insurance and maintenance of such properties, the Group shall pay the rent and utility charges to HECIC and/or its subsidiaries. Members of the Group will enter into individual lease agreements for the lease of relevant properties with HECIC and/or its subsidiaries according to the terms and conditions set out in the new master tenancy agreement. During the reporting period, the 2013 annual cap of this continuing connected transaction was RMB7,800,000 and the actual transaction amount was RMB6,455,000.

Details are set out in the announcement headed "Renewal of continuing connected transaction – New Master Tenancy Agreement" on 9 June 2013 issued by the Company on the websites of the Hong Kong Stock Exchange and the Company.

(2) Non-exempt continuing connected transactions

During the reporting period, the Group carried out a non-exempt continuing connected transaction pursuant to Rule 14A.35 of the Listing Rules, the details of which are as follows:

To allocate the funds between the members of the Group more effectively, increase the degree of liquidity of the Group's funds and enhance the overall solvency of the Group, on 16 August 2013, the Group entered into the Financial Services Framework Agreement with the Group Financial Company. The Group Finance Company is a non-wholly owned subsidiary of HECIC. HECIC directly and indirectly holds approximately 57.9% equity interests in the Company in aggregate and is a connected person of the Company. Therefore, the Group Finance Company is also a connected person of the Company. As such, the provision of financial services to the Company by the Group Finance Company pursuant to the Financial Services Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to the Financial Services Framework Agreement, the Group will, on a voluntary and non-compulsory basis, utilize the financial services provided by the Group Finance Company, including (i) the deposit service, (ii) the loan service and (iii) other financial services. Under the Financial Services Framework Agreement, the Group Finance Company has undertaken to the Company that whenever it provides financial services to the Group, the terms thereof shall not be less favorable to those offered to other members of HECIC, nor less favorable than those of comparable services offered to the Group by any commercial banks or other financial institutions. The Group will utilize the financial services of the Group Finance Company on a voluntary and non-compulsory basis and is not obliged to engage the Group Finance Company for any particular service. The term of the Financial Services Framework Agreement is from 23 October 2013 to 31 December 2015. Fees and charges payable by the Group to the Group Finance Company under the Financial Services Framework Agreement are determined on the following basis:

(1) Deposit Service: interest rates shall not be lower than (i) the lower limits of the interest rates promulgated by The People's Bank of China（中國人民銀行）from time to time for the same category of deposits; (ii) the interest rates offered to other members of HECIC by the Group Finance Company for the same category of deposits; and (iii) the interest rates offered to the Group by commercial banks for the same category of deposits, whichever is higher.

(2) Loan Service: interest rates shall not be higher than (i) the upper limits of the interest rates promulgated by The People's Bank of China from time to time for the same category of loans; (ii) the interest rates offered to other members of HECIC by the Group Finance Company for the same category of loans; and (iii) the interest rates offered to the Group by commercial banks for the same category of loans, whichever is lower.

(3) Other Financial Services: the interests or service fees charged for Other Financial Services shall (i) comply with the standard rates as promulgated by The People's Bank of China or the China Banking Regulatory Commission（中國銀行業監督管理委員會）from time to time (if applicable); (ii) not be higher than the interests or service fees charged by commercial banks for comparable services; and (iii) not be higher than the interests or service fees charged by the Group Finance Company for comparable services to other members of HECIC.

From the effective date to 31 December 2013, the proposed maximum daily balance under the deposit service of this continuing connected transaction is RMB1,000,000,000 and the actual maximum daily balance under the deposit service was RMB472,412,060.98.

Details are set out in the announcements on 18 August 2013 and 22 August 2013, and shareholders' circular on 5 September 2013, issued by the Company in relation to this continuing connected transaction. The transaction was approved by the extraordinary general meeting of the shareholders of the Company on 23 October 2013. On the same day, the Company released the announcement regarding the poll results of the extraordinary general meeting of the shareholders on the websites of the Hong Kong Stock Exchange and the Company.

(3) Confirmation by the independent non-executive Directors

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

1. in the ordinary and usual course of business of the Group;

2. either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and

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

(4) Confirmation of the auditors

The auditors of the Company, Ernst & Young have provided a letter to the Board of the Company, confirming that for the year ended 31 December 2013, the aforementioned continuing connected 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 relevant agreements governing such transactions; and

4. have not exceeded the 2013 annual caps as disclosed in the previous announcements.

22. COMPLIANCE WITH NON-COMPETITION AGREEMENT

(1) Compliance with Non-competition Agreement

The Company entered into a Non-Competition Agreement with it controlling shareholder, HECIC on 19 September 2010. Pursuant to the Non-competition Agreement, HECIC would not and shall procure its subsidiaries not to compete with the Group in the relevant businesses, and granted the Company the option to take up new business opportunity, option to acquire any retained business and new business opportunities and pre-emptive rights.

Independent non-executive Directors of the Company will be responsible for the review, consideration and determination in relation to the acceptance of new business opportunities referred by HECIC or its subsidiaries, and the exercise of its acquisition option and pre-emptive rights.

HECIC has confirmed that it has complied with its undertakings in the Non-Competition Agreement. The independent non-executive Directors of the Company have reviewed the implementation of the Non-Competition Agreement during 2013 and confirmed that HECIC has been in full compliance with such agreement and that there was no breaches.

(2) Specific matters in relation to the Non-Competition Agreement

1. During the reporting period, HECIC issued a letter to the Company pursuant to the Non-Competition Agreement granting the Company pre-emptive rights for the proposed transfer of all or part of the equity interests of Hebei Lingda Green Energy Co., Ltd.(河北靈達環保能源有限責任公司), Chengde Huanneng Thermal Power Co., Ltd.(承德環能熱電有限責任公司), HECIC Canghai Huanneng Power Co., Ltd. (河北建投滄海環能發電有限責任公司), HECIC Lingfeng Green Power Co. Ltd.(河北建投靈峰環保發電有限責任公司), HECIC Linghai Power Co., Ltd. (河北建投靈海發電有限責任公司) and HECIC Bio Power Co., Ltd. (河北建投生物發電有限責任公司) (hereinafter collectively referred to as the "Transfer Projects"). After careful analysis and evaluation of the Transfer Projects at the 13th meeting of the 1st session of the Board of the Company, it was concluded that although the Transfer Projects were within the scope of renewable energy generation, which was in line with the Company's direction of investments, the operation and financial position of the Transfer Projects had difficulty in meeting the Company's selection criteria in relation to the income of investment projects. Based on its strategic planning, the Company shall focus its current resources on the development of its natural gas and wind power businesses. The Company deliberations in giving up the Transfer Projects were made in line with the principle of maximizing the Company's interests. By the resolution of the Board, the Company decided to give up pre-emptive rights to the Transfer Projects and agreed to the transfer by HECIC in accordance with applicable laws and regulations.

2. During the reporting period, HECIC issued a letter to the Company pursuant to the Non-Competition Agreement granting the Company the option of new business opportunity in relation to a project involving joint investment for the development and construction of two long-distance transmission pipelines, namely Handan-Hengshui-Bohai New Area Pipeline and Qinhuangdao – Fengrun Coastal Pipeline, by HECIC and China Petroleum & Chemical Corporation in the eastern region of Hebei Province as provincial cooperation. After careful analysis and evaluation of the project at the 9th meeting of the 1st session of the Board of the Company, it was concluded that, although this new business could effectively reduce the Company's risk of using a single gas supply and was in line with the Company's direction of investments, from a project investment point of view, as the project has a rather long development cycle with a large initial investment, there were uncertainty and risks associated with project approval, profitability and profitable time, in addition to a few years of loss after the launch of commercial operations. Accordingly, the Company decided to abandon the new business investment opportunity, but at the same time retained an acquisition option according to the Non-Competition Agreement, so that the Company may, under the premise that it was permitted by applicable laws exercise one-off or multiple options from HECIC at any time to acquire the new business using a method and procedure in compliance with legal requirements. At that time, the Company will issue a written notice to HECIC, and fulfill the relevant approval and compliance procedures in accordance with applicable laws and regulations and the Listing Rules.

23. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company listed on the Hong Kong Stock Exchange, the Company strives to maintain a high standard of corporate governance practices and adopts the code provisions as set out in the "Corporate Governance Code and Corporate Governance Report" to Appendix 14 of the Listing Rules. During the reporting period, the Company complied with most of the provisions set out in the Code, and certain deviations from the provisions of the code have also been explained.

Please refer to the Corporate Governance Report of this annual report on pages 55 to 68 for details.

24. 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.

25. MATERIAL LITIGATION

As of 31 December 2013, 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.

26. AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the 2013 annual results of the Group and the Financial Statements for the year ended 31 December 2013 prepared in accordance with the International Financial Reporting Standards.

27. AUDITORS

Ernst & Young was appointed as auditors for the Financial Statements prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2013. The enclosed Financial Statements prepared in accordance with the International Financial Reporting Standards have been audited by Ernst & Young.

In the reporting period, Zhonglei Certified Public Accountants (中磊會計師事務所) resigned as the PRC auditors of the Company for the year of 2013. After review by the Board and approval by way of voting at the extraordinary general meeting of shareholders on 23 October 2013, Reanda Certified Public Accountants (利安達會計師事務所) was appointed as the PRC auditors of the Company for the year of 2013. Reanda Certified Public Accountants has prepared the Financial Statements in accordance with the PRC Financial Accounting Standards.

By order of the Board
Chairman
Cao Xin

Beijing, 24 March 2014

Corporate Governance Report

The Board of the Company hereby presents to shareholders the corporate governance report for 2013.

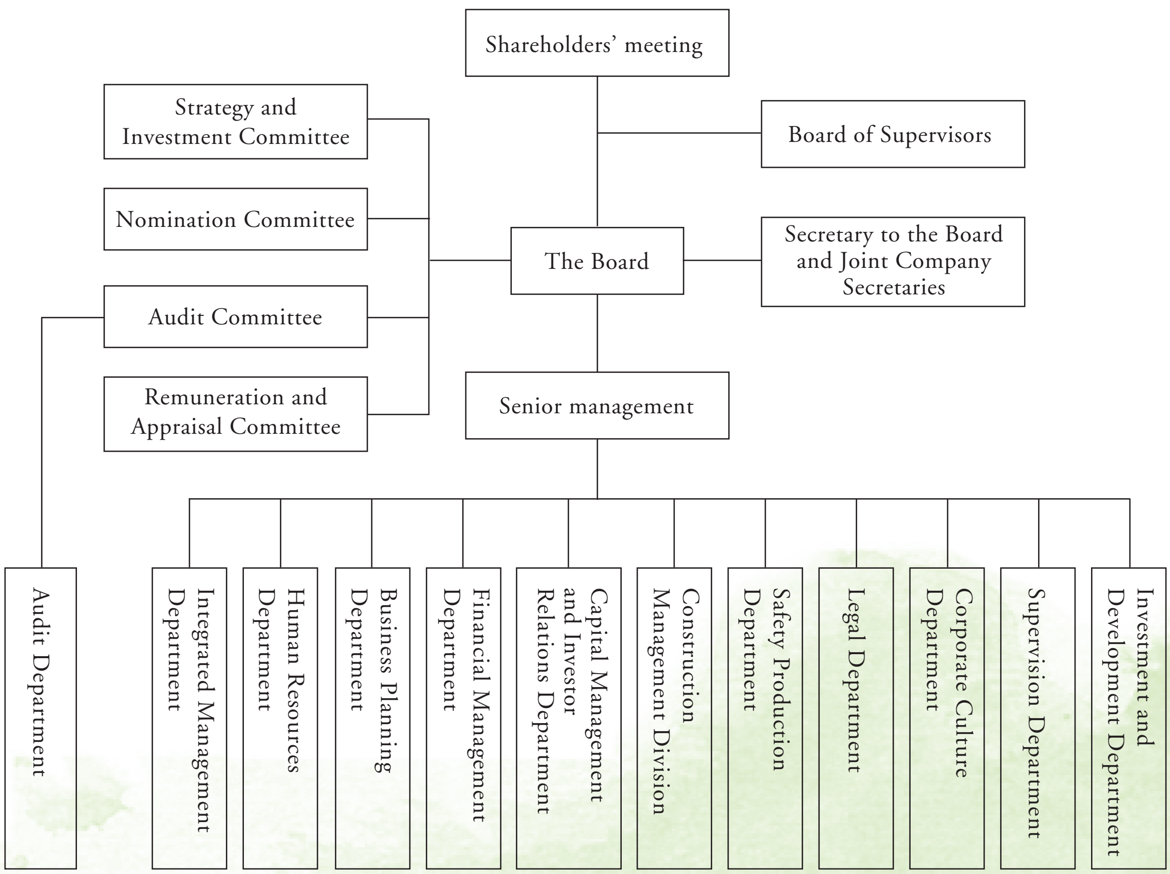
The Company has always been focused on improving its corporate governance, so as to enhance value for shareholders and protect their interests. The Company has established a modern and balanced corporate governance structure which comprises of the shareholders' meeting, the Board, the Board of Supervisors, specific Board committees and senior management in accordance with the PRC Company Law, the Mandatory Provisions for the Articles of Association of Companies Listed Overseas and the Corporate Governance Code ("the Code") set out in the Listing Rules. In the reporting period, the Company complied with most of the principles and provisions set out in the Code, and certain deviations from the Code will be explained below. The Board of the Company will review and enhance its corporate governance from time to time to ensure its compliance with the Code.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Company by all Directors and supervisors. After making specific enquiries to all of the Directors and supervisors of the Company, all Directors and supervisors confirmed that during the reporting period, they had fully complied with the standards set out in the Model Code.

The Board will review from time to time the corporate governance practices and operations of the Company so as to meet the requirements under the Listing Rules and to protect the interests of shareholders.

1. CORPORATE GOVERNANCE STRUCTURE

The corporate governance structure of the Company is as follows:



2. THE BOARD

(1) Composition of the Board

During the reporting period, the Board of the Company comprises 11 Directors, which includes three non-executive Directors, four executive Directors and four independent non-executive Directors.

During the reporting period, the 2nd session of the Board was formed by election at the Annual General Meeting on 6 June 2013. Each appointed Director has entered into a service contract with the Company. The duration of each service contract is from the relevant date of appointment up to the end of term of the 2nd session of the Board.

In 2013, the Board has complied with the Listing Rules by the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, accounting or related financial management expertise. The number of independent non-executive Directors also meets the requirement of at least represention of one-third of the total number of members on the Board. Moreover, the Company has received from each independent non-executive Director an annual confirmation of independence, and considers that all the independent non-executive Directors are independent from the Company.

Regarding the diversity the Board members, Directors of the Company have different professional backgrounds. Each Director provides professional advice in their respective areas of expertise to the Company.

The composition of the 2nd session of the Board is as follows:

Name	Age	Gender	Position	Date of Appointment	Term of office
Cao Xin (1)	42	Male	Chairman of the Board, non-executive Director	6 June 2013	3 years
Xiao Gang	55	Male	Vice chairman of the Board, non-executive Director	6 June 2013	3 years
Ma Guo Qing	45	Male	Vice chairman of the Board, non-executive Director	6 June 2013	3 years
Zhao Hui Ning	46	Male	Non-executive Director	6 June 2013	3 years
Gao Qing Yu	50	Male	Executive Director, President	6 June 2013	3 years
Wang Hong Jun	49	Male	Executive Director	6 June 2013	3 years
Zhao Hui (2)	41	Male	Non-executive Director	6 June 2013	3 years
Qin Hai Yan	43	Male	Independent non-executive Director	6 June 2013	3 years
Ding Jun	51	Male	Independent non-executive Director	6 June 2013	3 years
Wang Xiang Jun	49	Male	Independent non-executive Director	6 June 2013	3 years
Yue Man Yiu Matthew	52	Male	Independent non-executive Director	6 June 2013	3 years

Notes: (1) Due to change in work arrangements, on 24 March 2014, Dr. Cao Xin was redesignated as non-executive Director from executive Director but continued to serve as chairman of the Board.

(2) Due to change in work arrangements, on 24 March 2014, Mr. Zhao Hui was redesignated as non-executive Director from executive Director, and resigned as vice president, joint company secretary and authorized representative.

Biographical details of the current Directors of the Company are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" in this Annual Report.

(2) Role and responsibilities of the Board

The Board is accountable to and reports its work to the shareholders' meetings and is responsible for implementing the resolutions of the shareholders' meetings. The responsibilities of the Board are defined in the Articles of Association which stipulated that it has the following responsibilities: convening the shareholders' meetings, implementing the resolutions of the shareholders' meetings, making decisions on operational planning and investment projects of the Company, preparing the annual financial budget, final accounts, profit distribution plan, capital increase or reduction plan, determining the set up of the Company's regulatory bodies, electing the chairman and vice chairman of the Board, deciding whether to appoint or dismiss the president, vice presidents and other senior management, developing the basic management system of the Company and making decisions on the establishment of specialized board committees.

(3) Role and responsibilities of management

The management is responsible for the practical implementation of the Board resolutions management of the Company's daily operation. According to the Company's Articles of Association, the management's primary responsibilities are as follows: to develop the operation, investment and financing plan of the Company, to establish the internal management structure, and to develop the basic management system and specific regulations of the Company, etc..

(4) Board Meetings

Pursuant to the Articles of Association, the Board is required to hold at least four Board meetings each year, which shall be convened by the Chairman of the Board. To ensure the good attendance rate of Board meetings, 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.

In accordance with the Listing Rules, the Board is required to notify the Hong Kong Stock Exchange and issue an announcement at least 7 business days prior to Board meetings in relation to decisions regarding the declaration, proposal or payment of dividends, or resolutions regarding the approval of profits or losses of any year, half-year or other periods.

Except for the Board's consideration of matters in relation to connected transactions as stipulated by the Articles of Association, 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 as his proxy to attend the Board meeting. 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 2013, five meetings were held by the Board. Details of Directors' attendance to Board meetings are as follows:

Name	Position	Number of Meetings attended/ held	Attendance Rate
Li Lian Ping [(1)]	Non-executive Director, chairman of the Board	0/0	—
Cao Xin [(2)]	Non-executive Director, chairman of the Board	5/5	100%
Xiao Gang	Vice chairman of the Board, non-executive Director	5/5	100%
Ma Guo Qing [(3)]	Vice chairman of the Board, non-executive Director	3/3	100%
Zhao Hui Ning	Non-executive Director	5/5	100%
Gao Qing Yu	Executive Director, President	5/5	100%
Wang Hong Jun [(4)]	Executive Director	3/3	100%
Zhao Hui [(5)]	Non-executive Director	5/5	100%
Sun Xin Tian [(6)]	Vice president	2/2	100%
Qin Hai Yan	Independent non-executive Director	5/5	100%
Ding Jun	Independent non-executive Director	5/5	100%
Wang Xiang Jun	Independent non-executive Director	5/5	100%
Yue Man Yiu Matthew	Independent non-executive Director	5/5	100%

Notes: (1) Dr. Li Lian Ping resigned as non-executive Director and chairman of the Board of the Company on 27 March 2013. During his term in 2013, the Company did not convene any Board meetings.

(2) Dr. Cao Xin was redesignated as non-executive Director and chairman of the Board of the Company on 24 March 2014.

(3) Mr. Ma Guo Qing was appointed as non-executive Director at the 2nd session of the Board of the Company on 6 June 2013. Mr. Ma attended all Board meetings during his term of office.

(4) Mr. Wang Hong Jun was appointed as executive Director at the 2nd session of the Board of the Company on 6 June 2013. Mr. Wang attended all Board meetings during his term of office.

(5) Mr. Zhao Hui was redesignated as non-executive Director of the Company and resigned as vice president, joint company secretary and authorized representative of the Company on 24 March 2014.

(6) Mr. Sun Xin Tian no longer continued serving as executive Director of the Company on 6 June 2013. Mr. Sun attended all Board meetings during his term of office.

(5) Chairman and President

During the reporting period, Dr. Li Lian Ping (term of office from 1 January 2013 to 27 March 2013) and Dr. Cao Xin (term of office from 28 March 2013 to present) successively served as chairman of the Board of the Company. Dr. Cao Xin (term of office from 1 January 2013 to 28 March 2013) and Mr. Gao Qing Yu (term of office from 28 March 2013 to present) successively served as president of the Company. The roles of the chairman of the Board and president of the Company is separated and served by different people to ensure the independence of each role.

Dr. Li Lian Ping, chairman of the Board (term of office from 1 January 2013 to 27 March 2013) and Dr. Cao Xin, chairman of the Board (term of office from 28 March 2013 to present) have been responsible for governing and leading the Board, as well as establishing the Company's development strategy and corporate control mechanism to ensure the effective functioning of the Board and its independent committees, and to ensure the actions of the Board are in the best interests of the Company and its shareholders.

(6) Appointment of Directors

According to the Articles of Association of the Company, Directors shall be elected at a shareholders' meeting, be subject to a term of three years and may be re-elected. The Company has developed procedures for the appointment of Directors. The Nomination Committee is responsible for nominating new Director, and submitting the list to the Board for consideration. All newly nominated Directors are subject to election and approval at the shareholders' meeting.

(7) Directors' Remuneration

Independent non-executive Directors of the Company will receive remuneration from the Company. The Company will pay each independent non-executive Director HKD100,000 or the Renminbi equivalent annually (tax inclusive, paid on a quarterly basis, and the Company is responsible for withholding personal income tax). Travel expenses incurred by attending Board meetings and shareholders' meetings of the Company and relevant activities organised by the Board will be borne by the Company. Non-executive Directors without management roles in the Company will not receive any remuneration from the Company. Executive Directors holding management roles in the Company will receive remuneration from the Company. The remuneration of an executive Director will be determined in accordance with the criteria of the Remuneration Management Measures of the Company, which includes a basic salary, performance bonuses and other benefits. The amount of basic salary is determined in accordance with the position of the executive Director in the Company, the performance bonus is determined with reference to the Company's business performance and other benefits include the statutory pension, medical and housing funds. Details of the Directors' remuneration are set out in Note 8 to the Financial Statements.

(8) Directors' Training

Every newly appointed director has undertaken the comprehensive, formal and tailor-made orientation program at the start of of his appointment, to ensure the Director has a proper understanding of the business and operations of the Company, and his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Directors receive updates to the Company's business and operations and to the relevant laws and regulations every month to facilitate their discharge of duties. In addition, all Directors are also encouraged to attend relevant training courses and paid by the Company. During the reporting period, all the Directors have attended the training as required.

(9) Joint Company Secretaries and their Training

During the reporting period, Mr. Zhao Hui and Ms. Lam Yuen Ling, Eva, were the joint company secretaries, who are responsible for facilitating the Board procedures as well as communication among the Directors themselves and communication between the Directors and shareholders and management. The primary contact person of Ms. Lam Yuen Ling, Eva with the Company is Mr. Zhao Hui, and major issues will be reported by Mr. Zhao Hui to the chairman of the Board. Since 24 March 2014, Mr. Ban Ze Feng has taken the place of Mr. Zhao Hui to serve as joint company secretary, and the primary contact person of Ms. Lam Yuen Ling, Eva, with the Company has accordingly changed to Mr. Ban Ze Feng.

The company secretaries' biographies are set out in the "Biographies of Directors, Supervisors and Senior Management" section of this annual report. During the reporting period, both the joint company secretaries undertook over 15 hours of professional training to update their skills and knowledge.

(10) Directors' Liablity Insurance

The Company has arranged suitable insurance for prospective legal proceedings against the Directors and senior management; and will review the insurance policy annually.

3. BOARD COMMITTEES

During the reporting period, the Board exercised the function of the corporate governance by regularly reviewing the corporate governance policies and practices, reviewing and monitoring the training of Directors and the senior management, reviewing and monitoring the Company's compliance with laws and related policies and regulations. In order to further implement of good corporate governance, the Board has established four committees, namely, the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Strategy and Investment Committee. The Company has formulated the terms of reference for each Board committee.

(1) Audit Committee

During the reporting period, the Audit Committee of the Company consisted of three Directors, with Mr. Wang Xiang Jun (independent non-executive Director) as chairman of the Audit Committee, Mr. Xiao Gang (non-executive Director) and Mr. Yue Man Yiu Matthew (independent non-executive Director) as its members.

The Company formulated the Terms of Reference of the Audit Committee, which stipulate that the major responsibilities of the Audit Committee are as follows: to review the principal financial control objectives, to supervise the implementation of financial and accounting regulations, to consider and review financial control, internal control and risk control regulations as well as the principal objectives for these regulations, to consider the Company's annual internal audit plan, to be responsible for the communication and coordination between the Company's internal audit department and the external auditors, to review the Company's financial information and its disclosure, and to conduct independent audit and provide advice as to the integrity of the financial statements, annual reports, semi-annual reports, etc. as well as significant opinions made towards any relevant financial information. For details of the Terms of Reference of the Audit Committee of the Company, please see the Company's announcement on the websites of the Hong Kong Stock Exchange and the Company.

The Board and the Audit Committee have reached consensus on the selection, appointment or dismissal of external auditors or the resignation of auditors.

During the reporting period, the Audit Committee convened two meetings at which the following resolutions were respectively reviewed and approved:

1. In March 2013, the Company reviewed and approved resolutions regarding the Annual Report 2012 and Summary and the Audit of 2012 Financial Statements through on-site and remote communications.

2. In August 2013, the Company reviewed and approved the resolutions regarding the the Report of the Agreed Procedures in Mid 2013 and the Changes in the PRC Accountant of 2013 through an on-site Audit Committee meeting.

All members of the Audit Committee attended the above meetings where they discussed and passed the relevant resolutions. Members of the Audit Committee would from time to time review the Company's corporate governance policy and practice, review and monitor the compliance with laws, policies and regulations and provide recommendation for improvement to the Board.

(2) Remuneration and Appraisal Committee

During the reporting period, the Remuneration and Appraisal Committee of the Company consisted of three Directors, with Mr. Qin Hai Yan (independent non-executive Director) as chairman of the Remuneration and Appraisal Committee, and Dr. Li Lian Ping (non-executive Director, and resigned on 27 March 2013), Dr. Cao Xin (currently non-executive Director, successor since 28 March 2013) and Mr. Ding Jun (independent non-executive Director) as its members.

The Company formulated the Terms of Reference of the Remuneration and Appraisal Committee, which stipulate that the major responsibilities of the Remuneration and Appraisal Committee are as follows: to develop assessment standards for Directors and senior management, to develop formal and transparent remuneration policy and structure as well as remuneration and performance appraisal plans for Directors and senior management, and to study the Company's incentive plans, remuneration system and option plans. For details of the Terms of Reference of the Remuneration and Appraisal Committee of the Company, please see the Company's announcement on the websites of the Hong Kong Stock Exchange and the Company.

During the reporting period, the Remuneration and Appraisal Committee convened one meeting to discuss and approve the remuneration of Directors and Supervisors of the 2nd session of the Board and the Board of Supervisors, with all members attending. In addition to attending meetings, members maintain close and effective communication amongst themselves through channels such as e-mail and electronic communications to ensure the discharge of their duties.

The Remuneration and Appraisal Committee adopts the mode of recommending the remuneration of Directors and senior management to the Board and reviewing the compensation policies, strategies and principles for Directors and senior management. It also reviews and monitors the trainings for Directors and senior management from time to time, and provides recommendation for improvement to the Board.

(3) Nomination Committee

During the reporting period, the Nomination Committee consisted of five directors, with Dr. Li Lian Ping (non-executive Director, and resigned on 27 March 2013) and Dr. Cao Xin (currently non-executive director, successor since 28 March 2013) successively served as chairman of the Nominating Committee, and Mr. Zhao Hui Ning (non-executive Director), Mr. Qin Hai Yan (independent non-executive Director), Mr. Ding Jun (independent non-executive Director) and Mr. Yue Man Yiu Matthew (independent non-executive Director) as its members.

During the reporting period, the Company amended the Terms of Reference of the Nomination Committee, to ensure compliance with the revised requirements of the Corporate Governance Code. The major terms of reference of the Nomination Committee, after the amendments, are as follows: to develop the standards, procedures and method for selecting Directors and senior management of the Company, to give recommendations to the Board in respect of the appointment, reappointment of directors and succession for Directors (especially the chairman of the Board and the president), to assess the independence of independent non-executive Directors, to monitor the implementation of the Board Diversity Policy and review such policy as appropriate, and to make recommendations to the Board on quantifiable objectives for achieving better diversity of the Board. For details of the Terms of Reference of the Nomination Committee of the Company, please see the Company's announcement on the websites of the Hong Kong Stock Exchange and the Company.

During the reporting period, the Nomination Committee convened one meeting, of which all members were present, to discuss the re-election and appointment of Directors of the Company, and it made recommendations to the Board.

During the reporting period, the Nomination Committee reviewed the diversity of the Board members and concluded that the 2nd session of the Board of the Company was formed by Directors with different professional backgrounds, and that each Director provided professional advice in their respective area of expertise to the Company.

(4) Strategy and Investment Committee

During the reporting period, the Strategy and Investment Committee of the Company consisted of three Directors, with Dr. Li Lian Ping (non-executive Director, and resigned on 27 March 2013) and Dr. Cao Xin (currently non-executive director, successor since 28 March 2013) successively serving as chairman of the Strategy and Investment Committee, and Dr Cao Xin, Mr. Zhao Hui Ning (non-executive Director) and Mr. Gao Qing Yu (executive director since 6 June 2013) as its members.

The Company formulated the Terms of Reference of the Strategy and Investment Committee, which stipulate that the major responsibilities of the Strategy and Investment Committee are as follows: to study and make recommendations on the development strategy and major investment decisions of the Company, to review annual business plans and investment proposals of the Company, to study and make recommendation on significant investments, financing and capital operations proposals which require approval by the Board.

During the reporting period, no meeting was convened by the Strategy and Investment Committee. Members maintain close and effective communication amongst themselves through channels such as e-mail and electronic communications to ensure the discharge of their duties.

4. THE BOARD DIVERSITY POLICY

During the reporting period, the Company formulated the Board Diversity Policy which set out the requirements for diversity in Board members and the principles for the selection of Directors.

(1) Policy summary

To achieve sustainable and balanced development, the Company sees increased diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In planning the Board's composition, board diversity needs to be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

(2) Quantifiable measurers and the progress of the Board Diversity Policy

Selection of candidates of the Company will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

During the reporting period, the Nomination Committee reviewed the composition of the 2nd session of the Board of the Company and concluded that the Company had met the diversification requirements with regard to age, cultural and educational background, professional experience, skills and knowledge. Regarding the appointment and re-appointment of Directors in the future, the Nomination Committee will nominate new Directors pursuant to the requirements of the Board Diversity Policy to achieve the objective of diversity in Board members.

5. 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 2013.

6. INTERNAL CONTROLS

The Company's Audit Department is specifically responsible for the establishment, improvement and review of the internal control system of the Company. During the reporting period, under the guidance of an external professional consulting firm, the Audit Department conducted analysis and improvement on the risk and internal control system, establishing a sound internal control system. The Company has prepared the "Internal Control Manual of China Suntien Green Energy Corporation Limited" (《新天綠色能源股份有限公司內部控制手冊》), which clarifies the business risks associated with the Company's operations and the relevant internal measures and control procedures, establishing the method and specifications for building a scientific system of internal controls. The internal control system of the Company has comprehensive coverage on the following aspects: (1) at the Company level, includes organizational structure, development strategy, social responsibility, corporate culture, risk assessment, information and communication and internal supervision; (2) at business operation level, includes investment management, construction projects, fixed asset management, intangible asset management, inventory management, procurement and payment management, distribution management and production operations management; and (3) at security management level, includes human resources management, capital management, tax administration, financial reporting and information disclosure, comprehensive budget management, contract management and information systems management.

The Board has assessed the internal control system of the Company, and considers that the internal control system of the Company is effective in dealing with risks associated with operations.

7. REMUNERATION OF AUDITORS

In 2013, international auditors Ernst & Young was appointed to provide audit services in accordance with the International Financial Reporting Standards. The fees payable to Ernst & Young was RMB2.4 million. The responsibility of Ernst & Young as to the Financial Statements are set out on pages 71 to 72 of this annual report.

In 2013, Zhonglei Certified Public Accountants resigned as the PRC auditors of the Company. Reanda Certified Public Accountants was appointed as the successor PRC auditors for the year of 2013 for providing audit services in accordance with the Accounting Standards for Business Enterprises of PRC. The fees payable to Reanda Certified Public Accountants was RMB0.754 million.

8. SHAREHOLDERS' RIGHTS

(1) Shareholders are entitled to propose the convening of an extraordinary general meeting

Pursuant to the Articles of Association of the Company, shareholders are entitled to the following right: one or several shareholders holding more than 10% (including 10%) of voting shares of the Company can make written request to the Board to convene an extraordinary general meeting of shareholders.

(2) Shareholders are entitled to put forward provisional proposals in a shareholders' meeting

Pursuant to the Articles of Association of the Company, shareholder(s) holding more than 3% (including 3%) of voting shares of the Company shall be entitled to put forward written provisional proposals to the Company when a shareholders' meeting is convened. The Company shall add any matters in the provisional proposals that fall within the scope of deliberation by the general meeting to the agenda of the meeting.

(3) Shareholders are entitled to make enquiries

Shareholders are entitled to make enquiries of which the Board should pay attention, 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 contact information of the Company's office in Hong Kong is as follows:

Address: Suite 2103, 21st Floor, Prudential Tower, The Gateway, Harbour City, Kowloon, Hong Kong
Fax: (852) 21530925

9. COMMUNICATION WITH SHAREHOLDERS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the business and strategy of the Company. The Company highly appreciates shareholders' opinions and advice, and actively organised various investor relations activities to maintain its communication with shareholders and to meet the reasonable demands of shareholders in a timely manner.

The financial information, annual reports, interim reports and other latest information are issued by the Company so that its shareholders can keep abreast of the Company's operational position. The Company has also organized a number of on-site visits for shareholders to understand our business operations, as well as meeting with shareholders frequently at roadshows and shareholders' meetings to report on our latest operational position.

The annual general meetings of the Company is also the best way for the exchange of opinions between the Board and the shareholders. Shareholders are encouraged to attend the annual general meetings or appoint proxy(ies) to attend and vote at the annual general meetings. The chairman of the Board, chairmen of specific Board Committees and auditors of the Company shall answer shareholders' inquiries at the annual general meetings.

During the reporting period, the Company convened the annual general meeting 2012 on 6 June 2013, in which various resolutions were voted upon by poll respectively. Dr. Cao Xin, chairman of the Company, attended the annual general meeting and answered enquiries raised by shareholders on the operation of the Company. The Company also convened an extraordinary general meeting and class meeting on 23 October 2013 in respect of the voting by poll on the special resolutions involving placing shares, issuance of non-public debt financing instruments and the change of the PRC auditors of the Company for the year 2013 etc.. All resolutions were passed. Enquiries raised by shareholders on the operation of the Company were answered by Directors of the Company.

During the reporting period, details of Directors of the Company that attended the shareholders' meetings and class meetings are as follows:

Name	Position	No. of shareholders' meetings attended/held	No. of class meetings attended/held
Li Lian Ping [1]	Non-executive Director and chairman of the Board	–	–
Cao Xin [2]	Non-executive Director and chairman of the Board	2/2	1/1
Xiao Gang	Non-executive Director and vice chairman of the Board	1/2	0/1
Ma Guo Qing[3]	Non-executive Director and vice chairman of the Board	0/1	0/1
Zhao Hui Ning	Non-executive Director	0/2	0/1
Gao Qing Yu	Executive Director and President	2/2	1/1
Wang Hong Jun[4]	Executive Director	0/1	1/1
Zhao Hui[5]	Non-executive Director	2/2	1/1
Sun Xin Tian[6]	Vice president	1/1	0/0
Qin Hai Yan	Independent non-executive Director	0/2	0/1
Ding Jun	Independent non-executive Director	0/2	0/1
Wang Xiang Jun	Independent non-executive Director	2/2	1/1
Yue Man Yiu Matthew	Independent non-executive Director	0/2	0/1

Notes:

(1) Dr. Li Lian Ping resigned as non-executive Director and chairman of the Board of the Company on 27 March 2013. The Company did not convene any shareholders' meeting during his term of office in 2013.

(2) Dr. Cao Xin was redesignated as non-executive Director and chairman of the Board of the Company on 24 March 2014.

(3) Mr. Ma Guo Qing was appointed as non-executive Director of the Company at the Annual General Meeting on 6 June 2013.

(4) Mr. Wang Hong Jun was appointed as executive Director of the Company at the Annual General Meeting on 6 June 2013.

(5) Mr. Zhao Hui was redesignated as non-executive Director of the Company and resigned as vice president and joint company secretary of the Company on 24 March 2014.

(6) Mr. Sun Xin Tian retired as Director of the Company on 6 June 2013.

10. INVESTOR RELATIONS

The Company believes that effective investor relations can help to build a more stable base of shareholders. Accordingly, the Company is committed to maintaining high transparency, provides investors with comprehensive and accurate information in a timely manner and continuously performs the ongoing information disclosure obligations of listed companies in compliance with the Listing Rules.

During the reporting period, the Company strengthened in communication with investors through annual and interim results roadshows, a number of reverse roadshows, approximately 20 investor summits, investors' routine visits and voluntary information disclosure so as to enable the shareholders to understand the corporate strategy and business operations of the Company.

The Company will continue to maintain an open and effective investor communication policy and provide investors with the latest information of our business in a timely manner in accordance with the relevant regulatory requirements.

11. ARTICLES OF ASSOCIATION OF THE COMPANY

(1) Following review and approval by the annual general meeting on 6 June 2013, Article 101 of the Articles of Association of the Company is amended as follows:

The original Article 101 states: "The Company shall establish a board of directors. The board of directors shall be composed of eleven (11) directors, who shall include one (1) chairman of the board, two (2) vice chairmen of the board and four (4) executive directors, three (3) non-executive directors and four (4) independent non-executive directors."

Article 101 as amended states: "The Company shall have a Board of Directors. The Board of Directors shall consist of eleven (11) Directors, of which four (4) shall be independent non-executive directors. The Board of Directors shall have one (1) Chairman and two (2) Vice Chairmen."

(2) Following the review, approval and grant by the first extraordinary general meeting and class meeting in 2013 on 23 October 2013, Articles 19 and 22 of the Articles of Association of the Company, upon the completion of the Company's placing, are amended as follows:

The original Article 19 states: "After the Company has been established and subject to the approval by the China Securities Regulatory Commission, the Company is allowed to issue 1,238,435,000 foreign listed shares, including the over-allotment of 161,535,000 shares. At the same time of the issuance of foreign listed shares, the state-owned shareholder of the Company has transferred not more than 123,844,000 state-owned shares to the National Social Security Fund Council in accordance with the relevant national requirements in relation to the reduction of holding of state-owned shares.

After completion of the issuance of the aforesaid foreign invested shares listed overseas, the Company's equity capital structure is as follows: Hebei Construction and Investment Group Co., Ltd. holds 1,500,924,800 shares, accounting for 46.35% of all the ordinary shares, HECIC Water Investment Co., Ltd. holds 375,231,200 shares, accounting for 11.59% of all the ordinary shares, the National Social Security Fund Council holds 123,844,000 shares, accounting for 3.82% of all the ordinary shares, shareholders of H shares hold 1,238,435,000 shares, accounting for 38.24% of all ordinary shares."

Article 19 as amended states: "After the Company has been established and subject to the approval by the China Securities Regulatory Commission, the Company is allowed to issue 1,238,435,000 shares of foreign listed shares, including the over-allotment of 161,535,000 shares. At the same time of the issuance of foreign listed shares, the state-owned shareholder of the Company has transferred not more than 123,844,000 state-owned shares to the National Social Security Fund Council in accordance with the relevant national requirements in relation to the reduction of holding of state-owned shares.

After completion of the issuance of the aforesaid foreign invested shares listed overseas, the Company's equity capital structure is as follows: HECIC held 1,500,924,800 shares, accounting for 46.35% of all the ordinary shares; HECIC Water Investment Co., Ltd. held 375,231,200 shares, accounting for 11.59% of all the ordinary shares, the National Social Security Fund Council held 123,844,000 shares, accounting for 3.82% of all the ordinary shares, shareholders of H shares held 1,238,435,000 shares, accounting for 38.24% of all ordinary shares.

In January 2014, as approved by the China Securities Regulatory Commission, the Company issued an additional 476,725,396 foreign invested shares listed overseas to no more than 10 foreign investors by way of private placing. After completion of the issuance of shares, the Company's equity capital structure is as follows: Hebei Construction and Investment Group Co., Ltd. holds 1,500,924,800 shares, accounting for 40.40% of all the ordinary shares; HECIC Water Investment Co., Ltd. holds 375,231,200 shares, accounting for 10.10% of all the ordinary shares; the National Social Security Fund Council holds 123,844,000 shares, accounting for 3.33% of all the ordinary shares; shareholders of H shares hold 1,715,160,396 shares, accounting for 46.17% of all ordinary shares."

The original Article 22 states: "After the completion of the issuance of the aforesaid foreign invested shares listed overseas, the Company's registered capital is RMB3,238,435,000."

Article 22 as amended states: "After completion of the issuance of the aforesaid foreign invested shares listed overseas by way of an initial public offering and a private placing, the Company's registered capital is RMB3,715,160,396."

Report of the Board of Supervisors

1. COMPOSITION OF THE BOARD OF SUPERVISORS

During the reporting period, the Company convened a staff representatives meeting on 7 April 2013, in which Mr. Qiao Guo Jie was elected as staff representative supervisor of the 2nd session of the Board of Supervisors. At the annual general meeting on 6 June 2013, two non-staff representative supervisors were appointed. The second session of the Board of Supervisors was then formed by these three supervisors.

For the year ended 31 December 2013, the composition of the 2nd session of the Board of Supervisors was as follows:

Name	Age	Position	Date of Appointment	Term of Officer
Yang Hong Chi	57	Chairman of the Board of Supervisors	6 June 2013	3 years
Qiao Guo Jie	51	Staff representative supervisor	6 June 2013	3 years
Liu Jin Hai	41	Supervisor	6 June 2013	3 years
Mi Xian Wei (1)	48	Supervisor	9 February 2010	3 years

Note: (1) Mr. Mi Xian Wei retired as supervisor of the Company after the supervisor term of the 1st session of the Board of Supervisors ended on 6 June 2013.

2. MEETINGS CONVENED BY THE BOARD OF SUPERVISORS

During the reporting period, the Board of Supervisors of the Company convened three meetings, the details of which were as follows:

1. The 6th meeting of the 1st session of the Board of Supervisors was held on 28 March 2013, in which the Annual Work Report of the President for 2012, the Final Accounts of the Company for 2012, the Annual Financial Budget for 2013, the Resolution regarding the loss from the Disposal of Reactive Power Compensation Equipment by HECIC New-energy Yudaokou Wind Energy Branch, the Resolution regarding the provision for Asset Impairment and the Resolution regarding the determination of candidates for the Staff Representative Supervisor of the 2nd session of the Board of Supervisors were considered and approved.

2. The 1st extraordinary meeting of the 2nd session of the Board of Supervisors was held on 6 June 2013, in which the Resolution regarding the election of the Chairman of the Board of Supervisors of the Company was considered and approved, and Mr. Yang Hong Chi was elected as chairman of the Board of Supervisors.

3. The 1st meeting of the 2nd session of the Board of Supervisors was held on 16 August 2013, in which the Interim Work Report of the President for 2013 and the Resolution Regarding the Interim Report and Results Announcement as at 30 June 2013 were considered and approved.

3. MAJOR INSPECTION AND SUPERVISION WORK OF THE BOARD UNDERTAKEN BY SUPERVISORS

During the reporting period, the major inspection and supervision work of the Board undertaken by Supervisors of the Company was as follows:

(1) Monitoring the Company's Operation

During the reporting period, members of the Board of Supervisors of the Company attended all Board meetings and general meetings to review each resolution submitted to those meetings and supervised the business activities of the Company. The Board of Supervisors is of the opinion that the Company strictly complied with all laws and regulations and the Articles of Association of the Company when conducting its business activities, and that the Company has not involved in business activities which materially violate laws and regulations or fall beyond the legally approved scope of business.

(2) Monitoring the Performance of the Company's Directors and Senior Management

During the reporting period, members of the Board of Supervisors of the Company attended Board meetings to review each resolution of the Board and supervised the performance of the Company's Directors and senior management by inspecting the Company's routine management of operations. The Board of Supervisors is of the opinion that the Company's Directors and senior management have diligently and dutifully fulfilled their duties, and have not found any illegal, non-compliant behavior or behavior which harms the interests of the Company and its shareholders in the course of discharging their duties.

(3) Monitoring the Company's Financial Condition

During the reporting period, the Board of Supervisors carefully reviewed the relevant financial information and auditors' report of the Company. The Board of Supervisors is of the opinion that the preparation of the financial statements has been in conformity with the financial reporting standards, were consistent, thus accurately, completely, truthfully and fairly reflecting the Company's financial condition and operating results.

(4) Monitoring the Company's connected transactions

During the reporting period, the Board of Supervisors reviewed the information of the connected transactions between the Company and the controlling shareholders. The Board of Supervisors is of the opinion that such connected transactions, being conducted on normal commercial terms, are fair, justified and reasonable and have not caused any harm to the interests of the Company and its shareholders.

(5) Monitoring the Company's Disclosure of Information

During the reporting period, the Board of Supervisors reviewed the relevant documents publicly disclosed by the Company. The Board of Supervisors is of the opinion that the Company has conducted information disclosure strictly in accordance with laws, regulations and the requirements of the Hong Kong Stock Exchange, such as the Listing Rules, and the information publicly disclosed is true, accurate and complete without false or misleading statements.

Chairman of the Board of Supervisors
Yang Hong Chi

Beijing, 24 March 2014

Independent Auditors' Report

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 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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 73 to 170, which comprise the consolidated and the company's statements of financial position as at 31 December 2013, 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.

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.

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)

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 2013, 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
24 March 2014

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	5	4,660,919	3,702,079
Cost of sales	6	(3,201,802)	(2,463,732)
Gross profit		1,459,117	1,238,347
Other income and gains, net	5	31,079	77,942
Selling and distribution expenses		(1,060)	(505)
Administrative expenses		(238,549)	(194,523)
Other expenses		(34,305)	(54,137)
PROFIT FROM OPERATIONS		1,216,282	1,067,124
Finance costs	7	(423,890)	(353,623)
Share of profits of associates		39,912	89,937
PROFIT BEFORE TAX	6	832,304	803,438
Income tax expense	9	(157,502)	(7,415)
PROFIT FOR THE YEAR		674,802	796,023
Attributable to:			
Owners of the Company		459,516	549,701
Non-controlling interests		215,286	246,322
		674,802	796,023
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		674,802	796,023
Total comprehensive income for:			
Owners of the Company		459,516	549,701
Non-controlling interests		215,286	246,322
		674,802	796,023
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic (RMB)	12	14.19 cents	16.97 cents
Diluted (RMB)	12	14.19 cents	16.97 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 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**10,180,269**	8,602,374
Prepaid land lease payments	*14*	**214,361**	148,071
Goodwill	*15*	**9,215**	9,215
Intangible assets	*16*	**2,247,034**	2,347,909
Investments in associates	*18*	**373,795**	412,260
Investment in a joint venture	*19*	**60,000**	–
Held-to-maturity investments	*20*	**7,500**	7,500
Available-for-sale investments	*21*	**573,400**	253,400
Deferred tax assets	*22*	**3,730**	200
Prepayments and other receivables	*25*	**621,940**	1,250,375
Total non-current assets		**14,291,244**	13,031,304
CURRENT ASSETS			
Prepaid land lease payments	*14*	**6,631**	4,636
Inventories	*23*	**42,608**	29,959
Trade and bills receivables	*24*	**845,684**	842,796
Prepayments, deposits and other receivables	*25*	**408,166**	393,092
Available-for-sale investments	*21*	**150,000**	203,000
Pledged deposits	*26*	**64**	64
Cash and cash equivalents	*26*	**1,669,590**	757,760
Total current assets		**3,122,743**	2,231,307
CURRENT LIABILITIES			
Trade payables	*27*	**223,689**	197,248
Other payables and accruals	*28*	**1,122,273**	913,240
Interest-bearing bank and other borrowings	*29*	**1,358,970**	971,347
Tax payable		**39,351**	14,453
Total current liabilities		**2,744,283**	2,096,288
NET CURRENT ASSETS		**378,460**	135,019
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,669,704**	13,166,323

continued/...

Consolidated Statement of Financial Position

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	7,544,587	6,528,624
Other payables and accruals	28	18,552	15,011
Total non-current liabilities		7,563,139	6,543,635
Net assets		7,106,565	6,622,688
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	30	3,238,435	3,238,435
Reserves	31(a)	2,556,248	2,264,453
Proposed final dividend	11	170,897	64,769
		5,965,580	5,567,657
Non-controlling interests		1,140,985	1,055,031
Total equity		7,106,565	6,622,688

Director **Cao Xin**

Director **Gao Qing Yu**

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the Company							
	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 2013	3,238,435	1,378,106	61,778	824,569	64,769	5,567,657	1,055,031	6,622,688
Profit for the year	–	–	–	459,516	–	459,516	215,286	674,802
Total comprehensive income for the year	–	–	–	459,516	–	459,516	215,286	674,802
Final 2012 dividend declared (note 11(b))	–	–	–	–	(64,769)	(64,769)	–	(64,769)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	(192,996)	(192,996)
Contributions by non-controlling shareholders	–	3,176	–	–	–	3,176	63,664	66,840
Proposed final 2013 dividend (note 11(c))	–	–	–	(170,897)	170,897	–	–	–
Transfer from retained profits	–	–	37,879	(37,879)	–	–	–	–
As at 31 December 2013	3,238,435	1,381,282*	99,657*	1,075,309*	170,897	5,965,580	1,140,985	7,106,565
As at 1 January 2012	3,238,435	1,378,106	40,413	361,002	187,829	5,205,785	889,190	6,094,975
Total comprehensive income for the year	–	–	–	549,701	–	549,701	246,322	796,023
Final 2011 dividend declared (note 11(a))	–	–	–	–	(187,829)	(187,829)	–	(187,829)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	(154,191)	(154,191)
Contributions by non-controlling shareholders	–	–	–	–	–	–	73,710	73,710
Proposed final 2012 dividend (note 11(c))	–	–	–	(64,769)	64,769	–	–	–
Transfer from retained profits	–	–	21,365	(21,365)	–	–	–	–
As at 31 December 2012	3,238,435	1,378,106*	61,778*	824,569*	64,769	5,567,657	1,055,031	6,622,688

* These reserve accounts comprise the consolidated reserves of RMB2,556,248,000 (31 December 2012: RMB2,264,453,000) in the consolidated statement of financial position as at 31 December 2013.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		832,304	803,438
Adjustments for:			
Finance costs	7	423,890	353,623
Foreign exchange (gain)/loss, net	6	(153)	63
Interest income	5	(9,044)	(11,214)
Share of profits of associates		(39,912)	(89,937)
Gain from held-to-maturity investments	6	(493)	(1,290)
Gain from available-for-sale investments	6	(11,152)	(11,167)
Depreciation of items of property, plant and equipment	6	440,904	361,271
Amortisation of prepaid land lease payments	6	6,327	4,212
Amortisation of intangible assets	6	103,156	102,534
Loss on disposal of items of property, plant and equipment, net	6	523	1,108
Impairment of trade receivables	6	33,776	39,825
Impairment of other receivables	6	–	13,029
		1,780,126	1,565,495
Increase in inventories		(12,649)	(5,274)
Increase in trade and bills receivables		(389,828)	(586,699)
Decrease in prepayments, deposits and other receivables		218,636	149,336
Increase in trade payables		26,441	71,923
Increase in other payables and accruals		110,436	42,557
Cash generated from operations		1,733,162	1,237,338
Income tax paid		(136,134)	(7,228)
Net cash flows from operating activities		1,597,028	1,230,110

continued/…

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of items of property, plant and equipment		(1,192,016)	(1,529,027)
Payments for acquisition of prepaid land lease payments		(5,468)	(3,414)
Payments for acquisition of intangible assets		(2,281)	(1,321)
Proceeds from disposal of items of property, plant and equipment		184	4,862
Capital contributions to a joint venture		(60,000)	–
Capital contributions to an associate		(3,280)	–
Payments for acquisition of held-to-maturity investments		–	(2,500)
Payments for acquisition of available-for-sale investments		(1,274,000)	(1,378,000)
Proceeds from settlement of available-for-sale investments		1,007,000	1,453,190
Gain from held-to-maturity investments		493	1,290
Gain from available-for-sale investments		11,152	11,167
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		143,264	56,736
Dividends received from associates		95,860	46,646
Interest received		9,044	11,214
Net cash flows used in investing activities		(1,270,048)	(1,329,157)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions by non-controlling shareholders		66,840	28,710
New bank and other borrowings		2,371,852	1,638,399
Repayment of bank and other borrowings		(973,737)	(944,074)
Interest paid		(487,214)	(422,020)
Dividends paid to non-controlling shareholders		(184,493)	(116,063)
Dividend paid to owners of the Company		(64,769)	(187,829)
Commission charge paid for debt financing		–	(800)
Listing expenses paid		–	(1,549)
Net cash flows from/(used in) financing activities		728,479	(5,226)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,055,459	(104,273)
Cash and cash equivalents at beginning of year		614,496	719,502
Effect of exchange rate changes on cash and cash equivalents		(365)	(733)
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	1,669,590	614,496

Statement of Financial Position

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	35,606	44,243
Intangible assets	*16*	410	363
Investments in subsidiaries	*17*	4,028,626	3,932,566
Investment in a joint venture	*19*	60,000	–
Available-for-sale investments	*21*	50,000	50,000
Prepayments and other receivables	*25*	1,992,789	1,988,460
Total non-current assets		6,167,431	6,015,632
CURRENT ASSETS			
Prepayments, deposits and other receivables	*25*	1,777,148	1,217,235
Available-for-sale investments	*21*	150,000	203,000
Cash and cash equivalents	*26*	584,299	388,278
Total current assets		2,511,447	1,808,513
CURRENT LIABILITIES			
Other payables and accruals	*28*	643,284	698,528
Interest-bearing bank loans	*29*	300,000	110,000
Tax payable		1,632	–
Total current liabilities		944,916	808,528
NET CURRENT ASSETS		1,566,531	999,985
TOTAL ASSETS LESS CURRENT LIABILITIES		7,733,962	7,015,617
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*29*	2,392,789	1,988,460
Total non-current liabilities		2,392,789	1,988,460
Net assets		5,341,173	5,027,157
EQUITY			
Issued share capital	*30*	3,238,435	3,238,435
Reserves	*31(b)*	1,931,841	1,723,953
Proposed final dividend	*11*	170,897	64,769
Total equity		5,341,173	5,027,157

Director **Cao Xin**

Director **Gao Qing Yu**

Notes to Financial Statements

31 December 2013

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 Hebei Construction & Investment Group Co., Ltd. (河北建设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)) (the "Reorganisation") in preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Ltd. (the "Listing"). HECIC was the holding company of the subsidiaries now comprising the group prior to Reorganisation.

In consideration for the transfer of the Clean Energy Business Operations (see definition below) and cash in an aggregate amount of RMB2,033.9 million, respectively, by HECIC and HECIC Water investment Co., Ltd. (河北建投水務投資有限公司, "HECIC Water", a wholly- owned subsidiary of HECIC incorporated in the PRC) 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.

During the year ended 31 December 2011, the Group acquired the remaining 25% shareholding interest in 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 and solar energy generation, sale of natural gas and gas appliances, and connection and the 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.

2.1 BASIS OF PRESENTATION

These 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. They have been prepared under the historical cost convention, except for held-to-maturity investments. 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 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES 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 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012

Other than as further explained below regarding the impact of IFRS 10, IFRS 11, IFRS 12, IFRS 13, IAS 19 Amendments, amendments to IFRS 10, IFRS 11, IFRS 12, and IAS 1, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in SIC-12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in IFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled. As a result of the application of IFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group. The application of IFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. 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. The classification of joint arrangements under IFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with IAS 28 (Revised). The Directors are of the opinion that the adoption of IFRS 11 has had no significant financial effect on these financial statements.

(c) IFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities 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. Details of the disclosures for subsidiaries, joint ventures and associates are included in notes 17, 19 and 18 to the financial statements.

(d) The IFRS 10, IFRS 11 and IFRS 12 Amendments clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC-Int 12 at the beginning of the annual period in which IFRS 10 is applied for the first time.

(e) 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 rather provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. IFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in IFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by IFRS 13 for the fair value measurements of financial instruments are included in note 39 to the financial statements.

(f) The IAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group.

As no OCI that could be reclassified (or recycled) to profit or loss has been recognised in current or previous reporting periods, the Directors are of the opinion that the Amendments has had no significant impact on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(g) IAS 19 Amendments includes 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. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

(h) *Annual Improvements 2009-2011 Cycle* issued in May 2012 sets out amendments to a number of standards. 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 have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 1 *Presentation of Financial Statements:* Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- *IAS 32 Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

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 9	*Financial Instruments* [3]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39* [3]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment Entities* [1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions* [2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* [1]
IAS 39 Amendments	Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* [1]
IFRIC 21	*Levies* [1]

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 No mandatory effective date yet determined but is available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

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

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 as 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.

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

In December 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in December 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to IFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss 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.

Investments in associates and joint ventures

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures 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 other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint venture is included as part of the Group's investments in associates or joint ventures and is not individually tested for impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

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

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 to measure 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-related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 of disposal, 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 statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an 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 statement of profit or loss 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).

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

Intangible assets (other than goodwill)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

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 statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss 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.

The Group has contractual obligation which it must fulfil 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables, held-to-maturity investments, and available-for-sale financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except 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.

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 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 an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

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 other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss 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 as 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 statement of profit or loss 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 statement of profit or loss in other gain or loss. 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 statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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 statement of profit or loss.

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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).

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 statement of profit or loss. 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 statement of profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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 statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

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. "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 statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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.

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

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

Subsequent measurement

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

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 statement of profit or loss 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 statement of profit or loss.

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 statement of profit or loss.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, and assets similar in nature to cash, 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 statement of profit or loss.

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss 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 statement of profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants (continued)

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 emission reductions 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.

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(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 over the expected life of the financial instrument to the net carrying amount of the financial asset.

(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.

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 measured at fair value 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 the 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 statement of profit or loss 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.

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 their accompanying disclosures, and the disclosure of contingent liabilities. 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.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgement (continued)

Consolidation of entities in which the Group does not hold controlling voting power

A subsidiary of the Company (the "Subsidiary") indirectly either owns half or less than half of the equity interests in certain companies or owns more than half of equity interests but the voting power attached to the equity interests does not allow the Subsidiary 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 Subsidiary 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. The Subsidiary signed, before the year of 2012, shareholders' voting agreements with other equity owners of these companies, whereby such equity owners have committed to attend shareholders' meeting together with, and to vote in shareholders' meeting in the same manner as, the representatives of the Subsidiary. Such equity owners have also confirmed that the above-mentioned attendance and voting arrangements with the Subsidiary existed since the establishment of these companies or the Subsidiary becoming the biggest equity owner of these companies. 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 Subsidiary controlled the operation of these companies 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 Group has rights to variable returns from its involvement with these companies and that it has the ability to direct the relevant activities of these companies during the years ended 31 December 2013 and 2012. Therefore, the financial statements of these companies are consolidated by the Company during the years ended 31 December 2013 and 2012.

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 2013 was RMB9,215,000 (31 December 2012: RMB9,215,000). 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 2013 was approximately RMB10,180,269,000 (31 December 2012: RMB8,602,374,000). More details are given in note 13.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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 2013 was RMB39,351,000 (31 December 2012: RMB14,453,000).

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 2013 was RMB3,730,000 (31 December 2012: RMB200,000). 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 2013 was RMB845,684,000 (31 December 2012: RMB842,796,000). 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 fulfil 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 2013 was approximately RMB40,125,000 (31 December 2012: RMB40,125,000).

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 and solar energy – this segment develops, manages and operates wind power and solar energy plants and generates electric power for sale to external power grid companies.

In 2013, certain of the wind power generation subsidiaries of the Group expanded their operation into solar energy power generation business. Presently, the Group managed and reported the operating performance of the solar energy power generation and wind power generation as one operation because of the similar economic characteristics of two businesses: their revenues are 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. In this regard, solar energy power generation and wind power generation are aggregated into a single operating segment by the management.

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.

4. OPERATING SEGMENT INFORMATION (continued)

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 2013 and 2012.

Year ended 31 December 2013

	Natural gas RMB'000	Wind power and solar energy RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	3,327,464	1,333,455	4,660,919
Intersegment sales	–	–	–
Total revenue	3,327,464	1,333,455	4,660,919
Segment results	547,108	744,449	1,291,557
Interest income	522	1,079	1,601
Finance costs	(52,216)	(371,498)	(423,714)
Income tax expense	(131,645)	(19,204)	(150,849)
Profit of segments for the year	363,769	354,826	718,595
Unallocated interest income			7,443
Unallocated interest expense			(176)
Corporate and other unallocated expenses			(44,407)
Unallocated income tax expense			(6,653)
Profit for the year			674,802
Segment assets	3,263,259	13,258,159	16,521,418
Corporate and other unallocated assets			892,569
Total assets			17,413,987
Segment liabilities	2,125,696	8,153,636	10,279,332
Corporate and other unallocated liabilities			28,090
Total liabilities			10,307,422
Other segment information:			
Impairment of trade receivables and other receivables	(13,789)	(19,987)	(33,776)
Depreciation and amortisation	(71,532)	(477,149)	(548,681)
Unallocated depreciation and amortisation			(1,706)
			(550,387)
Share of profits of associates	–	39,912	39,912
Investments in associates	3,280	370,515	373,795
Investment in a joint venture	60,000	–	60,000
Capital expenditure *	410,449	1,125,337	1,535,786
Unallocated capital expenditure *			7,941
			1,543,727

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2012

	Natural gas RMB'000	Wind power and solar energy RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	2,569,338	1,132,741	3,702,079
Intersegment sales	–	–	–
Total revenue	2,569,338	1,132,741	3,702,079
Segment results	469,208	706,101	1,175,309
Interest income	324	908	1,232
Finance costs	(38,932)	(314,255)	(353,187)
Income tax expense	(58,606)	51,191	(7,415)
Profit of segments for the year	371,994	443,945	815,939
Unallocated interest income			9,982
Unallocated interest expense			(436)
Corporate and other unallocated expenses			(29,462)
Profit for the year			796,023
Segment assets	2,063,642	12,488,691	14,552,333
Corporate and other unallocated assets			710,278
Total assets			15,262,611
Segment liabilities	1,306,891	7,300,606	8,607,497
Corporate and other unallocated liabilities			32,426
Total liabilities			8,639,923
Other segment information:			
Impairment of trade receivables and other receivables	(1,131)	(51,723)	(52,854)
Depreciation and amortisation	(58,072)	(409,230)	(467,302)
Unallocated depreciation and amortisation			(715)
			(468,017)
Share of profits of associates	–	89,937	89,937
Investments in associates	–	412,260	412,260
Capital expenditure *	283,869	1,129,519	1,413,388
Unallocated capital expenditure *			50,495
			1,463,883

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.

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 2013, revenue generated from sales to one of the Group's customers in the wind power segment amounting to RMB764,965,000 (2012: RMB774,371,000) 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:

	2013 RMB'000	2012 RMB'000
Revenue		
Sales of natural gas	3,207,119	2,449,497
Sales of electricity	1,327,503	1,128,082
Construction and connection of natural gas pipelines	71,600	72,972
Natural gas transportation revenue and others	48,745	46,869
Wind power services	5,952	4,659
	4,660,919	3,702,079
Other income and gains, net		
CERs income, net	2,645	44,219
Value-added tax refunds	6,258	1,008
Bank interest income	9,044	11,214
Gain from held-to-maturity investments	493	1,290
Gain from available-for-sale investments	11,152	11,167
Others	1,487	9,044
	31,079	77,942

6. PROFIT BEFORE TAX

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

	Notes	2013 RMB'000	2012 RMB'000
Cost of goods sold		3,161,408	2,424,260
Cost of services rendered		40,394	39,472
Total cost of sales		3,201,802	2,463,732
Depreciation of items of property, plant and equipment (note (a))	*13*	440,904	361,271
Amortisation of prepaid land lease payments	*14*	6,327	4,212
Amortisation of intangible assets	*16*	103,156	102,534
Total depreciation and amortisation		550,387	468,017
Minimum lease payments under operating leases of land and buildings		9,365	6,676
Auditors' remuneration		3,154	3,059
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration):			
Wages, salaries and allowances		127,726	102,586
Pension scheme contributions (defined contribution schemes) (note (b))		12,288	8,394
Welfare and other expenses		50,972	33,288
Gain from held-to-maturity investments		(493)	(1,290)
Gain from available-for-sale investments		(11,152)	(11,167)
Loss on disposal of items of property, plant and equipment, net		523	1,108
Foreign exchange (gain)/loss, net		(153)	63
Impairment of trade receivables	*24*	33,776	39,825
Impairment of other receivables	*25*	–	13,029

Notes:

(a) Depreciation of approximately RMB412,574,000 (2012: RMB334,172,000) is included in the cost of sales on the face of the consolidated statement of comprehensive income for the year ended 31 December 2013.

(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 2013 and 2012, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

7. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest on bank loans and other borrowings wholly repayable within five years	**373,245**	299,236
Interest on bank loans and other borrowings wholly repayable beyond five years	**119,169**	139,235
Total interest expense	**492,414**	438,471
Less: interest capitalised to items of property, plant and equipment (note 13)	**(68,524)**	(84,848)
	423,890	353,623

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

	2013	2012
Capitalisation rates	**5.4%-6.7%**	5.8%-7.4%

8. DIRECTORS', SUPERVISORS' AND CHIEF EXCECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors', supervisors' and chief executive's remuneration

The Directors', supervisors' and chief executive's remuneration for the year, disclosed pursuant to the Hong Kong Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013 RMB'000	2012 RMB'000
Fees	**320**	324
Other emoluments:		
– Salaries, allowances and benefits in kind	**1,913**	1,836
– Performance-related bonuses	**981**	1,022
– Pension scheme contributions (defined contribution scheme)	**561**	579
	3,775	3,761

8. DIRECTORS', SUPERVISORS' AND CHIEF EXCECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors', supervisors' and chief executive's remuneration (continued)

The names of the Directors, supervisors and chief executive's and their remuneration for the years ended 31 December 2013 and 2012 are as follows:

2013

	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 (Chairman)(i)	–	399	253	129	781
Mr. Gao Qing Yu (Chief executive)(ii)	–	382	182	77	641
Mr. Zhao Hui(v)	–	300	182	107	589
Mr. Sun Xin Tian(iv)	–	128	182	30	340
Mr. Wang Hong Jun(iii)	–	258	–	73	331
	–	1,467	799	416	2,682
Non-executive Directors					
Dr. Li Lian Ping (Chairman)(iv)	–	–	–	–	–
Dr. Cao Xin (Chairman)(i)	–	70	–	26	96
Mr. Zhao Hui Ning	–	–	–	–	–
Mr. Xiao Gang	–	–	–	–	–
Mr. Ma Guo Qing(iii)	–	–	–	–	–
Mr. Zhao Hui(v)	–	–	–	–	–
	–	70	–	26	96
Independent non-executive Directors					
Mr. Qin Hai Yan	80	–	–	–	80
Mr. Ding Jun	80	–	–	–	80
Mr. Wang Xiang Jun	80	–	–	–	80
Mr. Yue Man Yiu, Matthew	80	–	–	–	80
	320	–	–	–	320
Supervisors					
Mr. Yang Hong Chi	–	–	–	–	–
Mr. Qiao Guo Jie	–	376	182	119	677
Mr. Mi Xian Wei(iv)	–	–	–	–	–
Mr. Liu Jin Hai(iii)	–	–	–	–	–
	–	376	182	119	677
	320	1,913	981	561	3,775

(i) Dr. Cao Xin resigned an executive Director and Chief executive of the Company and was designated as a non-executive Director of the Company, with effect from 28 March 2013. On 6 June 2013, Dr. Cao Xin resigned as a non-executive Director of the Company, and was re-designated as an executive Director and designated as the Chairman of the Board of the Company, with effect from 6 June 2013.

On 24 March 2014, Dr. Cao Xin resigned as an executive Director of the Company and was re-designated as a non-executive Director of the Company with effect from 24 March 2014.

(ii) Mr. Gao Qing Yu was designated as Chief executive of the Company, with effect from 28 March 2013.

(iii) Mr. Wang Hong Jun, Mr. Ma Guo Qing and Mr. Liu Jin Hai were designated as an executive Director, a non-executive Director and a supervisor of the Company, respectively, with effect from 6 June 2013.

(iv) Dr. Li Lian Ping, Mr. Sun Xin tian and Mr. Mi Xian Wei resigned as Chairman of the Board and a non-executive Director, an executive Director and a supervisor of the Company, respectively, with effect from 27 March 2013, 6 June 2013 and 6 June 2013.

(v) Mr. Zhao Hui resigned as an executive Director of the Company and was designated as an executive Director, with effect from 24 March 2014.

8. DIRECTORS', SUPERVISORS' AND CHIEF EXCECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors', supervisors' and chief executive's remuneration (continued)

2012

	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 (Chief executive)	–	427	219	171	817
Mr. Gao Qing Yu	–	386	208	76	670
Mr. Zhao Hui	–	335	206	131	672
Mr. Sun Xin Tian	–	365	206	72	643
	–	1,513	839	450	2,802
Non-executive Directors					
Dr. Li Lian Ping (Chairman)	–	–	–	–	–
Mr. Zhao Hui Ning	–	–	–	–	–
Mr. Xiao Gang	–	–	–	–	–
	–	–	–	–	–
Independent non-executive Directors					
Mr. Qin Hai Yan	81	–	–	–	81
Mr. Ding Jun	81	–	–	–	81
Mr. Wang Xiang Jun	81	–	–	–	81
Mr. Yue Man Yiu, Matthew	81	–	–	–	81
	324	–	–	–	324
Supervisors					
Mr. Yang Hong Chi	–	–	–	–	–
Mr. Qiao Guo Jie	–	323	183	129	635
Mr. Mi Xian Wei	–	–	–	–	–
	–	323	183	129	635
	324	1,836	1,022	579	3,761

Directors, supervisors and the Chief executive who received no emoluments for the years ended 31 December 2013 and 2012 did not receive any remuneration for their services in the respective capacities as Directors, supervisors and Chief executive during those years.

8. DIRECTORS', SUPERVISORS' AND CHIEF EXCECUTIVE'S 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 years is as follows:

	2013	2012
Directors	3	4
Non-director and non-supervisor employees	2	1
	5	5

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

	2013 RMB'000	2012 RMB'000
Salaries, allowances and benefits in kind	775	391
Performance-related bonuses	373	213
Pension scheme contributions	134	59
	1,282	663

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

	2013	2012
Nil to HK$1,000,000	2	1

During the years ended 31 December 2013 and 2012, no Directors, supervisors, Chief executive 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, Chief executive 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.

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 Guofa [2007] No. 39 *Notice of the State Council on the Implementation of the Transitional Preferential Tax Policies* (國務院關於實施企業所得稅過渡優惠政策的通知), this subsidiary has started enjoying the tax holiday from the year 2008 due to the income tax reform and was subject to income tax rate at a rate of 25% in 2013.

Pursuant to Caishui [2008] No. 46 *Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment* (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 (the "3+3 tax holiday"). As at 31 December 2013, certain 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 holiday.

Pursuant to Caishui [2012] No. 10 *Notice on Preferential Tax Treatment for Projects relating to Public Infrastructure, Environment 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, certain subsidiaries of the Company, which were established before 1 January 2008 and are engaging in public infrastructure projects, are entitled to the 3+3 tax holiday commencing 1 January 2008. These entities obtained the approval from the respective tax authorities in 2012 to deduct from their future income tax liabilities by income tax paid during 2008 to 2011.

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 2013 and 2012.

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 2013 and 2012.

	2013 **RMB'000**	2012 RMB'000
Current income tax – Mainland China	**161,032**	7,522
Deferred income tax (note 22)	**(3,530)**	(107)
Tax charge for the year	**157,502**	7,415

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:

	2013 RMB'000	2012 RMB'000
Profit before tax	**832,304**	803,438
Income tax charge at the statutory income tax rate of 25%	**208,076**	200,860
Effect of tax exemption for specific locations or enacted by local authorities	**(56,231)**	(118,713)
Adjustment of current income tax of previous periods	**–**	(59,159)
Tax effect of share of profits of associates	**(9,978)**	(22,484)
Non-taxable income	**(119)**	–
Expenses not deductible for tax	**10,370**	15,203
Tax losses not recognised	**6,679**	2,333
Tax losses utilised from previous periods	**(1,295)**	(10,625)
Tax charge for the year at the effective rate	**157,502**	7,415

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2013 includes a profit of RMB378,785,000 (2012: RMB213,656,000) which has been dealt with in the financial statements of the Company (note 31(b)).

11. DIVIDENDS

The dividends for the year are set out below:

	2013 RMB'000	2012 RMB'000
Dividends:		
Declared:		
– Final 2011 dividend (note (a))	–	187,829
– Final 2012 dividend (note (b))	64,769	–
	64,769	187,829
Proposed:		
– Final dividend – RMB4.6 cents (2012: RMB2 cents) per ordinary share (note (c))	170,897	64,769

Notes:

(a) At the annual general meeting held on 4 June 2012, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2011 of RMB0.058 per share, which amounted to RMB187,829,000 and was settled in full in June 2012.

(b) At the annual general meeting held on 6 June 2013, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2012 of RMB0.02 per share, which amounted to RMB64,769,000 and was settled in full in July 2013.

(c) The Board of Directors of the Company proposed, on 24 March 2014, the payment of a final dividend of RMB4.6 cents per ordinary share in respect of the year ended 31 December 2013, based on the enlarged issued share capital of the Company of 3,715,160,396 shares. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. As further described in Note 41, the Company issued, in January 2014, 476,725,396 new H shares, thereby increasing the total issued ordinary shares of the Company from 3,238,435,000 as at 31 December 2013 to 3,715,160,396 upon completion of the issue of the new shares on 28 January 2014.

Pursuant to the State Administration of Taxation Circular Guoshuihan [2008] No. 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 Guoshuifa [1993] No. 45 *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* (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]45號)), the Company is required from 4 January 2011 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 2013 and 2012.

	2013	2012
	RMB'000	RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**459,516**	549,701

	Number of shares	
	2013	2012
Shares:		
Weighted average number of ordinary shares in issue during the years used in the basic earnings per share calculation	**3,238,435,000**	3,238,435,000

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

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
2013									
Cost:									
At 1 January 2013	312,088	6,674,128	937,930	193,633	70,788	39,489	36,838	1,571,237	9,836,131
Additions	88,613	1,168	186	9,839	10,048	6,737	1,561	1,970,498	2,088,650
Transfers to prepaid land lease payments (note 14)	–	–	–	–	–	–	–	(69,144)	(69,144)
Transfers	48,728	1,073,695	44,566	18,126	–	807	983	(1,186,905)	–
Disposals	–	–	(260)	(338)	(1,311)	(848)	–	–	(2,757)
At 31 December 2013	449,429	7,748,991	982,422	221,260	79,525	46,185	39,382	2,285,686	11,852,880
Accumulated depreciation:									
At 1 January 2013	(40,283)	(782,796)	(278,525)	(51,499)	(39,096)	(19,470)	(22,088)	–	(1,233,757)
Depreciation provided during the year (note 6)	(17,136)	(334,317)	(52,429)	(19,504)	(9,592)	(5,047)	(2,879)	–	(440,904)
Disposals	–	–	36	216	997	801	–	–	2,050
At 31 December 2013	(57,419)	(1,117,113)	(330,918)	(70,787)	(47,691)	(23,716)	(24,967)	–	(1,672,611)
Net carrying amount:									
At 31 December 2013	392,010	6,631,878	651,504	150,473	31,834	22,469	14,415	2,285,686	10,180,269
At 1 January 2013	271,805	5,891,332	659,405	142,134	31,692	20,019	14,750	1,571,237	8,602,374

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
2012									
Cost:									
At 1 January 2012	255,584	4,203,353	738,243	141,325	67,540	34,626	30,463	3,117,365	8,588,499
Additions	1,657	8,353	1,292	19,183	5,074	4,303	3,262	1,250,222	1,293,346
Transfers to prepaid land lease payments (note 14)	–	–	–	–	–	–	–	(36,953)	(36,953)
Transfers	54,870	2,468,322	198,662	33,681	–	749	3,113	(2,759,397)	–
Disposals	(23)	(5,900)	(267)	(556)	(1,826)	(189)	–	–	(8,761)
At 31 December 2012	312,088	6,674,128	937,930	193,633	70,788	39,489	36,838	1,571,237	9,836,131
Accumulated depreciation:									
At 1 January 2012	(27,519)	(509,291)	(241,553)	(39,146)	(31,243)	(13,653)	(12,872)	–	(875,277)
Depreciation provided during the year (note 6)	(12,772)	(273,929)	(37,141)	(12,664)	(9,555)	(5,994)	(9,216)	–	(361,271)
Disposals	8	424	169	311	1,702	177	–	–	2,791
At 31 December 2012	(40,283)	(782,796)	(278,525)	(51,499)	(39,096)	(19,470)	(22,088)	–	(1,233,757)
Net carrying amount:									
At 31 December 2012	271,805	5,891,332	659,405	142,134	31,692	20,019	14,750	1,571,237	8,602,374
At 1 January 2012	228,065	3,694,062	496,690	102,179	36,297	20,973	17,591	3,117,365	7,713,222

Interest of approximately RMB68,524,000 was capitalised to construction in progress for the year ended 31 December 2013 (2012: RMB84,848,000) prior to being transferred to buildings and machinery (note 7).

As at the date of the approval of these financial statements, the Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB91,820,000. 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 2013.

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
2013					
Cost:					
At 1 January 2013	250	1,131	1,010	43,070	45,461
Additions	784	897	340	12,024	14,045
Transferred to subsidiaries	–	–	–	(22,052)	(22,052)
At 31 December 2013	1,034	2,028	1,350	33,042	37,454
Accumulated depreciation:					
At 1 January 2013	(94)	(403)	(721)	–	(1,218)
Depreciation provided during the year	(48)	(265)	(317)	–	(630)
At 31 December 2013	(142)	(668)	(1,038)	–	(1,848)
Net carrying amount:					
At 31 December 2013	892	1,360	312	33,042	35,606
At 1 January 2013	156	728	289	43,070	44,243

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company (continued)

	Motor vehicles RMB'000	Office equipment and others RMB'000	Leasehold improve- ments RMB'000	Construction in progress RMB'000	Total RMB'000
2012					
Cost:					
At 1 January 2012	250	979	1,010	16,085	18,324
Additions	–	152	–	26,985	27,137
At 31 December 2012	250	1,131	1,010	43,070	45,461
At 1 January 2012	(47)	(205)	(384)	–	(636)
Depreciation provided during the year	(47)	(198)	(337)	–	(582)
At 31 December 2012	(94)	(403)	(721)	–	(1,218)
Net carrying amount:					
At 31 December 2012	156	728	289	43,070	44,243
At 1 January 2012	203	774	626	16,085	17,688

14. PREPAID LAND LEASE PAYMENTS

Group

	2013 RMB'000	2012 RMB'000
Carrying amount at beginning of the year	152,707	116,552
Additions	5,468	3,414
Transfer from construction in progress (note 13)	69,144	36,953
Amortisation for the year (note 6)	(6,327)	(4,212)
Carrying amount at end of the year	220,992	152,707
Portion classified as current assets	(6,631)	(4,636)
Non-current portion	214,361	148,071

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

	31 December 2013 RMB'000	31 December 2012 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	220,992	152,707
Short term leases of less than 10 years	–	–
	220,992	152,707

As at the date of approval of these financial statements, the Group is in the process of applying for the title certificates of certain of its land use rights with an aggregate net carrying amount of approximately RMB24,608,000. 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 2013.

15. GOODWILL

Group

	2013 RMB'000	2012 RMB'000
Cost and carrying amount at beginning of the year	**9,215**	9,215
Acquisition of subsidiaries	**–**	–
Cost and carrying amount at end of the year	**9,215**	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 natural gas and wind power 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 20-year period approved by senior management. The discount rate applied to the cash flow projections was 10%.

Assumptions were used in the value in use calculation of the wind power and natural gas cash-generating units for 31 December 2013. 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.

16. INTANGIBLE ASSETS

Group

	Office software RMB'000	Operating concession RMB'000 (note)	Total RMB'000
2013			
Cost:			
At beginning of the year	8,772	2,535,704	2,544,476
Additions	2,281	–	2,281
At end of the year	11,053	2,535,704	2,546,757
Accumulated amortisation:			
At beginning of the year	(4,203)	(192,364)	(196,567)
Amortisation for the year (note 6)	(1,727)	(101,429)	(103,156)
At end of the year	(5,930)	(293,793)	(299,723)
Net carrying amount:			
At end of the year	5,123	2,241,911	2,247,034
At beginning of the year	4,569	2,343,340	2,347,909

16. INTANGIBLE ASSETS (continued)

Group (continued)

	Office software RMB'000	Operating concession RMB'000 (note)	Total RMB'000
2012			
Cost:			
At beginning of the year	7,451	2,535,704	2,543,155
Additions	1,321	–	1,321
At end of the year	8,772	2,535,704	2,544,476
Accumulated amortisation:			
At beginning of the year	(2,689)	(91,344)	(94,033)
Amortisation for the year (note 6)	(1,514)	(101,020)	(102,534)
At end of the year	(4,203)	(192,364)	(196,567)
Net carrying amount:			
At end of the year	4,569	2,343,340	2,347,909
At beginning of the year	4,762	2,444,360	2,449,122

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 a price stipulated through a pricing mechanism.

16. INTANGIBLE ASSETS (continued)

Company

	2013 Office software RMB'000	2012 Office software RMB'000
Cost:		
At beginning of the year	**584**	504
Additions	**179**	80
At end of the year	**763**	584
Accumulated amortisation:		
At beginning of the year	**(221)**	(108)
Amortisation for the year	**(132)**	(113)
At end of the year	**(353)**	(221)
Net carrying amount:		
At end of the year	**410**	363
At beginning of the year	**363**	396

17. INVESTMENTS IN SUBSIDIARIES

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Unlisted investments, at cost	**4,028,626**	3,932,566

Notes to Financial Statements

31 December 2013

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 farm investment 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	RMB175,500,000	–	55	Wind power generation
Zhangbei Huashi CIC Wind Energy., 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	RMB28,000,000	–	100	Provision of maintenance and consulting services in relation to wind farms and other new energies

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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
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	RMB47,000,000	–	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)	(i)	The PRC/ Mainland China 17 July 2010	RMB90,000,000	–	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	RMB204,600,000	–	100	Wind power and solar energy generation
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	RMB330,000,000	–	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	RMB96,000,000	–	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	RMB28,000,000	–	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	RMB14,000,000	–	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

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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
Guyuan Suntien Wind Energy Co., Ltd. (沽源新天风能有限公司)		The PRC/ Mainland China 7 May 2012	RMB2,000,000	–	100	Wind power generation
Hebei Fengning CIC New Energy Co., Ltd. (河北豐甯建投新能源有限公司)		The PRC/ Mainland China 4 July 2013	RMB30,000,000	–	100	Wind power generation
Chongli Suntien Wind Energy Co., Ltd. (崇禮新天風能有限公司)		The PRC/ Mainland China 16 September 2013	RMB10,000,000	–	100	Wind power generation
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
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
Heilongjiang Suntien Hadian New Energy Investment Co., Ltd. (黑龍江新天哈電新能源投資有限公司)		The PRC/ Mainland China 19 April 2012	RMB10,000,000	80	–	Wind power generation
Suntien Green Energy Investment (Beijing) Co., Ltd. (新天綠色能源投資(北京)有限公司)		The PRC/ Mainland China 27 July 2012	RMB60,000,000	100	–	Project investment and investment management
Jianshui Suntien Wind Energy Co., Ltd. (建水新天风能有限公司)		The PRC/ Mainland China 18 July 2012	RMB3,000,000	100	–	Wind power generation
Suntien Green Energy (Hong Kong) Co., Ltd. ("Suntien Green Hong Kong") (新天綠色能源(香港)有限公司)		The PRC/ Hong Kong 29 June 2012	RMB6,296,700	100	–	Project investment and investment management
Xingyang Suntien Wind Energy Co., Ltd. (滎陽新天風能有限公司)		The PRC/ Mainland China 1 July 2013	RMB6,000,000	100	–	Wind power generation

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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
Hejing Suntien Green Energy Co., Ltd. (和靜新天綠色能源有限公司)		The PRC/ Mainland China 24 July 2013	RMB32,000,000	100	–	Wind power and solar energy generation
Ruoqiang Suntien Green Energy Co., Ltd. (若羌新天綠色能源有限公司)		The PRC/ Mainland China 30 May 2013	RMB11,000,000	100	–	Wind power generation
Wulian Suntien Wind Energy Co., Ltd. (五蓮新天風能有限公司)		The PRC/ Mainland China 1 July 2013	RMB6,000,000	100	–	Wind power generation
Shandong Suntien Yuanjian Wind Energy Co., Ltd. (山東新天遠見風能有限公司)	(i)	The PRC/ Mainland China 16 September 2013	RMB6,000,000	51	–	Wind power generation
Shenzhen Suntien Green Energy Investment Co., Ltd. (深圳新天綠色能源投資有限公司)		The PRC/ Mainland China 30 October 2013	RMB32,000,000	100	–	Project investment and investment management
Junan Suntien Wind Energy Co., Ltd. (莒南新天風能有限公司)		The PRC/ Mainland China 30 September 2013	RMB6,000,000	100	–	Wind power generation
Hebei Natural Gas Company Ltd. (“Hebei Natural Gas”) (河北省天然氣有限責任公司)	(ii)	The PRC/ Mainland China 27 April 2001	RMB520,000,000	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
Hebei Zhaodu Natural Gas Co., Ltd. (“Hebei Zhaodu”) (河北趙都天然氣有限責任公司)		The PRC/ Mainland China 21 November 2007	RMB20,000,000	–	28.875*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines

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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
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	RMB75,000,000	–	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	RMB20,000,000	–	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 CIC Gas Co., Ltd. ("Jinzhou CIC") (晉州市建投燃氣有限公司) ***		The PRC/ Mainland China 19 July 2004	RMB18,159,877	–	55*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Shenzhou CIC Gas Co., Ltd. ("Shenzhou CIC") (深州市建投燃氣有限公司) ***		The PRC/ Mainland China 23 December 2005	RMB11,758,114	–	55*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Xinji CIC Gas Co., Ltd. ("Xinji CIC") (辛集市建投燃氣有限公司) ***		The PRC/ Mainland China 7 February 2007	RMB15,000,000	–	55*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Shijiazhaung Jiran Pipeline Engineer Co., Ltd. ("Shijiazhuang Jiran") (石家莊冀燃管道工程有限公司)		The PRC/ Mainland China 20 December 2013	RMB63,750,000	–	33*	Connection and construction of natural gas pipelines
Xingtai Jiran Auto Gas Co., Ltd. ("Xingtai Jiran") (邢臺冀燃車用燃氣有限公司)		The PRC/ Mainland China 24 December 2013	RMB50,000,000	–	30.25*	Sale of auto condensed natural gas and gas appliances

17. INVESTMENTS IN SUBSIDIARIES (continued)

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

* Shijiazhuang CIC, Hebei Zhaodu, Chengde CIC, Ningjin CIC, Hua Bo, Jinzhou CIC, Shenzhou CIC, Xinji CIC, Shijiazhuang Jiran and Xingtai Jiran are 100%-owned, 52.5%-owned, 90%-owned, 51%-owned, 55%-owned, 100%-owned, 100%-owned, 100%-owned, 60%-owned and 55%-owned subsidiaries of Hebei Natural Gas, respectively, a 55%-owned subsidiary of the Company.

** Except for Suntien Green Hong Kong, which was established in Hong Kong and Hebei Natural Gas, which is an equity joint venture in which a foreign investor owns a 45% shareholding interest, have English company names, the English names of the companies registered in the Mainland China 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.

*** 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) changed their names to Jinzhou CIC Gas Co., Ltd. (晉州市建投燃氣有限公司), Shenzhou CIC Gas Co., Ltd. (深州市建投燃氣有限公司) and Xinji CIC Gas Co., Ltd. (辛集市建投燃氣有限公司), on 27 November 2013, 30 October 2013 and 4 December 2013 respectively.

All the above subsidiaries are limited liability companies.

Notes:

(i) A subsidiary of the Company (the "Subsidiary") 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 Subsidiary 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 Subsidiary 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. The Subsidiary signed, before the year of 2012, shareholders' voting agreements with other equity owners of these companies, whereby such equity owners have committed to attend shareholders' meeting together with, and to vote in shareholders' meeting in the same manner as, the representatives of the Subsidiary. Such equity owners have also confirmed that the above-mentioned attendance and voting arrangements with the Subsidiary existed since the establishment of these companies or the Subsidiary becoming the biggest equity owner of these companies. 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 Subsidiary controlled the operation of these companies 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 Group has rights to variable returns from its involvement with these companies and that it has the ability to direct the relevant activities of these companies during the years ended 31 December 2013 and 2012. Therefore, the financial statements of these companies are consolidated by the Company during the years ended 31 December 2013 and 2012.

(ii) 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.

17. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2013	2012
Percentage of equity interest held by non-controlling interests:		
Hebei Natural Gas	45%	45%

	2013 RMB'000	2012 RMB'000
Profit for the year allocated to non-controlling interests:		
Hebei Natural Gas	167,259	168,509
Dividends paid to non-controlling interests:		
Hebei Natural Gas	137,146	131,695
Accumulated balances of non-controlling interests at the reporting dates:		
Hebei Natural Gas	470,335	437,648

The following tables illustrate the summarised financial information of Hebei Natural Gas. The amounts disclosed are before any inter-company eliminations:

	2013 RMB'000	2012 RMB'000
Revenue	3,327,464	2,569,338
Total expenses	(2,960,756)	(2,195,076)
Profit for the year	366,708	374,262
Total comprehensive income for the year	366,708	374,262
Current assets	1,090,067	730,927
Non-current assets	2,159,999	1,491,331
Current liabilities	(1,082,722)	(659,742)
Non-current liabilities	(1,045,810)	(566,821)
Net cash flows from operating activities	453,032	146,243
Net cash flows used in investing activities	(581,117)	(155,749)
Net cash flows from/(used) in in financing activities	421,818	16,036
Net increase/(decrease) in cash and cash equivalents	293,733	6,530

18. INVESTMENTS IN ASSOCIATES

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Share of net assets	373,795	412,260

Particulars of the principal 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. ("Longyuan Jiantou") (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. ("Chengde Wind Power") (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. ("Weichang Wind Power") (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 Mainland China 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 associates are considered material associates to the Group, and they are strategic partner of the Group engaged in wind power generation, and are accounted for using the equity method.

18. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information of the above associates adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

Longyuan Jiantou	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Current assets	**198,978**	156,006
Non-current assets	**773,486**	814,855
Current liabilities	**(263,509)**	(22,788)
Non-current financial liabilities, excluding trade and other payables and provisions	**(435,474)**	(643,974)
Net assets	**273,481**	304,099
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**50%**	50%
Carrying amount of the investment	**136,741**	156,223

	2013 RMB'000	2012 RMB'000
Revenue	**152,447**	151,068
Profit for the year	**38,153**	84,607
Total comprehensive income for the year	**38,153**	84,607
Dividend received	**38,559**	22,975

Chengde Wind Power	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Current assets	**172,546**	122,693
Non-current assets	**591,252**	620,550
Current liabilities	**(134,375)**	(49,963)
Non-current financial liabilities, excluding trade and other payables and provisions	**(270,482)**	(302,356)
Net assets	**358,941**	390,924
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**45%**	45%
Carrying amount of the investment	**161,523**	175,908

18. INVESTMENTS IN ASSOCIATES (continued)

Chengde Wind Power (continued)

	2013 RMB'000	2012 RMB'000
Revenue	122,063	123,025
Profit for the year	34,068	71,995
Total comprehensive income for the year	34,068	71,995
Dividend received	29,715	23,671

Weichang Wind Power	31 December 2013 RMB'000	31 December 2012 RMB'000
Current assets	62,329	62,129
Non-current assets	327,419	344,058
Current liabilities	(142,190)	(112,056)
Non-current financial liabilities, excluding trade and other payables and provisions	(87,000)	(116,000)
Net assets	160,558	178,131
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	45%	45%
Carrying amount of the investment	72,251	80,129

	2013 RMB'000	2012 RMB'000
Revenue	71,367	68,365
Profit for the year	12,234	33,859
Total comprehensive income for the year	12,234	33,859
Dividend received	27,586	–

The following table illustrates the financial information of the Group's associate that is not individually material:

	31 December 2013 RMB'000	31 December 2012 RMB'000
Share of the associate's profit for the year	–	–
Share of the associate's total comprehensive income	–	–
Carrying amount of the Group's investment in an associate at end of the year	3,280	–

19. INVESTMENT IN A JOINT VENTURE

Group and Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Share of net assets	60,000	–

Particulars of the joint venture of the Group and the Company 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 Suntien Guohua Gas Co., Ltd. ("Suntien Guohua") (河北新天國化燃氣有限責任公司)	The PRC/ Mainland China 26 September 2013	RMB120,000,000	50	–	Construction of nature gas pipelines

* The English name of the company registered in the Mainland China represents the best efforts of the management of the Company in directly translating the Chinese name of the company as no English name has been registered.

The Group's and the Comany's investment in Suntien Guohua is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of Suntien Guohua:

	31 December 2013 RMB'000	31 December 2012 RMB'000
Cash and cash equivalents	119,758	–
Other current assets	156	–
Non-current assets	11,106	–
Current liabilities	(11,020)	–
Net assets	120,000	–
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	–
Carrying amount of the investment	60,000	–

19. INVESTMENT IN A JOINT VENTURE (continued)

Group and Company (continued)

	2013 RMB'000	2012 RMB'000
Profit for the year	–	–
Total comprehensive income for the year	–	–
Dividend received	–	–

20. HELD-TO-MATURITY INVESTMENTS

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Unlisted debt investments	7,500	7,500

Held-to-maturity investments are analysed as follows:

	31 December 2013 RMB'000	31 December 2012 RMB'000
Corporate entity	7,500	7,500

As at 31 December 2013, the effective interest rate of the held-to-maturity investments was 6.55% per annum (31 December 2012: 6.4% and 6.55%). The carrying amounts of the held-to-maturity investments approximate to their fair values.

21. AVAILABLE-FOR-SALE INVESTMENTS

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Unlisted equity investments, at cost (i)	573,400	253,400
Other financial assets (ii)	150,000	203,000
	723,400	456,400
Portion classified as non-current assets	(573,400)	(253,400)
Current portion	150,000	203,000

21. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Unlisted equity investments, at cost (i)	50,000	50,000
Other financial assets (ii)	150,000	203,000
	200,000	253,000
Portion classified as non-current assets	(50,000)	(50,000)
Current portion	150,000	203,000

(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 consolidated statement of comprehensive income for the year ended 31 December 2013 because the aggregate changes of fair value of such financial assets were immaterial since their respective acquisition dates.

22. DEFERRED TAX ASSETS

The movements in deferred tax assets during the years are as follows:

Group

	2013 RMB'000	2012 RMB'000
Deferred tax assets:		
At beginning of the year	200	93
Deferred tax credited to the statement of comprehensive income during the year (note 9)	3,530	107
At end of the year	3,730	200

22. DEFERRED TAX ASSETS (continued)

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

	31 December 2013 RMB'000	31 December 2012 RMB'000
Deferred tax assets:		
Impairment provision	3,730	200

As at 31 December 2013, tax losses of the Group arising in the PRC were RMB48,340,000 (31 December 2012: RMB26,804,000), 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.

23. INVENTORIES

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Natural gas	9,285	4,730
Spare parts and others	33,032	24,934
Low-value consumables	291	295
	42,608	29,959

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 2013 RMB'000	31 December 2012 RMB'000
Trade and bills receivables	923,565	882,621
Impairment	(77,881)	(39,825)
	845,684	842,796

24. TRADE AND BILLS RECEIVABLES (continued)

Group (continued)

Included in the trade receivables as at 31 December 2013 are receivables under two service concession arrangements in the amount of RMB43,993,000 (31 December 2012: RMB122,259,000).

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

	31 December 2013 RMB'000	31 December 2012 RMB'000
Within 3 months	730,853	615,115
3 to 6 months	74,401	84,186
6 months to 1 year	38,377	138,701
1 to 2 years	1,237	4,047
2 to 3 years	740	747
Over 3 years	76	–
	845,684	842,796

The movements in provision for impairment of trade receivables are as follows:

Group

	2013 RMB'000	2012 RMB'000
At 1 January	39,825	–
Impairment losses recognised (note 6)	33,821	39,825
Transferred from provision for impairment of other receivables (note 25)	4,280	–
Reversal (note 6)	(45)	–
At 31 December	77,881	39,825

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB77,881,000 (31 December 2012: RMB39,825,000) with an aggregate carrying amount before provision of RMB85,043,000 (31 December 2012: RMB45,847,000).

The individually impaired trade receivables relate to customers that were in default in principal payments or were in financial difficulties and only a portion of the receivables is expected to be recovered.

24. TRADE AND BILLS RECEIVABLES (continued)

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 2013 RMB'000	31 December 2012 RMB'000
Neither past due nor impaired	**773,712**	821,788
Less than 3 months past due	**59,385**	10,416
3 to 6 months past due	**2,515**	4,265
6 months to 1 year past due	**1,284**	–
1 to 2 years past due	**1,321**	305
2 to 3 years past due	**305**	–
	838,522	836,774

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

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

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

	31 December 2013 RMB'000	31 December 2012 RMB'000
Fellow subsidiaries	**304**	910

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 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Prepayments to suppliers	**190,777**	726,967	**–**	–
Deductible VAT	**720,328**	765,466	**–**	–
CERs receivable	**8,931**	47,609	**–**	–
Deposits and other receivables	**108,548**	96,889	**3,769,129**	3,205,540
Dividend receivable	**–**	14,203	**–**	–
Other prepayments	**10,271**	5,362	**808**	155
	1,038,855	1,656,496	**3,769,937**	3,205,695
Less: Impairment	**(8,749)**	(13,029)	**–**	–
	1,030,106	1,643,467	**3,769,937**	3,205,695
Portion classified as non-current assets	**(621,940)**	(1,250,375)	**(1,992,789)**	(1,988,460)
Current portion	**408,166**	393,092	**1,777,148**	1,217,235

The amounts due from related parties included in prepayments, deposits and other receivables are as follows:

	Group		Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
A fellow subsidiary	**1,088**	841	**404**	404
Subsidiaries	**–**	–	**3,755,718**	3,202,627
Associates	**–**	14,203	**–**	–
	1,088	15,044	**3,756,122**	3,203,031

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 6.15% per annum (2012: 5.60% to 6.98%).

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Cash and bank balances	1,447,478	614,560
Time deposits	222,176	143,264
	1,669,654	757,824
Less: Pledged bank balances for letters of guarantee	(64)	(64)
Cash and cash equivalents in the consolidated statement of financial position	1,669,590	757,760
Less: Non-pledged time deposits with original maturity of more than three months when acquired	–	(143,264)
Cash and cash equivalents in the consolidated statement of cash flows	1,669,590	614,496
Cash and bank balances and time deposits denominated in:		
– RMB	1,657,250	742,676
– Other currencies	12,404	15,148
	1,669,654	757,824

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Cash and bank balances	362,123	245,014
Time deposits	222,176	143,264
Cash and cash equivalents in the statement of financial position	584,299	388,278
Cash and bank balances and time deposits denominated in:		
– RMB	572,059	373,130
– Other currencies	12,240	15,148
	584,299	388,278

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

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

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

27. TRADE PAYABLES

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

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Trade payables	**223,689**	197,248

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

	31 December 2013 RMB'000	31 December 2012 RMB'000
Within 6 months	**157,924**	151,704
6 months to 1 year	**28,352**	14,489
1 to 2 years	**26,380**	23,269
2 to 3 years	**6,336**	5,832
More than 3 years	**4,697**	1,954
	223,689	197,248

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Retention money payables	**195,458**	210,612	**377**	523
Dividend payable to non-controlling shareholders	**11,214**	2,711	**–**	–
Wind turbine and related equipment payables	**378,063**	331,458	**–**	–
Advances from customers	**144,291**	114,888	**–**	–
Construction payables	**141,986**	79,326	**–**	–
Accrued salaries, wages and benefits	**38,178**	24,633	**2,865**	328
Other taxes payable	**12,565**	12,650	**1,908**	1,724
Interest payable	**72,941**	73,211	**15,204**	13,999
Accrued expenses	**40,125**	40,125	**–**	–
Others	**106,004**	38,637	**622,930**	681,954
	1,140,825	928,251	**643,284**	698,528
Portion classified as non-current liabilities	**(18,552)**	(15,011)	**–**	–
Current portion	**1,122,273**	913,240	**643,284**	698,528

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 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
HECIC	**733**	733	**733**	733
Fellow subsidiaries	**192**	323	**–**	–
Subsidiaries	**–**	–	**617,665**	676,544
	925	1,056	**618,398**	677,277

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 35(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.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	As at 31 December 2013			As at 31 December 2012		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Short term bank loans:						
– Unsecured	5.0-6.0	2014	978,000	4.8-6.0	2013	460,000
Short term other borrowings:						
– Unsecured	–	–	–	4.3	2013	199,600
Current portion of long term bank loans:						
– Unsecured	5.9-6.6	2014	90,280	5.9-7.1	2013	59,597
– Secured	5.9-6.6	2014	290,690	5.9-6.6	2013	252,150
			380,970			311,747
Total current portion			1,358,970			971,347
Non-current						
Long term bank loans:						
– Unsecured	5.1-6.6	2015-2027	1,397,769	5.9-7.1	2014-2024	651,588
– Secured	5.9-6.6	2015-2028	2,858,029	5.9-6.6	2014-2025	2,593,719
			4,255,798			3,245,307
Long term other borrowing:						
– Unsecured	5.7	2017	1,296,000	5.9	2017	1,294,857
Corporate bonds(i):						
– Unsecured	5.3-5.4	2017-2018	1,992,789	5.3-5.4	2017-2018	1,988,460
Total non-current portion			7,544,587			6,528,624
			8,903,557			7,499,971

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

Company

	As at 31 December 2013			As at 31 December 2012		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Short term bank loans:						
– Unsecured	5.6	2014	300,000	5.6	2013	110,000
Non-current						
Long term bank loans:						
– Secured	6.6	2028	400,000	–	–	–
Corporate bonds(i):						
– Unsecured	5.3-5.4	2017-2018	1,992,789	5.3-5.4	2017-2018	1,988,460
Total non-current portion			2,392,789			1,988,460
			2,692,789			2,098,460

(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 in 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 are separated into two types of products amounting to RMB1 billion each, namely 6-Year and 7-Year products, which are repayable respectively on 18 November 2017 and 2018, and their respective applicable interest rates are 5.3% and 5.4% per annum. At the end of three years and five years, respectively, the Company has an option to adjust the interest rates 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.

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 2013 RMB'000	31 December 2012 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**1,358,970**	771,747
In the second year	**437,809**	363,316
In the third to fifth years, inclusive	**1,814,508**	1,360,343
Beyond five years	**2,003,481**	1,521,648
	5,614,768	4,017,054
Other borrowings repayable:		
Within one year	**–**	199,600
In the third to fifth years, inclusive	**1,296,000**	1,294,857
Beyond five years	**–**	–
	1,296,000	1,494,457
Corporate bonds repayable:		
In the third to fifth years, inclusive	**1,992,789**	994,279
Beyond five years	**–**	994,181
	1,992,789	1,988,460
	8,903,557	7,499,971

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

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**300,000**	110,000
In the second year	**11,428**	–
In the third to fifth years, inclusive	**75,425**	–
Beyond five years	**313,147**	–
	700,000	110,000
Corporate bonds repayable:		
In the third to fifth years, inclusive	**1,992,789**	994,279
Beyond five years	**–**	994,181
	1,992,789	1,988,460
	2,692,789	2,098,460

Certain interest-bearing bank loans of the Group in an aggregate amount of RMB3,148,719,000 were secured by the right of future electricity fees collection as at 31 December 2013 (31 December 2012: RMB2,845,869,000).

A long term other borrowing of the Group of RMB1,296,000,000 was guaranteed by HECIC, the ultimate holding company as at 31 December 2013 (31 December 2012: RMB1,294,857,000) (note 35(a)).

The corporate bonds of the Company of RMB1,992,789,000 were guaranteed by HECIC, the ultimate holding company as at 31 December 2013 (31 December 2012: RMB1,988,460,000) (note 35(a)).

30. ISSUED SHARE CAPITAL

	31 December 2013		31 December 2012	
	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

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2013 and 2012 are presented in the consolidated statement of changes in equity on page 76 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
At 1 January 2012	1,459,650*	40,413*	75,003*	187,829	1,762,895
Profit for the year	–	–	213,656	–	213,656
Total comprehensive income for the year (note 10)	–	–	213,656	–	213,656
Transfer from retained profit	–	21,365	(21,365)	–	–
Declared final 2011 dividend (note 11(a))	–	–	–	(187,829)	(187,829)
Proposed final 2012 dividend (note 11(b))	–	–	(64,769)	64,769	–
At 31 December 2012	1,459,650*	61,778*	202,525*	64,769	1,788,722
Profit for the year	–	–	378,785	–	378,785
Total comprehensive income for the year (note 10)	–	–	378,785	–	378,785
Transfer from retained profits	–	37,879	(37,879)	–	–
Declared final 2012 dividend (note 11(b))	–	–	–	(64,769)	(64,769)
Proposed final 2013 dividend (note 11(c))	–	–	(170,897)	170,897	–
At 31 December 2013	1,459,650*	99,657*	372,534*	170,897	2,102,738

* These reserve accounts comprise the reserve of RMB1,931,841,000 (31 December 2012: RMB1,723,953,000) in the statement of financial position as at 31 December 2013.

32. 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 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Within one year	**4,537**	3,116	**1,572**	1,315
In the second to fifth years, inclusive	**11,106**	54	**3,885**	–
Beyond five years	**104**	117	**–**	–
	15,747	3,287	**5,457**	1,315

33. COMMITMENTS

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

	Group		Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Contracted, but not provided for:				
Property, plant and equipment	**1,145,910**	2,547,671	**–**	–
Capital contributions	**–**	320,000	**–**	–
	1,145,910	2,867,671	**–**	–
Authorised, but not contracted for:				
Property, plant and equipment	**13,222,177**	2,452,919	**101,401**	423,271
Capital contributions	**231,000**	114,000	**–**	–
	13,453,177	2,566,919	**101,401**	423,271

33. COMMITMENTS (continued)

In addition, the Group's and the Company's share of the joint venture's own capital commitments, which are not included in the above, is as follows:

	Group and Company 31 December 2013 RMB'000
Contracted, but not provided for:	
Property, plant and equipment	26
Authorised, but not contracted for:	
Property, plant and equipment	245,509

34. 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.

(c) Pursuant to Caishui [2008] No. 46 *Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment* (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) and Caishui [2012] No. 10 *Notice on Preferential Tax Treatment for Projects relating to Public Infrastructure, Environment 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), certain subsidiaries of the Company, which are engaged in public infrastructure projects, are entitled to the 3+3 tax holiday commencing 1 January 2008. Their income derived from business operations, including CERs income, were exempted from income tax or taxed at a preferential rate of 12.5% since 2008.

In September, 2013, a local tax office raised an argument that CERs income is not derived from business operation and should be subject to income tax at a rate of 25%, which has been contested by the Company in accordance with the related tax regulations. The Company's management believes that the Company has reasonable grounds in making the contest after seeking tax advice. Consequently, no provision has been made for any expenses which might arise as a result of the dispute.

35. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the years ended 31 December 2013 and 2012:

*(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. A guarantee fee of approximately RMB6,000,000 (2012: RMB5,821,000) was payable or charged by HECIC for the year ended 31 December 2013.

*(ii) Transaction with follow subsidiaries**

<u>Transaction with HECIC Group Finance Company Limited</u>

The Company and HECIC Group Finance Company Limited (河北建投集團財務有限公司, "Group Finance Company"), a fellow subsidiary of the Company, entered into a Financial Service Framework Agreement on 16 August 2013, pursuant to which the Group will, on a voluntary and non-compulsory basis, utilise the financial services provided by Group Finance Company, including (i) the deposit service, (ii) the loan service and (iii) other financial services.

The Company directly holds 10% equity interest in the Group Finance Company.

35. RELATED PARTY TRANSACTIONS (continued)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2013 and 2012: (continued)

(ii) Transaction with follow subsidiaries (continued)*

Transaction with HECIC Group Finance Company Limited (continued)

The Group had certain of its cash and time deposits and outstanding interest-bearing loans with Group Finance Company as at 31 December 2013 as summarised below:

	31 December 2013 RMB'000
Cash and time deposits	472,412
Short-term loans	175,000

	2013 RMB'000
Interest income	143
Interest expense	742

As of 31 December 2013, the Group has total loan facilities of RMB560 million granted by Group Finance Company, of which RMB175 million was utilised.

Transactions with other fellow subsidiaries

	2013 RMB'000	2012 RMB'000
Sales of natural gas	96	137
Rental expenses	6,455	6,769

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

35. RELATED PARTY TRANSACTIONS (continued)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2013 and 2012: (continued)

(iii) 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 year, 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 and materials, receiving construction work services, and entering into service concession arrangement, in the normal course of business on terms comparable to those with other non-SOEs.

The individually significant transactions with SOEs are as follows:

	2013 RMB'000	2012 RMB'000
Continuing transactions		
Sales of electricity*		
– Jibei Electric Power Company Limited (note)	**764,965**	777,267
– Hebei Electric Power Corporation (note)	**440,168**	292,687
– Shanxi Electric Power Corporation (note)	**129,234**	67,486
– Xinjiang Electric Power Corporation (note)	**15**	–
	1,334,382	1,137,440
Purchase of natural gas		
– PetroChina Company Limited	**2,433,478**	1,860,249
– China National Offshore Oil Corporation	**35,005**	–
	2,468,483	1,860,249

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

35. RELATED PARTY TRANSACTIONS (continued)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2013 and 2012: (continued)

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

The Group had certain of its cash and time deposits and outstanding interest-bearing bank loans with certain state-owned banks in the PRC as at 31 December 2013 and 2012, as summarised below:

	31 December 2013 RMB'000	31 December 2012 RMB'000
Cash and time deposits	1,180,826	623,226
Short-term bank loans	700,000	410,000
Current portion of long-term bank loans	339,515	270,291
Long-term bank loans	4,007,066	2,955,119
	5,046,581	3,635,410

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

(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:

	2013 RMB'000	2012 RMB'000
Short term employee benefits	4,170	4,015
Pension scheme contributions	698	751
	4,868	4,766

36. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Non-cash transactions

During the year ended 31 December 2013, bills receivables amounting to RMB178,094,000 (2012: RMB150,523,000) were endorsed by the Group to the suppliers of the Group for the purchase of properties, plant and equipment.

During the year ended 31 December 2012, a dividend payable to a non-controlling shareholder amounting to RMB45,000,000 was reinvested by the non-controlling shareholder into the subsidiary of the Company in which it has interests as a further capital contribution by the non-controlling shareholder.

37. 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 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Financial assets				
Held-to-maturity investments	**7,500**	7,500	**–**	–
Available-for-sale investments	**723,400**	456,400	**200,000**	253,000
Loans and receivables:				
Trade and bills receivables	**845,684**	842,796	**–**	–
Financial assets included in prepayments, deposits and other receivables	**55,507**	99,202	**3,769,129**	3,205,540
Pledged deposits	**64**	64	**–**	–
Cash and cash equivalents	**1,669,590**	757,760	**584,299**	388,278
	3,301,745	2,163,722	**4,553,428**	3,846,818
Financial liabilities				
Financial liabilities at amortised cost:				
Trade payables	**223,689**	197,248	**–**	–
Financial liabilities included in other payables and accruals	**945,791**	776,080	**638,511**	696,476
Interest-bearing bank and other borrowings	**8,903,557**	7,499,971	**2,692,789**	2,098,460
	10,073,037	8,473,299	**3,331,300**	2,794,936

38. TRANSFERS OF FINANCIAL ASSETS

In 2013, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills") to certain of its suppliers in order to settle trade payables and other payables due to such suppliers (the "Endorsement"). In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to the undue Endorsed Bills with an aggregate carrying amount of RMB32,070,000 as at 31 December 2013 (31 December 2012: RMB34,700,000), and accordingly, the Group continued to recognise the full carrying amounts of such Endorsed Bills and the associated trade payables and other payable settled. Subsequent to the Endorsement, the Group does not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables and other payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB32,070,000 as at 31 December 2013 (31 December 2012: RMB34,700,000).

In December 2013, the Group discounted a commercial acceptance bill ("Discounted Bill") with a carrying amount of RMB100,000,000 to a bank ("Discount"). The Discounted Bill has a maturity of six months. In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bill, and accordingly, it continued to recognise the full carrying amount of the Discounted Bill and recognised a short term loan of RMB100,000,000. Subsequent to the Discount, the Group does not retain any rights on the use of the Discounted Bill, including sale, transfer or pledge of the Discounted Bill to any other third parties. The carrying amount of the short term loan undertaken through the Discount to which the bank has recourse was RMB103,000,000 as at 31 December 2013 (31 December 2012: RMB50,000,000).

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amount		Fair value	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Financial assets				
Available-for-sale investments	**723,400**	456,400	**723,400**	456,400
Financial liabilities				
Financial liabilities included in other payables and accruals	**945,791**	776,080	**943,387**	774,881
Interest-bearing bank and other borrowings	**8,903,557**	7,499,971	**8,902,762**	7,498,713
	9,849,348	8,276,051	**9,846,149**	8,273,594

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Company

	Carrying amount		Fair value	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Financial assets				
Available-for-sale investments	**200,000**	253,000	**200,000**	253,000
Financial liabilities				
Financial liabilities included in other payables and accruals	**638,511**	696,476	**638,511**	696,476
Interest-bearing bank and other borrowings	**2,692,789**	2,098,460	**2,691,994**	2,098,957
	3,331,300	2,794,936	**3,330,505**	2,793,678

Management has assessed that the fair values of cash and cash equivalents, pledge deposits, financial assets included in prepayments, deposits and other receivables, trade and bills receivables, held-to-maturity investments, available-for-sale investments, trade payables, financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the financial controller and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the financial controller. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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 values of non-current portion 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 with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings and the non-current portion of financial liabilities included in other payables and accruals as at 31 December 2013 was assessed to be insignificant.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group and Company

	Fair value measurement using			
As at 31 December	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
2013				
Financial assets				
Available-for-sale investments	**–**	**150,000**	**–**	**150,000**
2012				
Financial assets				
Available-for-sale investments	–	203,000	–	203,000

Assets for which fair values are disclosed:

Group

	Fair value measurement using			
As at 31 December	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
2013				
Financial assets				
Available-for-sale investments	**–**	**573,400**	**–**	**573,400**
2012				
Financial assets				
Available-for-sale investments	–	253,400	–	253,400

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Assets for which fair values are disclosed: (continued)

Company

As at 31 December	Fair value measurement using Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
2013				
Financial assets				
Available-for-sale investments	**–**	**50,000**	**–**	**50,000**
2012				
Financial assets				
Available-for-sale investments	–	50,000	–	50,000

Liabilities for which fair values are disclosed:

Group

As at 31 December	Fair value measurement using Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
2013				
Financial liabilities				
Financial liabilities included in other payables and accruals	**–**	**943,387**	**–**	**943,387**
Interest-bearing bank and other borrowings	**–**	**8,902,762**	**–**	**8,902,762**
	–	**9,846,149**	**–**	**9,846,149**
2012				
Financial liabilities				
Financial liabilities included in other payables and accruals	–	774,881	–	774,881
Interest-bearing bank and other borrowings	–	7,498,713	–	7,498,713
	–	8,273,594	–	8,273,594

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities for which fair values are disclosed: (continued)

Company

	Fair value measurement using			
As at 31 December	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
2013				
Financial liabilities				
Financial liabilities included in other payables and accruals	**–**	**638,511**	**–**	**638,511**
Interest-bearing bank and other borrowings	**–**	**2,691,994**	**–**	**2,691,994**
	–	**3,330,505**	**–**	**3,330,505**
2012				
Financial liabilities				
Financial liabilities included in other payables and accruals	–	696,476	–	696,476
Interest-bearing bank and other borrowings	–	2,098,957	–	2,098,957
	–	2,795,433	–	2,795,433

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 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 RMB64,078,000 (2012: RMB50,619,000) for the year, but there would have been 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 had been applied 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.

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 and other 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 Euro, the United States dollar and the Hong Kong dollar. The Directors do not anticipate any significant impact resulting from the changes in foreign exchange rates because except for CERs which are denominated in foreign currencies, the majority of the Group's 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 2013 and 2012. 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	2013 RMB'000	2012 RMB'000
If RMB weakens against Euro	5%	4,338	6,099
If RMB strengthens against Euro	(5%)	(4,338)	(6,099)
If RMB weakens against United States dollar	5%	–	450
If RMB strengthens against United States dollar	(5%)	–	(450)
If RMB weakens against Hong Kong dollar	5%	612	757
If RMB strengthens against Hong Kong dollar	(5%)	(612)	(757)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 31 December 2013 and has applied the exposure to foreign currency risk had been applied 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 was performed on the same basis for the years ended 31 December 2013 and 2012.

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 fulfil their obligations.

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.

The carrying amounts of cash and cash equivalents, pledged deposits, trade and bills 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 2013, 33.1% (31 December 2012: 45.9%) of the Group's trade and bills receivables were due from the provincial power grid companies. The Group performs an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The allowance for doubtful debts has been made in the financial statements.

The maximum exposure to credit risk is represented by the carrying amounts of financial assets in the statement of financial position after deducting any impairment allowance.

(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 had already obtained banking facilities from several PRC banks and Group Finance Company of amounts up to RMB15,774 million as at 31 December 2013 of which approximately RMB7,863 million has been utilised as at 31 December 2013.

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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

The maturity profile of the Group's and the Company's financial liabilities as at 31 December 2013 and 2012, 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 2013					
Interest-bearing bank and other borrowings	1,358,970	437,809	5,103,298	2,003,480	8,903,557
Interest payments on financial liabilities	489,321	431,402	894,356	501,467	2,316,546
Trade payables	223,689	–	–	–	223,689
Financial liabilities included in other payables and accruals	931,976	4,713	9,102	–	945,791
	3,003,956	873,924	6,006,756	2,504,947	12,389,583
31 December 2012					
Interest-bearing bank and other borrowings	971,347	363,316	3,649,479	2,515,829	7,499,971
Interest payments on financial liabilities	406,457	374,315	931,239	363,400	2,075,411
Trade payables	197,248	–	–	–	197,248
Financial liabilities included in other payables and accruals	761,069	10,298	4,713	–	776,080
	2,336,121	747,929	4,585,431	2,879,229	10,548,710

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 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
31 December 2013					
Interest-bearing bank and other borrowings	**300,000**	**11,428**	**2,068,214**	**313,147**	**2,692,789**
Interest payments on financial liabilities	**145,292**	**138,308**	**338,207**	**101,043**	**722,850**
Financial liabilities included in other payables and accruals	**638,511**	**–**	**–**	**–**	**638,511**
	1,083,803	**149,736**	**2,406,421**	**414,190**	**4,054,150**
31 December 2012					
Interest-bearing bank and other borrowings	110,000	–	994,279	994,181	2,098,460
Interest payments on financial liabilities	114,367	112,348	330,548	50,057	607,320
Financial liabilities included in other payables and accruals	696,476	–	–	–	696,476
	920,843	112,348	1,324,827	1,044,238	3,402,256

(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.

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 year.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes trade 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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Capital management (continued)

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The Group's policy is to maintain the gearing ratio at 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 periods were as follows:

	31 December 2013 RMB'000	31 December 2012 RMB'000
Trade payables (note 27)	**223,689**	197,248
Other payables and accruals (note 28)	**1,140,825**	928,251
Interest-bearing bank and other borrowings (note 29)	**8,903,557**	7,499,971
Less: Cash and cash equivalents (note 26)	**(1,669,590)**	(757,760)
Less: Pledged deposits (note 26)	**(64)**	(64)
Net debt	**8,598,417**	7,867,646
Total equity	**7,106,565**	6,622,688
Capital and net debt	**15,704,982**	14,490,334
Gearing ratio	**55%**	54%

41. EVENT AFTER THE REPORTING PERIOD

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

On 28 January 2014, the Company issued 476,725,396 new H shares, which were listed on The Hong Kong Stock Exchange on the same day. The issue price of these H shares was HK$3.35 per share. The net proceeds received from the issue of 476,725,396 H shares amounted to RMB1,230,987,000. The registered capital of the Company increased from RMB3,238,435,000 to RMB3,715,160,000, accordingly, upon completion of the issue of the new shares.

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 24 March 2014.

Definitions

"Accounting Standards for Business Enterprises of PRC"	the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC in 2006, and other related regulations and the amendments from time to time
"Approved Projects"	wind power projects which have obtained Approval for Fixed Assets Investment Project (固定資產投資專案核准證) or Letter(s) for approved project file(s) in accordance with laws and regulations such as Interim Measures for Corporate Investment Project (企業投資專案核准暫行辦法), but have not yet started 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. (北京控股集團有限公司), a wholly state-owned company incorporated in the PRC with limited liability
"certified emission reductions" or "CER"	certified emission reductions, which are carbon credits issued by Clean Development Mechanism (CDM) Executive Board for emission reductions achieved by CDM projects and verified by a designated operational entity under the Kyoto Protocol
"CNG"	compressed natural gas
"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
"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
"During the reporting period"	The period of the fiscal year from 1 January 2013 to 31 December 2013
"Financial Statements"	the audited financial statements for the year ended 31 December 2013

Definitions

"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 Finance Company"	HECIC Group Finance Company Limited(河北建投集團財務有限公司), a company in which the Company has shareholding, jointly set up by the Company, HECIC, Jointo Energy Investment Co., Ltd., HECIC Communications Investment Co., Ltd. and HECIC Water
"GW"	unit of power, 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 wind farm
"Hebei DRC"	Development and Reform Commission of Hebei Province (河北省發展和改革委員會)
"Hebei Natural Gas"	Hebei Natural Gas Company Ltd. (河北省天然氣有限責任公司), a non wholly-owned subsidiary of the Company
"Hebei SASAC"	State-owned Assets Supervision and Administration Commission of Hebei Province (河北省人民政府國有資產監督管理委員會)
"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, primarily engages in the investment in and development of projects in the foundation, infrastructures and pillar industries of province, such as energy, transportation, water supply and commercial real estates
"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 Water"	HECIC Water Investment Co., Ltd. (河北建投水務投資有限公司), a wholly-owned subsidiary of HECIC and one of the promoters of the Company and its substantial shareholder
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong subsidiary"	Suntien Green Energy (Hong Kong) Corporation Limited, a wholly-owned subsidiary of the Group

"installed capacity"	the capacity of the wind turbines that have been completely assembled and erected
"International Financial Reporting Standards"	includes standards and interpretation announcements approved by the International Accounting Standard Board and its predecessor-the International Accounting Standard Committee
"Kyoto Protocol"	established by the participating countries of the United Nations Framework Convention on Climate Change (聯合國氣候變化框架公約) in Kyoto, Japan in December 1997 after three conferences. Its goal is to stabilize greenhouse gas concentration in the atmosphere at an appropriate level, thereby preventing harm on human beings caused by dramatic climate change
"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 Rules"	the Rules Governing the Listing of Securities on The Stock Exchange ofHong Kong Limited
"LNG"	liquefied natural gas
"Ministry of Finance"	Ministry of Finance of the People's Republic of China (中華人民共和國財政部)
"MW"	unit of power, megawatt. 1MW = 1,000 kW. The installed capacity of power plants is generally expressed in MW
"MWh"	unit of energy, megawatt-hour. 1 MWh=1,000 kWh
"NDRC"	National Development and Reform Commission of the People's Republic of China (中華人民共和國國家發展和改革委員會)
"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 (i) auxiliary electricity and (ii) 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
"operating capacity"	the installed capacity of the wind turbines that have been connected to power grids and started generating electricity

Definitions

"Operating Projects"	projects for which the construction work has been completed fully or partly and at least one turbine installed in the project begin generating electricity. Operating Projects includes certain projects in operation and certain projects under construction
"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 Hong Kong Stock Exchange (Stock code: 857)
"Preliminary Approved Project"	wind power project which has obtained a reply from the NDRC or the relevant provincial DRC for their approval of commencing preliminary preparation for such wind power project
"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
"projects under construction"	projects for which the project company has received approval, detailed engineering and construction blueprints have been completed, and the construction work on the roads, foundations or electrical infrastructure has commenced
"Reserve Projects"	wind power projects that have been identified and reserved for future development pursuant to the wind energy investment and development agreements that the Group entered into with different levels of local governments, under which we are authorized to develop wind farms at specified sites with certain estimated total capacity
"Shenzhen subsidiary"	Shenzhen Suntien Green Energy Company Limited (深圳新天綠色能源投資有限公司), a wholly-owned subsidiary of the Group
"The Company" or "we"	China Suntien Green Energy Corporation Limited (新天綠色能源股份有限公司)
"The Group" or "we"	The Company and its wholly-owned and controlling subsidiaries
"Xinjiang Hejing"	Hejing Suntien Green Energy Company Limited (和靜新天綠色能源有限公司), a wholly-owned subsidiary of the Company
"Yudaokou Branch"	HECIC New-energy Co., Ltd. Yudaokou Wind Energy Branch (河北建投新能源有限公司禦道口風能分公司), a branch of HECIC New-energy Co., Ltd., which is a wholly-owned subsidiary of the Group
"RMB"	Renminbi, the lawful currency of the PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suite 2103, 21st Floor
Prudential Tower
The Gateway
Harbour City
Kowloon
Hong Kong

COMPANY'S WEBSITE
www.suntien.com

STOCK CODE
00956

LEGAL REPRESENTATIVE OF THE COMPANY
Dr. Cao Xin

JOINT COMPANY SECRETARIES
Mr. Ban Ze Feng
Ms. Lam Yuen Ling, Eva

DIRECTORS OF THE COMPANY

Non-executive Directors
Dr. Cao Xin
Mr. Xiao Gang
Mr. Ma Guo Qing
Mr. Zhao Hui Ning
Mr. Zhao Hui

Executive Directors
Mr. Gao Qing Yu
Mr. Wang Hong Jun

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. Liu Jin Hai

AUTHORIZED REPRESENTATIVES
Mr. Gao Qing Yu
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

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
Shijiazhuang Yuhua Sub-branch
No. 168 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
2nd Floor Block A, Yu Yuan Plaza
No. 9 Yuhua West Road
Shijiazhuang City, Hebei Province
PRC