# 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 2014

*For identification purpose only

# Contents



# Chairman's Statement

# Chairman's Statement

Dear Shareholders:

In 2014, due to the effect of adverse factors such as the slowdown of macro-economic growth, price adjustment of natural gas and obvious reduction of wind speed, the growth of the Group's natural gas sales slowed down and the wind power generation reduced as compared with last year. Facing with the complicated operating environment, the Group accelerated in exploring new markets, seized new resources and made substantial results in exploring gas and wind power markets in Hebei Province and other provinces. Breakthroughs were made in gas business in other provinces, the approved capacity of wind power projects hit historic high, and the business layout tended to be more reasonable, thus laying a solid foundation for a new round of performance growth for the Group.

In 2014, the Group sold 1,523 million cubic meters of natural gas; realized a total sales of wind and photovoltaic power generation of 2,740 million kWh; realized revenue of RMB 5,149 million, a total profit of RMB 675 million and a net profit of RMB 498 million, of which the net profit attributable to the owners of the Group amounted to RMB 335 million.

Looking forward to 2015, the Group will continue to vigorously develop clean energy businesses such as gas, wind power and solar energy, further improve its business structure, constantly accelerate the construction of projects, promote the production and operation of Approved Projects as soon as possible, and improve the overall management level of operation and maintenance, making itself a listed company with more solid foundation in basic management, more efficient management mechanism, more reasonable business structure, more diversified profit growth points and more healthy and sustainable development capacity, and creating greater values for shareholders.

**Cao Xin**
*Chairman*

Shijiazhuang, PRC, 24 March 2015

# Corporate Profile

China Suntien Green Energy Corporation Limited was established on 9 February 2010 with contribution made 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.

The Group is primarily engaged in the exploration and utilization of clean energy and new resources, 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 2014, the Group owned 2 long-distance natural gas transmission pipelines, 4 high-pressure branch pipelines, 25 urban gas projects, 10 distribution stations, 4 gate stations, 4 CNG refilling stations, 2 CNG primary filling stations and 1 CNG primary and secondary filling station. In 2014, the sales volume of natural gas of the Group was 1,523 million cubic meters. With a stable natural gas wholesale business, the Group vigorously develop the peripheral and downstream markets by taking advantage of its pipelines network and facilities.

Engaged in the planning, development and operation of wind farms as well as the sale of electricity, the Group owns wind power projects in the regions of Hebei, Shanxi, Xinjiang, Shandong, Yunnan and Inner Mongolia, etc. Based in Hebei, the Group has invested and developed wind power projects across the country, and actively seeks suitable investment projects overseas. As at 31 December 2014, the Group operated 27 wind farms in which it has controlling interests, with a consolidated installed capacity of 1,696.80 MW as well as interests in installed capacity of 1,544.07 MW. In 2014, the gross wind power generation of the Group was 2,740 million kWh with 1,996 utilization hours.

In 2014, China has experienced a slowdown in economic growth and was under downward pressure. However, the government constantly promulgated a series of measures to actively support the development of clean energy and new energy. In the critical period that requires for the urgent need for air pollution control, structural upgrade of domestic industries and energy structure adjustment, the Group will be in line with the direction of government policies at the right time to actively develop its business, expand the industrial scale, focus on the development of natural gas and wind power, and to explore any other clean energy and new energy, with a view to constantly improving the profitability of the Group.

# Corporate Profile

# Corporate Profile

## 1. CORPORATE STRUCTURE

As at 31 December 2014, the corporate structure of the Group is as follows:


*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 an associated 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
(8) Hengshui CIC Natural Gas Co., Ltd. it a joint venture of the Company

# Corporate Profile

## 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 |
| | 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% | Distributes natural gas 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 | | 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 |

| Project type | Project location | Ownership held by Hebei Natural Gas | Project summary |
|---|---|---|---|
| | Handan Development Zone | 52.50% | 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 |
| | Qinhuangdao Western Industrial Park Lu long Park | 100% | Distributes natural gas to retail customers of Qinhuangdao Western Industrial Park Lu long Park |
| | Anping County | 100% | Distributes natural gas to retail customers within the area of Anping County |
| | Gaoyi County | 100% | Distributes natural gas to retail customers within the area of Gaoyi County |
| | Anguo City | 51% | Operates the natural gas business in Anguo City |
| | Hengshui City | 51% | Operates the natural gas business in Hengshui City |
| | Li County | 60% | Operates the natural gas business in Li County |
| CNG primary filling station | Shijiazhuang [3] | 100% | Shijiazhuang Development Zone |
| | Shahe [4] | 100% | Eastern Ring Road, Shahe City |
| | Linxi County [5] | 60% | Linxi County |

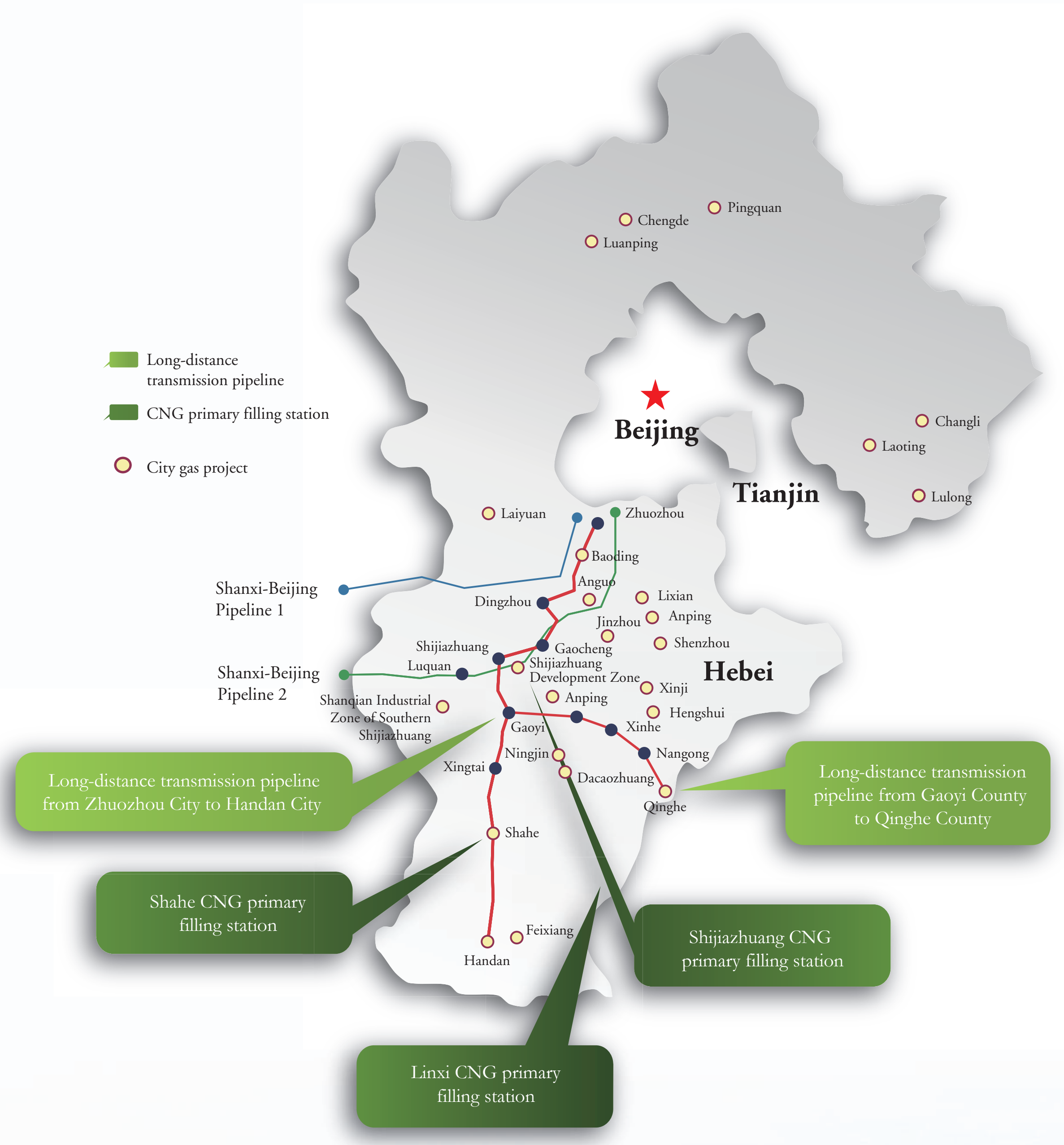
Notes:

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 0.2 million $m^3$ per day.
4. Total designed capacity of Shahe CNG primary filling station is 0.08 million $m^3$ per day.
5. Total designed capacity of Linxi CNG primary filling station is 0.16 million $m^3$ per day.

# Corporate Profile

## 2. WIND AND PHOTOVOLTAIC POWER GENERATION PROJECTS INVESTED BY THE GROUP

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



(3) Summary of the wind and photovoltaic power generation projects of the Group

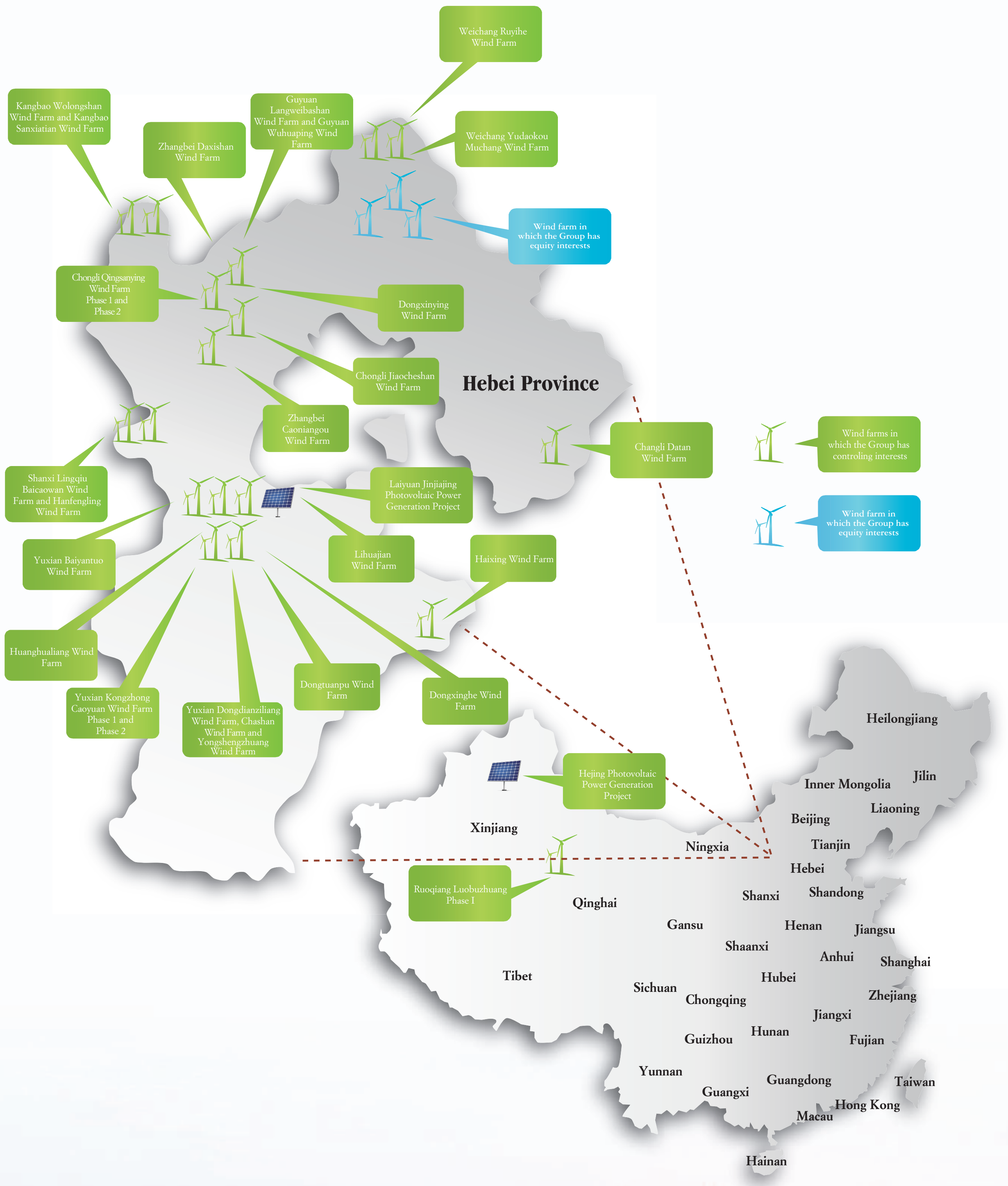
| Project name | Installed capacity (MW) | Ownership held by the Company | Location |
|---|---|---|---|
| Kangbao Wolongshan Wind Farm | 30 | 100% | Kangbao County, Zhangjiakou |
| Guyuan Langweibashan Wind Farm | 30.6 | 100% | Guyuan County, Zhangjiakou |
| Kangbao Sanxiatian Wind Farm | 49.5 | 100% | Kangbao County, Zhangjiakou |
| Guyuan Wuhuaping Wind Farm | 49.5 | 100% | Guyuan County, Zhangjiakou |
| Guyuan Dongxinying Wind Farm | 199.5 | 100% | Guyuan County, Zhangjiakou |
| Chongli Qingsanying Wind Farm Phase I | 49.3 | 50% | Chongli County, Zhangjiakou |
| Chongli Qingsanying Wind Farm Phase II | 49.3 | 51% | Chongli County, Zhangjiakou |
| Chongli Jiaocheshan Wind Farm | 49.3 | 51% | Chongli County, Zhangjiakou |
| Zhangbei Caoniangou Wind Farm | 49.5 | 49% | Zhangbei County, Zhangjiakou |
| Zhangbei Daxishan Wind Farm | 49.5 | 51% | Zhangbei County, Zhangjiakou |
| Yuxian Kongzhong Caoyuan Wind Farm Phase I | 49.5 | 55.92% | Yuxian, Zhangjiakou |
| Yuxian Kongzhong Caoyuan Wind Farm Phase II | 49.5 | 55.92% | Yuxian, Zhangjiakou |
| Yuxian Baiyantuo Wind Farm | 49.3 | 55.92% | Yuxian, Zhangjiakou |
| Yuxian Dongdianziliang Wind Farm | 49.5 | 55.92% | Yuxian, Zhangjiakou |
| Yuxian Chashan Wind Farm | 49.5 | 100% | Yuxian, Zhangjiakou |
| Yuxian Yongshengzhuang Wind Farm | 49.5 | 100% | Yuxian, Zhangjiakou |
| Yuxian Lihuajian Wind Farm | 49.5 | 100% | Yuxian, Zhangjiakou |
| Yuxian Dongxinghe Wind Farm | 49.5 | 100% | Yuxian, Zhangjiakou |
| Lingqiu Hanfengling Wind Farm | 49.5 | 55% | Lingqiu County, Shanxi |
| Lingqiu Baicaowan Wind Farm | 49.5 | 55% | Lingqiu County, Shanxi |
| Weichang Yudaokou Muchang Wind Farm | 150 | 100% | Weichang County, Chengde |
| Haixing Wind Farm | 49.5 | 70% | Haixing County, Cangzhou |
| Laiyuan Dongtuanpu Wind Farm | 49.5 | 100% | Laiyuan County, Baoding |
| Laiyuan Huanghualiang Wind Farm | 49.5 | 100% | Laiyuan County, Baoding |

## Corporate Profile

| Project name | Installed capacity (MW) | Ownership held by the Company | Location |
|---|---|---|---|
| Weichang Ruyihe Wind Farm | 199.5 | 100% | Weichang County, Chengde |
| Ruoqiang Luobuzhuang Phase I | 50 | 100% | Ruoqiang, Xinjiang |
| Changli Datan Wind Farm | 48 | 100% | Changli County, Qinhuangdao |
| Weichang Zhangjiawan Wind Farm * | 49.5 | 50% | Weichang County, Chengde |
| Weichang Guangfayong Wind Farm * | 49.5 | 45% | Weichang County, Chengde |
| Weichang Shanwanzi Wind Farm * | 49.5 | 50% | Weichang County, Chengde |
| Weichang Zhuzixia Wind Farm * | 49.5 | 45% | Weichang County, Chengde |
| Weichang Dishuihu Wind Farm * | 49.5 | 45% | Weichang County, Chengde |
| Heibei Laiyuan Zhoucun Photovoltaic Power Generation Project | 1 | 100% | Laiyuan County, Baoding |
| Xinjiang Hejing Photovoltaic Power Generation Project | 20 | 100% | Hejing County, Xinjiang |
| Hebei Laiyuan Jinjiajing Photovoltaic Power Generation Project | 10 | 100% | Laiyuan County, Baoding |

* Wind farms in which the Group has participating interests

## (4) Distribution of the wind and photovoltaic 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

(Unit: RMB'000)

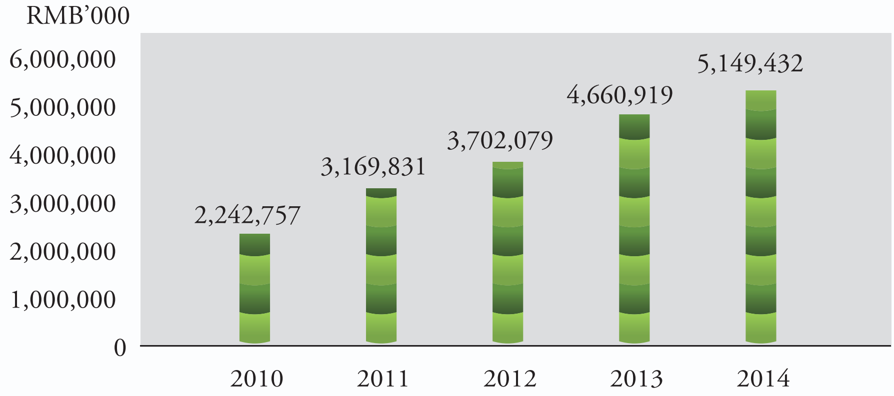
| | 2010 | 2011 | 2012 | 2013 | **2014** |
|---|---|---|---|---|---|
| Revenue | 2,242,757 | 3,169,831 | 3,702,079 | 4,660,919 | **5,149,432** |
| Profit before tax | 489,872 | 700,785 | 803,438 | 832,304 | **674,611** |
| Income tax | (58,181) | (81,797) | (7,415) | (157,502) | **(176,281)** |
| Profit for the year | 431,691 | 618,988 | 796,023 | 674,802 | **498,330** |
| Total comprehensive income for the year, net of tax | 431,691 | 618,988 | 796,023 | 674,802 | **498,330** |
| Attributable to: | | | | | |
| Owners of the Company | 279,719 | 448,908 | 549,701 | 459,516 | **335,053** |
| Non-controlling interests | 151,972 | 170,080 | 246,322 | 215,286 | **163,277** |
| Earnings per share | 12.38 cents | 13.86 cents | 16.97 cents | 14.19 cents | **9.11 cents** |
| Diluted | 12.38 cents | 13.86 cents | 16.97 cents | 14.19 cents | **9.11 cents** |

## 2. CONSOLIDATED FINANCIAL POSITION (AS AT 31 DECEMBER)

(Unit: RMB'000)

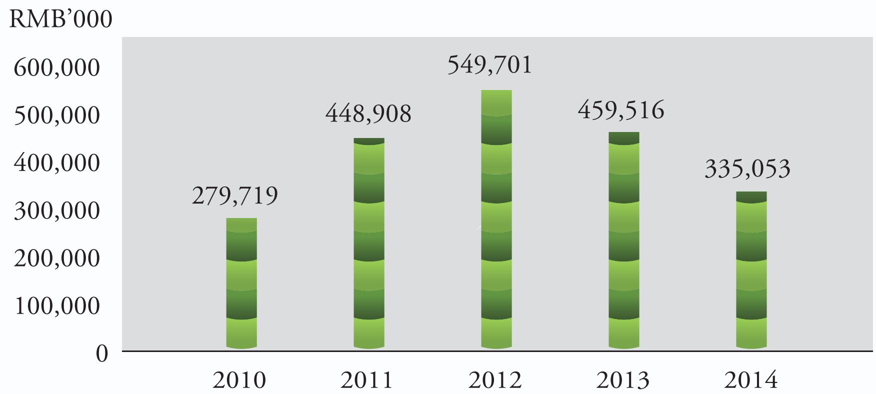
| | 2010 | 2011 | 2012 | 2013 | **2014** |
|---|---|---|---|---|---|
| Total non-current assets | 8,800,910 | 12,096,646 | 13,031,304 | 14,291,244 | **16,279,075** |
| Total current assets | 2,911,182 | 1,962,490 | 2,231,307 | 3,122,743 | **5,331,280** |
| TOTAL ASSETS | 11,712,092 | 14,059,136 | 15,262,611 | 17,413,987 | **21,610,355** |
| Total current liabilities | 2,696,046 | 1,823,692 | 2,096,288 | 2,744,283 | **3,530,901** |
| Total non-current liabilities | 3,577,457 | 6,140,469 | 6,543,635 | 7,563,139 | **9,317,062** |
| TOTAL LIABILITIES | 6,273,503 | 7,964,161 | 8,639,923 | 10,307,422 | **12,847,963** |
| NET ASSETS | 5,438,589 | 6,094,975 | 6,622,688 | 7,106,565 | **8,762,392** |
| Equity | | | | | |
| Equity attributable to the owners of the Company | 4,810,732 | 5,205,785 | 5,567,657 | 5,965,580 | **7,359,574** |
| Non-controlling interests | 627,857 | 889,190 | 1,055,031 | 1,140,985 | **1,402,818** |
| TOTAL EQUITY | 5,438,589 | 6,094,975 | 6,622,688 | 7,106,565 | **8,762,392** |

## 3. CONSOLIDATED REVENUE




Consolidated Revenue

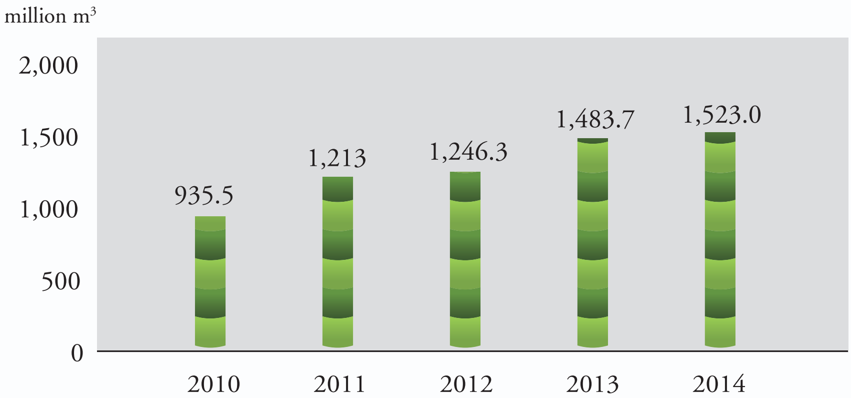
## 4. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY




Consolidated Net Profit Attributable to
Owners of the Company

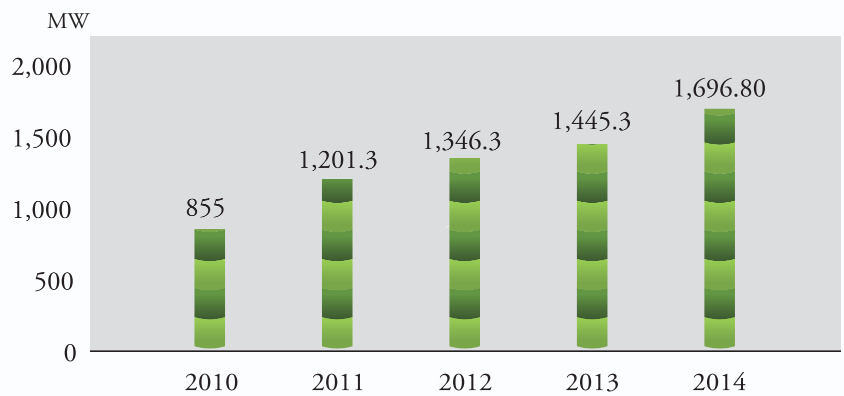
# Financial Highlights and Major Operational Data

## 5. NATURAL GAS SALES VOLUME




Natural Gas Sales Volume

## 6. WIND POWER CONSOLIDATED INSTALLED CAPACITY




Wind Power Consolidated Installed Capacity

## 7. WIND POWER CONSOLIDATED NET POWER DELIVERED TO GRID


Wind Power Consolidated Net Power Delivered to Grid

# Management Discussion and Analysis

## I. OPERATING ENVIRONMENT

In 2014 during which both favorable and unfavorable factors intertwined together, the overall macroeconomic development in China was basically stable. Positive achievements were made to resolve the issues of overcapacity, and energy saving and emission reduction. The elimination of outdated capacity in the steel industry and other industries was implemented in an orderly manner. However, problems such as insufficient stamina in investment growth and operating difficulties for enterprises were prominent and the pressure for economic downturn remained great.

### (i) Operating environment for the natural gas industry

1. *Slowdown in the consumption growth of natural gas*

In 2014, although the government stepped up its effort in air pollution control and vigorously promoted the replacement of coal with clean energy such as natural gas, the consumption growth of natural gas fell below that of 2013 due to the effect of multiple factors such as the price increase in existing natural gas, macro-economic downturn and decrease in oil price.

In 2014, the production capacity of natural gas in China amounted to 127.9 billion cubic meters, representing an increase of 5.7% as compared with 2013; the import of natural gas amounted to 57.8 billion cubic meters, representing an increase of 8.2% as compared with 2013; the apparent consumption of natural gas amounted to 178.6 billion cubic meters, representing an increase of 5.6% as compared with 2013.

2. *Continuously pushing forward the price reform of natural gas*

In order to increase the supply capacity of natural gas, improve the utilization efficiency of natural gas, and allocate resources reasonably, and according to the pre-determined objective to realize the unification of price between existing and incremental natural gas in 2015, the NDRC promulgated the "Circular on Adjusting the Price of Existing Natural Gas for Non-residential Use" in August 2014, which stipulated that the maximum city-gate price of existing natural gas for non-residential use would increase by RMB0.4 per cubic meter with effect from 1 September 2014 while maintaining the city-gate price of incremental natural gas unchanged.

On 28 February 2015, the NDRC announced that the maximum city-gate price of incremental natural gas for all provinces would be lowered by RMB0.44 per cubic meter, and the maximum city-gate price of existing natural gas would increase by RMB0.04 per cubic meter, with effect from 1 April 2015 so that prices of existing natural gas and incremental natural gas can be unified.

### (ii) Operating environment for the wind power industry

1. *Stable growth of connected grid capacity and on-grid capacity of wind power*

According to the statistics of the National Energy Administration, the newly increased connected grid capacity of wind power in China amounted to 19.813 million kW and the accumulated connected grid capacity reached 96.371 million kW in 2014, with average utilization hours of 1,893 hours.

In 2014, the newly increased connected grid capacity of wind power in Hebei Province amounted to 1.377 million kW and the accumulated connected grid capacity amounted to 9.1306 million kW, representing an increase of 17.8% as compared with 2013; the annual on-grid capacity of wind power amounted to 14,928 million kWh, representing an increase of 5.9% as compared with 2013; the curtailment rate of wind power was 12%; the utilization hours amounted to 1,896 hours, representing a decrease of 125 hours as compared with 2013.

2. *Promulgation of the pricing policy of offshore wind power and the price adjustment plan of onshore wind power*

In June 2014, the NDRC promulgated the "Circular on the On-grid Pricing Policy of Offshore Wind Power", which stipulated that, for offshore wind power projects not for tender, the on-grid price (including taxes) of coastal wind power projects put into operation before 2017 (exclusive) was RMB0.85 per kWh and the on-grid price (including taxes) of wind power projects in intertidal zones belt was RMB0.75 per kWh. The on-grid price of offshore wind power projects to be put into operation in 2017 or later would be determined based on the advancement of offshore wind power technologies and changes in construction cost of projects and with reference to concession bidding.

On 31 December 2014, the NDRC promulgated the "Circular on Properly Adjusting the Benchmark On-grid Price for Onshore Wind Power", which reduced the benchmark on-grid price of wind power in Categories I, II and III resource zones by RMB0.02 per kWh and maintained the benchmark on-grid price of wind power in Category IV resource zone unchanged.

## II. BUSINESS REVIEW

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

1. *Business review of natural gas*

(1) Slowdown in the growth of sales volume of natural gas

During the reporting period, the Group experienced a slowdown in the growth of its sales volume of natural gas due to the effects of the price change in natural gas and the economic slowdown in Hebei Province and realized a sales volume of 1,523 million cubic meters for the year, representing an increase of 2.7% as compared with 2013, of which the wholesales volume amounted to 839 million cubic meters, representing an increase of 10.8% as compared with 2013 and accounting for 55.1% of total sales volume; the retail sales volume amounted to 615 million cubic meters, representing a decrease of 7.5% as compared with 2013 and accounting for 40.4% of total sales volume; the sales volume of CNG amounted to 69 million cubic meters, representing an increase of 12.7% as compared with 2013 and accounting for 4.5% of total sales volume.

(2) Actively promoting the construction of infrastructural projects

During the year, the pipework for ten countries in middle Hebei Province (Phase I) and Chengde natural gas utilization projects of the Group were partly put into operation. The gas resource approval documents were obtained from Sinopec, which agreed to supply gas through Beijing to Handan pipeline. At present, Sinopec has initiated the restructuring of gas stations. 71 kilometers of the Shanxi Licheng – Hebei Shahe coalbed methane pipeline project was completed. The Group increased 590 kilometers of natural gas pipeline in 2014. As of 31 December 2014, the Group accumulatively operated 1,713.50 kilometers of pipeline, including 550 kilometers of long-distance transmission pipeline and 1,163.50 kilometers of city gas pipeline; accumulatively operated 10 distribution stations and 4 gate stations.

(3) Speeding up the exploration of downstream markets of natural gas

During the reporting period, the Group actively explored the natural gas market. In particular, new non-residential users increased by 68 to a total of 375 users, representing an increase of 22.1% as compared with 2013; new residential users increased by 18,538 to a total of 83,552 users, representing an increase of 28.5% as compared with 2013.

During the reporting period, the Group vigorously developed the city gas projects, including one new gas market in Huludao City of Liaoning Province. In Hebei Province, the Group completed several equity acquisition projects in Pingshan and Anguo, established subsidiaries in Li County and Handan and formed a joint venture in Hengshui to develop the local gas market, which has accumulatively established its market presence in 25 city gas markets in Hebei Province.

(4) Vigorously developing CNG and LNG businesses

During the reporting period, the Group rapidly developed CNG and LNG businesses. By the end of 2014, the Group developed a total of 28 CNG and LNG projects, including one CNG primary and secondary filling station and two CNG refilling stations that were newly put into operation; two CNG primary refilling stations, four CNG refilling stations and one LNG refilling station that passed construction acceptance; 10 projects that were under construction and eight projects that were in the preparatory stage before construction. As of 31 December 2014, the Group accumulatively operated two CNG primary filling stations, one CNG primary and secondary filling station and four CNG secondary stations.

In addition, the construction of the project of Shahe natural gas LNG processing plant went smoothly and it was expected to be completed in 2015.

(5) Successfully implementing the price adjustment of natural gas

According to the "Circular on Adjusting the Price of Existing Natural Gas for Non-residential Use" promulgated by the NDRC on 10 August 2014, the price of existing natural gas for non-residential use increased by RMB0.4 per cubic meter from 1 September 2014. The Price Bureau of Hebei Province promulgated the document on price adjustment on 22 August 2014, and the annual average price for gas purchase of the Group increased by RMB0.29 per cubic meters. Up to present, the price adjustment made by the Group in downstream cities and regions has basically been completed.

(6) Strengthening safety production and improving the level of operation and maintenance

The Group placed emphasis on safety production. Hebei Natural Gas successfully passed the level two examination of standardization of safety production conducted by Hebei Bureau of Work Safety and became the first natural gas pipeline storage and transmission company to receive the certificate of level two examination of standardization of safety production in Hebei Province. The Group strengthened the construction of production management system by establishing a data collection and monitoring control system, and systems for integration of geographical information, patrol inspection and video monitoring, to understand the real-time operation of equipment, with an integity rate of major equipment of 99.41%, ensuring the operation of the gas pipelines of the Group in a safe and stable manner.

2. *Major financial indicators of natural gas*

(1) Revenue

During the reporting period, the Group recorded a natural gas sales revenue of RMB3,903 million, representing an increase of 17.3% as compared with 2013, and accounting for 75.8% of the Group's sales revenue. The increase was mainly attributable to the growth of the sales volume and unit sale price from last year. In particular, the pipeline wholesale business recorded sales revenue of RMB1,890 million, representing 48% of the Group's sales revenue from natural gas; retail business, such as city natural gas, recorded sales revenue of RMB1,635 million, representing 42% of the Group's sales revenue from natural gas; CNG business recorded sales revenue of RMB193 million, representing 5% of the Group's sales revenue from natural gas. Other income was RMB185 million, representing 5% 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 amounted to RMB3,366 million, representing an increase by 21.0% from RMB2,781 million in 2013. This was mainly due to an increase in the price of natural gas by the State, which resulted in an increase in the cost for gas purchase and gas supply volume as compared with 2013.

(3) Profit from operations

During the reporting period, the profit from operations of the natural gas business was RMB548 million, maintaining the same as 2013. Gross profit margin was 16.5%, which was 3.3 percentage points lower than that in 2013, and this was mainly due to an increase in the unit price of gas sales, which resulted in a decrease in gross profit.

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

1. *Business review of wind power*

(1) Stable growth of installed capacity

In 2014, the Group newly increased 251.50 MW of consolidated installed capacity of wind power, and the accumulative consolidated installed capacity was 1,696.80 MW; the newly increased attributable installed capacity was 251.50 MW, and the accumulated installed capacity was 1,544.07 MW. As of 31 December 2014, the Group had six projects under construction with an installed capacity of 548.50 MW.

(2) Decrease in the utilization hours of wind farms

In 2014, the average utilization hours of the Group's consolidated wind farm were 1,996 hours due to poor wind resources, representing a decrease of 316 hours as compared with 2013, yet still 100 hours more than the average utilization hours in Hebei Province. The Group's consolidated wind farms realized a power generation of 2.74 billion kWh, representing a decrease of 6.4% as compared with 2013. The average availability factor of the wind power generation units was 97.8%, which was basically the same as last year.

(3) Vigorously promoting the approval of wind power projects

In 2014, the Group newly increased 1,441 MW of approved reserved capacity, including 995.5 MW in Category II resource zone, 50 MW in Category III resource zone and 395.5 MW in Category IV resource zone. The accumulative approved reserved capacity amounted to 1,826 MW.

In February 2014, the Group's wind power projects with a total of 485 MW were listed in the approval plan for the fourth batch of wind power projects in the "12th Five-Year Plan". In June 2014, the National Energy Administration replied and approved the construction plan for the project of Chengde Wind Power Base (Phase II). The Group had 12 wind power projects with a total of 985 MW were listed in the plan. The Group's project of Tangshan Offshore Wind Farm (Phase II) (200 MW) was listed in the "Development and Construction Plan for National Offshore Wind Power Projects" issued by the National Energy Administration in December 2014.

(4) Emphasis on production safety and strengthening of information construction

In 2014, the Group constantly improved the management level of operational safety of wind farms, and made continuous improvement in the management of safety goals, education and training, inspection and elimination of hidden perils and emergency management, thereby obtaining the approval from Hebei Bureau of Work Safety for level two enterprise of standardization of safety production.

In 2014, the Group constructed Zhangjiakou Remote and Centralized Monitoring Center. The project of "Integration of the Cluster Remote Monitoring and the Optimization of Operation and Maintenance for Multiple Wind Farms" passed the joint inspection and acceptance conducted by Jibei Electric Power Company Limited and was put into operation, which effectively improved the comprehensive management level of wind power farms and established a solid foundation for the cluster operation of wind power generation units.

2. *Major financial indicators of wind power business (including photovoltaic power)*

(1) Revenue

During the reporting period, the Group realized wind power sales revenue of RMB1,246 million, representing a decrease of 6.6% as compared with 2013 and accounting for 24.2% of the Group's sales revenue. The decrease was mainly attributable to the reduction of utilization hours of wind power, which resulted in a decrease in sales volume of power and revenue.

(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 RMB689 million, representing an increase of 7.8% as compared with 2013. This was mainly due to three new wind farms that were successively put into operation last year, one new wind farm and one photovoltaic power project that were put into operation this year, and the corresponding increase in operating costs.

(3) Profit from operations

During the reporting period, the profit from operations of the wind power business was RMB565 million, representing a decrease of 19.9% as compared with 2013. The decrease was mainly due to a decrease in wind power revenue, which resulted in the reduction of profit. The gross profit margin was 52.2%, which was 7.7 percentage points lower than that in 2013. This was mainly due to the reduction of utilization hours of wind power, which resulted in a decrease in revenue of power sales and the reduction of gross margin.

### (iii) Other clean energy business

In 2014, the government promulgated a series of policies to support the development of photovoltaic power generation projects. The Group closely pursued the policies, and actively developed photovoltaic power generation projects. Meanwhile, the Group promoted the progress of other clean energy projects. The agreed capacity of the Group's new photovoltaic projects amounted to 1,888MW, and the accumulated agreed capacity amounted to 3,269MW; the newly approved capacity of photovoltaic projects amounted to 49MW and the accumulative approved capacity was 80MW.

Shijiazhuang Hua'ao Photovoltaic Power Station and Lulong Shimen Photovoltaic Power Station of the Group were approved in November 2014, and the construction of Hua'ao Photovoltaic Power Station commenced in December 2014.

The 10MW photovoltaic power generation project in Jinjiajing, Laiyuan, was entirely connected to grid for power generation in December 2014. By the end of 2014, the Group accumulatively operated 31MW photovoltaic power generation projects.

In addition, in January 2015, the Company participated in an equity investment for the construction of Fengning pumped storage power station, the designed total installed capacity of which amounted to 3.6 million KW, which will be developed in two phases, namely, 1.8 million KW for phase I for pumping and water retention functions such as peak and load regulation. At present, phase I is under construction.

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

### (i) Overview

According to the audited consolidated financial statements for 2014, the Group's net profit for the year was RMB498 million, representing a decrease of 26.2% as compared with 2013. The net profit attributable to owners of the Company was RMB335 million, representing a decrease of 27.1% as compared with 2013.

### (ii) Revenue

In 2014, the Group recorded revenue of RMB5,149 million, representing an increase of 10.5% as compared with 2013, of which:

1. Natural gas business recorded revenue of RMB3,903 million, representing an increase of 17.3% as compared with 2013. This was mainly attributable to the rise of unit price of gas sales and an increase in sales volume during the reporting period.

2. Wind power business achieved revenue of RMB1,246 million, representing a decrease of 6.6% as compared with 2013. This was mainly due to a decrease in wind speed, which resulted in a decrease in sales volume of power and revenue.

### (iii) Other income and net gains

During the reporting period, the Group recorded other income and net gains of RMB56 million, representing an increase of 80.6% as compared with 2013. This was mainly due to an increase in foreign exchange gains and interest income arising from the proceeds from placing of H shares during the reporting period.

### (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 RMB4,113 million, representing an increase of 18.3% as compared with 2013, of which:

1. Cost of sales was RMB3,854 million, representing an increase of 20.4% as compared with 2013. This was mainly due to an 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 an increase in depreciation expenses caused by the increase in wind power operating capacity.

2. The Group's administrative expenses was RMB255 million, representing an increase of 7.1% as compared with 2013. This was mainly due to the corresponding increase in staff costs and administrative costs as a result of the expansion of the Group's business scale.

### (v) Finance cost

During the reporting period, the Group's finance costs were RMB487 million, representing an increase of 14.8% as compared with RMB424 million in 2013. This was mainly due to the fact that following the expansion of production capacity of the Company, the increase of borrowings contributed to the rise of interest expenses, and interests from the projects being put into operation were expensed.

### (vi) Share of profit of associates

During the reporting period, the Group's share of profit of associates was RMB69 million, representing an increase of RMB29 million as compared with RMB40 million last year. This was mainly due to an increase 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 RMB176 million, representing an increase of RMB18 million as compared with RMB158 million last year. The main reasons for this increase were as follows: (1) according to the document promulgated by the State Administration of Taxation, Hebei Branch, in April 2014, an enterprise income tax should be paid in respect of the income from CDM projects, and the Group made additional payment of income tax for CDM projects; (2) an additional payment of income tax should be made in respect of 50% of value-added tax that was refunded once collected in previous years.

### (viii) Net profit

During the reporting period, the Group recorded a net profit of RMB498 million, representing a decrease of 26.2% as compared with 2013. Among others, the natural gas segment realized a net profit of RMB373 million, representing an increase of 2.5% as compared with 2013; the wind power segment recorded a net profit of RMB148 million, representing a decrease of 58.2%, which was mainly attributable to an decrease in operating profit.

### (ix) Profit attributable to owners of the Company

During the reporting period, the profit attributable to owners of the Company was RMB335 million, representing a decrease of RMB125 million as compared with RMB460 million last year. This was primarily attributable to a decrease in net profits from the wind power segment as compared with the same period last year.

The basic earnings per share attributable to shareholders of the Company was RMB0.091.

### (x) Profit attributable to non-controlling interests

During the reporting period, the profit attributable to non-controlling interests was RMB163 million, representing a decrease of RMB52 million as compared with RMB215 million last year. This was primarily attributable to a decrease in net profit from the wind power segment as compared with last year.

### (xi) Trade and bills receivables

As of 31 December 2014, the Group's trade and bills receivables amounted to RMB1,402 million, representing an increase of RMB556 million, which was mainly attributable to an increase of RMB520 million in trade receivables of the natural gas segment, and the rise of RMB19 million in electricity bills receivables of the new energy segment.

### (xii) Bank and other borrowings

As of 31 December 2014, the Group's long-term and short-term borrowings totaled RMB11,026 million, representing an increase of RMB2,122 million as compared with the end of 2013. Among all borrowings, the short-term borrowings (including current portion of long-term borrowings) aggregated to RMB1,730 million and long-term borrowings amounted to RMB9,296 million.

During the reporting period, the Group effectively reduced financing costs by obtaining domestic and overseas bank loans at a low interest rate and successfully extending the term of corporate bonds. Firstly, with its good banking credit in the PRC, the Group obtained RMB-denominated loans at favorable lending rates. Secondly, Hebei Natural Gas and Shenzhen Subsidiary obtained a cross-border loan of RMB290 million in total, the interest rate of which was 15% lower than the benchmark interest rate for domestic loans in the corresponding period; and thirdly, the Company achieved zero selling back for the RMB1 billion 3+3 corporate bonds issued in 2011 and the interest rate remained unchanged at 5.3%.

### (xiii) Liquidity and capital resources

As of 31 December 2014, the Group's net current assets was RMB1,800 million, and the net increase in cash and cash equivalents was RMB1,498 million. The Group has obtained total credit facilities of RMB18,482 million from various domestic banks, of which RMB9,508 million was utilized.

### (xiv) Capital expenditure

During the reporting period, capital expenditures mainly included project construction costs for new wind power projects, natural gas pipelines and additions to property, plant and equipment and prepayment for leased lands. Capital resources mainly included self-owned capital, bank borrowings and cash flow from the Group's operating activities. During the reporting period, the Group's capital expenditure was RMB2,448 million, representing an increase of 58.5% as compared with RMB1,544 million last year. A breakdown of capital expenditure is as follows:

| | **2014 (RMB'000)** | 2013 (RMB'000) | Change (%) |
|---|---|---|---|
| Natural gas | **477,211** | 410,449 | 16.3% |
| Wind power and solar energy | **1,968,788** | 1,125,337 | 75.0% |
| Unallocated capital expenditures | **1,579** | 7,941 | -80.1% |
| Total | **2,447,578** | 1,543,727 | 58.5% |

### (xv) Gearing ratio

As at 31 December 2014, the gearing ratio (net debt divided by the sum of net debt and equity) of the Group was 52.3%, representing a decrease of 2.4 percentage points as compared with 54.7% as at 31 December 2013.

### (xvi) Material investments

The Group had no material investments during the year.

### (xvii) Material acquisitions and disposals

The Group did not have 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

As at 31 December 2014, the banking facility granted to a joint venture subject to guarantee given to a bank by the Group was utilised to the extent of approximately RMB80 million.

## IV. PROSPECTS FOR 2015

### (i) Prospects for the natural gas business

In 2015, the economy in Hebei Province will continue to face with great pressure of industrial structure adjustment. The Group will overcome the pressure from the slowdown in economic growth and the reduction of price of alternative energy resource such as coal, expand the gas transmission by pipelines and city gas, CNG and LNG business segments, and broaden the market coverage, ensuring a good and healthy development of the natural gas business.

1. *Long-distance transmission pipeline business*

In 2015, the Group will accelerate the interconnection of Gaoyi-to-Qinghe pipeline, the project of the pipework for ten counties in middle Hebei Province (Phase I) and the pipework of Sinopec, achieving the diversified gas sources for long-distance transmission pipelines. The project of the pipework for ten counties in middle Hebei Province (Phase II) has been approved for initiation, and the Group will strive to commence the construction during the year so as to provide powerful guarantee for the expansion of downstream market in middle south of Hebei Province. The Group will actively promote the preparation and approval of the pipeline project in Southern industrial zone in Shijiazhuang and speed up the construction of the Shanxi Licheng-Hebei Shahe coalbed methane pipeline project.

2. *City gas business*

The Group will seize the favourable opportunity for environmental governance in Hebei Province, focus on developing potential market regions and high-quality customers while maintaining the stability of existing users, and improve the structure of retail users. By utilizing the Company's advantages of the pipeline in the province, the Group will profoundly develop the city gas markets within the radiation area of the city pipework, and actively explore the gas markets in and outside Hebei Province through asset and equity acquisitions.

3. *CNG and LNG business*

The Group will accelerate the construction of the projects of CNG and LNG refilling stations, and strive to complete the construction of the projects of Ningjing CNG primary and secondary filling stations, Qinghe CNG primary and secondary filling stations, Anping CNG primary filling stations, the projects of CNG/LNG refilling stations in places such as Yuanshi and Neiqiu during the year. Meanwhile, the Group will further enhance external cooperation based on strict risk control, seize the market opportunities, acquire existing projects and improve the layout of CNG/LNG segment.

### (ii) Prospects for the wind power and solar energy businesses

In 2015, the Group will actively promote the infrastructural construction of wind power projects that have been approved before the end of 2014 through the reasonable allocation of resources in an attempt to complete the projects as soon as possible. Meanwhile, the Group will continue to develop new wind resource zones to replenish its resource reserve.

1. The Group will accelerate the construction progress of approved wind power projects in Yuxian and Chongli in Zhangjiakou, Fengning in Chengde, Lingqiu in Shanxi, Ruoqiang in Xinjiang, Jianshui in Yunnan and Junan in Shandong.

2. The Group will continue to promote the approval of wind power projects in Hebei Province, and vigorously develop wind power projects in the areas outside Hebei Province with favorable resources such as Yunan, Guangxi, and Jiangxi.

3. The Group will steadily promote the infrastructural construction of Tangshan Laoting Puti Island wind power project. The construction of 300MW demonstration project will commence in 2015 in a bid to realize on-grid connection for power generation as soon as possible.

4. With the focus on ground photovoltaic power stations and taking into considerations of large distributed power station, the Group will explore developable resources in various aspects and develop photovoltaic projects through various methods and by different means.

### (iii) Diversification of financing channels

The Group is committed to formulating better financing plans and seeking for the establishment of an excellent capital structure in order to effectively reduce capital costs. In 2015, the Group will continue to rely on the platform advantages of the Hong Kong Subsidiary and the Shenzhen Subsidiary so as to obtain overseas loans with greater amount at a low interest rate. Meanwhile, the Group will actively study the macro-economic trend and the trend of market interest rates so that it can issue financing instruments such as bonds at an appropriate time. Through financing in various channels, it will ensure the capital sources of the Group for project construction. The Group will continue to strengthen its cooperation with domestic and overseas banks in an attempt to get banking facilities and obtain capitals at a low interest rate.

## V. RISK FACTORS AND RISK MANAGEMENT

### (i) Natural gas business

*1. The slowdown economic growth affects the sales volume of gas*

In 2014, Hebei Province faced with the special issues such as an acute industrial structure imbalance and serious air pollution in the province, in addition to the general conflict of "superimposition of the three period" across China. Therefore, Hebei Province stepped up its effort in reducing outdated capacity in the industries such as steel, cement and glass. Affected by such measure, the production capacity of some of the Group's industrial customers in the retail segment shrunk, restricting the increase in sales volume of gas. If the macro-economic recovery cannot be achieved, the growth of gas sales volume would be under the downward pressure.

The Group will seize the opportunities for industrial structure upgrade in Hebei Province, develop new market regions and high-quality customers, improve the market coverage and optimize the customer structure so as to facilitate an increase in gas sales volume of the Group.

*2. The reform of natural gas price affects the market demands*

Further adjustment to the price of natural gas will affect the demands of 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 using other alternative energy resources instead.

The Group will pay close attention to the national price adjustment of natural gas, make good preparations for such adjustment and enhance the communication and coordination with customers. Meanwhile, the Group will be well-prepared for the development of markets with potential users.

*3. Circumstances of pipeline occupation increase*

With the expansion of urbanization, most of the pipelines that were originally far away from urban areas enter to the planning area of development zones or industrial zones. The circumstances of pipeline occupation increase and hidden dangers for pipeline safety exist.

The Hebei Provincial Government printed and distributed the "Working Plan for the Battle Against and Renovation of Hidden Dangers for Oil and Gas Transmission Pipelines in Hebei Province" at the end of 2014, requiring all hidden dangers in oil and gas transmission pipelines to be checked and the renovation of the same identified to be completed during the period from 2014 to 2017. The Group will seize the favourable opportunities for the government's initiative to start a 3-year "battle" against the oil and gas pipeline occupation and the renovation of hidden dangers, make all efforts to promote the renovation of pipeline occupation and enhance patrol inspection and management, eliminating any potential hidden dangers for pipeline safety.

### (ii) Wind power business

1. *Wind resources are uncertain*

The power generation of wind farm depends, to a large extent, on climatic conditions, especially the wind conditions. All these conditions will vary significantly with the changes of seasons and geographic locations, which might reduce the operating efficiency and power generation of the Group and would have adverse impacts on the business, financial position and operating results of the Group. During the phase of project planning and before the construction of wind farms, the Group will test wind resources in a comprehensive way to evaluate the potential installed capacity of the location and reduce the risks of climates.

2. *The problem of wind curtailment and power constraints still exists*

The construction of power grids is lagging behind the construction of wind power projects, and the development of wind power projects is limited by wind power output, especially in the region of Zhangjiakou where the wind resources concentrate. Along with the continuous expansion of the installed capacity of wind farms in the region, the power constraints are likely to further intensify.

The Group will, based on the construction of power grids in the place where each wind power project is located, prioritize the development and construction of wind power projects in the regions 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 power distribution network, the power grid output issue is expected to be improved.

3. *More difficulties in infrastructure management*

On 31 December 2014, the "Circular on Properly Adjusting the Benchmark On-grid Price of Onshore Wind Power" promulgated by the NDRC applies to the onshore wind power projects that are approved after 1 January 2015 and those that were approved before 1 January 2015 but will be put into operation after 1 January 2016. The Circular may lead to a new round of scramble for equipment for wind power enterprises, and may cause a price hike in wind power equipment and difficulties in goods supply. In the course of projects implementation, the Group will also face with uncontrollable factors such as interruption of works, slow progress in land approval, which would affect the overall progress of project construction. The Group will reasonably arrange work schedule, enhance communication and coordination with wind power equipment manufacturers and local governments in all aspects, and effectively control all kinds of unfavorable factors affecting the construction progress of wind power projects, ensuring that the construction projects will be put into production as scheduled and avoiding any adverse impacts on the profitability of the projects.

### (iii) Impacts of exchange rate

The Group still retains some capitals in foreign currency, which are mainly HK dollars that have not been settled and are derived from the proceeds of share issue. Fluctuations in exchange rate have certain impacts on retained capitals in foreign currency. The Company has adopted measures to prevent exchange rate risk. Firstly, the Company settles foreign currency in a timely manner for project construction; secondly, the Company actively follows the national policy of foreign exchange, and analysis the exchange rate trend; thirdly, the Company adoptes forward foreign exchange settlement to lock up exchagne rates so as to prevent exchange rate risk, and to ensure the increasing value of capital.

# Human Resources

## 1. SUMMARY OF HUMAN RESOURCES

As of 31 December 2014, the Group had a total of 1,556 employees with labor contracts signed, including 1,313 male employees and 243 female employees. The average age of employees was 32. 47.6% of them 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 | 63 |
| Wind Power and Solar Energy Segment | 571 |
| Natural Gas Segment | 922 |

| By academic qualifications | No. of Staff |
|---|---|
| Master's degree or above | 111 |
| Bachelor's degree | 629 |
| College diploma or below | 816 |

| By titles | No. of Staff |
|---|---|
| Specialist level | 3 |
| Senior level | 66 |
| Middle level | 141 |
| Junior level | 324 |
| Other level | 1,022 |

## 2. MANAGEMENT OF HUMAN RESOURCES

### (1) Human resources strategy

Based on the Group's development strategies, the Group focuses on aligning its human resources strategy with its strategic development plan, emphasizes on the improvement of human resources management system, and makes all efforts to create highly efficient business procedures so as to ensure the successful development of domestic and overseas businesses.

### (2) Remuneration and performance management

During the reporting period, the Group further promoted the job-specific performance assessment, enhanced incentives for employees, optimized the remuneration system and fully exerted the guiding and incentive role of remuneration and performance. Firstly, the Group improved the assessment indicators, focused on the process and results of the assessment, and actively conducted the job-specific performance assessment for all employees. Secondly, with its strategies as the guidelines, the Group improved the incentive mechanism, and promoted the business development such as market exploration, project construction, production and operation. Thirdly, the Group set its foot on business expansion and further improved the remuneration system for incentive purposes based on the data from market survey.

### (3) Recruitment management

In order to satisfy the demands for talents for the development of the Group, during the reporting period, the Group adopted both internal and external recruitment to actively expand the recruitment channel, promote the effective implementation of localized recruitment mode, and took various measures together to attract high-quality and skilled talents.

### (4) Human resources development and management

Adhering to the principle of combining talent development with the Group's business and organizational core capabilities, the Group gradually enhances its personnel training mode. During the reporting period, the Group prepared and carried out the cultivation plans for professional talents in respect of improvement of comprehensive quality, finance, construction and capital operation; made innovations in the talent cultivation modes, organized professional skill assessment for specific jobs, and combined internal, external and online training to effectively improve the vocational skills of employees.

### (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 the protection of legitimate rights and interests of employees. During the reporting period, the Group arranged negotiations for the execution of a collective wage agreement to clarify its approach towards labor relations and to enable 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 43, is currently 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, a company listed on the Hong Kong Stock Exchange (Stock Code: 00991) and the Shanghai Stock Exchange (Stock Code: 601991). Mr. Cao successively served as president of the Company, general manager of HECIC New-energy, an assistant to the general manager of HECIC and manager of the second public utilities department of HECIC.

**Dr. Liu Zheng (劉錚)**, aged 40, is currently a non-executive Director of the Company. He obtained a doctorate in management science and engineering from the School of Civil Engineering of Tsinghua University. Dr. Liu was appointed as non-executive Director of the second session of the Board of Directors of the Company on 17 October 2014. Dr. Liu has served as the chairman of the Board of HECIC since December 2014. He also served as a director of Jointo Energy Investment Co. Ltd. Hebei（河北建投能源投資股份有限公司）(a company listed on the Shenzhen Stock Exchange, Stock Code: 000600). Dr. Liu successively served as the general manager, vice chairman, chief legal counsel, director, deputy general manager and chief legal counsel of HECIC, chief economist and chief legal counsel of Hebei Construction Investment Company (the predecessor of HECIC), chief economist of Hebei Securities Company Limited, deputy general manager of Hong Kong China Pharmacy Investment Company Limited（香港中國製藥投資有限公司）, researcher of Cradle, a financial research institute in Canada, and division manager of China Insurance Trust Investment Company（中國保險信託投資公司）.

**Mr. Zhao Hui (趙輝)**, aged 42, is currently 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 was an executive Director, vice president, secretary to the Board and the joint company secretary of the Company from February 2010 to March 2014. He has been the general manager of the investment development department of HECIC since October 2013. He successively served as secretary to the board and manager of investment development department of Jointo Energy Investment Co. Ltd. and director of the board office of Shijiazhuang International Building (Group) Co., Ltd.（石家莊國際大廈（集團）股份有限公司）.

**Mr. Qin Gang (秦剛)**, aged 40, is currently a non-executive Director of the Company. He obtained a master's degree in corporate management from Nankai University（南開大學）and is a senior economist. Mr. Qin was appointed as a non-executive Director of the Company on 17 October 2014. Mr. Qin has been the general manager of the capital operation department of HECIC and executive deputy general manager of Yanshan Development (Yanshan International Investment) Company Limited（燕山發展（燕山國際投資）有限公司）since March 2013. Mr. Qin successively served as deputy departmental manager of the capital operation department of HECIC, deputy manager of the financial management department and an assistant to the manager of Hebei Construction Investment Company (the predecessor of HECIC).

**Ms. Sun Min (孫敏)**, aged 47, is currently a non-executive Director of the Company. She obtained a master's degree in business administration from Nankai University（南開大學）, and is a chief senior engineer. Ms. Sun was appointed as a non-executive Director of the Company on 27 January 2015. She has been the general manager of the appraisal and assessment department of HECIC since 2013. Ms. Sun successively served as deputy manager of the investment and development department of HECIC, deputy manager of the investment and development department, assistant to the manager of the Energy Branch Company, and project manager of Energy Project Office, Energy and Transport Project Division and Energy Branch of Hebei Construction Investment Company (the predecessor of HECIC).

**Mr. Zhao Hui Ning (趙會寧)**, aged 47, resigned as non-executive Director and member of the Nomination Committee and the Strategic and Investment Committee of the Company on 17 October 2014. He served as non-executive Director and member of the Nomination Committee and the Strategic and Investment Committee of the Company from February 2010 to October 2014. 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 successively served as vice chairman, general manager and chairman of HECIC, executive director and general manager of both Hebei Information Industry Investment Co., Ltd. (河北省信息產業投資有限公司) and Hebei Economic and Trade Investment Co., Ltd. (河北省經濟貿易投資有限公司).

**Mr. Xiao Gang (肖剛)**, aged 56, resigned as non-executive Director, vice chairman of the Board and member of the Audit Committee of the Company on 2 September 2014. He served as non-executive Director, vice chairman of the Board and member of the Audit Committee of the Company from February 2010 to August 2014. He obtained a master's degree in business administration (EMBA) from Beijing Jiaotong University (北京交通大學). Mr. Xiao successively served as deputy general manager of HECIC, manager and assistant to the general manager of its Beijing operations, manager of the agricultural project department and deputy manager of the capital department of HECIC.

**Mr. Ma Guo Qing (馬國慶)**, aged 46, resigned as non-executive Director and vice chairman of the Board of the Company on 17 October 2014. Mr. Ma served as non-executive Director and vice chairman of the second session of the Board of Directors of the Company from June 2013 to October 2014. He obtained a doctorate in management science and engineering from the Hebei University of Technology (河北工業大學). Mr. Ma successively served as a full-time member of the Board and Chief Investment Officer of HECIC, head of the investment development department, manager and deputy manager of HECIC.

## 2. EXECUTIVE DIRECTORS

**Mr. Gao Qing Yu (高慶余)**, aged 51, 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 president of the Company since March 2013. Mr. Gao successively served as executive Director and vice president of the Company, general manager and chairman of the labour union and deputy general manager and chairman of the labour union of Hebei Natural Gas.

**Mr. Wang Hong Jun (王紅軍)**, aged 50, 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. Mr. Wang successively served as 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.

## 3. INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Qin Hai Yan (秦海岩)**, aged 44, 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 been an 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 52, 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 been an 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 50, 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 been an 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 part-time 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 53, 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 been an 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), and is an independent non-executive director of Asia Cassava Resources Holdings Limited (亞洲木薯資源控股有限公司) (Stock Code: 00841) and Royale Furniture Holdings Limited (皇朝家私控股有限公司) (Stock Code: 01198). Mr. Yue is a fellow of the Association of Chartered Certified Accountants and 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 58, is the 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 second session of the Board of Supervisors of the Company on 6 June 2013. Mr. Yang successively served as chairman of the labour union of HECIC, and 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 52, is an employee 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 an employee representative supervisor at the second session of the Board of Supervisors of the Company on 6 June 2013. Since April 2013, Mr. Qiao successively served as deputy secretary of the party committee and the disciplinary committee, chairman of the labour union of the Company; from September 2011 to April 2013, served as deputy secretary of the party committee and the disciplinary committee of the Company and deputy secretary of the party committee and the disciplinary committee, chairman of the labour union of HECIC New Energy. He previously served as deputy secretary of the party committee and the disciplinary committee, chairman of the labour union of HECIC New Energy.

**Mr. Liu Jin Hai (劉金海)**, aged 42, 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 second session of the Board of Supervisors of the Company in June 2013. Mr. Liu also serves as general manager of HECIC Water Investment Co., Ltd. Mr. Liu successively served as head of the financial management department of HECIC, deputy chief accountant, financial controller and manager of the financial department of Jointo Energy Investment Co., Ltd. Hebei (河北建投能源投資股份有限公司) and manager of the financial department of Shijiazhuang International Building (Group) Ltd. (石家莊國際大廈(集團)股份有限公司).

**Ms. Ma Hui (馬惠)**, aged 52, is an employee representative supervisor and manager of the audit and regulation department of the Company. She obtained a college diploma in production process automation from Hebei Institute of Chemical Technology and Light Industry (河北輕化工學院) and a college diploma in finance and accounting from Hebei University of Economics and Business (河北經貿大學). Ms. Ma has been an employee representative supervisor since 6 June 2014 and the manager of the audit and regulation department of the Company since January 2011. She successively served as manager of the audit department of Hebei Natural Gas and a leader of the auditing and inspection team (計檢組組長) of North China Pharmaceutical Co., Ltd. (華北製藥股份有限公司).

**Mr. Xiao Yan Zhao (肖延昭)**, aged 41, is an independent supervisor of the Company. He obtained a bachelor of laws degree from China University of Political Science and Law (中國政法大學), and is a qualified lawyer and Chinese registered senior planner. Mr. Xiao is a senior partner of C&I Partners, Beijing (北京市信利律師事務所) and a member of the criminal professional committee of Beijing Lawyers Association. He has served for a long time as deputy secretary-general of the Association of Cross-Strait Legal Exchange (海峽兩岸法學交流促進會), permanent legal advisor of the People's Government of Chongwen District, Beijing, executive director and deputy secretary-general of the Law and Trading Seminar (Shenzhen) of WTO and China – Asean Free Trade Area (世界貿易組織及中國東盟自由貿易區法律貿易研究會), and director of China Association of Small and Medium Business Enterprises (中國中小商業企業協會). He successively served as a partner and chief lawyer of Beijing Delvheng Law Firm (北京市德律珩律師事務所), lawyer of Beijing Zhide Law Firm (北京市至德律師事務所) and Jia Hua Law Firm, Beijing (北京市嘉華律師事務所).

**Professor Yao Chang Hui (姚長輝)**, aged 50, has resigned as an independent supervisor of the second session of the Board of Supervisors of the Company on 1 December 2014. He acted as an independent supervisor of the Company from 17 October 2014 to 1 December 2014. He obtained a doctorate in finance from Peking University. Mr. Yao is currently a professor and PhD supervisor in finance at the Guanghua School of Management, Peking University, and also a director of the China Society for Finance and Banking (中國金融學會), Beijing Society for Finance and Banking (北京金融學會) and Beijing Investment Society (北京投資學會), and an independent director of BOCI Securities Limited (中銀國際證券有限責任公司), Bank of Yingkou (營口銀行), Shanghai Luxin Packing Materials Co., Ltd. (上海綠新包裝材料股份有限公司), Jin Zhou New China Dragon Moly Co., Ltd. (錦州新華龍鉬業股份有限公司), Wu Bridge Heavy Industry Co., Ltd. (武橋重工股份有限公司) and Shanghai Amarsoft Information & Technology Co., Ltd (上海安碩信息技術股份有限公司). From 2002 to 2007, Mr. Yao was the director of MBA Center of the Guanghua School of Management, Peking University.

## 5. SENIOR MANAGEMENT

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

**Mr. Sun Xin Tian (孫新田)**, aged 50, is a vice president of the Company, and served as an executive Director and vice president of the Company from February 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 successively served as deputy general manager and chief engineer of HECIC New-energy, deputy general manager of HECIC Zhangjiakou Wind Energy Co., Ltd., as well as deputy chief engineer, deputy director and deputy chief engineer of the equipment and technology department, engineer and deputy factory manager of a power engineering branch factory 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)).

**Mr. Mei Chun Xiao (梅春曉)**, aged 46, 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. Mr. Mei successively served as deputy general manager and chief engineer, an assistant to the general manager and chief engineer of HECIC New-energy.

**Ms. Ding Peng (丁鵬)**, aged 44, 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. Ms. Ding successively served as deputy general manager and chief accountant, then chief accountant and financial manager of Hebei Natural Gas.

**Mr. Lu Yang (陸陽)**, aged 45, 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. Mr. Lu successively served as manager for engineering technical support of Hong Kong & China Gas Investment Limited, and then as deputy general manager and chief engineer as well as chief engineer of Handan City Gas Company.

**Ms Fan Wei Hong (范維紅)**, aged 44, 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. Ms Fan successively served as deputy manager and manager of the financial planning department of HECIC Communications, financial controller and deputy general manager of Shijiazhuang Construction and Investment Company (石家莊市建設投資公司), accountant of Shijiazhuang Committee of Planned Economy (石家莊市計劃經濟委員會) and accountant of Shijiazhuang Sixth Cotton Mill Factory (石家莊市第六棉紡織廠).

**Mr. Ban Ze Feng (班澤鋒)**, aged 37, obtained a master's degree in business administration from Nankai University (南開大學). 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. Mr. Ban successively served as assistant to the director of the general office, head of the secretarial confidential documents department and general office secretary of HECIC, as well as 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), and secretary of the general office of HECIC.

## 6. JOINT COMPANY SECRETARIES

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

**Ms. Lam Yuen Ling, Eva (林婉玲)**, aged 48, was appointed as a joint company secretary of the Company on 1 April 2010. Ms. Lam 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 a 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 2014.

## 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 new energy sources including wind power and solar power, etc. Details of major subsidiaries of the Company are set out in Note 18 to the Financial Statements.

## 2. RESULTS

The audited results of the Company and its subsidiaries for the year ended 31 December 2014 are set out in the consolidated statement of comprehensive income on page 81. The financial position of the Company and its subsidiaries as of 31 December 2014 is set out in the consolidated statement of financial position on page 82. The consolidated cash flows of the Company and its subsidiaries for the year ended 31 December 2014 are set out in the consolidated statement of cash flows on page 85.

Discussion and analysis of the Group's performance and financial position for the year is set out in the Management Discussion and Analysis on pages 17 to 29 of this annual report.

## 3. SHARE CAPITAL

As of 31 December 2014, the total issued share capital of the Company was RMB3,715,160,396, divided into 3,715,160,396 shares of RMB1 each.

On 28 January 2014, the Company successfully placed 476,725,396 H Shares, thereby increasing its registered capital by RMB476,725,396 and raising total funds of approximately HK$1,597,030,077. 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 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 sold or purchased any of the Company's securities 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 amounted to approximately HK$1,597,030,077 and the aggregate net proceeds received by the Company (after deducting all applicable costs and expenses) amounted to approximately HK$1,564,044,356. For further details, please refer to the announcements titled "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 22 January 2014 and 28 January 2014, respectively.

## 5. PRE-EMPTIVE RIGHTS

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

## 6. USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING AND PLACING OF H SHARES IN 2014

The Company first issued shares to the public on the Hong Kong Stock Exchange in October 2010 and exercised its over-allotment option. The net proceeds raised was RMB2,658 million. As of 31 December 2014, RMB110 million was used for investment in the Group's natural gas projects, representing 4.1% of the net proceeds, RMB2,298 million was used for investment in the Group's wind power projects, representing 86.5% of the net proceeds.

On 28 January 2014, the Company completed its placing of 476,725,396 H shares with the net proceeds raised of HK$1,564 million. As of 31 December 2014, HK$260 million was used for investment in the Group's natural gas projects, representing 16.6% of the net proceeds; HK$429 million was used for investment in the Group's wind power projects, representing 27.4% of the net proceeds; HK$50 million was used for replenishment of the Company's working capital, representing 3.2% of the net proceeds. The remaining net proceeds from the placing (including accrued interests thereof) of HK$828 million are currently deposited in an bank account of the Company.

## 7. RESERVES

Details of the movement in reserves of the Company for the year are set out in Note 32 to the Financial Statements, and details of reserves distributable to shareholders are set out in Note 32 to the Financial Statements.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group acquired property, plant and equipment with a total cost of RMB52.01 million. The property, plant and equipment disposed or of which bad debts were written off by the Group had a carrying value of RMB1.07 million, resulting in net loss on asset disposal of RMB0.004 million.

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 RMB0.031 per share (tax included) (RMB115.17 million in total (tax included)) for the year ended 31 December 2014 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稅有關問題的通知) (Guo Shui Han [2008] No.897) issued by the State Administration of Taxation (國家稅務總局), an 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 to 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 16 June 2015.

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 effective rate stipulated in the relevant tax treaties. In the case that the individual holders of 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 16 June 2015 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 2014, the purchase amount from the Group's five largest suppliers in aggregate contributed 82.0% of the Group's total purchase amount for the year, among which, the total purchase amount from the largest supplier contributed 77.0% of the Group's total purchase amount for the year.

For the year ended 31 December 2014, the sales to the Group's five largest customers in aggregate contributed 43.1% of the Group's total sales for the year, among which, the sales to the largest customer contributed 12.5% of the Group's total sales for the 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 2014 are set out in Note 30 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 |
|---|---|---|---|
| Cao Xin | 43 | Non-executive Director, chairman of the Board | 6 June 2013 (Re-designated as non-executive Director on 24 March 2014) |
| Liu Zheng | 40 | Non-executive Director | 17 October 2014 |
| Xiao Gang | 56 | Non-executive Director, vice chairman of the Board | 6 June 2013 to 2 September 2014 |
| Ma Guo Qing | 46 | Non-executive Director, vice chairman of the Board | 6 June 2013 to 17 October 2014 |
| Zhao Hui Ning | 47 | Non-executive Director | 6 June 2013 to 17 October 2014 |
| Gao Qing Yu | 51 | Executive director, president | 6 June 2013 |
| Wang Hong Jun | 50 | Executive director | 6 June 2013 |
| Zhao Hui | 42 | Non-executive Director | 6 June 2013 (Re-designated as non-executive Director on 24 March 2014) |
| Qin Gang | 40 | Non-executive Director | 17 October 2014 |
| Qin Hai Yan | 44 | Independent non-executive Director | 6 June 2013 |
| Ding Jun | 52 | Independent non-executive Director | 6 June 2013 |
| Wang Xiang Jun | 50 | Independent non-executive Director | 6 June 2013 |
| Yue Man Yiu Matthew | 53 | Independent non-executive Director | 6 June 2013 |
| Yang Hong Chi | 58 | Chairman of the Board of Supervisors | 6 June 2013 |
| Qiao Guo Jie | 52 | Employee representative supervisor | 6 June 2013 |
| Ma Hui | 52 | Employee representative supervisor | 6 June 2014 |
| Xiao Yan Zhao | 41 | Independent supervisor | 6 June 2014 |
| Yao Chang Hui | 50 | Independent supervisor | 17 October 2014 to 1 December 2014 |
| Liu Jin Hai | 42 | Supervisor | 6 June 2013 |
| Sun Xin Tian | 50 | Vice president | 6 June 2013 |
| Mei Chun Xiao | 46 | Vice president | 6 June 2013 |
| Ding Peng | 44 | Vice president | 24 March 2014 |
| Lu Yang | 45 | Vice president | 24 March 2014 |
| Fan Wei Hong | 44 | Chief accountant | 6 June 2013 |
| Ban Ze Feng | 37 | Secretary to the Board, joint company secretary | 6 June 2013 (Secretary to the Board) and 24 March 2014 (joint company secretary) |

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. On 24 March 2014, Dr. Cao Xin, an executive Director and the chairman of the Board of the Company, was re-designated as a non-executive Director of the Company, and continued to serve as chairman of the Board.

2. Due to the change in work arrangements, Mr. Zhao Hui, an executive Director and vice president of the Company, was re-designated as a non-executive Director from executive Director and resigned as a vice president, joint company secretary and authorized representative of the Company on 24 March 2014.

3. Due to the change in work arrangement, Mr. Zhao Hui Ning resigned as a non-executive Director of the second session of the Board and a member of the Nomination Committee and the Strategic and Investment Committee of the Company on 17 October 2014. Dr. Liu Zheng was appointed as a non-executive Director of the second session of the Board at the extraordinary general meeting held on 17 October 2014 and a member of the Nomination Committee and the Strategic and Investment Committee after consideration and approval by the Board.

4. Due to the change in work arrangement, Mr. Ma Guo Qing resigned as a non-executive Director and vice chairman of the second session of the Board of the Company on 17 October 2014. Mr. Qin Gang was appointed as a non-executive Director of the Company at the extraordinary general meeting held on 17 October 2014 and appointed as a member of the Audit Committee on 26 November 2014.

5. Due to the work arrangement, Mr. Xiao Gang resigned as a non-executive Director, vice chairman of the Board and a member of the Audit Committee of the Company on 2 September 2014. Ms. Sun Min was appointed as a non-executive Director of the second session of the Board of the Company on 27 January 2015.

6. Mr. Xiao Yan Zhao was appointed as an independent supervisor of the Company on 6 June 2014. Professor Yao Chang Hui was appointed as an independent supervisor of the Company on 17 October 2014 and subsequently resigned from the position on 1 December 2014 due to his desire to devote more time to his other work commitments.

Biographical details of Directors, supervisors and senior management of the Company are set out on pages 32 to 37 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 2014 or at any time during the year 2014, 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 2014, 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 (the "SFO")) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## 19. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

On 31 December 2014, 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 interest of controlled company | 1,876,156,000 (Long position) | 100% | 50.5% [2] |
| GIC Private Limited | H Shares | Investment Manager | 276,538,000 (Long position) | 15.04% | 7.44% |
| Citigroup Inc. | H Shares | Investment Manager | 186,783,339 (Long position) | 10.15% | 5.03% |
| | | | 183,036,141 (Lending pool) | 9.95% | 4.93% |
| Alianz SE | H Shares | Investment Manager | 180,585,000 (Long position) | 9.82% | 4.86% |
| Wellington Management Company, LLP | H Shares | Investment Manager | 147,340,840 (Long position) | 8.01% | 3.97% |
| National Social Security Council | H Shares | Beneficial owner | 127,940,334 (Long position) | 6.96% | 3.44% |
| Norges Bank | H Shares | Investment Manager | 110,105,671 (Long position) | 5.99% | 2.96% |
| Gaoling Fund,L.P. | H Shares | Investment Manager | 92,245,000 (Long position) | 5.02% | 2.48% |
| Hillhouse Capital Management, Ltd | H Shares | Investment Manager | 92,188,000 (Long position) | 5.01% | 2.48% |

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 its total share capital 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 all employees of the Group).

## 21. CONNECTED TRANSACTIONS

### (1) One-off connected transactions

As at the date of this report, the Group carried out the following one-off connected transactions that were subject to reporting and announcement requirements but exempt from independent shareholders' approval pursuant to Rule 14A.76 of the Listing Rules. The specific details are as follows:

1. The 2014 budget for provincial-level stated-owned capital was reviewed and approved in the second meeting of the twelfth session of Hebei Provincial People's Congress. In particular, RMB20 million was specifically allocated to the construction of Ruyihe Wind Farm, the approval of which was issued to HECIC by the Department of Finance of Hebei Province and Hebei SASAC. In order to confirm the ownership of the state-owned capital and to support the construction of Ruyihe Wind Farm, HECIC intends to use such provincial-level state-owned capital to make capital contribution to Suntien Weichang. On 19 December 2014, HECIC New-energy, a wholly-owned subsidiary of the Company, entered into a joint venture agreement with HECIC, pursuant to which, HECIC shall make a capital contribution of RMB20 million in cash to Suntien Weichang, a wholly-owned subsidiary of HECIC New-energy. Upon completion of the capital contribution, Suntien Weichang will be held as to 93.71% and 6.29% by HECIC New-energy and HECIC, respectively. HECIC is the controlling shareholder of the Company, and therefore is a connected person of the Company. The capital contribution constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

   Details are set out in the announcement headed "Connected Transaction – Capital Contribution to a Subsidiary of the Company by Connected Person" on 19 December 2014 issued by the Company on the websites of the Hong Kong Stock Exchange and the Company.

2. In order to satisfy the regulatory requirements, enhance the capital adequacy ratio of the Group Finance Company, and further expand its business scope, each shareholder of the Group Finance Company decided to make capital injection to the Group Finance Company. On 8 January 2015, the Company has entered into the "Capital Increase Agreement" with HECIC, HECIC Water, HECIC Communications and Jointo Energy. Subject to the approval from the CBRC, the registered capital of the Group Finance Company will be increased from RMB500 million to RMB1 billion in two phases. For the first phase of capital increase, the Company, HECIC, HECIC Water and HECIC Communications shall contribute RMB50 million, RMB300 million, RMB50 million and RMB50 million, respectively, to increase the registered capital of the Group Finance Company after the Capital Increase Agreement takes effect; for the second phase of capital increase, Jointo Energy shall contribute RMB50 million to increase the registered capital of the Group Finance Company before the end of 2015.

   HECIC and HECIC Water are the controlling shareholder and a substantial shareholder of the Company, respectively. Jointo Energy and HECIC Communications are subsidiaries of HECIC, and therefore, associates of HECIC. As such, pursuant to the Listing Rules, HECIC, HECIC Water, HECIC Communications and Jointo Energy are connected persons of the Company, and the transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

   Details are set out in the announcement headed "Connected Transaction - Capital Increase Agreement" on 8 January 2015 issued by the Company on the websites of the Hong Kong Stock Exchange and the Company.

3. In order to facilitate the consumption and utilization of wind power generated by its wind farms in Chengde area, the Company decided to invest in Hebei Fengning. On 22 January 2015, the Company entered into the "Equity Transfer Agreement" with HECIC to acquire 20% equity interest in Hebei Fengning held by HECIC. Transfer price shall be RMB100,672,768.60, which is determined by reference to the appraised value of the 20% equity interest in Hebei Fengning of RMB100,672,768.60 as at 31 August 2014, being the benchmark date on which an independent third party valuation institution jointly appointed by both parties carried out the asset valuation. The transfer price shall be paid within five days from the date of Equity Transfer Agreement. HECIC shall coordinate with Hebei Fengning to complete the business registration regarding the change of equity interest in Hebei Fengning. HECIC is the controlling shareholder of the Company. Therefore, HECIC is a connected person of the Company, and the transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

   Details are set out in the announcement headed "Connected Transaction - Acquisition of 20% Equity Interest in Hebei Fengning" on 22 January 2015 issued by the Company on the websites of the Hong Kong Stock Exchange and the Company.

### (2) Continuing Connected transactions exempt from the independent shareholders' approval requirement

During the reporting period, the Group carried out the following continuing connected transactions that were 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 29 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 Company continued to rent such property from HECIC and its subsidiaries. On 9 June 2013, the Company and HECIC entered into a new master tenancy agreement for a term from 1 January 2013 to 31 December 2015. Under the new master tenancy agreement, the Group agreed to lease the properties from HECIC and/or its subsidiaries for the three years ended 31 December 2015. 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 2014 annual cap of this continuing connected transaction was RMB10,400,000 and the actual transaction amount was RMB4,027,000.

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.

### (3) Non-exempt continuing connected transactions

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

In order to allocate assets between each member of the Group in a more effective way, to promote the liquidity of the Group's capital, and to enhance its overall solvency, on 16 August 2013, the Company entered into a financial services framework agreement with the Group Finance 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 than 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. During the reporting period, the proposed maximum daily balance under the deposit service under the agreement is RMB1,150,000,000 and the actual maximum daily balance under the deposit service was RMB1,134,000,000.

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.

### (4) 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.

### (5) Confirmation by the auditor

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 2014, in respect of the aforementioned continuing connected transactions.

1. Nothing has come to their attention that causes them to believe that the transactions have not been approved by the Board of Directors.

2. For the transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group.

3. Nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements.

4. Nothing has come to their attention that causes them to believe that the amount of each of the transactions has exceeded its annual cap mentioned above.

## 22. COMPLIANCE WITH NON-COMPETITION AGREEMENT

### Compliance with Non-competition Agreement

The Company entered into the "Non-Competition Agreement" with its 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" during 2014. The independent non-executive Directors of the Company have reviewed the implementation of the "Non-Competition Agreement" during 2014 and confirmed that HECIC has been in full compliance with such agreement and that there were no breaches.

## 23. RETIREMENT AND EMPLOYEE BENEFIT PLANS

Details of the Group's retirement and employee benefit plans are set out in Note 6 to the Financial Statements.

## 24. 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 code provisions set out in the Code, save for some deviations from the code provisions of Rule A6.7 and E1.2 with respect to the attendance of general meetings and relevant requirements, 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 50 to 64 for details.

## 25. 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.

## 26. MATERIAL LITIGATION

As of 31 December 2014, 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 Group.

## 27. AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the 2014 annual results of the Group and the Financial Statements for the year ended 31 December 2014 prepared in accordance with the "International Financial Reporting Standards".

## 28. AUDITORS

Ernst & Young was appointed as auditors for the Financial Statements prepared in accordance with the IFRS for the year ended 31 December 2014. The enclosed Financial Statements prepared in accordance with the IFRS have been audited by Ernst & Young.

Zhonglei Certified Public Accountants (中磊會計師事務所) resigned as the PRC auditor of the Company in August 2013. At the extraordinary general meeting of the Company held on 23 October 2013, Reanda Certified Public Accountants (利安達會計師事務所) was approved to be appointed as the PRC auditor of the Company by way of voting. Reanda Certified Public Accountants has prepared the Financial Statements in accordance with the PRC Financial Accounting Standards.

By order of the Board
**Cao Xin**
*Chairman/non-executive Director*

Shijiazhuang, PRC, 24 March 2015

# Corporate Governance Report

The Board of the Company hereby presents to shareholders the corporate governance report for 2014.

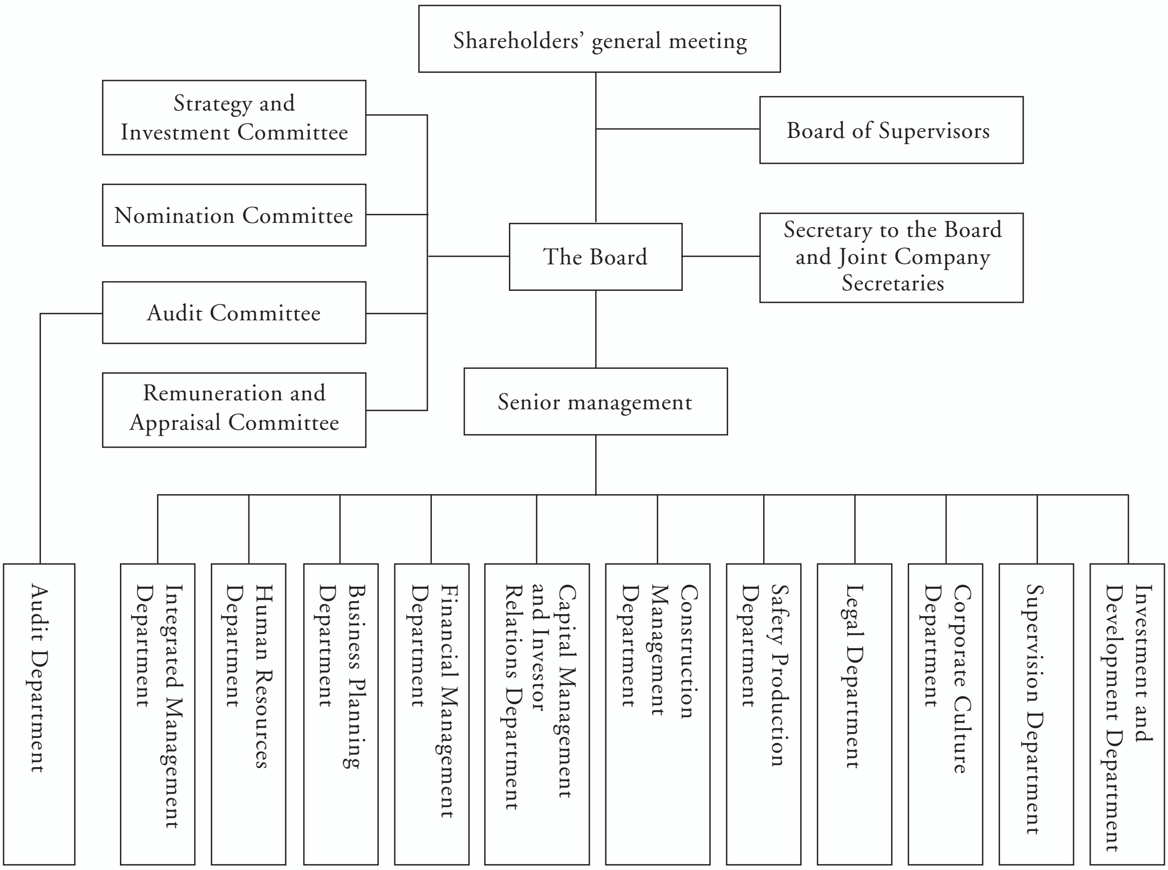
The Company has always been focused on maintaining a high level of corporate governance so as to enhance value for shareholders and protect their interests. The Company has established a modern corporate governance structure which comprises of the shareholders' general meeting, the Board, the Board of 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. During the reporting period, the Company complied with the code provisions set out in the Code, expect for provisions A6.7 and E1.2. For the provisions A6.7 and E1.2 in relation to the requirements on attendance of general meetings and other relevant matters, Mr. Zhao Hui Ning (a non-executive Director and member of Nomination Committee and Strategic and Investment Committee), Mr. Xiao Gang (a vice-chairman, non-executive director and member of Audit Committee), Mr. Zhao Hui (a non-executive director), Mr. Qin Hai Yan (an independent non-executive Director, the chairman and a member of the Remuneration and Appraisal Committee and a member of the Nomination Committee), Mr. Yue Man Yiu Matthew (an independent non-executive Director, a member of the Audit Committee and Nomination Committee) did not attend the 2013 annual general meeting of the Company held on 6 June 2014 due to other work commitments. 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

The Board of the Company comprises 11 Directors, which includes five non-executive Directors, two executive Directors and four independent non-executive Directors.

During the reporting period, 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 second session of the Board.

In 2014, the Board has consistently complied with the Listing Rules with respect to the requirement for 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, and the requirement for the independent non-executive Directors representing at least 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 of 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, and there is a new female Director.

The composition of the second session of the Board is as follows:

| Name | Age | Gender | Position | Date of Appointment | Term of office |
|---|---|---|---|---|---|
| Cao Xin [(1)] | 43 | Male | Chairman of the Board, non-executive Director | 6 June 2013 | 3 years |
| Liu Zheng | 40 | Male | Non-executive Director | 17 October 2014 | Until the expiration of the second session of the Board |
| Qin Gang | 40 | Male | Non-executive Director | 17 October 2014 | Until the expiration of the second session of the Board |
| Sun Min | 47 | Female | Non-executive Director | 27 January 2015 | Until the expiration of the second session of the Board |
| Xiao Gang | 56 | Male | Vice chairman of the Board, non-executive Director | 6 June 2013 | Resigned on 2 September 2014 |
| Ma Guo Qing | 46 | Male | Vice chairman of the Board, non-executive Director | 6 June 2013 | Resigned on 17 October 2014 |
| Zhao Hui Ning | 47 | Male | Non-executive Director | 6 June 2013 | Resigned on 17 October 2014 |
| Gao Qing Yu | 51 | Male | Executive Director, president | 6 June 2013 | 3 years |
| Wang Hong Jun | 50 | Male | Executive Director | 6 June 2013 | 3 years |
| Zhao Hui [(2)] | 42 | Male | Non-executive Director | 6 June 2013 | 3 years |
| Qin Hai Yan | 44 | Male | Independent non-executive Director | 6 June 2013 | 3 years |
| Ding Jun | 52 | Male | Independent non-executive Director | 6 June 2013 | 3 years |
| Wang Xiang Jun | 50 | Male | Independent non-executive Director | 6 June 2013 | 3 years |
| Yue Man Yiu Matthew | 53 | Male | Independent non-executive Director | 6 June 2013 | 3 years |

Notes: (1) Dr. Cao Xin was re-designated as chairman of the Board and non-executive Director of the Company from chairman of the Board and executive Director on 24 March 2014.

(2) Mr. Zhao Hui was re-designated as non-executive Director from executive Director on 24 March 2014.

## (2) Role and responsibilities of the Board

The Board is accountable to and reports its work to the shareholders' general meetings and is responsible for implementing the resolutions of the shareholders' general meetings. The responsibilities of the Board are defined in the Articles of Association, which stipulated that it has the following responsibilities: convening the shareholders' general meetings, implementing the resolutions of the shareholders' general 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 management 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 specific implementation of the Board resolutions and the Company's daily operation and management. According to the Company's Articles of Association, the management's primary responsibilities are as follows: formulating the operational planning, investment and financing plan of the Company, formulating the plan for the establishment of internal management bodies, and formulating 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 seven clear 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 2014, eleven meetings were held by the Board. Details of Directors' attendance to Board meetings are as follows:

| Name | Position | Number of Meetings attended/ required to attend | Attendance Rate |
|---|---|---|---|
| Cao Xin | Non-executive Director, chairman of the Board | 11/11 | 100% |
| Liu Zheng | Non-executive Director | 4/4 | 100% |
| Zhao Hui | Non-executive Director | 11/11 | 100% |
| Qin Gang | Non-executive Director | 4/4 | 100% |
| Xiao Gang | Vice chairman of the Board, non-executive Director | 5/6 | 83.3% |
| Ma Guo Qing | Vice chairman of the Board, non-executive Director | 7/7 | 100% |
| Zhao Hui Ning | Non-executive Director | 7/7 | 100% |
| Gao Qing Yu | Executive Director, president | 11/11 | 100% |
| Wang Hong Jun | Executive Director | 11/11 | 100% |
| Qin Hai Yan | Independent non-executive Director | 11/11 | 100% |
| Ding Jun | Independent non-executive Director | 11/11 | 100% |
| Wang Xiang Jun | Independent non-executive Director | 11/11 | 100% |
| Yue Man Yiu Matthew | Independent non-executive Director | 11/11 | 100% |

### (5) Chairman and president

During the reporting period, Dr. Cao Xin served as chairman of the Board of the Company, and Mr. Gao Qing Yu served as president of the Company. The roles of the chairman of the Board and president of the Company are separated and served by different people to ensure the independence of each role.

Dr. Cao Xin, chairman of the Board, is responsible for governing and leading the Board, as well as developing 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' general meeting with 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' general 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' general 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 all executive Directors will be determined in accordance with the criteria specified in 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 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 any costs in connection therewith are paid by the Company. During the reporting period, all the Directors have attended the training as required.

On 28 August 2014, Directors received trainings in relation to the Hong Kong listing compliance organized by the overseas legal advisors of the Company. During the period from 10 December to 12 December 2014, some of the Directors and supervisors participated in the training program in relation to the annual financial audit and results report organized by The Hong Kong Institute of Chartered Secretaries.

### (9) Joint company secretaries and their trainings

During the reporting period, Mr. Zhao Hui (resigned on 24 March 2014), Mr. Ban Ze Feng (appointed on 24 March 2014) and Ms. Lam Yuen Ling, Eva, successively served as 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 Mr. Ban Ze Feng successively, and major issues will be reported by them to the chairman of the Board.

The joint company secretaries' biographies are set out in the "Biographies of Directors, Supervisors and Senior Management" section of this annual report. During the reporting period, 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 good corporate governance, the Board has established four independent 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. Yue Man Yiu Matthew (independent non-executive Director), Mr. Xiao Gang (non-executive Director, who resigned on 2 September 2014) and Mr. Qin Gang (existing non-executive Director, who succeeded on 26 November 2014) serving as its members.

The Company formulated the "Work Rules of the Audit Committee", which stipulated 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.

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 three meetings, at which the following resolutions were respectively reviewed and approved:

1. In March 2014, the Company reviewed and approved the resolution regarding "Communication of the Audit Results for the Year 2013" at an Audit Committee meeting convened through on-site and remote communications.

2. In August 2014, the Company reviewed and approved the resolution regarding the "Report of the Agreed Procedures in Mid-2014" at an Audit Committee meeting convened through on-site and remote communications.

3. In December 2014, the Company reviewed and approved the resolution regarding the "2014 Audit Plan" at an Audit Committee meeting convened through on-site and remote communications.

Mr. Wang Xiang Jun and Mr. Yue Man Yiu Matthew, members of the Audit Committee, attended all the above meetings, while Mr. Xiao Gang was absent from the meeting of the Audit Committee held in August 2014, and Mr. Qin Gang attended the meeting of the Audit Committee held in December 2014 after he was appointed as member of the Audit Committee on 26 November 2014. At these meetings, they discussed and passed the relevant resolutions. Members of the Audit Committee would from time to time review the Company's internal control system and provide recommendation for improvement.

### (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. Cao Xin (non-executive Director) and Mr. Ding Jun (independent non-executive Director) as its members.

The Company formulated the "Work Rules of the Remuneration and Appraisal Committee", which stipulated that the major responsibilities of the Remuneration and Appraisal Committee are as follows: to develop the 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.

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.

During the reporting period, the Remuneration and Appraisal Committee convened three meetings, at which the following resolutions were respectively reviewed and approved:

1. In March 2014, the Company reviewed and approved the resolutions regarding the "Remuneration of Dr. Cao Xin and Mr. Zhao Hui after Re-designation as Non-executive Director of the Company" and the "Remuneration of Mr. Ban Ze Feng for his Appointment as Joint Company Secretary of the Company" at a Remuneration and Appraisal Committee meeting convened through on-site and remote communications.

2. In June 2014, the Company reviewed and approved the "Resolution Regarding the Withdrawal of Incentives Funds from Profit Growth" at a Remuneration and Appraisal Committee meeting convened through on-site and remote communications.

3. In October 2014, the Company reviewed and approved the "Resolution Regarding the Consideration and Approval of Remuneration of Newly-appointed Non-executive Director" at a Remuneration and Appraisal Committee meeting convened through on-site and remote communications.

All members of the Remuneration and Appraisal Committee attended the above meetings. 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.

### (3) Nomination Committee

During the reporting period, the Nomination Committee consisted of five directors, with Dr. Cao Xin (non-executive director) served as chairman of the Nomination Committee, and 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. Mr. Zhao Hui Ning (non-executive Director, who resigned on 17 October 2014) and Mr. Liu Zheng (non-executive Director, who was succeeded on 17 October 2014) successively served as members of the Nomination Committee.

The Company formulated the "Work Rules of the Nomination Committee", which stipulated that the major responsibilities of the Nomination Committee 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.

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

1. In March 2014, the Company reviewed and approved the "Resolution Regarding the Nomination of Vice President, Removal of Financial Controller and Nomination of Chief Accountant of the Company", the "Resolutions Regarding Adjustment of Internal Positions of Members of the Board" and the "Resolution Regarding the Appointment of Mr. Gao Qing Yu as the Authorised Representative and Mr. Ban Ze Feng as Joint Company Secretary of the Company" at a Nomination Committee meeting convened through on-site and remote communications.

2. In August 2014, the Company reviewed and approved the "Resolution Regarding the Change of Directors of the Company" at a Nomination Committee meeting convened through on-site and remote communications.

3. In October 2014, the Company reviewed and approved the "Resolution Regarding the Adjustment of Members of the Nomination Committee and the Strategy and Investment Committee" at a Nomination Committee meeting convened through on-site and remote communications.

4. In November 2014, the Company reviewed and approved the "Resolution Regarding the Adjustment of Members of the Audit Committee" at a Nomination Committee meeting convened through on-site and remote communications.

5. In December 2014, the Company reviewed and approved the "Resolution Regarding the Nomination of Non-executive Director of the Company" at a Nomination Committee meeting convened through on-site and remote communications.

All members have attended the above meetings during their respective terms of office, at which they discussed the adjustment of positions, re-election and appointment of Directors of the Company, and made recommendations to the Board.

### (4) Strategy and Investment Committee

During the reporting period, the Strategy and Investment Committee of the Company consisted of three Directors, with Dr. Cao Xin (non-executive director) serving as chairman of the Strategy and Investment Committee, Mr. Gao Qing Yu (executive Director) as its member. Mr. Zhao Hui Ning (non-executive Director, who resigned on 17 October 2014) and Mr. Liu Zheng (non-executive Director, who succeeded on 17 October 2014) successively served as members of the Strategy and Investment Committee.

The Company formulated the "Work Rules of the Strategy and Investment Committee", which stipulated 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 that require the approval from 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-mails and electronic communications to ensure the discharge of their duties.

## 4. THE BOARD DIVERSITY POLICY

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 second 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. When making 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 2014.

## 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, the Audit Department organized and completed an analysis on internal control, strengthened the construction of an 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 all business risks associated with the Company's operations and the relevant internal measures and control procedures, establishing the method and specifications for building a systematic and 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 2014, international auditor Ernst & Young was appointed to provide audit services in accordance with the IFRS. The fees payable to Ernst & Young was RMB2.7 million. The responsibilities of Ernst & Young as to the Financial Statements are set out on pages 79 to 80 of this annual report.

In 2014, Reanda Certified Public Accountants was appointed as the successor PRC auditor for the year of 2014 for providing audit services in accordance with the Accounting Standards for Business Enterprises of PRC. The fees payable to Reanda Certified Public Accountants was RMB0.80 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' general 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' general meeting is convened. The Board office of the Company located at its registered office and headquater in the PRC is responsible for dealing with any proposals put forward by shareholders. The Company shall add any matters in the provisional proposals that fall within the scope of deliberation by the shareholders' 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 organises 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 summits to report on our latest operational position.

The annual general meeting 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. Pursuant to companies laws and the Articles of Association of the Company, Shareholders shall have legal rights, that 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 2013 on 6 June 2014, in which various resolutions were voted upon by poll respectively. Dr. Cao Xin, chairman of the Company, attended the annual general meeting and Directors of the Company answered enquiries raised by shareholders on the operation of the Company. The Company also convened an extraordinary general meeting on 17 October 2014 in respect of the voting by poll on the resolutions involving election of non-executive Director and independent supervisors of the Company respectively. All resolutions were passed.

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

| Name | Position | No. of shareholders' general meetings attended/ required to attend |
|---|---|---|
| Cao Xin | Non-executive Director/chairman of the Board | 2/2 |
| Liu Zheng | Non-executive Director | 0/1 |
| Zhao Hui | Non-executive Director | 0/2 |
| Qin Gang | Non-executive Director | 0/1 |
| Xiao Gang | Non-executive Director/vice chairman of the Board | 0/1 |
| Ma Guo Qing | Non-executive Director/vice chairman of the Board | 1/2 |
| Zhao Hui Ning | Non-executive Director | 0/2 |
| Gao Qing Yu | Executive Director/president | 2/2 |
| Wang Hong Jun | Executive Director | 2/2 |
| Qin Hai Yan | Independent non-executive Director | 0/2 |
| Ding Jun | Independent non-executive Director | 1/2 |
| Wang Xiang Jun | Independent non-executive Director | 1/2 |
| Yue Man Yiu Matthew | Independent non-executive Director | 1/2 |

## 10. INVESTOR RELATIONS

The Company believes that good 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 information disclosure obligations of listed companies in compliance with the Listing Rules.

During the reporting period, the Company strengthened its communication with investors through annual and interim results roadshows, a number of reverse roadshows, approximately 100 investor summits in Hong Kong and the PRC, investors' routine visits to serve approximately 100 investors 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) As reviewed, approved and authorized by the first extraordinary general meeting 2013 and class meeting convened 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 overseas listed foreign shares, including the over-allotment of 161,535,000 shares. At the same time of the issuance of overseas listed foreign 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 overseas listed foreign 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 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 overseas listed foreign shares, including the over-allotment of 161,535,000 shares. At the same time of the issuance of overseas listed foreign 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 overseas listed foreign shares, the Company's equity capital structure is as follows: Hebei Construction and Investment Group Co., Ltd. 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 additional 476,725,396 overseas listed foreign shares 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 overseas listed foreign shares, the Company's registered capital is RMB3,238,435,000."

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

(2) As reviewed and approved by the annual general meeting convened on 6 June 2014, Articles 8, 114,132,133,139 and 216 of the Articles of Association of the Company are amended as follows:

The original Article 8 states: "Other senior management as mentioned in the preceding paragraph includes vice president, financial controller, chief engineer, secretary to the board of directors"

Article 8 as amended states: "Other senior management as mentioned in the preceding paragraph includes vice president, chief accountant, chief engineer, secretary to the board of directors."

The original Article 114 states: "(12) employment or dismissal of the Company's vice president, financial controllers, chief engineer in accordance with the president's nominations, and deciding their remuneration, reward and penalty matters."

Article 114 as amended states: "(12) employment or dismissal of the Company's vice president, chief accountant and chief engineer in accordance with the president nominations, and deciding their remuneration, reward and penalty matters."

The original Article 132 states: "The Company shall have one president, several vice presidents who assist the president with his work; one financial controller; one chief engineer. The president, vice presidents, financial controller and chief engineer shall be appointed and removed by the board of directors."

Article 132 as amended states: "The Company shall have one president, several vice presidents who assist the president with his work; one chief accountant; one chief engineer. The president, vice presidents, chief accountant and chief engineer shall be appointed and removed by the board of directors."

The original Article 133 states: "(7) to propose the appointment and dismissal of the Company's vice presidents, financial controller and chief engineer, and to make recommendation on their remunerations."

Article 133 as amended states: "(7) to propose the appointment and dismissal of the Company's vice presidents, chief accountant and chief engineer, and to make recommendation on their remunerations."

The original Article 139 states: "The supervisory committee shall comprise three supervisors. A supervisor's term of office is three years. They can be reappointed for consecutive terms. "

Article 139 as amended states: "The supervisory committee shall comprise six supervisors, of which two are external supervisors, two are employee representative supervisors and two are independent supervisors. A supervisor's term of office is three years. They can be reappointed for consecutive terms."

The original Article 216 states: "In these Articles, the "senior officer" means the Company's president, vice presidents, financial controller, chief engineer, secretary to the board of directors. The "president" and "vice presidents" in these Articles refer to "manager" and "deputy managers" in the Company Law. "

Article 216 as amended states: "In these Articles, the "senior officer" means the Company's president, vice presidents, chief accountant, chief engineer, secretary to the board of directors. The "president" and "vice presidents" in these Articles refer to "manager" and "deputy managers" in the Company Law."

# Environmental, Social and Governance Report

As an important clean energy provider and natural gas distributor in Hebei Province and China, the Group has long been committed to fully optimizing the impact of the enterprise on the environment and the society and promoting the realization of sustainable development of the Company and the society.

Considering our business model and the internal and external communications, the Group has identified the types of important stakeholders that have interaction with the operation of the enterprise. By analyzing the needs of stakeholders, we identified the core issues of environment, society and governance (ESG). The primary types of stakeholders of the Group include:

- Employees
- Shareholders
- Governments
- Clients
- Communities
- Suppliers/contractors
- Other business partners

To further clarify the main focuses of ESG practices and information disclosure, the Group initiated the identification procedures of major ESG issues in 2014. Setting the relative priorities of key issues based on corporate strategies, operation, finance and the impact on stakeholders, the Group determined the degree of ESG information disclosure. The following factors are taken into consideration during judgment:

- The values, policies, strategies, business management system, long term and short term goals of the Group

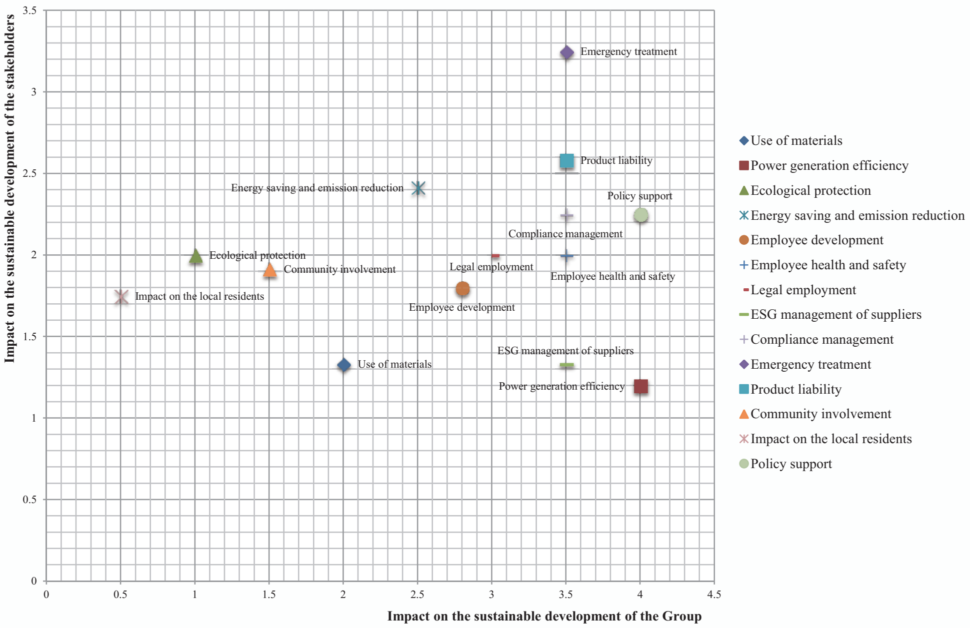
- The relevant laws and regulations, international protocols or voluntary agreements which are of strategic significance to the Group and its stakeholders

- The major determination results made by our peers and competitors on ESG information disclosure

- The needs and expectation clearly expressed by the stakeholders

- Opinions of the management and the social responsibility management team of the Group

Through the identification procedures, the Group identified ESG issues which were the most relevant to the sustainable development of the Group, and determined the degree of materiality of each issue. The results are as below:




Despite the characteristics of this industry where the production of clean energy and the supply of natural gas have less adverse impact on the environment and the society compared with other industries, the Group preliminarily set up an information management system covering the whole group in 2014 in the view of the ESG issues identified, and started to compile statistics of the related information and streamline work flow. In future, the Group will improve the related management mechanisms step by step to enrich the contents of ESG information disclosure.

The major business segments of the Group include the natural gas business and wind power business. Due to the great difference between these two business segments in terms of environmental and social impact, the policies and management methods of the two major subsidiaries – Hebei Natural Gas Company Ltd. ("Hebei Natural Gas") and HECIC New-energy Co., Ltd. ("HECIC New-energy") are also different in some ways. Thus, the information in this report will be disclosed according to the business types and company types, respectively.

## EMPLOYEES

### Employee remuneration and benefits

The Group gives top priority to employees' legal rights. The Group enters into formal labor contracts or agreements with employees in strict compliance with the provisions of the "Labor Law of the People's Republic of China", the "Labor Contract Law", the "Trade Union Law" and other relevant laws and regulations. The Group does not hire child labor or use forced labor, and does not support the acts of hiring and using child labor and forced labor of the other companies.

Although the Group has not clarified the measures to be taken if child labor had been hired in the personnel recruitment system, it has the practice of avoiding the hiring of child labor and use of forced labor. The Group hires legitimate employees in public, and the candidates must submit photocopies of identity cards and present their originals for verification. If it is found that child labor has been hired, the Group would send personnel to escort him home and give him back to his custodians. During the reporting period, all the employees hired by the Group met the requirements of minimum working age specified in the related laws and regulations of China, and no hiring or use of child labor and forced labor has occurred.

In order to create a better working environment with healthy and positive, harmonious and efficient corporate culture, improve the welfare system of employees, and enhance employee's satisfaction and loyalty, the Group formulated the policies and management measures related to recruitment, remuneration, dismissal, working hours and other welfare and benefits such as the "Remuneration Management Measures", the "Employee Management Measures", the "Employee Incentive and Punishment Measures", the "Post Performance Management Measures", the "Detailed Rules of Allowance and Leave Management of Dispatched Labor (Pilot)", the "Employee Paid Leave Management Measures (Amended)", the "System for Checking Work Attendance of Employee (Pilot)", the "Interim Measures for the Management of Employees' Benefits", and the "Measures for Payment of Wages" etc. The Group purchased the social insurances including pension insurance, unemployment insurance, basic medical insurance, maternity insurance, supplementary medical insurance, work injury insurance for all employees with whom the Group signed labor contracts.

During the reporting period, the total number of employees of the Group was 1,766, among them, 1,556 were under labor contract, 210 were dispatched labor. The percentage of labor under labor contract and social insurance coverage were both 100%. Among the employees under labor contract, 31 employees resigned, with a voluntary attrition rate of 1.9%.

Distribution of types of employment:

| Type of employees | Number of employees (person) |
|---|---|
| Employees under labor contract | 1,556 |
| – Senior management employees | 9 |
| – Middle management employees | 120 |
| – Ordinary employees | 1,427 |
| Indirect labor hired | 210 |
| Total number of employees | 1,766 |

Distribution of employees under labor contract:

| Type of employees under labor contract | Age ≥55 | 51-54 | 46-50 | 41-45 | 36-40 | ≤35 | Sex M | F |
|---|---|---|---|---|---|---|---|---|
| Senior management employees | 0 | 4 | 1 | 3 | 1 | 0 | 7 | 2 |
| Mid-level management employees | 2 | 8 | 22 | 31 | 28 | 29 | 101 | 19 |
| Ordinary employees | 1 | 1 | 13 | 59 | 116 | 1,237 | 1,205 | 222 |
| Total | 3 | 13 | 36 | 93 | 145 | 1,266 | 1,313 | 243 |

Note:

Since the businesses of the Group are mainly operated within China (2 Hong Kong employees), the Group has not disclosed geographical distribution of employees.

Distribution of resigned employees:

| Age | Number of resigned employees (Person) | Employees voluntary attrition rate (%) |
|---|---|---|
| ≥55 | 2 | 40 |
| 51-54 | 0 | 0 |
| 46-50 | 1 | 2.7 |
| 41-45 | 4 | 4.12 |
| 36-40 | 2 | 1.36 |
| ≤35 | 23 | 1.78 |

Note:

Since the businesses of the Group are mainly operated within China (2 Hong Kong employees), the Group has not disclosed the geographical distribution of employees voluntary attrition rate.

## Employee development

The Group actively provided a sound career development environment and extensive space for career development of its employees. Employees may learn about their promotion paths to determine the direction of their career development through the policies and the relevant management measures such as the "Proposal on the Setting up of Employee Ranking", the "Interim Regulations on the Selection and Hiring of Middle Management Employees", and the "Management Measures for the Evaluation of Professional Managerial Skills (Pilot)".

The Group provided several types of external and internal job training courses to employees in the form of class, online learning, professional skill workshop, etc. to enhance the competency of employees, skills for different positions and overall qualities, and promote the career development of employees. The Group also promulgated the training policies and training evaluation mechanism such as the "Employee Training Management Measures (Pilot)", the "Detailed Rules for the Management of Academic Studies (Degree Courses) of Employees (Pilot)", the "New Employee Orientation Training Management Measures", and the "Detailed Rules for the Implementation of Internal Trainer Team" to improve the training management system so that the training results can be assured.

Distribution of the average number of training hours per person during the reporting period:

| | Total number of training hours (Hours) | Average number of training hours per person (Hours) |
|---|---|---|
| Senior management employees | 583 | 64.80 |
| Mid-level management employees | 2,381 | 19.84 |
| Ordinary employees | 23,414 | 16.40 |

Note:

The information and data regarding safe production and anti-corruption training are not included in the statistics of the above table, and are set out in the sections headed "Employee health and safety management" and "Anti-corruption" of this report.

## Employee health and safety management

The Group promulgated the regulations such as the "Fire Safety Management Measures", the "Labor Protective Articles Supervision and Management Measures", the "Occupational Health Management Measures", and the "Management Measures for Evaluation of Educational Training for Safety Production", continued to improve the relevant management measures, strengthened the management of employee occupational health and safety, standardized and implemented the safety production training, guaranteed the quality of safety production training, enhanced the quality and awareness of practitioners on safety, and persisted in the removal of occupational injuries, diseases and death for the purpose of providing a safe and comfortable working environment for employees.

To step up its effort in the removal, inspection and treatment of potential incidents and hidden dangers, prevent and reduce production safety incidents, the Group formulated the systems and management measures such as the "Measures for Safety Production Inspection at Each Level and Removal, Inspection and Rectification of Incidents and Hidden Dangers", and the "Management Measures for Safety Inspection and Monitoring of Major Hazard Sources" to clarify and manage the person-in-charge, task contents, work flow of removal, inspection and treatment of potential incidents and hidden dangers. Regular removal and inspection tasks were performed under the regulations of the State, and rectifications of the potential problems discovered were carried out, and the rectification records were kept for tracking purpose.

During the reporting period, the Group invested a total of RMB18.546 million in safe production, altogether 622 person-times participated in the safety accreditation training, and the total number of training hours in safety accreditation reached 58,186 hours. There was no fatal incident of employees, and the number of working hours lost due to work injury was zero.

In 2014, an employee riding a bicycle collided with an electric tricycle driving in the reverse direction on his way home after work. A group company reported the case to the work injury determination authority and the work injury insurance benefit approval authority in Shijiazhuang, respectively, and received the "Decision on the Determination of Work Injury" of such employee 1 month after the reporting for reimbursement of medical expenses of the employee. After handling the case, such employee went to work as usual on the next day of collision, and used his spare time to carry out medical treatment. Hence, the work injury incident did not result in any loss in working hours.

### Emergency treatment

The Group highly values the prevention, reporting, inspection and treatment of safety incidents, and has formulated the system and management measures, such as the "Incident Reporting, Inspection and Treatment Measures (Pilot)", and the "Emergency Response Plan Management Measures (Pilot)" to strengthen the management of emergency plans for safe production incidents, improve the emergency management system, standardize the treatment methods of incident investigation, so as to ensure the timeliness and accuracy of safe production incident reports. The Group implements the liability system of incidents, investigates the process of incidents, reasons of incidents and losses incurred, finds out the nature of incidents, determines the responsibilities of incidents, summarizes the experience learnt from incidents, proposes rectification measures, and pursues liabilities from the party causing the incidents according to law.

During the reporting period, the Group did not occur any safety incident.

## ENVIRONMENT

### Energy saving and emission reduction

For the purpose of coping with climate change and better reducing greenhouse gas emissions, the subsidiaries of the Group – Hebei Natural Gas and HECIC New-energy promulgated the "Energy Saving and Emission Reduction Management Measures" to include the indicators of energy saving and emission reduction in work performance evaluation. The Group also increased resources efficiency and energy consumption reduction by purchasing automobiles powered by natural gas, cutting down the energy consumption of the wind farms, saving office electricity consumption, turning off facilities not in use and other measures.

During the reporting period, the total electric consumption of the Group was 15,340,555 kWh; the total greenhouse gas emission volume was 20,301.18 equivalent-tons; 0.039 tons of carbon dioxide was emitted per RMB10,000 of output value; 0.0081 tons of standard coal was consumed per RMB10,000 of output value, which were far below the average level of the society.

Distribution of energy consumption volume during the reporting period:

| | Energy Consumption Volume of the Group |
|---|---|
| Petroleum (litre) | 1,164,091.48 |
| Diesel (litre) | 64,437.9 |
| Natural gas ($m^3$) | 733,094.12 |
| Liquefied gas from coal (kg) | 24,027 |

## Use of materials

The Group places great emphasis on materials equipment recycling. Both the "Equipment Management Measures" promulgated by Hebei Natural Gas and the "Production Waste Materials Disposal Management Measures" promulgated by HECIC New-energy specify the degree of equipment scrapping and the disposal methods of waste materials, requiring restoration of materials with restorative value and re-use value rather than disposing them as wastes, and organizing tender, invitation of tender, auction etc for centralized disposal of materials without restorative and re-use value based on the types, volumes, and usable value of the waste materials, to reduce the impact of the generation of wastes and the improper disposal of wastes on the environment.

There are three methods for treatment of wastes produced in the wind power business: for valuable scrapped parts, they are treated on a centralized basis pursuant to the "Production Waste Materials Disposal Management Measures"; for valuable wastes such as packing boxes for parts, they are delivered to the original parts suppliers for proper treatment; for valueless wastes, they are processed at the local waste treatment points. Due to the special nature of the wind power business, there are few solid wastes generated during the production process, and the wind farms are widely dispersed in various areas. So, there are various methods for treatment of wastes, which lead to high cost of statistics compilation. Although there are corresponding management measures, no quantitative statistics of the wastes with regard to the wind power business are conducted.

Liquid wastes are generated in the natural gas business during the operation, and will be collected and treated by qualified companies. During the reporting period, the compressors in Hebei Natural Gas generated 8.5 tons of liquid waste and 0.7 tons of waste oil, which were treated safely.

## Ecological protection

As a company primarily engaged in the production of clean energy and supply of natural gas, the Group has made little negative impact on the ecological environment during its operation period. During the reporting period, there was no event involving any breach of environmental laws. In order to further enhance the management level of internal environment, Hebei Natural Gas formulated the "Environmental Protection Management Measures", and passed the integrated certification of ISO9001, ISO14001 and OHSAS18001. In 2014, the environmental protection investment budget of the Group was RMB47.7883 million.

Since the Group is in the business expansion phase, the Group had a large number of projects under construction during the reporting period. The Group evaluated the impact all projects on the environment at each stage, submitted environmental protection evaluation reports, and obtained approvals from the relevant PRC related departments at all levels pursuant to the PRC relevant environmental protection regulations. Regarding the environmental impact during the construction phase, the Group strictly implemented the environment quality and pollutant discharge standards such as the "Ground Surface Water Environment Quality Standards", the "Environment Air Quality Standards", the "Acoustic Environment Quality Standards", the "Environmental Noise Discharge Standards for Industrial Companies and Plants", the "Environmental Noise Discharge Standards for Building Construction Sites" and the "General Industrial Solid Waste, Storage, Disposal Site Pollution Control Standards"; clearly identified construction area and prohibited for destroying the vegetation outside the construction area; reasonably arranged the order of construction and tried to make the digging, installation bit by bit, and re-filling of the site in a timely manner so as to reduce the disturbance to the land; leveled the land after the construction, and restored the vegetation damaged during the temporary occupation period by making plantation of forest and spreading grass seeds, so as to minimize the impact on the ecological environment during the construction phase of the projects.

## PRODUCTS AND SERVICES

Due to the special features of its products, the Group is not involved in problems related to product quality. For client complaints and feedback information, Hebei Natural Gas set up the "Client Complaint Handling Procedures" based on its OA system, standardizing the client complaint handling mechanism and the duties of the related positions. In 2014, Hebei Natural Gas received a total of 24 complaint phone calls from resident clients and no complaint phone calls was received from non-resident clients. All the complaints were filed for formulating targeted rectification measures.

In 2012, Hebei Natural Gas formulated the "Client Satisfaction Survey Management Measures" to conduct satisfaction survey with resident clients and non-resident clients through telephone, mail and fax. The scope covered routine visit, complaint visit, repair service follow-up, random inspection of users etc. Among them, a 100% visit rate was required for complaint and repair services. The data were used to generate the monthly "Breakdown of Statistics on Resident Client Satisfaction Survey" and "Analysis Report on Resident Client Satisfaction Survey", and the assessment of each subsidiary was carried out each year. In 2014, the satisfaction rate of non-resident clients was 100%, while the satification rate of resident clients was 99.21%.

With regard to client information, Hebei Natural Gas published the "Detailed Rules for the Management of Client Files", which gave detailed definitions of the client information standardization and storage method. There were specific confidentiality provisions imposed on employees with access to client files to prevent the leakage of client information.

## SUPPLY CHAIN MANAGEMENT

The Group standardized the procedures for procurement from its suppliers by formulating the measures such as the "Materials Procurement Management Measures" and the "Project Tendering Management Measures" based on the "Tender and Bidding Law of the People's Republic of China", "Implementation Regulations of the Tender and Bidding Law of the People's Republic of China" and other relevant laws and regulations. In the course of reviewing the qualifications of suppliers, the Group requires the suppliers to provide ISO 14001 certification documents, and conducts on-site audits on suppliers which are included in our supplier list for the first time to ensure their compliance in product quality, environmental protection and work environment.

As the environmental, social and governance risks are not high in the regions where the suppliers of the Group are located, their impacts on the supply management of the Group will be relatively low.

Geographical distribution of suppliers:

| Region | Suntien Headquarters and other second-tier subsidiaries (Number) | HECIC New-energy (Number) | Hebei Natural Gas (Number) |
|---|---|---|---|
| China | 45 | 7 | 118 |
| North America | 1 | 1 | 0 |
| Europe | 2 | 2 | 0 |

## ANTI-CORRUPTION

The Group attaches great importance to the construction of a clean administration, and firmly opposes to all forms of corrupt behaviors. By promulgating the policies and the relevant management measures such as the "Management Measures for the Work of Supervisors for Construction of an Honest Party and a Clean Government (Pilot)", the "Interim Measures for the Implementation of the Responsibilty System for Construction of an Honest Party and a Clean Government", the "Management Measures for the Prevention of Business Corruption (Pilot)", and the "Implementation Measures for the Knowledge Examination of Disciplinary Regulations of Leaders of Companies to be Promoted", the Group has incorporated the construction of a clean government into its annual evaluation system, classified and assessed the risk levels of integrity, and established integrity risk reminders, alerts and education prevention mechanism. The Group has also created the position of supervisor in each company to receive, reflect and deliver the opinions of the public, conducted investigation and study on the special topic of construction of an honest party and a clean government, supervised the integrity and self-discipline status of leaders and employees, and gave comments, opinions and suggestions in respect of the problems identified.

The Group focused on supervision and monitoring of the project construction during the reporting period, conducted an efficient monitoring of the payment of the Ruojiang Wind Power Project in Xinjiang, rectified the problems identified in a timely manner and followed up and verified them throughout the whole process to ensure that the rectifications take effect.

In order to ensure that the letters, personal visits, reports, prosecutions and complaints of the public can be treated in a timely, accurate and proper manner, the Group formulated the "Management Measures for the Work of Handling Reporting by Petition (Pilot)", and the "Procedures for Handling the Reporting Cases by Petition" based on the relevant requirements of the "Petition Regulation" of the State Council, the "Prosecution and Complaint Work Regulations of Chinese Communist Party Disciplinary Inspection Authority", and the "Reporting Work Measures of Monitoring Authority" of the Monitoring Department, set up petition channels including telephone and mail box to facilitate the whistleblowing and complaint of corruption and violation of disciplines and laws. The Group required Hebei Natural Gas and HECIC New-energy to formulate their respective management measures according to the requirements of the Group and with reference to the actual situation to implement the construction of an honest party and a clean government, as well as the work of anti-corruption at each level.

The Group enhanced the anti-corruption awareness of employees through various channels to maintain a healthy, fair and transparent business environment, including internal bribery reporting mail box, signing the "Commitment Letter of Prevention of Business Bribery", and anti-corruption education. During the reporting period, an aggregate 1,104 personnel joined the anti-corruption education programs, a total of 4,879 person-times were educated, and there was no law suit about anti-corruption or bribery occurred in the Group.

Distribution of employees' anti-corruption education

| | **Person-times of anti-corruption education participation** (Person-times) | **Average number of hours of anti-corruption education per person** (Hours/person) |
|---|---|---|
| Suntien headquarters and other second-tier subsidiaries | 395 | 8.74 |
| HECIC New-energy | 750 | 3.09 |
| Hebei Natural Gas | 3,734 | 6.38 |

## COMMUNITY

### Policy support

The Group and its subsidiaries actively participate in the preparation of industry plans, conduct various studies with the government, regulatory authorities, academic institutions and industrial organizations, and jointly promote the development of the industry and technological advancement.

During the reporting period, the planning report of the Chengde million-kilowatt wind power base phase 2 project that HECIC New-energy had participated in its preparation was approved by the State Energy Bureau, which was in good coordination with the Hebei Province "Thirteen Five-year Plan" energy planning preparation work. The Group was appointed by Xinjiang Bazhou government to prepare the plan for the Bazhou Ruojiang ten-million-kilowatt wind power base and the plan for the Bazhou wind zone project. At present, the drafts of the above two plans have been completed and submitted to the provincial development and reform commission for review and approval.

During the reporting period, HECIC New-energy applied for a national technological support plan project of "Study on the Optimized Operation of Wind Farm and Remote Maintenance Intelligent Monitoring and Control System", a major provincial technological support plan project of "Multiple Parameters Monitoring and Fault Diagnosis Centralized Control System for Wind Farm Equipment Group Based on Electric Designated Network", an international cooperation project of "Joint Research and Development of Renewable Energy under Yulai Industrial Loading Consumption and Distribution Methods" at provincial level, a provincial engineering and technological research center project of "Green Energy Engineering and Technological Research and Development Centre"; three projects of coordinated innovation work by the industry, academic and research sectors under the SASAC system, namely the "Large Scale Wind Farm Intelligent Operation, Maintenance System Study and Demonstration", "Intelligent Micro Electric Network Technology Connecting with the Renewable Energy in High Proportion to Meet Industrial Electric System" and "Fuel Battery Distributive Utilization Technology"; and a model enterprise for management innovation granted by the Industry and Information Technology Department of Hebei Province.

## Community involvement

The Group shows solicitude for children in rural areas, and mainly serves teenagers and children living in impoverished mountainous areas in its charitable activities. The Group actively contributes the power of love to offer any assistance as much as it can to meet the teenagers and children's economic and emotional needs. In 2014, based on a preliminary research and comparison and on-site investigation, the Group established a long-term relationship with Nanhaoting Primary School at Jingjing County in Shijiazhuang, Hebei, in carrying out diversified activities to help schools in the impoverished mountainous areas, thus showing moral care and concerns to the children while offering physical assistance. In addition, at the request of the Organization Department of Hebei Provincial Party Commission, the Group sent personnel to station in the the impoverished areas of Fengning County, Hebei Province to carry out poverty alleviation work and improve the rural development of impoverished areas that need assistance.

The Group has established the "Suntien Volunteer Team", formulated the "Prospectus of Suntien Volunteer Team", and called on its employees to actively participate in charitable projects. To ensure the transparency of the use of employees' donation, the Group has established a donation account that is managed by a special personnel and supervised by the audit and finance departments, the receipts and expenditures, and the use of which are published on the intranet regularly.

During the reporting period, employees of the Group voluntarily donated RMB28,220, and volunteers of the Group devoted a total of 556 service hours.

## Impact on the local residents

The natural gas business of the Group involves the construction of city gas facilities. However, the Group minimizes the impact of the construction on the local residents through the strict control over construction time, compensation for temporary occupation of lands and setting up of safety signs. Wind farms of the wind power business are basically built in sparsely populated remote areas with low population density, and the lands occupied by the wind farms are mostly not suitable for agriculture. Therefore, it will basically not have any significant impact on the life of the local residents. In the cases where lands were occupied, the Group made compensation to the residents affected according to the relevant policies of the State. For those who really considered that their lives were affected or disagreed with the compensation, the Group also provided the communication channel of petition to facilitate the local residents to reflect their situation and to make proposals or requests by phone or mail so as to solve the problems. During the operation, Hebei Natural Gas enhances residents' safety awareness through activities, such as inspection, safety education, visit and propaganda.

The Group also provides job opportunities while conducting its business. The roads constructed to access wind farms for the wind power business play a great role in improving the local transportation conditions, and provide convenient access to the local villagers, which indirectly improve the quality of life of the local residents. During the reporting period, the Group created 1,327 jobs for local areas.

# Report of the Board of Supervisors

## 1. COMPOSITION OF THE BOARD OF SUPERVISORS

During the reporting period, the Company convened an employee representative meeting on 6 March 2014, at which Ms. Ma Hui was elected as employee representative supervisor of the second session of the Board of Supervisors, and her term of office commenced on 6 June 2014 and end at the expiry of the term of second session of the Board of Supensiours. At the annual general meeting on 6 June 2014, Mr. Xiao Yan Zhao was appointed as independent supervisor of the Company. At the extraordinary general meeting held on 17 October 2014, Professor Yao Chang Hui was appointed as an independent supervisor of the Company (Professor Yao resigned as an independent supervisor of the Company on 1 December 2014 due to his desire to devote more time to his other work commitments). The second session of the Board of Supervisors was then formed by these five supervisors.

For the year ended 31 December 2014, the composition of the second session of the Board of Supervisors was as follows:

| Name | Age | Position | Date of Appointment | Term of office |
|---|---|---|---|---|
| Yang Hong Chi | 58 | Chairman of the Board of Supervisors | 6 June 2013 | 3 years |
| Liu Jin Hai | 42 | Supervisor | 6 June 2013 | 3 years |
| Qiao Guo Jie | 52 | Employee representative supervisor | 6 June 2013 | 3 years |
| Ma Hui (1) | 52 | Employee representative supervisor | 6 June 2014 | Until expiration of the term of the second session of the Board of Supervisors |
| Xiao Yan Zhao (2) | 41 | Independent supervisor | 6 June 2014 | Until expiration of the term of the second session of the Board of Supervisors |
| Yao Chang Hui (3) | 50 | Independent supervisor | 17 October 2014 | 17 October 2014 to 1 December 2014 |

Note: (1) Ms. Ma Hui was elected as an employee representative supervisor of the Company at the employee representative meeting of the Company held on 6 March 2014, and her term of office commenced on 6 June 2014 and end at the expiry of the term of second session of the Board of Supervisors.

(2) Mr. Xiao Yan Zhao was appointed as an independent supervisor of the Company at the annual general meeting held on 6 June 2014.

(3) Professor Yao Chang Hui was appointed as an independent supervisor of the Company at the extraordinary general meeting held on 17 October 2014, and resigned on 1 December 2014.

## 2. MEETINGS CONVENED BY THE BOARD OF SUPERVISORS

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

1. The second meeting of the second session of the Board of Supervisors was held on 24 March 2014, at which the "Report on the Final Accounts of the Company for 2013", the "Financial Budget for 2014", the "Resolution Regarding the Profit Distribution Plan for 2013", the "Resolution Regarding the Audited Financial Statements for 2013", the "Resolution Regarding the Provision for Asset Impairment for HECIC New-energy Co., Ltd. and Hebei Natural Gas Company Ltd.", the "Resolution Regarding the Consideration and Approval of the 2013 Annual Report and Results Announcement", the "Resolution Regarding the Consideration and Approval of Qualifications for Independent Supervisors of the Company" and the "Resolution Regarding the Appointment of Supervisors of the Company and the Determination of their Remuneration" were considered and approved.

2. The third meeting of the second session of the Board of Supervisors was held on 28 August 2014, at which the "Interim Work Report of the President for 2014", the "Resolution Regarding the Consideration and Approval of the Interim Results Announcement and Report as at 30 June 2014" and the "Resolution Regarding the Appointment of Independent Supervisors of the Company" 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 shareholders' 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 violate laws and regulations or fall beyond its 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, and 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, are 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.

**Yang Hong Chi**
*Chairman of the Board of Supervisors*

Shijiazhuang, PRC, 24 March 2015

# 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**
*(Established 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 81 to 190, which comprise the consolidated and the company statements of financial position as at 31 December 2014, 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**
*(Established 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 2014, 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 2015

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

| | Notes | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **REVENUE** | 5 | 5,149,432 | 4,660,919 |
| Cost of sales | 6 | (3,853,539) | (3,201,802) |
| Gross profit | | 1,295,893 | 1,459,117 |
| Other income and gains, net | 5 | 56,118 | 31,079 |
| Selling and distribution expenses | | (388) | (1,060) |
| Administrative expenses | | (255,441) | (238,549) |
| Other expenses | | (3,631) | (34,305) |
| **PROFIT FROM OPERATIONS** | | 1,092,551 | 1,216,282 |
| Finance costs | 7 | (486,643) | (423,890) |
| Share of profits of associates | | 68,703 | 39,912 |
| **PROFIT BEFORE TAX** | 6 | 674,611 | 832,304 |
| Income tax expense | 9 | (176,281) | (157,502) |
| **PROFIT FOR THE YEAR** | | 498,330 | 674,802 |
| Attributable to: | | | |
| Owners of the Company | | 335,053 | 459,516 |
| Non-controlling interests | | 163,277 | 215,286 |
| | | 498,330 | 674,802 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 498,330 | 674,802 |
| Total comprehensive income for: | | | |
| Owners of the Company | | 335,053 | 459,516 |
| Non-controlling interests | | 163,277 | 215,286 |
| | | 498,330 | 674,802 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | | | |
| Basic (RMB) | 12 | RMB9.11 cents | RMB14.19 cents |
| Diluted (RMB) | 12 | RMB9.11 cents | RMB14.19 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 2014

| | Notes | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 13 | 11,731,130 | 10,180,269 |
| Investment properties | 14 | 16,769 | – |
| Prepaid land lease payments | 15 | 255,517 | 214,361 |
| Goodwill | 16 | 34,846 | 9,215 |
| Intangible assets | 17 | 2,162,757 | 2,247,034 |
| Investments in associates | 19 | 923,868 | 893,795 |
| Investment in a joint venture | 20 | 60,000 | 60,000 |
| Held-to-maturity investments | 21 | 7,500 | 7,500 |
| Available-for-sale investments | 22 | 103,400 | 53,400 |
| Deferred tax assets | 23 | 4,432 | 3,730 |
| Prepayments and other receivables | 26 | 978,856 | 621,940 |
| Total non-current assets | | 16,279,075 | 14,291,244 |
| **CURRENT ASSETS** | | | |
| Prepaid land lease payments | 15 | 7,657 | 6,631 |
| Inventories | 24 | 43,108 | 42,608 |
| Trade and bills receivables | 25 | 1,401,705 | 845,684 |
| Prepayments, deposits and other receivables | 26 | 450,994 | 408,166 |
| Available-for-sale investments | 22 | 230,000 | 150,000 |
| Pledged deposits | 27 | 30,397 | 64 |
| Cash and cash equivalents | 27 | 3,167,419 | 1,669,590 |
| Total current assets | | 5,331,280 | 3,122,743 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | 28 | 437,247 | 223,689 |
| Other payables and accruals | 29 | 1,310,888 | 1,122,273 |
| Interest-bearing bank and other borrowings | 30 | 1,729,938 | 1,358,970 |
| Tax payable | | 52,464 | 39,351 |
| Derivative financial instrument | | 364 | – |
| Total current liabilities | | 3,530,901 | 2,744,283 |
| **NET CURRENT ASSETS** | | 1,800,379 | 378,460 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 18,079,454 | 14,669,704 |

continued/...

# Consolidated Statement of Financial Position

31 December 2014

| | Notes | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|---|
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 18,079,454 | 14,669,704 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | *30* | 9,296,055 | 7,544,587 |
| Other payables and accruals | *29* | 21,007 | 18,552 |
| Total non-current liabilities | | 9,317,062 | 7,563,139 |
| Net assets | | 8,762,392 | 7,106,565 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued share capital | *31* | 3,715,160 | 3,238,435 |
| Reserves | *32(a)* | 3,529,244 | 2,556,248 |
| Proposed final dividend | *11* | 115,170 | 170,897 |
| | | 7,359,574 | 5,965,580 |
| **Non-controlling interests** | | 1,402,818 | 1,140,985 |
| Total equity | | 8,762,392 | 7,106,565 |

*Director*
**Cao Xin**

*Director*
**Gao Qing Yu**

# Consolidated Statement of Changes in Equity

Year ended 31 December 2014

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (note 31) | Capital reserve RMB'000 | Reserve funds RMB'000 (note 32(a)) | Retained profits RMB'000 | Proposed dividend RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **As at 1 January 2014** | 3,238,435 | 1,381,282 | 99,657 | 1,075,309 | 170,897 | 5,965,580 | 1,140,985 | 7,106,565 |
| Profit for the year | – | – | – | 335,053 | – | 335,053 | 163,277 | 498,330 |
| Total comprehensive income for the year | – | – | – | 335,053 | – | 335,053 | 163,277 | 498,330 |
| Final 2013 dividend declared (note 11(b)) | – | – | – | – | (170,897) | (170,897) | – | (170,897) |
| Dividends declared to non-controlling shareholders | – | – | – | – | – | – | (195,319) | (195,319) |
| Issue of new H shares (note 31) | 476,725 | 752,555 | – | – | – | 1,229,280 | – | 1,229,280 |
| Contributions by non-controlling shareholders | – | 558 | – | – | – | 558 | 257,207 | 257,765 |
| Acquisition of subsidiaries (note 33) | – | – | – | – | – | – | 36,668 | 36,668 |
| Proposed final 2014 dividend (note 11(c)) | – | – | – | (115,170) | 115,170 | – | – | – |
| Transfer from retained profits | – | – | 37,970 | (37,970) | – | – | – | – |
| **As at 31 December 2014** | 3,715,160 | 2,134,395* | 137,627* | 1,257,222* | 115,170 | 7,359,574 | 1,402,818 | 8,762,392 |
| **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 |
| Total comprehensive income for the year | – | – | – | 459,516 | – | 459,516 | 215,286 | 674,802 |
| Final 2012 dividend declared (note 11(a)) | – | – | – | – | (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(b)) | – | – | – | (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 |

* These reserve accounts comprise the consolidated other reserves of RMB3,529,244,000 (31 December 2013: RMB2,556,248,000) in the consolidated statement of financial position as at 31 December 2014.

# Consolidated Statement of Cash Flows

Year ended 31 December 2014

| | Notes | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | 674,611 | 832,304 |
| Adjustments for: | | | |
| Finance costs | *7* | 486,643 | 423,890 |
| Foreign exchange gain, net | *5* | (7,161) | (153) |
| Interest income | *5* | (31,045) | (9,044) |
| Fair value loss, net | | | |
| Derivative instruments-transactions not qualifying as hedges | | 364 | – |
| Share of profits of associates | | (68,703) | (39,912) |
| Gain from held-to-maturity investments | *5* | (492) | (493) |
| Gain from available-for-sale investments | *5* | (3,061) | (11,152) |
| Gain from derivative instrument | *5* | (4,610) | – |
| Depreciation of items of property, plant and equipment | *6* | 486,879 | 440,904 |
| Depreciation of items of investment properties | *6* | 61 | – |
| Amortisation of prepaid land lease payments | *6* | 6,958 | 6,327 |
| Amortisation of intangible assets | *6* | 103,631 | 103,156 |
| Loss on disposal of items of property, plant and equipment, net | *6* | 4 | 523 |
| Impairment of trade receivables | *6* | 2,807 | 33,776 |
| | | 1,646,886 | 1,780,126 |
| Increase in inventories | | (132) | (12,649) |
| Increase in trade and bills receivables | | (770,631) | (389,828) |
| Decrease in prepayments, deposits and other receivables | | 93,112 | 218,636 |
| Increase in trade and bills payables | | 80,068 | 26,441 |
| Increase in other payables and accruals | | 52 | 110,436 |
| Cash generated from operations | | 1,049,355 | 1,733,162 |
| Income tax paid | | (163,870) | (136,134) |
| Net cash flows from operating activities | | 885,485 | 1,597,028 |

continued/…

# Consolidated Statement of Cash Flows

Year ended 31 December 2014

| | Notes | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for acquisition of items of property, plant and equipment | | (1,845,018) | (1,192,016) |
| Payments for acquisition of prepaid land lease payments | | (3,358) | (5,468) |
| Payments for acquisition of intangible assets | | (2,807) | (2,281) |
| Proceeds from disposal of items of property, plant and equipment | | 1,067 | 184 |
| Capital contributions to a joint venture | | – | (60,000) |
| Capital contributions to an associate | | – | (3,280) |
| Payments for acquisition of subsidiaries | 33 | (21,345) | – |
| Payments for acquisition of available-for-sale investments | | (230,000) | (1,274,000) |
| Prepayment for long term investment | | (51,945) | – |
| Proceeds from settlement of available-for-sale investments | | 100,000 | 1,007,000 |
| Gain from held-to-maturity investments | 5 | 492 | 493 |
| Gain from available-for-sale investments | 5 | 3,061 | 11,152 |
| Gain from a derivative financial instrument | 5 | 4,610 | – |
| (Increase)/decrease in non-pledged time deposits with original maturity of more than three months when acquired | | (328,390) | 143,264 |
| Increase in restricted bank balance and time deposits | | (30,333) | – |
| Dividends received from associates | | 39,643 | 95,860 |
| Interest received | 5 | 31,045 | 9,044 |
| Net cash flows used in investing activities | | (2,333,278) | (1,270,048) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of new H shares | | 1,255,584 | – |
| New H shares issuance expenses | | (26,304) | – |
| Capital contributions by non-controlling shareholders | | 110,840 | 66,840 |
| New bank and other borrowings | | 3,829,796 | 2,371,852 |
| Repayment of bank and other borrowings | | (1,762,606) | (973,737) |
| Interest paid | | (565,560) | (487,214) |
| Dividends paid to non-controlling shareholders | | (60,622) | (184,493) |
| Dividend paid to owners of the Company | | (170,897) | (64,769) |
| Net cash flows from financing activities | | 2,610,231 | 728,479 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | 1,162,438 | 1,055,459 |
| Cash and cash equivalents at beginning of year | | 1,669,590 | 614,496 |
| Effect of exchange rate changes on cash and cash equivalents | | 7,001 | (365) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 27 | 2,839,029 | 1,669,590 |

# Statement of Financial Position

31 December 2014

| | Notes | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *13* | 20,754 | 35,606 |
| Intangible assets | *17* | 702 | 410 |
| Investments in subsidiaries | *18* | 4,943,326 | 4,028,626 |
| Investment in a joint venture | *20* | 60,000 | 60,000 |
| Available-for-sale investments | *22* | 100,000 | 50,000 |
| Prepayments and other receivables | *26* | 1,996,892 | 1,992,789 |
| Total non-current assets | | 7,121,674 | 6,167,431 |
| **CURRENT ASSETS** | | | |
| Prepayments, deposits and other receivables | *26* | 1,581,176 | 1,777,148 |
| Available-for-sale investments | *22* | 230,000 | 150,000 |
| Cash and cash equivalents | *27* | 1,175,875 | 584,299 |
| Total current assets | | 2,987,051 | 2,511,447 |
| **CURRENT LIABILITIES** | | | |
| Other payables and accruals | *29* | 54,320 | 643,284 |
| Interest-bearing bank loans | *30* | 125,600 | 300,000 |
| Tax payable | | 7,894 | 1,632 |
| Derivative financial instrument | | 364 | – |
| Total current liabilities | | 188,178 | 944,916 |
| **NET CURRENT ASSETS** | | 2,798,873 | 1,566,531 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 9,920,547 | 7,733,962 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | *30* | 3,141,292 | 2,392,789 |
| Total non-current liabilities | | 3,141,292 | 2,392,789 |
| Net assets | | 6,779,255 | 5,341,173 |
| **EQUITY** | | | |
| Issued share capital | *31* | 3,715,160 | 3,238,435 |
| Reserves | *32(b)* | 2,948,925 | 1,931,841 |
| Proposed final dividend | *11* | 115,170 | 170,897 |
| Total equity | | 6,779,255 | 5,341,173 |

| *Director* | *Director* |
|---|---|
| **Cao Xin** | **Gao Qing Yu** |

# Notes to Financial Statements

31 December 2014

## 1. CORPORATE INFORMATION

China Suntien Green Energy Corporation Limited (the "Company") was established as a joint stock company with limited liability on 9 February 2010 in the PRC. 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's H shares were issued and listed on the main board of The Stock Exchange of Hong Kong Limited ("The Hong Kong Stock Exchange") in the last quarter of 2010.

On 28 January 2014, the Company issued additional 476,725,396 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 from the issuance amounted to RMB1,229,280,000. The registered capital of the Company increased from RMB3,238,435,000 to RMB3,715,160,396, accordingly, upon completion of the issue of the new shares.

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 the connection and construction of natural gas pipelines.

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

## 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. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. They have been prepared under the historical cost convention, except for held-to-maturity investments and derivative financial instruments which have been measured at fair value. 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 2014. 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.

## 2.1 BASIS OF PRESENTATION (continued)

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 revised IFRSs and new interpretation for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to IFRS 10, IFRS 12 and IAS 27 | *Investment Entities* |
| Amendments to IAS 32 | *Offsetting Financial Assets and Financial Liabilities* |
| Amendments to IAS 36 | *Recoverable Amount Disclosures for Non-Financial Assets* |
| Amendments to IAS 39 | *Novation of Derivatives and Continuation of Hedge Accounting* |
| IFRIC 21 | *Levies* |
| Amendment to IFRS 2 included in *Annual Improvements 2010-2012 Cycle* | *Definition of Vesting Condition*[1] |
| Amendment to IFRS 3 included in *Annual Improvements 2010-2012 Cycle* | *Accounting for Contingent Consideration in a Business Combination*[1] |
| Amendment to IFRS 13 included in *Annual Improvements 2010-2012 Cycle* | *Short-term Receivables and Payables* |
| Amendment to IFRS 1 included in *Annual Improvements 2011-2013 Cycle* | *Meaning of Effective IFRSs* |

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Except for the amendment to IFRS 1 which is only relevant to an entity's first IFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to IFRS 10 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 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27. The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.

(b) 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 have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets which for the levies incurred by the Group are consistent with the requirements of IFRIC 21.

(e) The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(f) The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has had no impact on the Group.

(g) The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

## 2.3 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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* [4] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2] |
| Amendments to IFRS 11 | *Accounting for Acquisitions of Interests in Joint Operations*[2] |
| IFRS 14 | *Regulatory Deferral Accounts*[5] |
| IFRS 15 | *Revenue from Contracts with Customers*[3] |
| Amendments to IAS 16 and IAS 38 | *Clarification of Acceptable Methods of Depreciation and Amortisation*[2] |
| Amendments to IAS 16 and IAS 41 | *Agriculture: Bearer Plants*[2] |
| Amendments to IAS 19 | *Defined Benefit Plans: Employee Contributions*[1] |
| Amendments to IAS 27 | *Equity Method in Separate Financial Statements*[2] |
| *Annual Improvements 2010-2012 Cycle* | Amendments to a number of IFRSs[1] |
| *Annual Improvements 2011-2013 Cycle* | Amendments to a number of IFRSs[1] |
| *Annual Improvements 2012-2014 Cycle* | Amendments to a number of IFRSs[2] |

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

## 2.3 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

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

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

## 2.3 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group.

IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

## 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 Non-current Assets Held for Sale and Discontinued Operations are stated at cost less any impairment losses.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### 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 of 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Business combinations and goodwill (continued)

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.

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 operation disposed of 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Fair value measurement (continued)

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.

### 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 investment properties), 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 comprehensive income 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment properties

Investment properties are interests in buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and impairment losses.

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of investment properties. The estimated useful lives range from 30 years. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

### Intangible assets (other than goodwill)

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

*Office software*

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

*Operating concession*

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

*Exclusive rights of natural gas operations*

Exclusive rights of natural gas operations represent the right to sale and distribute of piped gas in certain cities and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the period of the exclusive rights of natural gas operations granted to the Group of 28-30 years.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### Investments and other financial assets

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (continued)

*Subsequent measurement*

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

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

*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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (continued)

*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.

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derecognition of financial assets (continued)

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.

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

### Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. 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 and all collateral has been realised or has been transferred to the Group.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of financial assets (continued)

*Financial assets carried at amortised cost (continued)*

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.

*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.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 and bills payables, other payables, derivative financial instruments and interest-bearing bank and other borrowings.

*Subsequent measurement*

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

*Financial liabilities at fair value through profit or loss*

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

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

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

*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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial liabilities (continued)

*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.

### Derivative financial instruments and hedge accounting

*Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derivative financial instruments and hedge accounting (continued)

*Initial recognition and subsequent measurement (continued)*

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

*Fair value hedges*

The change in the fair value of a hedging derivative is recognised in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derivative financial instruments and hedge accounting (continued)

*Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other expenses.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the statement of profit or loss in the same period or periods during which the asset acquired or liability assumed affects the statement of profit or loss.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

*Current versus non-current classification*

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Inventories

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

### Cash and cash equivalents

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

For the purpose of the 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 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income tax (continued)

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.

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance the entity will comply with the 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.

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 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

*(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.

*(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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Dividends

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

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

### Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates 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.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Employee benefits (continued)

*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.

### Judgements

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

*Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Judgements (continued)

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

A subsidiary of the Company (the "Subsidiary") and the Company 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 or the Company to have the power to govern the financial and operating activities of these companies according to the articles of association of these companies. According to the articles of association, the Subsidiary or the Company is the biggest equity owner of these companies and no other equity owners individually or in the aggregate have the power to control these companies. The Subsidiary or the Company signed, 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 or the Company. Such equity owners have also confirmed that the above-mentioned attendance and voting arrangements with the Subsidiary or the Company existed since the establishment of these companies or the Subsidiary or the Company 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 or the Company 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 2014 and 2013. Therefore, the financial statements of these companies are consolidated by the Company during the years ended 31 December 2014 and 2013.

### 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 2014 was RMB34,846,000 (31 December 2013: RMB9,215,000). Further details are given in note 16.

*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.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Estimation uncertainty (continued)

*Useful lives and residual values of items of property, plant and equipment (continued)*

The carrying amount of property, plant and equipment as at 31 December 2014 was approximately RMB11,731,130,000 (31 December 2013: RMB10,180,269,000). More details are given in note 13.

*Current income tax*

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

The carrying amount of tax payable as at 31 December 2014 was RMB52,464,000 (31 December 2013: RMB39,351,000).

*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 2014 was RMB4,432,000 (31 December 2013: RMB3,730,000). More details are given in note 23.

*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 2014 was RMB1,401,705,000 (31 December 2013: RMB845,684,000). More details are given in note 25.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Estimation uncertainty (continued)

*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 2014 was approximately RMB40,125,000 (31 December 2013: 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.

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 2014 and 2013.

**Year ended 31 December 2014**

| | Natural gas RMB'000 | Wind power and solar energy RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Segment revenue:** | | | |
| Sales to external customers | 3,903,393 | 1,246,039 | 5,149,432 |
| Intersegment sales | – | – | – |
| Total revenue | 3,903,393 | 1,246,039 | 5,149,432 |
| **Segment results** | 574,692 | 599,666 | 1,174,358 |
| Interest income | 2,613 | 5,079 | 7,692 |
| Finance costs | (77,253) | (409,262) | (486,515) |
| Income tax expense | (127,025) | (47,134) | (174,159) |
| Profit of segments for the year | 373,027 | 148,349 | 521,376 |
| Unallocated interest income | | | 23,353 |
| Unallocated interest expense | | | (128) |
| Corporate and other unallocated expenses | | | (44,149) |
| Unallocated income tax expense | | | (2,122) |
| Profit for the year | | | 498,330 |
| **Segment assets** | 4,277,644 | 15,595,609 | 19,873,253 |
| Corporate and other unallocated assets | | | 1,737,102 |
| Total assets | | | 21,610,355 |
| **Segment liabilities** | 2,535,531 | 10,274,113 | 12,809,644 |
| Corporate and other unallocated liabilities | | | 38,319 |
| Total liabilities | | | 12,847,963 |
| **Other segment information:** | | | |
| Impairment of trade receivables and other receivables | (2,807) | – | (2,807) |
| Depreciation and amortisation | (76,256) | (517,744) | (594,000) |
| Unallocated depreciation and amortisation | | | (3,529) |
| | | | (597,529) |
| Share of profits of associates | 29,009 | 39,694 | 68,703 |
| Investments in associates | 553,303 | 370,565 | 923,868 |
| Investment in a joint venture | 60,000 | – | 60,000 |
| Capital expenditure * | 477,211 | 1,968,788 | 2,445,999 |
| Unallocated capital expenditure * | | | 1,579 |
| | | | 2,447,578 |

## 4. OPERATING SEGMENT INFORMATION (continued)

**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 | 523,280 | 370,515 | 893,795 |
| 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 |

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 2014, revenue generated from sales to one of the Group's customers in the wind power segment amounting to RMB643,781,000 (2013: RMB764,965,000) 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:

| | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|
| **Revenue** | | |
| Sales of natural gas | 3,718,367 | 3,207,119 |
| Sales of electricity | 1,239,892 | 1,327,503 |
| Construction and connection of natural gas pipelines | 127,383 | 71,600 |
| Natural gas transportation revenue and others | 57,643 | 48,745 |
| Wind power services | 6,147 | 5,952 |
| | 5,149,432 | 4,660,919 |
| **Other income and gains, net** | | |
| CERs income, net | – | 2,645 |
| Value-added tax refunds | 7,071 | 6,258 |
| Bank interest income | 31,045 | 9,044 |
| Gain from held-to-maturity investments | 492 | 493 |
| Gain from available-for-sale investments | 3,061 | 11,152 |
| Gain from derivative instrument | 4,610 | – |
| Foreign exchange gain, net | 7,161 | 153 |
| Others | 2,678 | 1,334 |
| | 56,118 | 31,079 |

## 6. PROFIT BEFORE TAX

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

| | Notes | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| Cost of goods sold | | 3,783,516 | 3,161,408 |
| Cost of services rendered | | 70,023 | 40,394 |
| Total cost of sales | | 3,853,539 | 3,201,802 |
| Depreciation of items of property, plant and equipment (note (a)) | 13 | 486,879 | 440,904 |
| Depreciation of items of investment properties | 14 | 61 | – |
| Amortisation of prepaid land lease payments | 15 | 6,958 | 6,327 |
| Amortisation of intangible assets | 17 | 103,631 | 103,156 |
| Total depreciation and amortisation | | 597,529 | 550,387 |
| Minimum lease payments under operating leases of land and buildings | | 8,023 | 9,365 |
| Auditors' remuneration | | 3,675 | 3,154 |
| Employee benefit expenses (including directors', supervisors' and chief executive's remuneration): | | | |
| Wages, salaries and allowances | | 143,539 | 127,726 |
| Pension scheme contributions (defined contribution schemes) (note (b)) | | 14,268 | 12,288 |
| Welfare and other expenses | | 57,260 | 50,972 |
| | | 215,067 | 190,986 |
| Gain from held-to-maturity investments | | (492) | (493) |
| Gain from available-for-sale investments | | (3,061) | (11,152) |
| Gain from derivative instrument | | (4,610) | – |
| Loss on disposal of items of property, plant and equipment, net | | 4 | 523 |
| Foreign exchange gain, net | | (7,161) | (153) |
| Impairment of trade receivables | 25 | 2,807 | 33,776 |
| Rental income on investment properties | | (67) | – |

Notes:

(a) Depreciation of approximately RMB458,481,000 (2013: RMB412,574,000) is included in the cost of sales on the face of the consolidated statement of comprehensive income for the year ended 31 December 2014.

(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 2014 and 2013, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

## 7. FINANCE COSTS

| | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|
| Interest on bank loans and other borrowings wholly repayable within five years | **422,771** | 373,245 |
| Interest on bank loans and other borrowings wholly repayable beyond five years | **163,634** | 119,169 |
| Total interest expense | **586,405** | 492,414 |
| Less: Interest capitalised to items of property, plant and equipment (note 13) | **(99,762)** | (68,524) |
| | **486,643** | 423,890 |

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

| | 2014 | 2013 |
|---|---|---|
| Capitalisation rates | **5.6%-6.7%** | 5.4%-6.7% |

## 8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'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 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap 32), is as follows:

| | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|
| Fees | **336** | 320 |
| Other emoluments: | | |
| – Salaries, allowances and benefits in kind | **1,436** | 1,913 |
| – Performance-related bonuses | **1,288** | 981 |
| – Pension scheme contributions (defined contribution scheme) | **370** | 561 |
| | **3,430** | 3,775 |

## 8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'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 2014 and 2013 are as follows:

**2014**

| | 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) | – | – | – | – | – |
| Mr. Zhao Hui(i) | – | – | – | – | – |
| Mr. Gao Qing Yu (Chief executive) | – | 404 | 305 | 55 | 764 |
| Mr. Wang Hong Jun | – | 467 | 255 | 159 | 881 |
| | – | 871 | 560 | 214 | 1,645 |
| **Non-executive directors** | | | | | |
| Dr. Cao Xin (Chairman)(i) | – | – | 176 | – | 176 |
| Mr. Zhao Hui(i) | – | – | 214 | – | 214 |
| Mr. Zhao Hui Ning(ii) | – | – | – | – | – |
| Mr. Xiao Gang(ii) | – | – | – | – | – |
| Mr. Ma Guo Qing(ii) | – | – | – | – | – |
| Dr. Liu Zheng(iii) | – | – | – | – | – |
| Mr. Qin Gang(iii) | – | – | – | – | – |
| | – | – | 390 | – | 390 |
| **Independent non-executive directors** | | | | | |
| Mr. Qin Hai Yan | 79 | – | – | – | 79 |
| Mr. Ding Jun | 79 | – | – | – | 79 |
| Mr. Wang Xiang Jun | 79 | – | – | – | 79 |
| Mr. Yue Man Yiu, Matthew | 79 | – | – | – | 79 |
| | 316 | – | – | – | 316 |

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

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

**2014 (continued)**

| | 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 |
|---|---|---|---|---|---|
| **Supervisors** | | | | | |
| Mr. Yang Hong Chi | – | – | – | – | – |
| Mr. Qiao Guo Jie | – | 406 | 262 | 126 | 794 |
| Mr. Liu Jin Hai | – | – | – | – | – |
| Ms. Ma Hui (iv) | – | 159 | 76 | 30 | 265 |
| | – | 565 | 338 | 156 | 1,059 |
| **Independent supervisors** | | | | | |
| Prof. Yao Chang Hui (iii) | – | – | – | – | – |
| Mr. Xiao Yan Zhao (iv) | 20 | – | – | – | 20 |
| | 20 | – | – | – | 20 |
| | 336 | 1,436 | 1,288 | 370 | 3,430 |

(i) On 24 March 2014, Dr. Cao Xin and Mr. Zhao Hui resigned as executive directors of the Company and was designated as non-executive directors of the Company, respectively, with effect from 24 March 2014.

(ii) Mr. Xiao Gang, Mr. Zhao Hui Ning and Mr. Ma Guo Qing resigned as non-executive directors of the Company, respectively, with effect from 2 September 2014, 17 October 2014 and 17 October 2014.

(iii) Dr. Liu Zheng, Mr. Qin Gang and Prof. Yao Chang Hui were designated as a non-executive director, a non-executive director and an independent supervisor of the Company, respectively, with effect from 17 October 2014. Prof. Yao Chang Hui resigned as an independent supervisor of the Company with effect from 1 December 2014.

(iv) Mr. Xiao Yan Zhao and Ms. Ma Hui were designated as an independent supervisor and a supervisor of the Company, respectively, with effect from 6 June 2014.

(v) Ms. Sun Min was designated as a non-executive director of the Company with effect from 27 January 2015.

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

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

**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) | – | 399 | 253 | 129 | 781 |
| Mr. Gao Qing Yu (Chief executive) | – | 382 | 182 | 77 | 641 |
| Mr. Zhao Hui | – | 300 | 182 | 107 | 589 |
| Mr. Sun Xin Tian | – | 128 | 182 | 30 | 340 |
| Mr. Wang Hong Jun | – | 258 | – | 73 | 331 |
| | – | 1,467 | 799 | 416 | 2,682 |
| **Non-executive directors** | | | | | |
| Dr. Li Lian Ping (former Chairman) | – | – | – | – | – |
| Dr. Cao Xin (Chairman) | – | 70 | – | 26 | 96 |
| Mr. Zhao Hui Ning | – | – | – | – | – |
| Mr. Xiao Gang | – | – | – | – | – |
| Mr. Ma Guo Qing | – | – | – | – | – |
| Mr Zhao Hui | – | – | – | – | – |
| | – | 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 | – | – | – | – | – |
| Mr. Liu Jin Hai | – | – | – | – | – |
| | – | 376 | 182 | 119 | 677 |
| | 320 | 1,913 | 981 | 561 | 3,775 |

Directors and supervisors who received no emoluments for the years ended 31 December 2014 and 2013 did not receive any remuneration for their services in the respective capacities as Directors and supervisors during those years.

## 8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'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:

| | 2014 | 2013 |
|---|---|---|
| Directors and a supervisor | 3 | 3 |
| Non-director and non-supervisor employees | 2 | 2 |
| | 5 | 5 |

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

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | 711 | 775 |
| Performance-related bonuses | 545 | 373 |
| Pension scheme contributions | 106 | 134 |
| | 1,362 | 1,282 |

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

| | 2014 | 2013 |
|---|---|---|
| Nil to HK$1,000,000 | 2 | 2 |

During the years ended 31 December 2014 and 2013, 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

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 years generating operating income (the "3+3 tax holiday"). As at 31 December 2014, 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 2014 and 2013.

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 2014 and 2013.

| | **2014** | 2013 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Current income tax – Mainland China | **176,983** | 161,032 |
| Deferred income tax (note 23) | **(702)** | (3,530) |
| Tax charge for the year | **176,281** | 157,502 |

## 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:

| | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|
| Profit before tax | **674,611** | 832,304 |
| Income tax charge at the statutory income tax rate of 25% | **168,653** | 208,076 |
| Effect of tax exemption for specific locations or enacted by local authorities | **(33,269)** | (56,231) |
| Adjustment of current income tax of previous periods (note) | **38,318** | – |
| Tax effect of share of profits of associates | **(17,176)** | (9,978) |
| Non-taxable income | **(205)** | (119) |
| Expenses not deductible for tax | **5,401** | 10,370 |
| Tax losses not recognised | **14,851** | 6,679 |
| Tax losses utilised from previous periods | **(292)** | (1,295) |
| Tax charge for the year at the effective rate | **176,281** | 157,502 |

Note: Pursuant to Announcement on Corporate Income Tax Policies (河北省國家税務局關於企業所得税若干政策問題的公告) issued on 9 April 2014, CERs income shall be subject to income tax at a tax rate of 25%. Additionally, local tax bureaus clarified that value-added tax refunds shall also be subject to income tax at a tax rate of 25%. Consequently, certain entities of the Group, which were entitled to the 3+3 tax holiday, have provided for income tax for CERs income and value-added tax refunds recognised in their respective 3+3 tax holidays during the current year.

## 10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2014 includes a profit of RMB379,699,000 (2013: RMB378,785,000) which has been dealt with in the financial statements of the Company (note 32(b)).

## 11. DIVIDENDS

The dividends for the year are set out below:

| | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|
| Dividends: | | |
| Declared: | | |
| – Final 2012 dividend (note (a)) | – | 64,769 |
| – Final 2013 dividend (note (b)) | **170,897** | – |
| | **170,897** | 64,769 |
| Proposed: | | |
| – Final dividend – RMB3.1 cents (2013: RMB4.6 cents) per share (note (c)) | **115,170** | 170,897 |

Notes:

(a) 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.

(b) At the annual general meeting held on 6 June 2014, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2013 of RMB0.046 per share, which amounted to RMB170,897,000 and was settled in full in July 2014.

(c) The Board of Directors of the Company proposed, on 24 March 2015, the payment of a final dividend of RMB0.031 per share in respect of the year ended 31 December 2014, based on the enlarged issued share capital of the Company of 3,715,160,396 shares. The proposed final dividend is subject the approval of the Company's shareholders at the forthcoming annual general meeting.

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 the basic earnings per share amounts for the years ended 31 December 2014 and 2013 is based on the profit attributable to ordinary equity holders of the Company for those years, and the weighted average number of ordinary shares in issue during those years.

| | **2014** | 2013 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Earnings: | | |
| Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation | **335,053** | 459,516 |

| | **Number of shares** | |
|---|---|---|
| | **2014** | 2013 |
| Shares: | | |
| Weighted average number of ordinary shares in issue during the years used in the basic earnings per share calculation | **3,678,589,681** | 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 improvements RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| 2014 | | | | | | | | | |
| Cost: | | | | | | | | | |
| At 1 January 2014 | 449,429 | 7,748,991 | 982,422 | 221,260 | 79,525 | 46,185 | 39,382 | 2,285,686 | 11,852,880 |
| Additions | 13,202 | 3,036 | 786 | 4,912 | 21,550 | 8,522 | 4,570 | 2,018,874 | 2,075,452 |
| Acquisition of subsidiaries (note 33) | 1,421 | – | 10,448 | 6,637 | 2,118 | 280 | – | 16,098 | 37,002 |
| Transfers to prepaid land lease payments (note 15) | – | – | – | – | – | – | – | (45,782) | (45,782) |
| Transfers to investment properties (note 14) | (17,746) | – | – | – | – | – | – | – | (17,746) |
| Transfers | 112,421 | 551,405 | 49,893 | 31,225 | – | – | 81 | (745,025) | – |
| Disposals | (23) | – | (115) | (1,599) | (6,505) | (1,135) | (10,850) | – | (20,227) |
| At 31 December 2014 | 558,704 | 8,303,432 | 1,043,434 | 262,435 | 96,688 | 53,852 | 33,183 | 3,529,851 | 13,881,579 |
| Accumulated depreciation: | | | | | | | | | |
| At 1 January 2014 | (57,419) | (1,117,113) | (330,918) | (70,787) | (47,691) | (23,716) | (24,967) | – | (1,672,611) |
| Depreciation provided during the year (note 6) | (20,847) | (374,240) | (52,596) | (16,050) | (11,081) | (9,538) | (2,527) | – | (486,879) |
| Acquisition of subsidiaries (note 33) | (79) | – | (585) | (598) | (567) | (72) | – | – | (1,901) |
| Transfers to investment properties (note 14) | 916 | – | – | – | – | – | – | – | 916 |
| Disposals | 8 | – | 21 | 1,164 | 6,055 | 1,060 | 1,718 | – | 10,026 |
| At 31 December 2014 | (77,421) | (1,491,353) | (384,078) | (86,271) | (53,284) | (32,266) | (25,776) | – | (2,150,449) |
| Net carrying amount: | | | | | | | | | |
| At 31 December 2014 | 481,283 | 6,812,079 | 659,356 | 176,164 | 43,404 | 21,586 | 7,407 | 3,529,851 | 11,731,130 |
| At 1 January 2014 | 392,010 | 6,631,878 | 651,504 | 150,473 | 31,834 | 22,469 | 14,415 | 2,285,686 | 10,180,269 |

## 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 improvements 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 15) | – | – | – | – | – | – | – | (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 |

Interest of approximately RMB99,762,000 was capitalised to construction in progress for the year ended 31 December 2014 (2013: RMB68,524,000) 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 RMB42,837,000. 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 did not have any significant impact on the Group's financial position as at 31 December 2014.

## 13. PROPERTY, PLANT AND EQUIPMENT (continued)

### Company

| | Motor vehicles RMB'000 | Office equipment and others RMB'000 | Leasehold improvements RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| 2014 | | | | | |
| Cost: | | | | | |
| At 1 January 2014 | 1,034 | 2,028 | 1,350 | 33,042 | 37,454 |
| Additions | – | 867 | 136 | 10,054 | 11,057 |
| Transferred to subsidiaries | – | – | – | (25,139) | (25,139) |
| At 31 December 2014 | 1,034 | 2,895 | 1,486 | 17,957 | 23,372 |
| Accumulated depreciation: | | | | | |
| At 1 January 2014 | (142) | (668) | (1,038) | – | (1,848) |
| Depreciation provided during the year | (197) | (440) | (133) | – | (770) |
| At 31 December 2014 | (339) | (1,108) | (1,171) | – | (2,618) |
| Net carrying amount: | | | | | |
| At 31 December 2014 | 695 | 1,787 | 315 | 17,957 | 20,754 |
| At 1 January 2014 | 892 | 1,360 | 312 | 33,042 | 35,606 |

## 13. PROPERTY, PLANT AND EQUIPMENT (continued)

**Company** (continued)

| | Motor vehicles RMB'000 | Office equipment and others RMB'000 | Leasehold improvements 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 |

## 14. INVESTMENT PROPERTIES

### Group

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Cost: | | |
| At 1 January | – | – |
| Transfer from property, plant and equipment (note 13) | 17,746 | – |
| At 31 December | 17,746 | – |
| Accumulated depreciation: | | |
| At 1 January | – | – |
| Transfer from property, plant and equipment (note 13) | (916) | – |
| Charge for the year (note 6) | (61) | – |
| At 31 December | (977) | – |
| Carrying amount at end of the year | 16,769 | – |

The Group's investment properties are several commercial properties in Beijing. The investment properties were valued by management based on market approach with reference to market transactions price of similar properties, taking into account of other factors, i.e., characteristics of the properties, locations, is estimated to be approximately RMB18,033,000 as at 31 December 2014.

The investment properties are leased to third parties under operating leases, further details of which are included in note 34.

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

| | Fair value measurements as at 31 December 2014 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 |
| Fair value measurement for: | | | | |
| Commercial properties | – | 18,033 | – | 18,033 |

## 15. PREPAID LAND LEASE PAYMENTS

### Group

| | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|
| Carrying amount at 1 January | **220,992** | 152,707 |
| Additions | **3,358** | 5,468 |
| Transfer from construction in progress (note 13) | **45,782** | 69,144 |
| Amortisation for the year (note 6) | **(6,958)** | (6,327) |
| Carrying amount at 31 December | **263,174** | 220,992 |
| Portion classified as current assets | **(7,657)** | (6,631) |
| Non-current portion | **255,517** | 214,361 |

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

| | 31 December<br>2014<br>RMB'000 | 31 December<br>2013<br>RMB'000 |
|---|---|---|
| Lease terms, at carrying amount: | | |
| Long term leases of not less than 50 years | **210,226** | 164,849 |
| Medium term leases of less than 50 years but not less than 10 years | **52,948** | 56,143 |
| | **263,174** | 220,992 |

As at the date of approval of these financial statements, the Group was in the process of applying for the title certificates of certain of its land use rights with an aggregate net carrying amount of approximately RMB3,216,000. 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 did not have any significant impact on the Group's financial position as at 31 December 2014.

## 16. GOODWILL

### Group

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Cost and carrying amount at 1 January | **9,215** | 9,215 |
| Acquisition of subsidiaries (note 33) | **25,631** | – |
| Cost and carrying amount at 31 December | **34,846** | 9,215 |

Goodwill acquired through two business combinations in 2014 and 2011 in the amounts of RMB14,883,000 and RMB6,843,000, respectively, are allocated to two natural gas cash-generating units for impairment testing.

The recoverable amounts of these two cash-generating units have been determined based on a value in use calculation using cash flow projections based on a financial budget covering a 5 year period approved by senior management. The discount rate applied to the cash flow projections was 12% and 10%, respectively.

Assumptions were used in the value in use calculation of these two cash-generating units for 31 December 2014. 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.

## 17. INTANGIBLE ASSETS

### Group

| | Office software RMB'000 | Operating concession RMB'000 (note a) | Exclusive rights of natural gas operations RMB'000 (note b) | Total RMB'000 |
|---|---|---|---|---|
| **2014** | | | | |
| Cost: | | | | |
| At 1 January | 11,053 | 2,535,704 | – | 2,546,757 |
| Additions | 2,807 | – | – | 2,807 |
| Acquisition of subsidiaries (note 33) | – | – | 16,547 | 16,547 |
| At 31 December | 13,860 | 2,535,704 | 16,547 | 2,566,111 |
| Accumulated amortisation: | | | | |
| At 1 January | (5,930) | (293,793) | – | (299,723) |
| Amortisation for the year (note 6) | (2,204) | (101,427) | – | (103,631) |
| At 31 December | (8,134) | (395,220) | – | (403,354) |
| Net carrying amount: | | | | |
| At 31 December 2014 | 5,726 | 2,140,484 | 16,547 | 2,162,757 |
| At 1 January 2014 | 5,123 | 2,241,911 | – | 2,247,034 |

## 17. INTANGIBLE ASSETS (continued)

### Group (continued)

| | Office software RMB'000 | Operating concession RMB'000 (note a) | Total RMB'000 |
|---|---|---|---|
| 2013 | | | |
| Cost: | | | |
| At 1 January | 8,772 | 2,535,704 | 2,544,476 |
| Additions | 2,281 | – | 2,281 |
| At 31 December | 11,053 | 2,535,704 | 2,546,757 |
| Accumulated amortisation: | | | |
| At 1 January | (4,203) | (192,364) | (196,567) |
| Amortisation for the year (note 6) | (1,727) | (101,429) | (103,156) |
| At 31 December | (5,930) | (293,793) | (299,723) |
| Net carrying amount: | | | |
| At 31 December 2013 | 5,123 | 2,241,911 | 2,247,034 |
| At 1 January 2013 | 4,569 | 2,343,340 | 2,347,909 |

Notes:

(a) On 30 November 2010 and 25 April 2011, the Group respectively entered into two service concession arrangements with a governmental authority concerning the operation of two of its self-constructed wind power plants. Pursuant to these service concession arrangements, the Group transferred the carrying amounts of the related property, plant and equipment and the prepaid land lease payments to operating concession to 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.

(b) During the year, the Group acquired four exclusive rights of natural gas operations through acquisitions of subsidiaries. Further details of these acquisitions are included in note 33. The exclusive rights of natural gas operations are amortised on a straight-line method over the period of 28-30 years.

## 17. INTANGIBLE ASSETS (continued)

### Company

| | **2014 Office software RMB'000** | 2013 Office software RMB'000 |
|---|---|---|
| Cost: | | |
| At 1 January | **763** | 584 |
| Additions | **497** | 179 |
| At 31 December | **1,260** | 763 |
| Accumulated amortisation: | | |
| At 1 January | **(353)** | (221) |
| Amortisation for the year | **(205)** | (132) |
| At 31 December | **(558)** | (353) |
| Net carrying amount: | | |
| At 31 December | **702** | 410 |
| At 1 January | **410** | 363 |

## 18. INVESTMENTS IN SUBSIDIARIES

### Company

| | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 |
|---|---|---|
| Unlisted investments, at cost | **4,943,326** | 4,028,626 |

## 18. 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. ("HECIC New-energy") (河北建投新能源有限公司) | | The PRC/ Mainland China 17 July 2006 | RMB3,567,300,000 | 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 |
| HECIC 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 |
| CIC Yanshan (Guyuan) Wind Power Co., Ltd. (建投燕山(沽源)風能有限公司) | | 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 | RMB182,500,000 | – | 55 | Wind power generation |
| Zhangbei Huashi CIC Wind Energy Co., Ltd. (張北華實建投風能有限公司) | (i) | The PRC/ Mainland China 24 April 2008 | RMB80,000,000 | – | 49 | Wind power generation |
| Hebei Suntien Kechuang New Energy Technology Co., Ltd. (河北新天科創新能源技術有限公司) | | The PRC/ Mainland China 29 March 2010 | RMB108,800,000 | – | 100 | Provision of maintenance and consultancy services in relation to wind farms and other new energies |
| Chengde Yuyuan Wind Energy Co., Ltd. (承德御源風能有限公司) | (i) | The PRC/ Mainland China 6 April 2010 | RMB80,000,000 | – | 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 | RMB86,000,000 | – | 100 | Wind power generation |
| Zhangbei CIC Huashi Wind Energy Co., Ltd. (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 |

continued/...

## 18. 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 |
|---|---|---|---|---|---|---|
| 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 | RMB486,000,000 | – | 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 | RMB8,000,000 | – | 100 | Wind power generation |
| Guyuan Suntien Wind Energy Co., Ltd. (沽源新天風能有限公司) | | The PRC/ Mainland China 7 May 2012 | RMB2,000,000 | – | 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 | RMB130,000,000 | – | 100 | Wind power generation |
| ChengdeYujing New Energy Co., Ltd. (承德御景新能源有限公司) | | The PRC/ Mainland China 30 April 2014 | RMB10,000,000 | – | 60 | Wind power generation |
| HECIC New – Energy (Tangshan) Co., Ltd (建投新能源(唐山)有限公司) | | The PRC/ Mainland China 19 June 2014 | – | – | 100 | Wind power and solar energy generation |
| Suntien Green Energy Weichang Co., Ltd. (新天綠色能源圍場有限公司) | | The PRC/ Mainland China 30 March 2011 | RMB318,000,000 | – | 93.71 | 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 |
| 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 |

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## 18. 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 |
|---|---|---|---|---|---|---|
| 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. (建水新天風能有限公司) | | The PRC/ Mainland China 18 July 2012 | RMB93,000,000 | 100 | – | Wind power generation |
| Suntien Green Energy (Hong Kong) Corporation Limited ("Suntien Green Hong Kong") (新天錄色能源(香港)有限公司) | | The PRC/ Hong Kong 29 June 2012 | RMB106,296,700 | 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 | RMB56,000,000 | 100 | – | Wind power generation |
| 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 | RMB73,000,000 | 100 | – | Wind power generation |
| Wulian County 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 | RMB64,000,000 | 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 | RMB83,000,000 | 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 | RMB90,000,000 | 100 | – | Wind power generation |
| Suntien Liquefied Natural Gas Shahe Co., Ltd. (新天液化天然氣沙河有限公司) | | The PRC/ Mainland China 2 April 2014 | RMB15,000,000 | 70 | – | Sale of natural gas and gas appliances, connection and construction of natural gas pipelines |
| Suntien Hebei Solar Energy Development Co., Ltd. ("Suntien Solar Energy Development") (新天河北太陽能開發有限公司) | | The PRC/ Mainland China 24 April 2014 | RMB20,000,000 | 51 | – | Investment and sale of solar energy appliances and service consultancy |

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## 18. 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 |
|---|---|---|---|---|---|---|
| Shijiazhuang Suntien Shenyu Photovoltaic Power Co., Ltd. ("Suntien Shenyu") (石家莊新天神喻光伏電力有限公司) | | The PRC/ Mainland China 28 October 2014 | RMB7,000,000 | – | 43.71* | Investment and sale of solar energy appliances and service consultancy |
| Lulong County Liuyin Photovoltaic Power Co., Ltd. ("Lulong Liuyin") (盧龍縣六音光伏電力有限公司) | | The PRC/ Mainland China 19 November 2014 | – | – | 51* | Investment and sale of solar energy appliances and service consultancy |
| Wuming Suntien Green Energy Co., Ltd. (武鳴新天綠色能源有限公司) | | The PRC/ Mainland China 18 December 2014 | – | 100 | – | Wind power generation |
| Huludao Liaohe Oil Field Gas Co., Ltd. ("Huludao Gas") (葫蘆島遼河油田燃氣有限公司) | | The PRC/ Mainland China 11 July 2011 | RMB20,408,200 | 51 | – | Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines |
| Suizhong Suntien Liaohe Gas Co., Ltd. ("Suizhong Liaohe") (綏中新天遼河燃氣有限公司) | | The PRC/ Mainland China 14 May 2014 | RMB100,000 | – | 51* | Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines |
| Huludao Liaohe Gas Transport Co., Ltd. ("Huludao Liaohe Gas Transport") (葫蘆島遼河燃氣運輸有限公司) | | The PRC/ Mainland China 28 May 2014 | – | – | 40.8* | Sale of natural gas and gas appliances and gas utilisation technology development and services |
| Hebei Natural Gas Company Limited ("Hebei Natural Gas") (河北省天然氣有限責任公司) | (ii) | The PRC/ Mainland China 27 April 2001 | RMB920,000,000 | 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 |
| Zhao County Anda Gas Co., Ltd. ("Zhao County Anda") (趙縣安達燃氣有限公司) | | The PRC/ Mainland China 9 May 2014 | RMB5,000,000 | – | 55* | Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines |
| Pingshan County Huajian Gas Co., Ltd. ("Pingshan Huajian") (平山縣華建燃氣有限公司) | | The PRC/ Mainland China 28 October 2013 | RMB6,150,000 | – | 55* | Sale of natural gas to gas vehicles |
| 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 | – | 38.5* | Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines |

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## 18. INVESTMENTS IN SUBSIDIARIES (continued)

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

| Company name** | Notes | Place and date of establishment/place of operations | Fully paid-up capital | Percentage of equity interest attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|---|
| Handan Langtuo Natural Gas Sale Co., Ltd. ("Handan Langtuo") (邯鄲縣郎拓天然氣銷售有限公司) | | The PRC/ Mainland China 5 March 2014 | RMB1,000,000 | – | 38.5* | Sale of natural gas and gas appliances |
| 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 County 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 Huabo Nature Gas Co., Ltd. ("Huabo") (石家莊華博燃氣有限公司) | | The PRC/ Mainland China 21 December 2010 | RMB19,000,000 | – | 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 |
| Shijiazhuang Jiran Pipeline Engineering 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 natural gas to gas vehicles and gas appliances |
| Baoding Natural Gas Co., Ltd. ("Baoding CIC") (保定建投天然氣有限公司) | | The PRC/ Mainland China 5 March 2014 | RMB20,000,000 | – | 55* | Sale of natural gas to gas vehicles and gas appliances |
| Anguo Huagang Gas Co., Ltd. ("Anguo Huagang") (安國市華港燃氣有限公司) | | The PRC/ Mainland China 9 March 2011 | RMB5,000,000 | – | 28.05* | Sale of natural gas to gas vehicles and gas appliances |
| Li County CIC Natural Gas Co., Ltd. ("Li County CIC") (蠡縣建投天然氣有限公司) | | The PRC/ Mainland China 26 December 2014 | – | – | 33* | The connection and construction of gas pipelines |

## 18. INVESTMENTS IN SUBSIDIARIES (continued)

* Shijiazhuang CIC, Hebei Zhaodu, Chengde CIC, Ningjin CIC, Huabo, Jinzhou CIC, Shenzhou CIC, Xinji CIC, Shijiazhuang Jiran, Xingtai Jiran, Baoding CIC, Anguo Huagang and Li County CIC are respectively 100%-owned, 70%-owned, 90%-owned, 51%-owned, 55%-owned, 100%-owned, 100%-owned, 100%-owned, 60%-owned, 55%-owned, 100%-owned, 51%-owned and 60%-owned subsidiaries of Hebei Natural Gas, a 55%-owned subsidiary of the Company. Besides, Suntien Shenyu and Lulong Liuyin are respectively 86%-owned and 100%-owned subsidiaries of Suntien Solar Energy Development, a 51%-owned subsidiary of the Company. Suizhong Liaohe and Huludao Liaohe Gas Transport are respectively 100%-owned and 80%-owned subsidiaries of Huludao Gas, a 51%-owned subsidiary of the Company. Zhao County Anda and Pingshan Huajian are both 100%-owned subsidiaries of Shijiazhuang CIC. Handan Langtuo is a 100%-owned subsidiary of Hebei Zhaodu.

** 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 companies registered in the Mainland China do not have registered English name and the English names shown above represent the best efforts of the management of the Company in directly translating the Chinese names of the companies.

All the above subsidiaries are limited liability companies.

Notes:

(i) A subsidiary of the Company (the "Subsidiary") and the Company 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 or the Company to have the power to govern the financial and operating activities of these companies according to the articles of association of these companies. According to the articles of association, the Subsidiary or the Company is the biggest equity owner of these companies and no other equity owners individually or in the aggregate have the power to control these companies. The Subsidiary or the Company signed 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 or the Company. Such equity owners have also confirmed that the above-mentioned attendance and voting arrangements with the Subsidiary or the Company existed since the establishment of these companies or the Subsidiary or the Company 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 or the Company 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 2014 and 2013. Therefore, the financial statements of these companies are consolidated by the Company during the years ended 31 December 2014 and 2013.

(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 allows 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 has been 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.

## 18. INVESTMENTS IN SUBSIDIARIES (continued)

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

| | 2014 | 2013 |
|---|---|---|
| Percentage of equity interest held by non-controlling interests: | | |
| Hebei Natural Gas | 45% | 45% |

| | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|
| Profit for the year allocated to non-controlling interests: | | |
| Hebei Natural Gas | 172,348 | 167,259 |
| Dividends paid to non-controlling interests: | | |
| Hebei Natural Gas | 145,912 | 137,146 |
| Accumulated balances of non-controlling interests at the reporting dates: | | |
| Hebei Natural Gas | 677,228 | 470,335 |

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

| | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|
| Revenue | 3,903,382 | 3,327,464 |
| Total expenses | (3,528,199) | (2,960,756) |
| Profit for the year | 375,183 | 366,708 |
| Total comprehensive income for the year | 375,183 | 366,708 |
| Current assets | 1,512,157 | 1,090,067 |
| Non-current assets | 2,584,960 | 2,159,999 |
| Current liabilities | (1,211,335) | (1,082,722) |
| Non-current liabilities | (1,298,247) | (1,045,810) |
| Net cash flows (used in)/from operating activities | (48,043) | 453,032 |
| Net cash flows used in investing activities | (305,210) | (581,117) |
| Net cash flows from financing activities | 234,218 | 421,818 |
| Net (decrease)/increase in cash and cash equivalents | (119,035) | 293,733 |

## 19. INVESTMENTS IN ASSOCIATES

### Group

| | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|
| Share of net assets | **923,868** | 893,795 |

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 CIC Wind Energy Generation Co., Ltd. ("Longyuan CIC") (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 CIC (Chengde) Wind Energy Generation Co., Ltd. ("Chengde Wind Energy") (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 CIC (Chengde Weichang) Wind Energy Generation Co., Ltd. ("Weichang Wind Energy") (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 |
| PetroChina Jintang Liquefied Natural Gas Co., Ltd. ("Jintang LNG") (中石油京唐液化天然氣有限公司) | The PRC/ Mainland China 28 September 2012 | RMB2,600,000,000 | – | 11** | Natural gas storage and production |

* 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.

** Jingtang LNG is a 20%-owned associate of Hebei Natural Gas.

All the above associates are considered material associates to the Group, and they are strategic partners of the Group engaged in wind power generation or natural gas business. They are accounted for using the equity method.

## 19. 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 CIC

| | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|
| Current assets | 215,179 | 198,978 |
| Non-current assets | 733,940 | 773,486 |
| Current liabilities | (233,810) | (263,509) |
| Non-current financial liabilities, excluding trade and other payables and provisions | (449,506) | (435,474) |
| Net assets | 265,803 | 273,481 |
| Reconciliation to the Group's interest in the associate: | | |
| Proportion of the Group's ownership | 50% | 50% |
| Carrying amount of the investment | 132,901 | 136,741 |

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Revenue | 133,477 | 152,447 |
| Profit for the year | 34,173 | 38,153 |
| Total comprehensive income for the year | 34,173 | 38,153 |
| Dividend received | 20,925 | 38,559 |

### Chengde Wind Energy

| | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|
| Current assets | 115,124 | 172,546 |
| Non-current assets | 559,010 | 591,252 |
| Current liabilities | (135,011) | (134,375) |
| Non-current financial liabilities, excluding trade and other payables and provisions | (176,716) | (270,482) |
| Net assets | 362,407 | 358,941 |
| Reconciliation to the Group's interest in the associate: | | |
| Proportion of the Group's ownership | 45% | 45% |
| Carrying amount of the investment | 163,083 | 161,523 |

## 19. INVESTMENTS IN ASSOCIATES (continued)

### Chengde Wind Energy (continued)

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Revenue | **107,342** | 122,063 |
| Profit for the year | **34,113** | 34,068 |
| Total comprehensive income for the year | **34,113** | 34,068 |
| Dividend received | **13,791** | 29,715 |

### Weichang Wind Energy

| | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|
| Current assets | **73,864** | 62,329 |
| Non-current assets | **311,150** | 327,419 |
| Current liabilities | **(162,280)** | (142,190) |
| Non-current financial liabilities, excluding trade and other payables and provisions | **(57,000)** | (87,000) |
| Net assets | **165,734** | 160,558 |
| Reconciliation to the Group's interest in the associate: | | |
| Proportion of the Group's ownership | 45% | 45% |
| Carrying amount of the investment | 74,581 | 72,251 |

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Revenue | **61,728** | 71,367 |
| Profit for the year | **16,126** | 12,234 |
| Total comprehensive income for the year | **16,126** | 12,234 |
| Dividend received | **4,927** | 27,586 |

## 19. INVESTMENTS IN ASSOCIATES (continued)

### Jingtang LNG

| | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|
| Current assets | 46,079 | 116,437 |
| Non-current assets | 5,404,273 | 5,867,248 |
| Current liabilities | (640,239) | (476,184) |
| Non-current financial liabilities, excluding trade and other payables and provisions | (2,060,000) | (2,887,810) |
| Net assets | 2,750,113 | 2,619,691 |
| Reconciliation to the Group's interest in the associate: | | |
| Proportion of the Group's ownership | 20% | 20% |
| Group's share of net assets | 550,023 | 523,938 |
| Carrying amount of the investment | 550,023 | 520,000 |

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Revenue | 674,098 | 84,531 |
| Profit for the year | 125,353 | 19,690 |
| Total comprehensive income for the year | 125,353 | 19,690 |
| Dividend received | – | – |

Considering Jingtang LNG, an entity established in 2012 in which the Group owns a 20%-equity interest, has completed the construction of its LNG production facilities and gradually commenced its operations in late 2013, management during the year re-assessed the Company's relationship with Jingtang LNG. With reference to the factors below, in the opinion of the Directors of Company, the Group have significant influence over Jingtang LNG since its establishment in 2012: (1) a 20%-equity interest in Jingtang LNG; (2) the right to appoint a representative to the board of directors of Jingtang LNG; (3) the continuous participation of its appointed board representative in formulating the financial and operating policies of Jingtang LNG. Accordingly, the Group reclassified and presented its equity investment in Jingtang LNG from available-for-sale investment to investment in associate, thereby applying equity method to account for the Group's share of the operating results and of the net assets of Jingtang LNG. In addition, the comparative amounts of available-for-sale investments and investments in associates have therefore been reclassified to conform with the current year's presentation. In the opinion of the Directors of the Company, the financial impact of the above-mentioned reclassification and the adoption of equity method over Jingtang LNG on the Group's previously issued statements is considered insignificant.

## 19. INVESTMENTS IN ASSOCIATES (continued)

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

| | **31 December 2014 RMB'000** | 31 December 2013 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 the associate at end of the year | **3,280** | 3,280 |

## 20. INVESTMENT IN A JOINT VENTURE

### Group and Company

| | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 |
|---|---|---|
| Share of net assets | **60,000** | 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.

## 20. INVESTMENT IN A JOINT VENTURE (continued)

The Group's and the Company's investment in Suntien Guohua is accounted for using the equity method. The following table illustrates the summarised financial information of Suntien Guohua, and reconciled to the carrying amount in the financial statements:

| | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 |
|---|---|---|
| Cash and cash equivalents | **104,490** | 119,758 |
| Other current assets | **7,807** | 156 |
| Non-current assets | **142,510** | 11,106 |
| Other current liabilities | **(54,807)** | (11,020) |
| Non-current financial liabilities, excluding trade and other payables and provisions | **(80,000)** | – |
| Net assets | **120,000** | 120,000 |
| Reconciliation to the Group's interest in the joint venture: | | |
| Proportion of the Group's ownership | **50%** | 50% |
| Carrying amount of the investment | **60,000** | 60,000 |

| | **2014 RMB'000** | 2013 RMB'000 |
|---|---|---|
| Profit for the year | **–** | – |
| Total comprehensive income for the year | **–** | – |
| Dividend received | **–** | – |

## 21. HELD-TO-MATURITY INVESTMENTS

### Group

| | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 |
|---|---|---|
| Unlisted debt investments | **7,500** | 7,500 |

Held-to-maturity investments are analysed as follows:

| | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 |
|---|---|---|
| Corporate entity | **7,500** | 7,500 |

As at 31 December 2014, the effective interest rate of the held-to-maturity investments was 6.15% per annum (31 December 2013: 6.55% per annum). The carrying amounts of the held-to-maturity investments approximate to their fair values.

## 22. AVAILABLE-FOR-SALE INVESTMENTS

### Group

| | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|
| Unlisted equity investments, at cost (i) | 103,400 | 53,400 |
| Other financial assets (ii) | 230,000 | 150,000 |
| | 333,400 | 203,400 |
| Portion classified as non-current assets | (103,400) | (53,400) |
| Current portion | 230,000 | 150,000 |

### Company

| | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|
| Unlisted equity investments, at cost (i) | 100,000 | 50,000 |
| Other financial assets (ii) | 230,000 | 150,000 |
| | 330,000 | 200,000 |
| Portion classified as non-current assets | (100,000) | (50,000) |
| Current portion | 230,000 | 150,000 |

(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 terms.

No other comprehensive income or loss was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014 because the aggregate changes of fair value of such financial assets were immaterial since their respective acquisition dates.

## 23. DEFERRED TAX ASSETS

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

### Group

| | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|
| Deferred tax assets: | | |
| At 1 January | 3,730 | 200 |
| Deferred tax credited to the statement of comprehensive income during the year (note 9) | 702 | 3,530 |
| At 31 December | 4,432 | 3,730 |

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

| | 31 December<br>2014<br>RMB'000 | 31 December<br>2013<br>RMB'000 |
|---|---|---|
| Deferred tax assets: | | |
| Impairment provision | 4,432 | 3,730 |

As at 31 December 2014, tax losses of the Group arising in the PRC were RMB106,576,000 (31 December 2013: RMB48,340,000), 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.

## 24. INVENTORIES

### Group

| | 31 December<br>2014<br>RMB'000 | 31 December<br>2013<br>RMB'000 |
|---|---|---|
| Natural gas | 10,736 | 9,285 |
| Spare parts and others | 32,014 | 33,032 |
| Low-value consumables | 358 | 291 |
| | 43,108 | 42,608 |

## 25. 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 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|
| Trade and bills receivables | 1,457,073 | 923,565 |
| Impairment | (55,368) | (77,881) |
| | 1,401,705 | 845,684 |

Included in the trade receivables as at 31 December 2014 was receivables under two service concession arrangements in an aggregate amount of RMB61,409,000 (31 December 2013: RMB43,993,000).

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

| | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|
| Within 3 months | 865,511 | 730,853 |
| 3 to 6 months | 454,973 | 74,401 |
| 6 months to 1 year | 69,118 | 38,377 |
| 1 to 2 years | 10,690 | 1,237 |
| 2 to 3 years | 1,088 | 740 |
| Over 3 years | 325 | 76 |
| | 1,401,705 | 845,684 |

## 25. TRADE AND BILLS RECEIVABLES (continued)

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

### Group

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| At 1 January | 77,881 | 39,825 |
| Impairment losses recognised (note 6) | 7,263 | 33,821 |
| Transferred from provision for impairment of other receivables (note 26) | – | 4,280 |
| Reversal (note 6) | (4,456) | (45) |
| Write-off | (25,320) | – |
| At 31 December | 55,368 | 77,881 |

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB55,368,000 (31 December 2013: RMB77,881,000) with an aggregate carrying amount before provision of RMB112,875,000 (31 December 2013: RMB85,043,000).

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.

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

### Group

| | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|
| Neither past due nor impaired | 442,098 | 773,712 |
| Less than 3 months past due | 507,686 | 59,385 |
| 3 to 6 months past due | 357,341 | 2,515 |
| 6 months to 1 year past due | 26,502 | 1,284 |
| 1 to 2 years past due | 9,347 | 1,321 |
| 2 to 3 years past due | 919 | 305 |
| more than 3 years past due | 305 | – |
| | 1,344,198 | 838,522 |

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

## 25. TRADE AND BILLS RECEIVABLES (continued)

### Group (continued)

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 2014 RMB'000** | 31 December 2013 RMB'000 |
|---|---|---|
| Fellow subsidiaries | **–** | 304 |

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

## 26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 |
| Prepayments to suppliers | **542,209** | 190,777 | **202** | – |
| Deductible VAT | **748,218** | 720,328 | **–** | – |
| CERs receivable | **–** | 8,931 | **–** | – |
| Deposits and other receivables | **140,858** | 108,548 | **3,373,647** | 3,769,129 |
| Dividend receivable | **–** | – | **204,219** | – |
| Other prepayments | **–** | 10,271 | **–** | 808 |
| | **1,431,285** | 1,038,855 | **3,578,068** | 3,769,937 |
| Less: Impairment | **(1,435)** | (8,749) | **–** | – |
| | **1,429,850** | 1,030,106 | **3,578,068** | 3,769,937 |
| Portion classified as non-current assets | **(978,856)** | (621,940) | **(1,996,892)** | (1,992,789) |
| Current portion | **450,994** | 408,166 | **1,581,176** | 1,777,148 |

## 26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movements in provision for impairment of prepayments, deposits and other receivables are as follows:

### Group

| | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|
| At 1 January | 8,749 | 13,029 |
| Transferred to provision for impairment of trade receivables (note 25) | – | (4,280) |
| Write-off | (7,314) | – |
| At 31 December | 1,435 | 8,749 |

Included in the above provision for impairment of prepayments, deposits and other receivables is a provision for individually impaired other receivables of RMB1,435,000 (31 December 2013: RMB8,749,000) with an aggregate carrying amount before provision of RMB14,085,000 (31 December 2013: RMB19,296,000).

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

| | Group | | Company | |
|---|---|---|---|---|
| | 31 December 2014<br>RMB'000 | 31 December 2013<br>RMB'000 | 31 December 2014<br>RMB'000 | 31 December 2013<br>RMB'000 |
| Fellow subsidiaries | 31,951 | 1,088 | 31,365 | 404 |
| Subsidiaries | – | – | 3,321,461 | 3,755,718 |
| | 31,951 | 1,088 | 3,352,826 | 3,756,122 |

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 (2013: 5.60% to 6.15%).

## 27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

### Group

| | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|
| Cash and bank balances | 2,667,484 | 1,447,478 |
| Time deposits | 530,332 | 222,176 |
| | 3,197,816 | 1,669,654 |
| Less: Pledged bank balances for letters of guarantee | (30,397) | (64) |
| Cash and cash equivalents in the consolidated statement of financial position | 3,167,419 | 1,669,590 |
| Less: Non-pledged time deposits with original maturity of more than three months when acquired | (328,390) | – |
| Cash and cash equivalents in the consolidated statement of cash flows | 2,839,029 | 1,669,590 |
| Cash and bank balances and time deposits denominated in: | | |
| – RMB | 2,614,148 | 1,657,250 |
| – Hong Kong dollar | 583,668 | 12,404 |
| | 3,197,816 | 1,669,654 |

### Company

| | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|
| Cash and bank balances | 777,125 | 362,123 |
| Time deposits | 398,750 | 222,176 |
| Cash and cash equivalents in the statement of financial position | 1,175,875 | 584,299 |
| Cash and bank balances and time deposits denominated in: | | |
| – RMB | 592,412 | 572,059 |
| – Hong Kong dollar | 583,463 | 12,240 |
| | 1,175,875 | 584,299 |

## 27. 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.

## 28. TRADE AND BILLS PAYABLES

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

**Group**

| | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 |
|---|---|---|
| Bills payables | **124,000** | – |
| Trade payables | **313,247** | 223,689 |
| | **437,247** | 223,689 |

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

| | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 |
|---|---|---|
| Within 6 months | **325,788** | 157,924 |
| 6 months to 1 year | **46,072** | 28,352 |
| 1 to 2 years | **47,980** | 26,380 |
| 2 to 3 years | **9,216** | 6,336 |
| More than 3 years | **8,191** | 4,697 |
| | **437,247** | 223,689 |

## 29. OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 |
| Retention money payables | **307,350** | 195,458 | **–** | 377 |
| Dividend payable to non-controlling shareholders | **–** | 11,214 | **–** | – |
| Wind turbine and related equipment payables | **395,840** | 378,063 | **–** | – |
| Advances from customers | **183,282** | 144,291 | **–** | – |
| Construction payables | **191,740** | 141,986 | **–** | – |
| Accrued salaries, wages and benefits | **52,936** | 38,178 | **619** | 2,865 |
| Other taxes payable | **7,576** | 12,565 | **681** | 1,908 |
| Interest payable | **88,543** | 72,941 | **22,077** | 15,204 |
| Accrued expenses | **40,125** | 40,125 | **–** | – |
| Others | **64,503** | 106,004 | **30,943** | 622,930 |
| | **1,331,895** | 1,140,825 | **54,320** | 643,284 |
| Portion classified as non-current liabilities | **(21,007)** | (18,552) | **–** | – |
| Current portion | **1,310,888** | 1,122,273 | **54,320** | 643,284 |

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 2014 RMB'000** | 31 December 2013 RMB'000 | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 |
| HECIC | **6,733** | 733 | **6,733** | 733 |
| Fellow subsidiaries | **1,142** | 192 | **–** | – |
| Subsidiaries | **–** | – | **25,149** | 617,665 |
| | **7,875** | 925 | **31,882** | 618,398 |

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 37(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.

## 30. INTEREST-BEARING BANK AND OTHER BORROWINGS

### Group

| | As at 31 December 2014 | | | As at 31 December 2013 | | |
|---|---|---|---|---|---|---|
| | Effective interest rate (%) | Maturity | RMB'000 | Effective interest rate (%) | Maturity | RMB'000 |
| **Current** | | | | | | |
| Short term bank loans: | | | | | | |
| – Unsecured | 5.0-6.3 | 2015 | 1,189,400 | 5.0-6.0 | 2014 | 978,000 |
| **Current portion of long term bank loans:** | | | | | | |
| – Unsecured | 5.9-6.6 | 2015 | 216,648 | 5.9-6.6 | 2014 | 90,280 |
| – Secured | 5.5-6.6 | 2015 | 323,890 | 5.9-6.6 | 2014 | 290,690 |
| | | | 540,538 | | | 380,970 |
| Total current portion | | | 1,729,938 | | | 1,358,970 |
| **Non-current** | | | | | | |
| Long term bank loans: | | | | | | |
| – Unsecured | 4.8-6.8 | 2016-2028 | 2,595,248 | 5.1-6.6 | 2015-2027 | 1,397,769 |
| – Secured | 5.5-6.6 | 2016-2029 | 3,406,772 | 5.9-6.6 | 2015-2028 | 2,858,029 |
| | | | 6,002,020 | | | 4,255,798 |
| **Long term other borrowing:** | | | | | | |
| – Unsecured | 5.7 | 2017 | 1,297,143 | 5.7 | 2017 | 1,296,000 |
| Corporate bonds (i): | | | | | | |
| – Unsecured | 5.3-5.4 | 2017-2018 | 1,996,892 | 5.3-5.4 | 2017-2018 | 1,992,789 |
| Total non-current portion | | | 9,296,055 | | | 7,544,587 |
| | | | 11,025,993 | | | 8,903,557 |

## 30. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

### Company

| | As at 31 December 2014 | | | As at 31 December 2013 | | |
|---|---|---|---|---|---|---|
| | Effective interest rate (%) | Maturity | RMB'000 | Effective interest rate (%) | Maturity | RMB'000 |
| **Current** | | | | | | |
| Short term bank loans: | | | | | | |
| – Unsecured | 5.6 | 2015 | 100,000 | 5.6 | 2014 | 300,000 |
| Current portion of long term bank loans: | | | | | | |
| – Unsecured | 6.2 | 2015 | 25,600 | – | – | – |
| Total current portion | | | 125,600 | | | 300,000 |
| Non-current | | | | | | |
| Long term bank loans: | | | | | | |
| – Secured | 6.2 | 2016-2029 | 1,144,400 | 6.6 | 2015-2028 | 400,000 |
| Corporate bonds (i): | | | | | | |
| – Unsecured | 5.3-5.4 | 2017-2018 | 1,996,892 | 5.3-5.4 | 2017-2018 | 1,992,789 |
| Total non-current portion | | | 3,141,292 | | | 2,392,789 |
| | | | 3,266,892 | | | 2,692,789 |

(i) In 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. On 23 December 2011, the corporate bonds were listed on the Shanghai Stock Exchange.

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, 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.

## 30. 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 2014 RMB'000** | 31 December 2013 RMB'000 |
|---|---|---|
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year | **1,729,938** | 1,358,970 |
| In the second year | **1,074,955** | 437,809 |
| In the third to fifth years, inclusive | **1,938,251** | 1,814,508 |
| Beyond five years | **2,988,814** | 2,003,481 |
| | **7,731,958** | 5,614,768 |
| Other borrowings repayable: | | |
| In the third to fifth years, inclusive | **1,297,143** | 1,296,000 |
| Corporate bonds repayable: | | |
| In the third to fifth years, inclusive | **1,996,892** | 1,992,789 |
| | **11,025,993** | 8,903,557 |

## 30. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

### Company

| | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year | **125,600** | 300,000 |
| In the second year | **67,200** | 11,428 |
| In the third to fifth years, inclusive | **215,800** | 75,425 |
| Beyond five years | **861,400** | 313,147 |
| | **1,270,000** | 700,000 |
| Corporate bonds repayable: | | |
| In the third to fifth years, inclusive | **1,996,892** | 1,992,789 |
| | **3,266,892** | 2,692,789 |

Certain interest-bearing bank loans of the Group in an aggregate amount of RMB3,730,662,000 were secured by the right of future electricity fees collection as at 31 December 2014 (31 December 2013: RMB3,148,719,000).

A long term other borrowing of the Group of RMB1,297,143,000 was guaranteed by HECIC, the ultimate holding company as at 31 December 2014 (31 December 2013: of RMB1,296,000,000) (note 37(a)).

The corporate bonds of the Company of RMB1,996,892,000 were guaranteed by HECIC, the ultimate holding company as at 31 December 2014 (31 December 2013: RMB1,992,789,000) (note 37(a)).

## 31. ISSUED SHARE CAPITAL

| | At 31 December 2013 and 1 January 2014 | | Issue of new H shares | | **At 31 December 2014** | |
|---|---|---|---|---|---|---|
| | Number of shares '000 | Nominal value RMB'000 | 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 | 1,876,156 | 1,876,156 | – | – | **1,876,156** | **1,876,156** |
| – H shares | 1,362,279 | 1,362,279 | 476,725 | 476,725 | **1,839,004** | **1,839,004** |
| | 3,238,435 | 3,238,435 | 476,725 | 476,725 | **3,715,160** | **3,715,160** |

On 28 January 2014, the Company issued additional 476,725,396 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 from the issuance amounted to RMB1,229,280,000. The registered capital of the Company increased from RMB3,238,435,000 to RMB3,715,160,396, accordingly, upon completion of the issue of the new shares.

## 32. RESERVES

### (a) Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2014 and 2013 are presented in the consolidated statement of changes in equity on page 84 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 2013 | 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 profit | – | 37,879 | (37,879) | – | – |
| Declared final 2012 dividend (note 11(a)) | – | – | – | (64,769) | (64,769) |
| Proposed final 2013 dividend (note 11(b)) | – | – | (170,897) | 170,897 | – |
| At 31 December 2013 | 1,459,650* | 99,657* | 372,534* | 170,897 | 2,102,738 |
| Profit for the year | – | – | 379,699 | – | 379,699 |
| Total comprehensive income for the year (note 10) | – | – | 379,699 | – | 379,699 |
| Issue of new H shares | 752,555 | – | – | – | 752,555 |
| Transfer from retained profits | – | 37,970 | (37,970) | – | – |
| Declared final 2013 dividend (note 11(b)) | – | – | – | (170,897) | (170,897) |
| Proposed final 2014 dividend (note 11(c)) | – | – | (115,170) | 115,170 | – |
| At 31 December 2014 | 2,212,205* | 137,627* | 599,093* | 115,170 | 3,064,095 |

* These reserve accounts comprise the reserve of RMB2,948,925,000 (31 December 2013: RMB1,931,841,000) in the statement of financial position as at 31 December 2014.

## 33. ACQUISITIONS OF SUBSIDIARIES

In August, September and December 2014, the Group acquired 100%, 51% and 51% interests in Pingshan Huajian, Huludao Gas and Anguo Huagang from three independent third parties, respectively, with a cash consideration of RMB11,850,000, RMB35,000,000 and RMB22,950,000, respectively.

The fair values of the identifiable assets and liabilities of Pingshan Huajian, Huludao Gas and Anguo Huagang were as follows:

| | Notes | Fair value recognised on acquisition RMB'000 |
|---|---|---|
| Property, plant and equipment | 13 | 35,101 |
| Intangible assets | 17 | 16,547 |
| Inventories | | 368 |
| Interest in subsidiaries | | 71 |
| Trade and bills receivables | | 3,228 |
| Prepayments, deposits and other receivables | | 28,457 |
| Cash and cash equivalents | | 14,317 |
| Trade and bills payables | | (9,490) |
| Other payables and accruals | | (7,762) |
| Total identifiable net assets at fair value | | 80,837 |
| Non-controlling interest | | (36,668) |
| Goodwill | 16 | 25,631 |
| Satisfied by cash | | 69,800 |

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

| | RMB'000 |
|---|---|
| Total cash consideration | (69,800) |
| Cash consideration not yet paid | 34,138 |
| Cash and bank balances acquired | 14,317 |
| Net outflow of cash and cash equivalents included in cash flows from investing activities | (21,345) |

Since the acquisitions, these companies contributed RMB4,080,000 to the Group's turnover, and a loss of RMB1,552,000 against the consolidated profit for the year ended 31 December 2014.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been RMB5,162,572,000 and RMB496,827,000, respectively.

## 34. OPERATING LEASE ARRANGEMENTS

### As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms of six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | Group | |
|---|---|---|
| | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 |
| Within one year | **807** | – |
| In the second to fifth years, inclusive | **3,228** | – |
| After five years | **739** | – |
| | **4,774** | – |

### 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 2014 RMB'000** | 31 December 2013 RMB'000 | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 |
| Within one year | **14** | 4,537 | **–** | 1,572 |
| In the second to fifth years, inclusive | **54** | 11,106 | **–** | 3,885 |
| Beyond five years | **104** | 104 | **–** | – |
| | **172** | 15,747 | **–** | 5,457 |

In 2013, the Company and its holding company HECIC renewed a master tenancy agreement with a leasing period of three years. In 2014, the Group entered into individual lease agreements with HECIC according to the terms and conditions set out in the master tenancy agreement, but changed leasing period from three years to one year. The Group and HECIC will renew the lease agreements yearly.

## 35. 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 2014 RMB'000** | 31 December 2013 RMB'000 | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 |
| Contracted, but not provided for: | | | | |
| Property, plant and equipment | **3,341,694** | 1,145,910 | **17,225** | – |
| Capital contributions | **124,866** | – | **94,728** | – |
| | **3,466,560** | 1,145,910 | **111,953** | – |
| Authorised, but not contracted for: | | | | |
| Property, plant and equipment | **23,430,128** | 13,222,177 | **598,450** | 101,401 |
| Capital contributions | **397,700** | 231,000 | **–** | – |
| | **23,827,828** | 13,453,177 | **598,450** | 101,401 |

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 2014 RMB'000** | 31 December 2013 RMB'000 |
| Contracted, but not provided for: | | |
| Property, plant and equipment | **17,225** | 26 |
| Authorised, but not contracted for: | | |
| Property, plant and equipment | **120,987** | 245,509 |

## 36. CONTINGENT LIABILITIES

As at 31 December 2014, the banking facility granted to a joint venture subject to guarantee given to a bank by the Group was utilised to the extent of approximately RMB80,000,000 (31 December 2013: Nill).

## 37. RELATED PARTY TRANSACTIONS

### (a) The Group had the following material transactions with related parties during the years ended 31 December 2014 and 2013:

*(i) Transactions with HECIC**

On 31 March 2010, HECIC, China Pacific Asset Management Co., Ltd. (the "Insurance Lender") and 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 19 September 2010, the Company and HECIC entered into a master tenancy agreement, pursuant to which HECIC leased office space at Yu Yuan Plaza to the Group. On 9 June 2013, the Company and HECIC renewed the master tenancy agreement. In September and October 2014, the Company and two of its subsidiaries entered into individual lease agreements with HECIC according to the terms and conditions set out in the new master tenancy agreement. The total rental expense in 2014 was RMB4,027,000 (2013: RMB6,455,000).

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 (2013: RMB6,000,000) was payable or charged by HECIC for the year ended 31 December 2014.

## 37. RELATED PARTY TRANSACTIONS (continued)

### (a) The Group had the following material transactions with related parties during the years ended 31 December 2014 and 2013: (continued)

*(ii) Transactions with fellow subsidiaries**

Transactions with HECIC Group Finance Company Limited

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 Group Finance Company.

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

| | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 |
|---|---|---|
| Cash and time deposits | **1,134,301** | 472,412 |
| Short-term loans | **605,000** | 175,000 |
| Long-term loans | **45,000** | – |

| | **2014 RMB'000** | 2013 RMB'000 |
|---|---|---|
| Interest income | **8,366** | 143 |
| Interest expense | **24,202** | 742 |

As of 31 December 2014, the Group had total loan facilities of RMB1,565 million granted by Group Finance Company, of which RMB650 million was utilized.

Transactions with other fellow subsidiaries

| | **2014 RMB'000** | 2013 RMB'000 |
|---|---|---|
| Sales of natural gas | **–** | 96 |
| Consulting fees | **500** | – |

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

## 37. RELATED PARTY TRANSACTIONS (continued)

### (a) The Group had the following material transactions with related parties during the years ended 31 December 2014 and 2013: (continued)

*(iii) Transaction with Company's joint venture*

The Company's has guaranteed certain bank facility made to a joint venture of up to RMB200,000,000 during 2014. As at As at 31 December 2014, the bank facility was utilised to the extent of approximately RMB80,000,000 (note 36).

*(iv) 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:

| | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|
| Continuing transactions | | |
| Sales of electricity | | |
| – Jibei Electric Power Company Limited (note) | 643,781 | 764,965 |
| – Hebei Electric Power Corporation (note) | 505,244 | 440,168 |
| – Shanxi Electric Power Corporation (note) | 97,250 | 129,234 |
| – Xinjiang Electric Power Corporation (note) | 21,809 | 15 |
| | 1,268,084 | 1,334,382 |
| Purchase of natural gas | | |
| – PetroChina Company Limited | 2,874,528 | 2,433,478 |
| – China National Offshore Oil Corporation | 74,839 | 35,005 |
| – China Petrochemical Corporation | 45,781 | – |
| | 2,995,148 | 2,468,483 |

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.

## 37. RELATED PARTY TRANSACTIONS (continued)

### (a) The Group had the following material transactions with related parties during the years ended 31 December 2014 and 2013: (continued)

*(iv) 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 2014 and 2013 as summarised below:

| | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|
| Cash and time deposits | **2,001,225** | 1,180,826 |
| Short-term bank loans | **100,000** | 700,000 |
| Current portion of long-term bank loans | **499,083** | 339,515 |
| Long-term bank loans | **5,749,743** | 4,007,066 |
| | **6,348,826** | 5,046,581 |

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

### (b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 25, 26 and 29 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:

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Short term employee benefits | **5,972** | 4,170 |
| Pension scheme contributions | **755** | 698 |
| | **6,727** | 4,868 |

## 38. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Non-cash transactions

During the year ended 31 December 2014, bills receivables amounting to RMB77,400,000 (2013: RMB178,094,000) 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 2014, a dividend payable to a non-controlling shareholder amounting to RMB145,912,000 (2013: Nill) was reinvested by this non-controlling shareholder into a subsidiary of the Company in which it has interest as a further capital contribution by this non-controlling shareholder.

## 39. 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 2014 RMB'000** | 31 December 2013 RMB'000 | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 |
| **Financial assets** | | | | |
| Held-to-maturity investments | **7,500** | 7,500 | **–** | – |
| Available-for-sale investments | **333,400** | 203,400 | **330,000** | 200,000 |
| Loans and receivables: | | | | |
| Trade and bills receivables | **1,401,705** | 845,684 | **–** | – |
| Financial assets included in prepayments, deposits and other receivables | **58,333** | 55,507 | **3,546,921** | 3,769,129 |
| Pledged deposits | **30,397** | 64 | **–** | – |
| Cash and cash equivalents | **3,167,419** | 1,669,590 | **1,175,875** | 584,299 |
| | **4,998,754** | 2,781,745 | **5,052,796** | 4,553,428 |
| **Financial liabilities** | | | | |
| Financial liabilities at amortised cost: | | | | |
| Trade and bills payables | **437,247** | 223,689 | **–** | – |
| Financial liabilities included in other payables and accruals | **1,088,101** | 945,791 | **53,020** | 638,511 |
| Interest-bearing bank and other borrowings | **11,025,993** | 8,903,557 | **3,266,892** | 2,692,789 |
| Derivative financial instrument | **364** | – | **364** | – |
| | **12,551,705** | 10,073,037 | **3,320,276** | 3,331,300 |

## 40. TRANSFERS OF FINANCIAL ASSETS

### Transferred financial assets that are not derecognized in their entirety

In 2014, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB24,816,000 (31 December 2013: RMB32,070,000) 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, 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 RMB24,816,000 as at 31 December 2014 (31 December 2013: RMB32,070,000).

In 2014, the Group discounted a commercial acceptance bill ("Discounted Bill") with a carrying amount of RMB304,400,000 to banks ("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 RMB304,400,000. 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 RMB304,400,000 as at 31 December 2014 (31 December 2013: RMB103,000,000).

## 41. 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 2014 RMB'000** | 31 December 2013 RMB'000 | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 |
| **Financial assets** | | | | |
| Available-for-sale investments | **230,000** | 150,000 | **230,000** | 150,000 |
| **Financial liabilities** | | | | |
| Financial liabilities included in other payables and accruals | **1,088,101** | 945,791 | **1,085,788** | 943,387 |
| Interest-bearing bank and other borrowings | **11,025,993** | 8,903,557 | **11,025,574** | 8,902,762 |
| Derivative financial instrument | **364** | – | **364** | – |
| | **12,114,458** | 9,849,348 | **12,111,726** | 9,846,149 |

### Company

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 | **31 December 2014 RMB'000** | 31 December 2013 RMB'000 |
| **Financial assets** | | | | |
| Available-for-sale investments | **230,000** | 150,000 | **230,000** | 150,000 |
| **Financial liabilities** | | | | |
| Financial liabilities included in other payables and accruals | **53,020** | 638,511 | **53,020** | 638,511 |
| Interest-bearing bank and other borrowings | **3,266,892** | 2,692,789 | **3,266,473** | 2,691,994 |
| Derivative financial instrument | **364** | – | **364** | – |
| | **3,320,276** | 3,331,300 | **3,319,857** | 3,330,505 |

## 41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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 and trade and bills payables, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the financial controller and the audit committee. At each reporting date, the corporate finance department 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 2014 was assessed to be insignificant.

Fair value hierarchy:

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 | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 31 December 2014 | | | | |
| Available-for-sale investments | – | **230,000** | – | **230,000** |
| 31 December 2013 | | | | |
| Available-for-sale investments | – | 150,000 | – | 150,000 |

## 41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value:

### Group and Company

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 31 December 2014 | | | | |
| Derivative instrument | – | 364 | – | 364 |

Liabilities for which fair values are disclosed:

### Group

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 31 December 2014 | | | | |
| Financial liabilities included in other payables and accruals | – | 1,085,788 | – | 1,085,788 |
| Interest-bearing bank and other borrowings | – | 11,025,574 | – | 11,025,574 |
| | – | 12,111,362 | – | 12,111,362 |
| 31 December 2013 | | | | |
| 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 |

## 41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities for which fair values are disclosed: (continued)

### Company

| | 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 |
| 31 December 2014 | | | | |
| Financial liabilities included in other payables and accruals | – | **53,020** | – | **53,020** |
| Interest-bearing bank and other borrowings | – | **3,266,473** | – | **3,266,473** |
| | – | **3,319,493** | – | **3,319,493** |
| 31 December 2013 | | | | |
| 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 |

## 42. 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 Group also enters into a derivative transaction during this year. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

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. 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 RMB73,697,000 (2013: RMB64,078,000) 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.

## 42. 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 cash balances which are derived from issue of new H shares in 2014 that are denominated in Hong Kong dollar. The Directors do not anticipate any significant impact resulting from the changes in foreign exchange rates because 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 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 2014 and 2013.

Effect on profit before tax

| | Increase/ (decrease) in foreign exchange rate | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| If RMB weakens against Hong Kong dollar | 5% | **29,183** | 612 |
| If RMB strengthens against Hong Kong dollar | (5%) | **(29,183)** | (612) |

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 31 December 2014 and has applied the exposure to foreign currency risk to those monetary assets and liabilities in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in foreign exchange rates over the year until the next reporting date. The sensitivity analysis was performed on the same basis for the years ended 31 December 2014 and 2013.

## 42. 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 2014, 21.5% (31 December 2013: 33.1%) 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 amount up to RMB18,482 million as at 31 December 2014 of which approximately RMB9,508 million has been utilised as at 31 December 2014.

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.

## 42. 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 2014 and 2013, 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 2014** | | | | | |
| Interest-bearing bank and other borrowings | **1,729,938** | **1,074,955** | **5,232,286** | **2,988,814** | **11,025,993** |
| Interest payments on financial liabilities | **582,925** | **510,495** | **888,638** | **713,388** | **2,695,446** |
| Trade and bills payables | **437,247** | **–** | **–** | **–** | **437,247** |
| Financial liabilities included in other payables and accruals | **1,071,568** | **6,591** | **9,942** | **–** | **1,088,101** |
| | **3,821,678** | **1,592,041** | **6,130,866** | **3,702,202** | **15,246,787** |
| 31 December 2013 | | | | | |
| Interest-bearing bank and other borrowings | 1,358,970 | 437,809 | 5,103,297 | 2,003,481 | 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 | 6,006,755 | 2,504,948 | 12,389,583 |

## 42. 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 2014** | | | | | |
| Interest-bearing bank and other borrowings | **125,600** | **67,200** | **2,212,692** | **861,400** | **3,266,892** |
| Interest payments on financial liabilities | **186,137** | **181,211** | **336,850** | **45,716** | **749,914** |
| Financial liabilities included in other payables and accruals | **53,020** | **–** | **–** | **–** | **53,020** |
| | **364,757** | **248,411** | **2,549,542** | **907,116** | **4,069,826** |
| 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 |

### (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.

## 42. 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 2014 RMB'000** | 31 December 2013 RMB'000 |
|---|---|---|
| Trade and bills payables (note 28) | **437,247** | 223,689 |
| Other payables and accruals (note 29) | **1,331,895** | 1,140,825 |
| Interest-bearing bank and other borrowings (note 30) | **11,025,993** | 8,903,557 |
| Less: Cash and cash equivalents (note 27) | **(3,167,419)** | (1,669,590) |
| Less: Pledged deposits (note 27) | **(30,397)** | (64) |
| Net debt | **9,597,319** | 8,598,417 |
| Total equity | **8,762,392** | 7,106,565 |
| Capital and net debt | **18,359,711** | 15,704,982 |
| Gearing ratio | **52%** | 55% |

## 43. EVENTS AFTER THE REPORTING PERIOD

On 22 January 2015, the Company entered into an equity transfer agreement with HECIC to acquire 20% equity interest in Hebei Fengning Pumped Storage Company Limited, with a cash consideration of RMB100,673,000.

## 44. COMPARATIVE AMOUNTS

As further explained in note 19 to the financial statements, the Group reclassified its equity investment in Jingtang LNG from available-for-sale investment to investment in associate, and applied equity method to account for the investment in Jingtang LNG in 2014. Accordingly, comparative amounts of available-for-sale investments and investments in associates have been reclassified to conform with the current year's presentation. The financial impact of the reclassification and the adoption of equity method did not have significant impact on the Group's financial statements for the year ended 31 December 2013.

## 45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 24 March 2015.

# 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 the "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 the "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) |
| "certified emission reductions" | 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 |
| "Company" or "we" | China Suntien Green Energy Corporation Limited (新天綠色能源股份有限公司) |
| "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 the project companies that the Group fully consolidates in its Financial Statements |
| "consolidated installed capacity" or "consolidated operating capacity" | the aggregate installed capacity or operating capacity (as the case may be) of the project companies that the Group fully consolidates in its consolidated Financial Statements. This is calculated by including 100% of the installed capacity or operating capacity of the project companies that the Group fully consolidates in its consolidated Financial Statements and are deemed as its subsidiaries. Consolidated installed capacity and consolidated operating capacity do not include the capacity of the Group's associated companies |
| "Financial Statements" | the audited financial statements for the year ended 31 December 2014 |

# Definitions

| | |
|---|---|
| "gross power generation" | for a specified period, the total amount of electricity produced by a power plant in that period, consisting of auxiliary electricity and electricity generated during the construction and testing period |
| "Group" | the Company and its wholly-owned and controlling subsidiaries |
| "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, HECIC Communications 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 for measurement of an annual power production of large wind farm |
| "Hebei Fengning" | Hebei Fengning Pumped Storage Company Limited (河北豐寧抽水蓄能有限公司) |
| "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, which is primarily engaged in the investment in and development of projects in the foundation, infrastructures and provincial pillar industries, such as energy, transportation, water supply and commercial real estates |
| "HECIC Communications" | HECIC Communications Investment Co., Ltd. (河北建投交通投資有限責任公司) |
| "HECIC New-energy " | HECIC New-energy Co., Ltd., 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 |

# Definitions

| | |
|---|---|
| "Hong Kong Subsidiary" | Suntien Green Energy (Hong Kong) Corporation Limited, a wholly-owned subsidiary of the Group |
| "IFRS" | International Financial Reporting Standards, including the standards and interpretation announcements approved by the International Accounting Standard Board and its predecessor, the International Accounting Standard Committee |
| "installed capacity" | the capacity of the wind turbines that have been completely assembled and erected |
| "Jointo Energy" | Jointo Energy Investment Co., Ltd. Hebei (河北建投能源投資股份有限公司) |
| "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 |
| "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 |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong 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) |

# Definitions

| | |
|---|---|
| "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 |
| "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) |
| "reporting period" | the period of the fiscal year from 1 January 2014 to 31 December 2014 |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Shenzhen Subsidiary" | Shenzhen Suntien Green Energy Investment Company Limited (深圳新天綠色能源投資有限公司), a wholly-owned subsidiary of the Group |
| "Suntien Weichang" | Suntien Green Energy Weichang Co., Ltd. (新天綠色能源圍場有限公司) |

# 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
Dr. Liu Zheng
Mr. Zhao Hui
Mr. Qin Gang
Ms. Sun Min

### 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. Liu Jin Hai
Mr. Qiao Guo Jie
Ms. Ma Hui
Mr. Xiao Yan Zhao

## 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

Jia Yuan Law Offices, Beijing
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

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

www.suntien.com