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Beijing Jingneng Clean Energy Co., Limited

北京京能清潔能源電力股份有限公司

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

(Stock Code: 00579)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2012

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended June 30, 2012 was RMB1,809.67 million, a decrease of 4.36% as compared with the corresponding period of 2011.
- Profit before taxation for the six months ended June 30, 2012 was RMB538.41 million, an increase of 5.29% as compared with the corresponding period of 2011.
- Profit and total comprehensive income for the period attributable to equity owners of the Company for the six months ended June 30, 2012 was RMB423.52 million, an increase of 4.86% as compared with the corresponding period of 2011.
- Basic and diluted earnings per share for the six months ended June 30, 2012 was RMB6.90 cents

The board of directors (the “**Board**”) of Beijing Jingneng Clean Energy Co., Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**” or “**we**” or “**us**”) for the six months ended June 30, 2012 (the “**Reporting Period**”), prepared under International Financial Reporting Standards (“**IFRSs**”).

FINANCIAL INFORMATION

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2012

(Amount expressed in thousands of RMB unless otherwise stated)

	<i>Notes</i>	For the six months ended June 30,	
		2012 (Unaudited) <i>MB'000</i>	2011 (Audited) <i>RMB'000</i>
Revenue	4	1,809,671	1,892,255
Other income	5	308,269	429,301
Gas consumption		(829,846)	(1,027,237)
Depreciation and amortization		(406,560)	(391,610)
Personnel costs		(86,258)	(81,204)
Repairs and maintenance		(45,132)	(36,163)
Other expenses		(92,549)	(76,745)
Other gains and losses	6	100,162	305
Profit from operations		757,757	708,902
Interest income	7	13,813	9,178
Finance costs	7	(339,460)	(283,755)
Share of results of associates		106,166	78,298
Share of results of jointly controlled entities		130	(1,281)
Profit before taxation		538,406	511,342
Income tax expense	8	(75,167)	(76,273)
Profit and total comprehensive income for the period	9	463,239	435,069
Profit and total comprehensive income for the period attributable to:			
– Equity owners of the Company		423,521	403,889
– Non-controlling interests		39,718	31,180
		463,239	435,069
		For the six months ended June 30,	
		2012 (Unaudited) <i>MB nt</i>	2011 (Audited) <i>RMB cents</i>
Earnings per share			
Basic and diluted	11	6.90	8.08

Unaudited Condensed Consolidated Statement of Financial Position

As of June 30, 2012

(Amount expressed in thousands of RMB unless otherwise stated)

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

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

NO E :

1. GENERAL AND BASIS OF PREPARATION

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

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

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is the same as the function currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

3. SEGMENT INFORMATION

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

- Wind power: constructs, manages and operates wind power plants and generates electric power for sale to external customers.
- Gas-fired power and heat energy generation: manages and operates natural gas-fired power plants and generates electric power and heat energy for sale to external customers.

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

(a) Segment revenue, results, assets and liabilities

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

	Wind power	Gas-fired power and heat energy generation	Hydropower and others	Total
	<i>MB’000</i>	<i>MB’000</i>	<i>MB’000</i>	<i>MB’000</i>
For the six months ended				
June 30, 2012 (Unaudited)				
Revenue from external customers				
Sales of electricity	604,727	982,304	8,792	1,595,823
Sales of heat energy	–	213,171	677	213,848
Others	–	–	–	–

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

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

Notes:

- (i) The segment profit is arrived at after the deduction of gas consumption, service concession construction costs, depreciation and amortization, personnel costs, repair and maintenance, other expenses, and other gains and losses from revenue and other income (excluding gain on capital contribution from the non-controlling interests in an associate and a jointly controlled entity, dividend from available-for-sale financial assets).

- (ii) Finance costs have been allocated among the segments for the additional information in the presentation of the segment information, but are not considered to arrive at the segment profit. However, the relevant borrowings have been allocated into the segment liabilities. It represents amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss.

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

For the six months ended June 30,	
2012	2011
(Unaudited)	(Audited)
<i>MB'000</i>	<i>RMB'000</i>

Result of operations for the six months ended June 30, 2012 and 2011

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

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

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

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

(c) Geographical information

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

(d) Information of major customers

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

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

4. REVENUE

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

	For the six months ended June 30, 2012 (Unaudited) MB'000	2011 (Audited) RMB'000
Sales of goods:		
– Electricity	1,595,823	1,644,934
– Heat energy	213,848	247,321
	<u>1,809,671</u>	<u>1,892,255</u>

5. OTHER INCOME

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

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

6. OTHER GAINS AND LOSSES

	For the six months ended June 30,	
	2012 (Unaudited) MB'000	2011 (Audited) RMB'000
Other gains (losses) comprises:		
Impairment loss on doubtful receivables	(72)	—
Loss on disposal of property, plant and equipment	44	(606)
Net exchange gain (loss)	6,745	840
Gain on disposal of subsidiary and a jointly controlled entity (<i>Note</i>)	94,156	—
Others ⁽⁷¹¹⁾	(711)	71

7. INTEREST INCOME/FINANCE COSTS

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

8. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2012 (Unaudited) MB'000	2011 (Audited) RMB'000
Current tax:		
PRC enterprise income tax ("EIT")	34,825	57,613
Deferred tax:		
Current year	<u>40,342</u>	<u>18,660</u>
Income tax expense	<u><u>75,167</u></u>	<u><u>76,273</u></u>

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

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

9. PROFIT FOR THE PERIOD

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

10. DIVIDENDS

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

11. EARNINGS PER SHARE

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

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

12. TRADE AND BILL RECEIVABLES

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

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

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

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

	For the six months ended June 30, 2012 (Unaudited) MB'000	For the year ended December 31, 2011 (Audited) RMB'000
At the beginning of the year/period	309	134
Provided during the year/period	<u>72</u>	<u>175</u>
At the end of the year/period	<u><u>381</u></u>	<u><u>309</u></u>

13. TRADE AND OTHER PAYABLES

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

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

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

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

14. EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

I. Business Review for the First Half of the Year

1. Infrastructure Construction Progress

In the first half of 2012, while ensuring the infrastructure construction progress, the Group further improved construction standards, optimized technical solutions, and systemically strengthened the management of projects under construction, so as to forge top-notch projects. The main body in Phase II of the southwest thermal power centre – Jingqiao Power Plant was substantially completed. The equipment procurement bidding phase for the main body of the plant was completed.

3. Continued to strengthen project development

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

4. Continued to improve management and tighten cost control

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

5. Continued to develop CDM projects with increasing number

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

6. Optimized financial structure and continued to expand financing channels

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

II. Operating Results and Analysis

Overview

In the first half of 2012, the Company realized a profit

Operating Income

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

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

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

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

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The revenue from our wind power segment decreased by 0.66% from RMB608.72 million for the first half of 2011 to RMB604.73 million for the first half of 201

Depreciation and Amortization

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

Personnel Costs

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

Maintenance

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

Other Expenses

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

Other Gains

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

Profit from Operations

Profit



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

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

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

Gas-fired power and heat energy generation segment

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

Wind power segment

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

Hydropower and other businesses

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

Finance Costs

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

Share of Results of Associates and Jointly Controlled Entities

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

Income Tax Expense

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

Profit and Total Comprehensive Income for the Period

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

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

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

Liquidity and Source of Funds

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

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

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

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

Foreign Exchange Management

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

Capital Expenditure

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

Net Gearing Ratio

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

Material Investment

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

Material Acquisition and Disposal

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

Pledge of Assets

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

Contingent Liabilities

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

III. Business Prospect for the Second Half of the Year

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

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

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

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

1. Focusing on the construction of the four thermal power centres

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

2. Expanding project reserves by seizing market opportunities

The Group will expand its project reserves by seizing the market opportunities brought by new town construction programs in key areas of Beijing and the demand for heating and cooling in key urban and rural areas as well as the science and technology districts. Meanwhile, the Group will exert every effort to advance the early-stage work for the existing reserve projects, such as the energy projects in the northern part of Haidian District, Changping TBD and Taiha18-15()-124(k)-5(ey)-15()-124(u)-15(r)-151710 1 Tf12 0 0 12 99.2126 396.2103 Tm(

5. *Enhancing the Group's risk resistance capacity through diversifying financing channels and adjusting its debt structure*

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

6. *Implementing the national science and technology project “Key Technologies and Demonstrations for Upgrading the Efficiency of Heat Supply Systems in Urban and Rural Areas”*

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

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

COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's 2012 interim results announcement, interim report and the unaudited financial statements for the six months ended June 30, 2012 prepared in accordance with the IFRSs.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the HKExnews website of the Stock Exchange at <http://www.hkexnews.hk> and on the website of the Company at <http://www.jncec.com>. The 2012 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders in due course and will be published on the websites of the Company and the Stock Exchange.

By order of the Board
Beijing Jingneng Clean Energy Co., Limited
LU Haijun
Chairman

Beijing, the People's Republic of China
August 23, 2012

As at the date of this announcement, the non-executive directors of the Company are Mr. Lu Haijun, Mr. Guo Mingxing, Mr. Xu Jingfu, Mr. Liu Guochen and Mr. Yu Zhongfu; the executive director of the Company is Mr. Meng Wentao; and the independent non-executive directors of the Company are Mr. Liu Chaoan, Mr. Shi Xiaomin, and Ms. Lau Miu Man.