Risks Relating to Our Wind Power Business

Our wind farms' commercial viability and profitability depend on the PRC government's policies and regulatory framework supporting renewable energy development, which the PRC government could change or eliminate.

The PRC government has adopted policies and established a regulatory framework to encourage the development of wind power projects and to increase the proportion of electricity generated from wind power. Laws and regulations, such as the Renewable Energy Law, also provide economic incentives to companies engaged in the development of wind power projects. Such incentives include mandatory grid connection and dispatch of 100% of electricity generation from wind farms, on-grid tariff premiums (the on-grid tariffs for wind power are generally higher than those for coal power within the same province), and tax benefits such as a refund of 50% of the VAT levied on electricity generation from wind power and other tax reduction plans. In accordance with a recent change in government policies, the on-grid tariff for electricity produced by wind farm projects as determined by "government guided price" has been replaced by geographically unified tariffs, a form of "government fixed price," which we believe will generally be more favourable than that of our wind power projects approved in recent years. The new on-grid tariffs continue to be subsidized by on-grid tariff premiums enjoyed by renewable power projects in general. See "Regulatory Environment — Regulatory Requirements Relating to Renewable Energy."

The development and profitability of wind power projects in the PRC, including our wind farms, is significantly dependent on policies and regulatory framework that support such development. For the three years ended December 31, 2006, 2007 and 2008, and for the six months ended June 30, 2009, we received other government grants of RMB61.7 million, RMB94.6 million, RMB207.7 million and RMB 136.4 million, respectively, which mainly represent various preferential tax incentives granted by the PRC government. While the PRC government has publicly stated its intent to continue to encourage the development of wind power projects and our Directors are not aware of any indication of any potential changes to the existing wind power policies in the PRC that may materially and adversely affect us in the foreseeable future, we cannot assure you that the PRC government will not in fact change or eliminate current incentives and favorable policies currently available to us at any time. In addition, as the regulatory framework in the PRC for renewable energy is relatively new and still evolving, the implementation and enforcement of these policies, laws and regulations involve uncertainties and may differ from region to region in the PRC. Any reduction, discontinuation or unfavorable application of the policies and economic incentives for wind power generation companies like us could reduce demand for wind power which could have a material adverse effect on our business, financial condition, results of operations or prospects. Furthermore, if these favorable policies and incentives were changed or discontinued to our detriment before our wind farms reach the economies of scale necessary to become cost-effective in a non-subsidized market place, we could be forced to compete directly against producers of electricity from non-renewable energy and other wind farms in the sale of electricity and the setting of tariffs, which could also have a material adverse effect on our business, financial condition, results of operations or prospects.

Our wind farms' commercial viability and profitability depend on wind and associated weather conditions, as well as our ability to assess such conditions when selecting new wind farm sites.

Our wind power business generates revenue primarily from the sale of electricity generated by our wind farms. For each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the operating profit of our wind power business accounted for 13.3%, 39.6%, 75.7% and 69.4%, respectively, of our total operating profit. The amount of electricity generated by, and the profitability of, our wind farms depend on climatic conditions, particularly wind conditions, which can vary dramatically across the seasons and between locations of our wind farms, and are also subject to general climatic changes.

Currently, wind turbines will only begin to operate when wind speeds reach a certain minimum (approximately three to four meters per second), and must be disconnected when wind speeds exceed a certain maximum (approximately 20-25 meters per second). Therefore, if wind speeds are outside these limits, the electricity output from our wind farms will decrease or cease. During the project development phase and before construction of any wind farm, we conduct wind tests to evaluate the site's potential installed capacity, and we base our core operational and financial assumptions and investment decisions on the tests' findings. Although these operational limits did not have any material adverse effect on our business during the Track Record Period, we cannot assure you that the actual climatic conditions at any particular project site will conform to the assumptions that we made during the project development phase and, as a result, we cannot guarantee that our wind farms will be able to meet their anticipated electricity output in the future.

Historically, our wind farms located in northern China usually reach peak electricity output in the months of October to April, and lowest electricity output in the months of July to August. If the seasonal variations and fluctuations in wind conditions of these areas do not conform to our historical observations or do not correspond to our assumptions, it may result in unexpected fluctuations in the electricity output of such wind farms and consequently, our results of operations. Similarly, extreme wind or weather conditions, particularly those affecting multiple wind farms, could reduce our operational efficiency and electricity production, which could have a material adverse effect on our business, financial condition or results of operations.

The weighted average on-grid tariff of electricity generated from our wind farms has decreased during the Track Record Period.

The weighted average on-grid tariff of electricity generated from our wind farms (which is calculated by dividing the revenue from electricity sales of our wind power business by our consolidated net power generation of our wind power business) per kWh was RMB0.5744, RMB0.5114, RMB0.4799 and RMB0.4653 in 2006, 2007 and 2008 and for the nine months ended September 30, 2009, respectively. Consistent with the industry trend in the PRC, the decrease in the weighted average on-grid tariff of our wind farms during the Track Record Period reflects the fact that some of our earlier projects commissioned before 2006 have higher on-grid tariffs due to the higher wind farm construction costs prevailing at that time. Over time, as we have developed more wind farms and significantly increased our installed capacity, the weighted average on-grid tariff has also decreased. This reflects the lower tariffs of our more recent projects compared to those earlier projects due to their location with abundant wind resources and/or the decreased construction costs attributable to economies of scale and improvement in technology. The on-grid tariffs of our wind power projects are subject to review and approval by the PRC government. Although the mechanism for determining on-grid tariffs of wind power projects has been changed from "government guided price" to "government fixed price" in accordance with the new wind power tariff policy issued by the NDRC, which the Directors believe will generally result in higher on-grid tariffs for wind farms in the same location, we cannot assure you that our weighted average on-grid tariffs of wind farms will not decrease in the future. Any future reductions in the on-grid tariffs of our existing and future wind farms, or the failure on our part to mitigate the possible decrease in on-grid tariffs by increasing installed capacity and improving operational efficiency, could have a material adverse effect on our business, financial condition or results of operations. See "Financial Information — Significant Factors Affecting our Results of Operations and Financial Condition — Changes in on-grid tariffs — Wind."

We rely on local grid companies for grid connection and electricity transmission and distribution services.

We must obtain local grid company's consent to connect our wind farms to its grid.

Before obtaining the project approval of the NDRC or the relevant provincial DRC, we must obtain the relevant local grid company's consent to connect our wind farms to its grid. Obtaining the grid company's consent to such connection may depend on a number of factors, including the availability and the reliability of existing grids, progress of construction and upgrade of local grids, the distance of our proposed wind sites from the local grids and the cost of these grid connection facilities. Furthermore, wind farms and other renewable energy facilities of our competitors located in sites near our wind farms may compete with us to secure grid connection.

Many of these factors are beyond our control, and we cannot assure you that we will be able to obtain all necessary consents for our new wind power projects in a timely manner, or at all. Failure to obtain grid company consent to connect to its grid may delay or prevent the development of our wind power projects.

We depend on local grid companies to purchase electricity and provide electricity transmission and dispatch services.

According to the Renewable Energy Law and its implementing rules, grid companies generally must purchase all electricity generated by renewable energy producers within their grids. Unlike our coal power plants, the electricity sales of which are subject to the planned output limit determined by the relevant PRC government authority each year, the electricity sales of our wind farms benefit from the mandatory purchase obligations of grid companies imposed upon by the Renewable Energy Law. However, we cannot assure you that such favorable statutory requirement will not be abandoned or changed in the future, whether due to policy changes at the national or local level in the PRC, the wind energy or other renewable energy sector maturing to reach a level playing ground to compete with coal power, or any other reasons. Furthermore, as the statutory purchase obligation is a relatively new concept in the PRC law, changes to or uncertainties of the methods by which the local government choose to implement this requirement on grid companies may also negatively impact the statutory support from which we currently benefit. Any change to or elimination of the statutory purchase obligations or other support measures relating to them may materially and adversely affect the sales of electricity generated from our wind farms, our business prospects and results of operations.

Although according to the Renewable Energy Law and its implementing rules, grid companies generally must provide grid connection services to renewable energy producers within their grids, some of our wind farms are located in remote areas where the grids may not be able to take all the electricity that our wind farms generate when operating at full capacity. We typically rely on local grid companies to construct and maintain the infrastructure and provide the electricity transmission and dispatch services necessary to connect our wind farms to the grids, and we cannot assure you that the local grid companies will do so in a timely manner, or at all.

In addition, the transmission and dispatch of the full output of our wind farms may be curtailed as a result of various grid constraints, such as grid congestion, restrictions on transmission capacity of the grid and restrictions on electricity dispatch during certain periods. Since the second half of 2008, some of our wind farms in Gansu and Inner Mongolia have experienced temporary limitations on their electricity output due to underdevelopment of the local grids and the decrease in nationwide electricity demand attributable to the recent economic crisis which resulted in surplus electricity overburdening the grid. As electricity generated from our wind farms is not stored and must be transmitted or used once it is generated, some of all of the wind turbines of a wind farm will be turned off and stop producing electricity during the period when electricity is unable to be transmitted due to grid congestion or other grid constraints. Such events could reduce the actual net power generation of our wind farms. See "Business — Our Wind Power Business — Electricity Sale." Depending on the progress of construction and upgrade of the grid infrastructure in areas where the construction of wind farms has outpaced the transmission capacity of existing grids, we expect that some of our wind farms in these areas will continue to experience limitation on their output due to grid congestion from time to time. A number of factors affect the financial impact of grid congestion, including wind speed, wind direction and other wind patterns, the design and build quality of wind turbines, the location of each wind farms, wake effects and topographical characteristics of the wind sites, as well as the length and frequency of the limitation on electricity output due to grid congestion and other grid constrains. Given that these variations are often interrelated and concurrent with other factors beyond our control and there is no established industry standard to evaluate the impact of each factor and their interaction, we cannot reliably estimate the possible financial impact on our wind farms attributable to grid congestion alone. In addition, the PPAs that our wind farms have entered into do not provide for any compensation by the relevant grid companies for any financial losses due to grid congestion or other shortfalls in purchasing the full amount of electricity generated by our wind farms.

Furthermore, electricity transmission lines may experience unplanned outages due to system failures, accidents and severe weather conditions, or planned outages due to repair and maintenance, construction work and other reasons beyond our control.

As a result, securing connection to grids depends on a number of factors that are beyond our control. We cannot assure you that we will be able to secure all necessary connection to local grids in a timely manner, or at all. Failure or delays to secure grid connection, or the curtailment of our wind farms' output levels, will reduce our electricity output and limit operational efficiencies, which in turn could have a material adverse effect on our business, financial condition or results of operations.

Our electricity generation and, in turn, our financial condition and results of operations, depend on the operating performance of our wind turbines.

As with all wind power companies, our wind power business and its ability to generate revenue depend upon the operating performance of our wind turbines. A wind turbine's non-performance or under-performance will have a direct negative effect on a wind farm's financial condition and results of operations.

Since 2005, due in part to the PRC government's requirement that at least 70% of wind turbine components (by purchase value) to domestically manufactured, we have increased our sourcing of wind turbine components manufactured by both domestic and foreign-invested suppliers in the PRC. Some wind turbine designs, in particular new models, have relatively short operating histories, and the operating performance of domestically manufactured wind turbines may not be comparable to that of imported wind turbines with more established operating histories. Wind farms installing newly developed and/or domestically manufactured wind turbines may experience performance and availability shortfalls. Furthermore, wind turbine quality testing and certification by professional third parties is a relatively new concept in the PRC, and regulatory or mandatory requirements for quality testing and certification of domestically manufactured wind turbines using international standards are not well established.

Under the turbine supply agreements, our turbine suppliers typically provide performance warranties covering two years after a 240-hour test run of such turbine. The standard performance warranties provide that: (i) the output curve of an individual wind turbine must be greater than or equal to 95% of the standard output curve set by the supplier; for every 1% drop in output curve below the 95% threshold, the supplier is required to reimburse us an amount equal to 1% of the purchase price of such turbine, and (ii) the average availability factor of all the turbines sold under the same supply agreement must be greater than or equal to 95%. For every 1% drop in the average availability factor, the supplier is required to reimburse us an amount equal to 1% of the total purchase price of all the turbines supplied under such supply agreement. The average availability factor and any corresponding reimbursement are calculated at the end of the two-year warranty term. However, a number of our turbine suppliers impose caps on their liability for performance warranties. Although some wind turbine suppliers give us a limited indemnification for performance and availability shortfalls under the turbine supply agreements, we cannot assure you that such indemnification will be adequate to cover any potential adverse effect on our financial performance.

Furthermore, we cannot assure you that when we negotiate new turbine supply agreements, we will be able to negotiate warranty and other terms comparable to those in our existing supply agreements. As a result, project costs could increase due to shorter warranty periods or more restrictive warranties, any of which could have a material adverse effect on our business, financial condition or results of operations.

Sales of CERs depend on the CDM arrangements under the Kyoto Protocol, and any change or expiration of these CDM arrangements could limit our income from the sales of CERs and VERs.

Pursuant to the Kyoto Protocol, which the PRC government ratified in August 2002, public or private entities can purchase the CERs we generate from our CDM projects and use these CERs to comply with their domestic emission reduction targets or sell them in the open market. All our wind power projects which have sold VERs are CDM projects, and based on our experience, the price of VERs from CDM projects is generally higher than the price of VERs from non-CDM projects. Our sales of CERs depend on the CDM arrangements under the Kyoto Protocol.

We generate other net income from the sales of CERs and VERs, which strengthens the economic viability of our wind power projects. For the years ended December 31, 2007 and 2008 and the six months ended June 30, 2009, we derived other net income from the sale of these CERs and VERs of RMB29.6 million, RMB117.5 million and RMB116.9 million, respectively, representing 4.1%, 7.2% and 8.8% of the total revenue of our wind power business during the same periods. See "Business — Our Wind Power Business — Carbon Credit Transactions — Clean Development Mechanism and Sale of CERs." If the Kyoto Protocol is not renewed before its expiration on December 31, 2012 or if the PRC government discontinues its support for these CDM arrangements, it could have a material adverse effect on our income from sales of CERs and VERs.

In addition, since the process to register CDM projects with the CDM EB is relatively complicated, the timing and outcome of our registration applications are uncertain. We cannot assure you that the CDM EB will approve all of our current pending applications for the CDM project registration in a timely manner, or at all. Further, should there be any material changes to the verification standards in the registration progress or other changes to the generation registration policy, we may be unable to register our wind and other renewable energy projects as CDM projects in the future, which in turn could have a material adverse effect on our income from the sales of CERs and VERs, our financial condition or results of operations.

We may encounter difficulties and delays when constructing new projects.

We face risks relating to the construction of our wind farms, including delays to construction timetables, failure to complete the projects within budget and to the required specifications, adverse trends in the construction industry and the general economic and financial conditions in the PRC. We may also encounter various setbacks such as adverse weather conditions, difficulties in connecting to grids, construction defects, delivery failures by suppliers, unexpected delays in obtaining permits and authorizations, or legal actions brought by third parties.

We rely on third-party suppliers to produce and supply our turbines and other equipment. We typically rely on third party contractors to transport and install our turbines, and we inspect and commission our turbines under their supervision and assistance. We rely on third-party contractors to construct the balance of the wind farm. While we generally contract with established suppliers, third-party contractors and civil engineers with whom we have long-standing relationships, our projects depend on the success of these works, which are subject to factors outside our control, including actions or omissions by such suppliers, contractors and engineers.

Any setbacks, delays in the delivery of supplies or construction, inability to find suitable contractors and engineers or problems relating to the work performed by contractors and engineers that we engage may result in delays in the completion of a project and other unforeseen construction costs or budget overruns, which could have a material adverse effect on our business, financial condition or results of operations.

In addition, we cannot assure you that our pipeline projects will be completed in the anticipated timeframe or at all, or that projections or estimates relating to our pipeline projects will correspond with our future installed capacity and, accordingly, our actual installed capacity in the future could differ from our own or third-party current expectations.

We depend on a limited number of qualified wind turbine suppliers and other suppliers.

The purchase cost of wind turbines represents approximately 60-70% of the overall cost of building a wind farm. There are a limited number of qualified wind turbine suppliers in the PRC, and the price, supply and delivery lead times of wind turbines largely depend on the market demand. In the past, worldwide demand for wind turbines exceeded the supply, which led to delivery delays and price increases for wind turbines and other necessary equipment. However, we have observed that the contract price of wind turbines has started to decline from the end of 2008 due to what we believe to be over-supply of wind turbines as a result of rapid expansion of production capacity coupled with the global economic downturn. We are exposed to any changes in the market prices of wind turbines when we negotiate new supply agreements, and the price trend of wind turbines has a direct effect on our results of operations. If we are unable to manage our purchases of wind turbines at prices acceptable to us or if the prices of wind turbines increase significantly, profit margins of our wind power business may decrease and our results of operations would be materially and adversely affected.

To ensure the quality of our wind turbines, we usually choose suppliers with leading performance track records and, therefore, our wind turbine suppliers have been relatively concentrated in the past. As of June 30, 2009, our two largest wind turbine suppliers, Gamesa and Goldwind, supplied 43.7% and 31.6%, respectively, of the total installed capacity of our wind farms. Although, as of December 31, 2008, we had entered into wind turbine supply agreements to secure the supply of wind turbines for the estimated total additional installed capacity by the end of 2009, we cannot assure you that in the future we will be able to purchase a sufficient quantity of wind turbines (and other necessary equipment) that meet our quality requirements at commercially acceptable terms, or in a timely manner. We also cannot assure you that our wind turbine suppliers will not delay delivery to us or prioritize delivery to other market participants, including our competitors. Any significant delay by our principal wind turbine suppliers to perform their contractual obligations, the inability of our principal suppliers to meet their quantity commitments as well as our quality requirements or the unavailability of alternate supplies could interrupt our operations and hinder our business plan, which in turn could have a material adverse effect on our business, financial condition or results of operations. Even though we would expect our suppliers to compensate us for delays in delivery or other delays to perform their contractual obligations, we cannot assure you that such compensation would be adequate to cover the shortfall in revenue.

Although we seek to expand and diversify our supplier base, our reliance on a few turbine suppliers and our existing limited relationships with other suppliers exposes us to certain risks, including the loss of any of these suppliers, the inability to find replacement suppliers at commercially acceptable terms, or an adverse change in the terms of our existing contractual agreements with our suppliers. The occurrence of any such events could delay our commercial operation, which in turn could materially and adversely affect our business, financial condition or results of operations.

We face competition from other wind power developers, as well as other renewable energy companies.

In the wind power sector, competition is focused on bidding for new or acquiring existing wind farm sites (in particular sites with favorable wind conditions and existing grid connection infrastructure), securing delivery and installation of key equipment, performance characteristics of technologies used and on-grid pricing. Although we evaluate these competitive factors carefully, certain competitors (including foreign companies and other large PRC utility companies) may have better access to local government support, financial, infrastructure or other resources than us in some areas, enabling them to be more competitive in the development and acquisition of new wind power projects. We also face potential competition from Guodian and GD Power in the wind power business, including in obtaining the wind power projects and the land use rights for wind farm sites, in particular from GD Power which has not provided any non-competition undertaking to the Group.

In addition, we may encounter competition from producers of electricity from other renewable energy sources. In particular, other renewable energy technologies may become more competitive and attractive in the future. Competition from such producers may increase if the technology used to generate electricity from these other renewable energy sources becomes more sophisticated, or if the PRC government elects to further strengthen their support of such renewable energy sources. While we are actively exploring opportunities in other renewable energy sectors, such as solar power, we cannot assure you that we will successfully develop projects utilizing such other renewable energy sources.

If we were unable to maintain and increase our competitiveness in the future, or our efforts to incorporate more competitive renewable energy projects into our portfolio or compete against other renewable power companies were unsuccessful, our business, financial condition, or results of operations could be adversely affected.

We may need to purchase and install additional equipment to comply with grid safety and stability requirements.

In order to meet the grid safety and stability requirements, the relevant grid companies may require us to purchase and install, at our cost, additional equipment at our wind farms, after some of our wind farms (in particular larger wind farms with greater installed capacity) have been constructed and connected to the grid. In the future, if we become subject to stricter grid safety and stability requirements, we may need to incur additional expense to comply with such requirements, which could have a material adverse effect on our business, financial condition or results of operations.

To expand our wind power business, we must find, and obtain land use rights for, suitable wind farm sites.

Wind farms require particular wind conditions that are found at a limited number of geographic sites. Furthermore, a variety of factors, including topographic constraints, proximity to and availability of grid capacity, and proximity to areas of population density, nature reserves, airports and military facilities, all limit the number of sites appropriate for installation of wind farms and other renewable energy facilities.

In addition, our ability to find, and obtain land use rights for, suitable wind farm sites is subject to growing competition from an increasing number of renewable energy companies. Some of our competitors have been operating for a long time, and may have better access to local government support, financial or other resources to find, and obtain land use rights for, suitable sites. As a result, they may have competitive advantages over us in terms of acquiring additional land use rights for such sites.

If we were unable to find, or obtain land use rights for, suitable new wind farm sites, we might be unable to construct new projects and start operations on a timely basis or at all, or to maintain and continue our existing operations, any of which could have a material adverse effect on our business, financial condition or results of operations.

The basis and underlying assumptions we use to classify our wind power projects are internally developed, and have not been audited or verified by any third party.

Our wind power project development stages disclosed in this document are only used for our internal planning purposes, and are not used by other companies in the same industry, and have not been verified or audited by any third party. Our project classification system divides our wind power projects into three development stages: projects in operation, projects under construction and pipeline projects. We further divide our pipeline projects into three tiers using objective milestones that we have set based on our development experience.See "Business — Our Wind Power Business — Pipeline Projects." No one project classification methodology is generally accepted in the renewable energy industry, and we expect that our project classification methodology differs from that used by other companies in the industry. As such, our project descriptions or our historical or projected operating results may not be comparable with those of such other companies.

Renewable energy sources face competition from conventional energy sources.

Renewable energy sources compete with petroleum, coal, natural gas and nuclear energy. Recent volatility in the price of conventional fuels, in particular, oil and natural gas, have enhanced the price competitiveness of electricity generated using renewable energy sources. However, technological progress in the exploitation of other energy sources or discovery of large new deposits of oil, gas or coal, resulting in a decline in the price of those fuels, could increase the competitiveness of electricity generated from conventional sources. A reduction in demand for energy from renewable sources could have a material adverse effect on our business, financial condition or results of operations.

Nearby objects may interfere with our wind farms.

The operational performance of our wind farms depends on wind speeds and other climatic conditions at the relevant site. However, objects such as buildings, trees or other wind turbines near our wind farms, especially in more built-up areas such as the Southeast Coastal Provinces, may reduce our wind resources due to the disruption of wind flows, known as "wake effects." Although we exercise care when selecting our wind farm sites, we typically only acquire land use rights for the land underlying our wind turbine pylons and the nearby infrastructure. The PRC government could grant land use rights for nearby land which, when developed, would have a negative wake effect on our wind farms. Furthermore, we cannot assure you that the holders of the land use rights related to land near our wind farm sites will not lease or transfer their land use rights to other developers who may construct wind turbines or other structures that would have negative wake effects. Such developments may reduce the operational performance of our wind farms, which could have a material adverse effect on our business, financial condition or results of operations.

We may fail to keep pace with technological changes in the rapidly evolving renewable energy industry.

The technologies used in the renewable energy industry are evolving rapidly, and to maintain our competitiveness and expand our business, we must be able to respond to these technological changes. We may be unable to update our technologies swiftly and regularly, possibly rendering our operations less competitive. Failure to respond to current and future technological changes in the renewable energy industry in an effective and timely manner may have a material adverse effect on our business, financial condition or results of operations.

Risks Relating to Our Coal Power Business

Coal prices are volatile, and our ability to pass on any increases to our customers and/or end-users is limited.

The cost of coal consumption represented 61.2%, 59.6%, 58.8% and 41.3% of our total operating expenses (excluding service concession construction costs) for the years ended December 31, 2006, 2007 and 2008, and the six months ended June 30, 2009, respectively. We (or our procurement agents) negotiate coal prices applicable to our coal power plants with our coal suppliers, and the coal prices are subject to other factors including market conditions, applicable VAT, government pricing policies and the cost of transportation. Our average standard coal price increased by 32.3% from RMB586.3 per ton during the year ended December 31, 2007 to RMB775.9 per ton during the year ended December 31, 2008, which was generally in line with the increasing trend of coal prices over the same periods. Furthermore, in December 2008, the NDRC announced that it would remove pricing caps on thermal coal in 2009 and adopt a market-oriented pricing mechanism. This could increase the cost of our coal supplies and our cost of sales, and in turn could have a material adverse effect on our business, financial condition and results of operations. We cannot assure you that the spot price for coal will not increase further. See "Financial Information — Significant Factors Affecting Our Results of Operations and Financial Condition — Coal consumption."

Our ability to pass on coal price increases to our customers and/or end-users through on-grid tariff increases is limited. In December 2004, the NDRC issued a power pricing reform plan to address the adverse effects on IPPs of increased coal costs. Under this reform plan, in certain circumstances, electricity tariffs may be raised as coal prices increase. When the average coal price increases by more than 5% within a six-month period, IPPs (such as us) can pass on to customers up to 70% of such increase through higher on-grid tariffs, but must bear the remaining 30% of the increased coal costs. If the average coal prices were to increase by less than 5% within a six-month period, the on-grid tariffs would remain unchanged. Since adjustments to on-grid tariffs in relation to coal price increases are subject to various factors, any increase in coal prices may not necessarily result in higher on-grid tariffs. As a result, the percentage of increase in on-grid tariffs may be lower than that of coal prices, which could have a material adverse effect on our business, financial condition and results of operations.

Reductions in tariffs or planned output may adversely affect our results of operations.

The revenue from the sale of electricity we generate from our two coal power plants is primarily determined by the on-grid tariffs and their planned output. The amount of electricity to be dispatched by our coal power plants to the relevant grid company, or the planned output, is determined and controlled by the relevant government authority. Reductions in the amount of planned output to levels below our projections would adversely affect our revenue. Any decrease in the demand for electricity in Jiangsu province where our two coal power plants are located and/or in the PRC generally, could negatively affect the planned output of our coal power plants approved by the relevant government authority. In addition, during a three-year transition period from 2009 to 2011, we will remain entitled to an allocation of annual planned output for the Tianshenggang Power Plant's four decommissioned units. However, after the transition period, we will lose our entitlement to any planned output with respect to the four units. Unless additional planned output is assigned to the new unit of 1,000 MW, which we plan to install in Tianshenggang Power Plant to replace our decommissioned units, before or immediately after the transition period, or the planned output assigned to the power plant is increased for other reasons, the planned output of Tianshenggang Power Plant will be substantially reduced after the transition period, which could have a material adverse effect on our coal power business's financial condition or results of operations.

The on-grid tariffs for our planned output are subject to review and approval by the relevant provincial government authority and the NDRC. Any future reductions in our on-grid tariffs, or the PRC government's refusal to raise tariffs (for example, to cover any increased costs we may have to incur) as a result of the new on-grid tariff-setting mechanism, policy or otherwise, could have a material adverse effect on our business, financial condition or results of operations.

Further increase in the supply of coal power in the PRC may adversely affect the average utilization hours of our coal power plants.

In recent years, many new coal power plants have been built in Jiangsu Province, where our two coal power plants are located, and elsewhere in the PRC. Since 2005, growth in the supply of coal power in the PRC has outpaced growth in demand. This has caused the local governments to lower the planned output for certain coal power plants in the PRC, which in turn has resulted in a decrease in the average utilization hours of such coal power plants since 2005. See "Industry Overview — The PRC Electricity Generation Industry — Supply and Demand for Electricity in the PRC." Although during the years ended December 31, 2006, 2007 and 2008, and the six months ended June 30, 2009, the average utilization hours of our coal power business were 5,282.2, 5,130.6, 6,023.6 and 2,576.0, respectively, we cannot assure you that the supply of coal power will not continue to increase in Jiangsu Province or elsewhere in the PRC and/or that the local governments in Jiangsu Province will not lower the planned output of our coal power plants, either of which could have a material adverse effect on our coal power business and its operating results.

Our coal power business is vulnerable to competition from new generation capacity.

With the rapid development of the PRC electricity generation industry and the shortage of electricity supply in recent years, significant numbers of power plants (especially coal power plants) have been built or expanded, both in Jiangsu where both of our coal power plants are located, and elsewhere throughout the PRC. An increase in the power supply in the local area, including the addition of new electricity generation capacity by our competitors, could negatively affect the planned output of our coal power plants and the on-grid tariffs approved by the PRC government. Furthermore, if the growth in demand for power does not increase as rapidly as expected, due to an economic slowdown in the PRC or other reasons, the coal power industry may experience a period in which industry-wide capacity exceeds demand, which could have a material adverse effect on our business, financial condition or results of operations. See “Industry Overview — The PRC Electricity Generation Industry — Supply and Demand for Electricity in the PRC.”

Coal supply disruption or unavailability may adversely affect the operation of our coal power plants.

We typically purchase coal to fuel our two coal power plants from major coal suppliers through procurement agents or from our direct coal suppliers pursuant to annual coal supply agreements, and the remainder from the spot market. See “Business — Our Coal Power Business — Fuel Supply.” Notwithstanding our coal supply agreements, we cannot assure you that we can avoid any disruption in, unavailability of, or changes to the commercial terms of, our coal supplies, or that we will be able to purchase sufficient supplies of coal in the open market, at commercially reasonable prices or at all, to meet our future uncontracted requirements.

Currently, the PRC’s freight transportation infrastructure is inadequate to support coal transportation demand in the PRC. Delivery disruption could occur for a variety of reasons beyond our control, including transportation bottlenecks, accidents and natural disasters. We cannot assure you that we can avoid disruption in or unavailability of coal transportation services, which could have a material adverse effect on our business, financial condition or results of operations.

Our coal supply business is influenced by coal prices, which are cyclical and subject to significant fluctuations.

For the six months ended June 30, 2009, revenue derived from our coal supply business was RMB199.1 million, representing 9.5% of revenue from our coal power business during the same period. The coal supply business and its operating results are subject to the volatile price movement of coal in the PRC market and are dependent on factors affecting such price movement, including regional and national supply and demand for coal, regulations and policies introduced by the PRC government and general economic conditions. The PRC’s coal market has in the past exhibited significant fluctuations in supply, demand and prices from year to year. According to China Coal Transport and Distribution Association, the average coal price at the Qinhuangdao port of the PRC increased by 15.3% from 2006 to 2007, and further by 80.2% from 2007 to 2008. However, due to the slowdown of the PRC’s economy and the resulting decreased demand for coal, coal prices have experienced a substantial downturn since the end of 2008. Subject to the volatile price movement, revenue from the sales of coal may significantly fluctuate from time to time. Further, if the coal price increases and we cannot pass on the price increases to our customers due to fixed price arrangements, the profitability of our coal supply business may be materially and adversely affected.

Our limited operating history in the coal supply business may not serve as an adequate indicator of its future results of operations.

Our coal power business started to engage in coal supply activities from May 2009 through a newly established subsidiary. Given the fact that we have limited experience in coal supply business and our coal supply business has a limited operating history, we cannot assure you that we will effectively manage and develop our coal supply business or succeed in achieving our goal to ensure a reliable coal supply for our own use through the new coal supply business line. We purchase coal from coal mines and coal trading intermediaries and supply the coal to one of our coal power plants, Jiangyin Xiagang Plant and third party customers. Our consolidated financial information during the Track Record Period included in this document only reflected the operating results of the coal supply business from May 2009 to June 2009. As such, the historical operating results of this new business line may not provide a meaningful basis for evaluating its financial performance going forward. Our coal supply business may not be able to achieve a similar growth rate or maintain profitability in the future, which in turn could adversely affect our overall results of operations and financial condition.

Risks Relating to Our Overall Business

We may not be able to execute our business strategy successfully or to manage our growth effectively.

We are experiencing a period of rapid growth and expansion that has placed and is expected to continue to place, significant demands on our management, capital, administrative and human resources. Our wind power consolidated installed capacity increased from 586.6 MW as of December 31, 2006 to 3,032.0 MW as of September 30, 2009, representing a CAGR of 89.1%. We plan to strengthen our leading position in the PRC wind power sector by completing our wind power projects under development, increasing our consolidated installed capacity of wind power to approximately 6,500 MW by the end of 2010 and maximizing our operational efficiency. However, our ability to execute our business strategy successfully depends on a variety of factors, including our ability to develop and expand our existing portfolio of projects (including obtaining the necessary financing), to operate our existing and future assets successfully, our ability to contract timely for new turbines and the ability of our turbine suppliers and contractors to supply and install turbines on schedule. Our ability to execute our business strategy is also subject to a variety of additional risks, including those set forth in this section. Besides, in the event we are unable to execute our business strategy fully or successfully, our development might be hindered. In addition, we have to address the risks frequently encountered by companies that experience significant growth in a short period of time, including our ability to effectively manage large scale projects, to maintain adequate control over our expenses and to obtain sufficient financing on favorable terms. As such, we cannot assure you that we will be able to execute our business plan successfully or fully within the expected timetable or at all, or that we will be able to manage our growth effectively, and our failure to do so could have a material adverse effect on our business, prospects, financial condition or results of operations.

We rely heavily on our sole customers, the local grid companies, and they may fail to meet their obligations under the PPAs.

Each of our operating wind farms and coal power plants has entered into a PPA with its sole customers, the relevant local grid companies, to sell electricity. Our wind farms and coal power plants currently sell substantially all the electricity that they generate to the grid companies to whose grids they are connected, and do not sell electricity directly to any industrial or residential end-users. Therefore, our wind power and coal power business rely heavily on their respective sole customers. During the Track Record Period, our electricity sales to the local grid companies accounted for substantially all of our revenue from sales of electricity in our wind power and coal power business, representing 91.8%, 90.0%, 90.1% and 83.4% of our total revenue (excluding service concession construction revenue) for the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively.

Although most of our grid company counterparties are state-owned enterprises and we believe they are creditworthy, we cannot assure you that the grid companies will purchase 100% of the electricity generated by our wind farms and make full and timely payments for our electricity output according to the approved on-grid tariffs, comply with their other contractual obligations under the PPAs or not be subject to insolvency or liquidation proceedings during the term of the relevant PPA. Any significant non-purchase, non-payment, non-compliance, insolvency or liquidation of our sole customers could have a material adverse effect on our business, financial condition or results of operations.

We operate in a capital-intensive business, and a significant increase in capital costs could have a material adverse effect on us.

Our business operation and development requires significant capital expenditures. The capital investment required to develop and construct a power plant such as a wind farm or other renewable energy facility generally varies based on the cost of the necessary fixed assets, such as turbines. The price of such equipment and/or civil construction works may increase if the market demand for such equipment or works is greater than the available supply, or if the prices of key component commodities and raw materials used to build such equipment increase. Other factors affecting the amount of capital investment required include, among others, construction costs and finance expenses. A significant increase in the costs of developing and constructing our wind farms or other renewable energy facilities could have a material adverse effect on our business, financial condition or results of operations.

We plan to increase the consolidated installed capacity of our wind farms to approximately 6,500 MW by the end of 2010. To achieve this target, we estimated that we would incur approximately RMB33.1 billion of capital expenditures as of September 30, 2009 to complete construction of additional projects in the fourth quarter of 2009 and in 2010. We expect to finance these capital expenditures principally with bank loans, supplemented by the cash flow from operating activities and our existing cash resources. See "Financial Information — Capital Expenditures, Commitments and Contingent Liabilities — Capital Expenditure." Our ability to obtain external financing in the future is however subject to a variety of uncertainties, including (i) obtaining the necessary PRC government approvals to raise financing for projects; (ii) our future financial condition, operating results and cash flows; and (iii) the general condition of the global and domestic financial markets and changes in the monetary policy of PRC government with respect to bank interest rates and lending policies. In addition, our application for the issue of the Proposed Domestic Bond is subject to the approval of the relevant PRC regulator. If we cannot obtain regulatory approval on a timely basis or at all, the issue of the Proposed Domestic Bond may be delayed or may not proceed at all. In the event our current resources are not sufficient for our needs, we may have to seek additional financing, including equity or debt financing. If we decide to raise additional funds through the issue of equity or equity-linked instruments, our Shareholders may experience dilution in their shareholding. We cannot assure you that we will be able to raise the financing required for our planned capital expenditures on acceptable terms or at all. If we were unable to raise such financing, we may have to reduce our planned capital expenditures and delay or abandon our expansion plan, which in turn could have a material adverse effect on our business or results of operations.

Our business may be affected by fluctuations in interest rates and the general availability of credit.

We are exposed to interest rate risk resulting from fluctuations in interest rates on our debt, and changes in interest rates affect our finance expenses and, ultimately, our results of operations. As we rely heavily on external financing to secure investment capital to finance the expansion of our wind power business, we are sensitive to the cost of capital in securing these loans. Our finance expenses amounted to RMB345.4 million, RMB457.4 million, RMB1,003.1 million and RMB545.4 million during the years ended 31 December 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. On Decemebr 23, 2008, the PBOC lowered the benchmark one-year lending rate to 5.31% as well as the lending rates on loans of other maturities. The PBOC also abolished the upper limit on Renminbi lending rates, which could result in us paying higher interest rates, and permitted banks to offer deposit rates below the PBOC benchmark rate, which could cause us to earn lower interest income on our cash deposits. Although rates have been lowered, there can be no assurance that they will remain at or near this level. If the PBOC were to raise benchmark lending rates, our finance expenses will increase, which would have a material adverse effect on our business, financial condition and results of operations.

Our borrowing levels, significant interest payment obligations and net current liabilities could limit the funds available to us for various business purposes.

Due to the rapid expansion of our wind power business during the Track Record Period, we have relied on both long-term and short-term borrowings to fund a portion of our capital requirements, and expect to continue to do so in the future. Our long-term and short-term borrowings increased from RMB6,656.8 million as of December 31, 2006 to RMB27,537.2 million as of June 30, 2009. As a result, our net gearing ratio (which is calculated by dividing (i) the long-term and short-term borrowings minus cash and cash equivalents (the "Net Debt") by (ii) Net Debt plus total equity (including non-controlling interests)) increased from 60.9% in 2006 to 74.8% in 2008 and further to 77.2% in the six months ended June 30, 2009. We recorded net current liabilities of RMB4,595.3 million, RMB6,416.3 million, RMB4,532.4 million and RMB10,189.4 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. The net current liabilities position during the Track Record Period was mainly attributable to our utilization of short-term borrowings by taking advantage of the lower financing costs of short-term borrowings in the PRC compared to the financing costs of long-term borrowings.

We may continue to have net current liabilities in the future. The degree to which we are leveraged and the high level of net current liabilities could constrain our operational flexibilities and have significant consequences, including (i) requiring a substantial portion of our cash flows from operations to be used for servicing our debt, thereby reducing the cash flow for working capital, capital expenditure or other general corporate uses, (ii) increasing our exposure to interest rate fluctuations, and (iii) limiting our ability to obtain, and increasing the cost of, additional financing to fund future working capital, capital expenditures or general corporate uses.

We cannot assure you that we will always be able to raise necessary funding to finance our current liabilities and other debt obligations. Our business, prospects and financial condition may be materially and adversely affected, if our cash flows and capital resources are insufficient to finance our debt obligations.

Our business operations are vulnerable to any significant downturn in the PRC's general economy.

As our business focuses primarily on sales of electricity generated by our wind farms and coal power plants, and our sole customers are the local grid companies, our business and prospects are heavily dependent on the level of demand for electricity in the PRC. In the past, our growth in wind and coal power business was largely fuelled by the increasing demand for electricity as a result of the rapid growth in the PRC's economy. However, there is no assurance that there will be continued growth in the PRC's economy and/or growing demand for electricity from end-users in the PRC. If the demand for electricity on national or regional level generally decreases due to any significant downturn in the PRC's economy, the planned output assigned to our coal-fired power plants may decrease and the electricity output of certain of our wind farms may be curtailed from time to time due to the limited capacity of overloaded gird when electricity supply on the grid exceeds electricity demand by end-users, which in turn could have a material and adverse impact on our business, operating results and financial condition.

We do not possess the title certificates or construction permits in respect of certain land and buildings we own and occupy.

As of the Latest Practicable Date, approximately 4.3% of the land and approximately 6.6% of the buildings that our operating wind farms or coal power plants occupy have defective titles, respectively. We are currently in the process of applying for and obtaining valid land use rights certificates and building ownership certificates for most of the land and buildings having title defects. Based on advice from our PRC legal adviser, our Directors are uncertain whether we can obtain the relevant certificates or permits in a timely manner, or at all. In addition, there is no assurance that our use and occupation of the relevant land and buildings will not be challenged. Although most of these land and properties are not used for our power production activities, if we cannot obtain the relevant certificates or permits in a timely manner and our legal right to use or occupy the relevant land and buildings is challenged, our operations or construction on the affected land or in the affected buildings could be interrupted, which in turn could have an adverse effect on our business, financial condition or results of operations.

We may fail to comply with laws and regulations in the PRC relating to the development, construction and operation of power plants.

Our wind farms, coal power plants and other renewable energy projects are subject to strict PRC laws and regulations relating to their development, construction, licensing and operation of power plants. These laws and regulations relate to, among other things, project approval and other government approval and licensing requirement for power companies, building and construction of new projects, landscape conservation and power dispatch and transmission.

In particular, before we construct and operate our wind farms or coal power plants we must first obtain operational and construction permits from various authorities. Procedures for granting operational and construction permits vary by local area, and certain provinces may deny requests for permits for a variety of reasons. Furthermore, third parties may challenge a decision to grant us operational and construction permits in some provinces after we have been granted the permit. Finally, we must comply with laws and regulations and the conditions contained in the operational and construction permits, and failure to do so may result in fines, sanctions, criminal penalties and/or the suspension, revocation or non-renewal of approvals, licenses or permits. These factors could have an adverse effect on our business, financial condition or results of operations. See "Regulatory Environment."

We may breach current environmental laws, and should the PRC government adopt stricter environmental laws, we may struggle to control our costs.

Our power plants, in particular our coal power plants, are subject to various environmental, health and safety regulations and requirements. Like all coal power plants, our two coal power plants discharge pollutants into the environment and are subject to central and local government environment protection laws and regulations, including requirements to pay discharge fees for various pollutants and waste. Compliance with such laws and regulation increases our operating and capital expenses. These laws and regulations also impose fines and provide for the closure by the PRC government of any power plant that violates environmental laws, regulations or decrees. We cannot assure you that the PRC government will not adopt stricter environmental laws and regulations. We may be unable to comply with any additional requirements implemented in the future on a cost-effective basis, if at all, which could have a material adverse effect on our business, financial condition or results of operations.

We may fail to manage successfully the assets, projects and subsidiaries in which we do not have majority interests, or our relationships with local partners.

We may not be able to execute successfully or fully our business strategy with respect to assets, projects or subsidiaries in which we have equity interests of less than 50%. Our control over such assets, projects and subsidiaries is generally subject to the terms of applicable agreements and arrangements. For example, through contractual arrangements with other equity owners, we have the power to exercise control over the management, policies, business and affairs of certain of our subsidiaries in which we do not have majority interests.

Furthermore, in several provinces, we conduct our project development activities through one or more joint venture companies with local partners. In general, local partners may be involved in sourcing new projects and carrying out various activities during the development phase. We generally enter into such partnerships where we believe we are able to benefit from the strong local insight and experience of local partners. We also have equity interests of less than 50% in certain project companies for historical reasons.

Under the current contractual arrangements, if other equity owners or our local partners fail to perform their respective obligations or otherwise breach the terms and conditions of our shareholding arrangements or partnerships, it could have a material adverse effect on our business, financial condition or results of operations.

We rely on third-party suppliers and our in-house team to maintain our key equipment.

Our wind turbine suppliers are contractually obligated to provide operational and maintenance services for two years after each wind turbine enters into operation, pursuant to which they undertake to conduct (i) scheduled and unscheduled maintenance in accordance with day-to-day operational guidelines and maintenance routines and (ii) component repair or replacement. Our in-house team performs our operational and maintenance activities following the expiration of such terms. With respect to our key equipment in the coal power generation business, such as power generating units or transformers, we rely primarily on our operations and maintenance team from each of our coal power plants for regular inspections, routine maintenance, and repairs. In addition, our operations also rely on computer information and communications technology and related systems in order to operate properly.

If the third-party suppliers or our in-house operations and maintenance team were to fail to provide inspection, maintenance or repair works for our key equipment and systems in a timely manner or at all, our power generation and business operation could be interrupted or delayed, possibly without warning. The occurrence of any of these events could have a material adverse effect on our business, financial condition or results of operations.

Future acquisitions may be expensive and may ultimately fail.

In addition to organic growth, our current strategy involves growth through acquisitions of complementary technologies, businesses, services and entry into strategic alliances. We may be unable to continue to implement our growth strategy, or this strategy may ultimately be unsuccessful. Any potential acquisitions or alliances may result in material transaction expenses, increased interest and amortization expense, increased depreciation expense and increased operating expense, any of which could have a material adverse effect on our operating results. Acquisitions may entail integration and management of the new businesses to realize economies of scale and control costs, as well as other risks, including diversion of management resources otherwise available for ongoing development of our business and risks associated with entering new markets. Although we would from time to time consider potential investment opportunities or potential acquisition targets, as of the Latest Practicable Date, we had not identified any definitive investment or acquisition targets nor had we entered into any definitive agreements with respect to any acquisitions or strategic investments. We may be unable to identify suitable acquisition candidates, obtain financing on acceptable terms or consummate any future acquisitions. Further, any acquisitions or alliances may expose us to the risk of unanticipated business uncertainties or legal liabilities relating to those acquired businesses or alliances for which the sellers of the acquired business or alliance partners may not indemnify us. Future acquisitions may also cause us to issue securities that will have a dilutive effect on our shareholders. Any of these events could have a material adverse effect on our business, financial condition or results of operations.

Any preferential tax treatment currently or previously available to our subsidiaries in the PRC could be discontinued.

Prior to January 1, 2008, under the then-applicable PRC tax laws and regulations, companies established in the PRC were generally subject to enterprise income tax, or EIT on their assessable profits, at the statutory rate of 33%, consisting of 30% state income tax and 3% local income tax. However, there were various types of preferential tax treatment applicable to different enterprises. For instance, foreign invested production type enterprises with an operating term of more than ten years were fully exempted from PRC state income tax for two years starting from the first profit-making year, and were 50% exempted from such tax for the three years thereafter. Some of our subsidiaries in the PRC that are foreign invested enterprises therefore enjoyed such preferential tax treatments applicable to foreign invested enterprises.

In March 2007, the New EIT Law was promulgated, which took effect on January 1, 2008, and adopts a unified EIT rate of 25% for all enterprises, including foreign invested enterprises, and revokes any previous tax exemptions, reductions and other preferential treatments which were applicable to foreign invested enterprises. The Implementation Rules of the Enterprise Income Tax Law ("Implementation Rules") and "Notice on the Implementation of the Transitional Preferential Tax Policies" ("Circular 39") were promulgated in December 2007. Pursuant to the New EIT Law, the Implementation Rules and Circular 39, entities which were established before March 16, 2007 and which were entitled to tax holidays and/or reduced tax rates under selected preferential tax treatments granted by the then-effective tax laws and regulations can enjoy the preferential transitional treatments. Further, enterprises that were entitled to tax holidays for a fixed term may continue to enjoy such treatment until such fixed term expires. For instance, some of our subsidiaries, which were entitled to a 15% preferential income tax rate prior to January 1, 2008 due to their location, such as in western China, in one of the special technology zones or special economic zones, could still enjoy preferential tax rates ranging from 15% to 18% in 2008. However, when the PRC government discontinues the preferential tax treatments that our PRC subsidiaries currently enjoy, the affected entities may be subject to the standard EIT rate of 25% in the PRC. Any increase in the EIT rate applicable to us or discontinuation or reduction of any of the preferential tax treatments or financial incentives our PRC subsidiaries currently enjoy could have a material adverse effect on our business, results of operations or financial condition.

Effective January 1, 2009, the PRC government abolished the VAT refund policy available to certain foreign invested enterprises that purchase domestically manufactured equipment, pursuant to the Notice on the Abolishment of the Tax Refund Policy for the Purchase of Domestically Manufactured Equipment by Foreign invested Enterprises. There was, however, a six-month transition period. Foreign invested enterprises that have purchased domestically manufactured equipment, received VAT invoices and submitted a VAT refund application with the relevant tax authorities on or prior to June 30, 2009 were still entitled to receive the VAT refund. After the transition period, our subsidiaries that previously enjoyed VAT refund policy cannot claim a VAT refund for the input VAT incurred on the equipment purchases, and need to pay VAT on the import of equipment. However, under the new VAT rules, they are allowed to recover the input VAT at the time when they sell electricity by offsetting the excess input VAT. As a result, wind power companies will only be able to recover the input VAT after they start to sell electricity. As such, the VAT reform may adversely affect the cash flow of companies that previously enjoyed VAT refund policy, in particular newly established companies, which in turn could have a material adverse effect on our business, financial condition or results of operations.

We depend on certain senior managers and key employees.

Our historical success is substantially attributable to the role played by a group of our senior management and key employees. Although we have strengthened our team by recruiting several high-level executives and employees who bring experience in all administration and development, together with, in many cases, renewable energy industry specialists, our future success depends significantly on the full involvement of these key executives and employees and our ability to continue to retain and recruit high-level personnel. Furthermore, competition for qualified personnel with relevant expertise in the PRC is intense due to the scarcity of qualified individuals in the rapidly growing renewable energy industry, and in particular the wind power sector. We may need to offer higher compensation and other benefits to attract and retain key personnel. Our inability to retain such key executives and employees, or, alternatively to adequately replace them or hire qualified new executives and employees as our business grows, could adversely affect our ability to achieve our objectives and business strategy, and thereby have a material adverse effect on our business, financial condition or results of operations.

Our assets and operations are subject to hazards customary to the electricity generation industry, and we may not have adequate insurance to cover all these hazards.

Our main assets include, among other things, coal power generators, wind turbines, blades, transformers and interconnection infrastructure. Operating these assets involve, risks and hazards that may adversely affect our operations, including equipment failures, natural disasters, environmental hazards and industrial accidents. These and other hazards can cause significant personal injury or death, severe damage to and destruction of property, plant and equipment, contamination of, or damage, to the environment and suspension of operations. We may also face civil liabilities or fines in the ordinary course of our business as a result of damages suffered by third parties, which may require us to make indemnification payments in accordance with applicable laws.

In accordance with industry practice in the PRC, we do not carry business interruption insurance, and we would not be compensated for any loss arising from the interruption in our production operations. We have entered into insurance policies to cover certain other risks associated with our business. While we believe this insurance coverage is commensurate with our business structure and risk profile, we cannot assure you that our current insurance policies will insure us fully against all risks and losses that may arise in the future. In addition, our insurance policies are subject to annual review by our insurers, and we cannot assure you that we will be able to renew these policies on similar or otherwise acceptable terms, if at all. If we were to incur a serious uninsured loss or a loss that significantly exceeded the limits of our insurance policies, it could have a material adverse effect on our business, financial condition or results of operations.

We are party to certain legal proceedings.

In the ordinary course of our business, we have been, and from time to time in the future may be, named as a party in regulatory or legal actions, claims and disputes in connection with our business activities. These actions may include employment-related claims and contractual disputes or claims for personal injury or property damage that occur in connection with services performed relating to project or construction sites, or actions by regulatory or tax authorities. For example, one of our subsidiaries provided guarantees of RMB24.0 million to a PRC commercial bank for a loan granted to an independent third party in 1997. After the borrower defaulted on its loan and a judgment was rendered by the relevant PRC court, our subsidiary and the relevant parties subsequently entered into a settlement agreement, under which, the commercial bank discharged our subsidiary's joint and several guarantee obligation after we repaid RMB5.0 million on the banking facility. For the remaining RMB19.0 million unpaid portion, our subsidiary only has general guarantee obligation, for which our management believes would not have a material adverse effect on our business or cash flow. Our PRC legal counsel has advised that our maximum liability for such unpaid loan is up to RMB19.0 million. Any material litigation could have adverse financial consequences for us, and we may not have adequately provisioned for any potential losses associated with litigation not otherwise covered by insurance. Additionally, any negative outcome with respect to any legal actions in which we are involved in the future could adversely affect our reputation.

We may face labor disputes that could interfere with our operations and business.

While we believe we have a satisfactory working relationship with our employees, we remain subject to the risk of labor disputes and adverse employee relationships. These potential disputes and adverse relations could result in work stoppage or other events that could disrupt our business operations, which could have a material adverse effect on our business, financial condition or results of operations.

We will continue to be controlled by Guodian, whose interests may differ from yours or those of our other shareholders.

Subject to the Articles of Association and applicable laws and regulations, Guodian will, through its representatives on our Board, be able to influence our major policy decisions, including our management, business strategies and policies, the timing and amount of dividend distributions, any plans relating to material property transactions, major overseas investments, mergers and acquisitions, issuances of securities and adjustments to our capital structure, amendment of our articles of incorporation and other actions that require the approval of our directors and shareholders. See "Relationship with Guodian Group." It is possible that differences in opinion may arise between Guodian Group and any of the remaining shareholders from time to time. We cannot guarantee that Guodian will influence the Company to pursue actions that are in the best interests of the remaining shareholders.

Risks Relating to the PRC

Adverse change in the PRC's economic, political and social conditions, as well as government policies, could affect our business and result of operations.

All of our power plants are located in, and we derive all of our revenue from our operations in, the PRC. Accordingly, our business, financial condition or results of operations are subject, to a significant degree, to economic, political and legal developments in the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including the extent of government involvement, its stage of development, its growth rate, its control of foreign currency exchange and the allocation of resources.

The PRC's economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industrial development. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth in the past 30 years, growth has been uneven across both geographic regions and sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Even if some of these measures may benefit the overall economy of the PRC they may have a negative effect on our business, financial condition or results of operations.

The slowdown of the PRC's economy caused in part by the recent challenging global economic conditions may adversely affect us.

Although the PRC's economy continues to grow more quickly than most developed economies, its real GDP growth rate declined from 13.0% in 2007 to 9.0% in 2008. A number of factors have contributed to this slowdown, including the appreciation of the Renminbi, which has adversely affected China's exports, and the PRC government's tightening macroeconomic measures and monetary policies aimed at preventing overheating of the PRC's economy and controlling China's high level of inflation. The slowdown has been further exacerbated by the challenging global economic conditions in the financial services and credit markets, which in recent years has resulted in extreme volatility and dislocation of the global capital and credit markets.

It is uncertain how long the challenging global economic conditions in the financial services and credit markets will continue and how much of an adverse effect it will have on the global economy in general, and the PRC economy in particular. In response to the challenging global financial conditions, in September 2008 the PRC government began to loosen economic measures and monetary policies by reducing interest rates and decreasing the statutory reserve rates for banks. On November 5, 2008, the State Council announced an economic stimulus plan in the amount of RMB585 billion to stimulate economic growth and bolster domestic demand. The economic stimulus plan includes, among others, increased spending on basic infrastructure construction projects for water, electricity, gas and heat to improve the standard of living in China and protect the environment. We cannot assure you that the economic stimulus plan or various macroeconomic measures and monetary policies adopted by the PRC government to guide economic growth and the allocation of resources will be effective to sustain the growth of the PRC economy. The slowdown of the PRC economy could lead to a decrease in business and construction activity nationwide, which could reduce demand for electricity and could in turn have a material adverse effect on our business, financial condition and results of operations.

The global credit and capital markets have been, and may continue to be, subject to significant disruption.

The availability of credit to entities, such as us, which operate within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole, and so any factors that affect market confidence could affect the price or availability of funding for entities within any of these markets, including us. Since the second half of 2007, global credit and capital markets, particularly in the United States and Europe, have experienced difficult conditions. These challenging market conditions have resulted in reduced liquidity, greater volatility, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and lack of market confidence. It is difficult to predict how long these conditions will continue to exist and the extent to which we could be affected. It is also difficult to evaluate and predict how much the PRC economy has been and will be adversely affected by the current market uncertainties elsewhere. While as of the Latest Practicable Date we have not experienced any difficulty in or tighter credit terms for renewing our existing bank borrowings or obtaining new bank facilities, and have been able to borrow the funds necessary to finance our operations in the current market environment, prolonged disruptions to the credit and capital markets could limit our ability to borrow funds from our current funding sources or cause our continued access to funds to become more expensive or subject to less favorable terms. Furthermore, there can be no assurance that measures implemented by governments around the world to stabilize the credit and capital markets and new financial and economic policies, rules and regulations in the PRC where we operate will improve market confidence and the overall credit environment and economy. As a result, continued disruption to the global credit and capital markets may have a material adverse effect on our business, financial condition and results of operations.

The PRC legal system is not fully developed, and has inherent uncertainties that could limit the legal protections available to you and adversely affect our operations.

We and substantially all of our subsidiaries through which we conduct our operations, are organized under PRC laws. The PRC legal system is based on written statutes. Since the late 1970s, the PRC has promulgated laws and regulations dealing with economic matters, such as the issuance and trading of securities, shareholder rights, foreign investment, corporate organization and governance, commerce, taxation and trade. However, many of these laws and regulations, in particular, the regulatory regime relating to renewable energy projects, are relatively new and will likely continue to evolve, are subject to different interpretations and may be inconsistently implemented and enforced. In addition, there are only limited volumes of published court decisions that may be cited for reference, and such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation, implementation and enforcement of the PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections that are available to you, and can adversely affect the value of your investment.

In particular, the PRC power industry including the renewable energy sector is a highly regulated industry. Many aspects of our business, such as the amount and timing of electricity generation and the setting of tariffs, depend upon the receipt of the relevant government authority's approval. As the PRC legal system and the PRC power industry develop, we cannot assure you that changes in such laws and regulations, or in their interpretation or enforcement, will not have a material adverse effect on our business, financial condition or results of operations.

Fluctuations in exchange rates and government control of currency conversion may adversely affect our business and results of operations.

We receive revenue primarily in Renminbi, some of which we convert into foreign currencies to purchase foreign-made equipment and parts for repair and maintenance, repay the principal and interests of our foreign currency-denominated debts and distribute dividends to our shareholders. The value of the Renminbi is subject to changes in the PRC's governmental policies and international economic and political developments. Since July 21, 2005, the Renminbi is no longer pegged solely to the U.S. dollar. Instead, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to rise or fall by as much as 0.3% each day, based on market supply and demand and by reference to a basket of other currencies. It is likely that the exchange rates of the Hong Kong dollar and the U.S. dollar against the Renminbi will further fluctuate. In the event of significant change in the exchange rates of Hong Kong and U.S. dollars against Renminbi, our ability to pay dividends in foreign currencies may be adversely affected. Accordingly, our financial condition and results of operations could also be adversely affected. In addition, any dividends in respect of our [●] Shares will be declared in Renminbi and paid in Hong Kong dollars. Accordingly, holders of [●] Shares in countries other than the PRC are subject to risks arising from adverse movements in the value of the Renminbi against the Hong Kong dollar, which may reduce any dividends paid in respect of the [●] Shares.

Moreover, it is possible that PRC authorities may lift restrictions on fluctuations in the Renminbi exchange rate and lessen intervention in the foreign exchange market. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. The Renminbi cannot be freely converted into any other foreign currency. Pursuant to the PRC's current foreign curency exchange control system, it cannot be guaranteed that at a certain exchange rate, there would be sufficient foreign exchange activity to meet an enterprise's foreign exchange requirements. Under the PRC's current foreign currency exchange control system, foreign currency exchange transactions under the current account, including the payment of dividends, do not require advance approval from SAFE. However, foreign exchange transactions under the capital account must be approved in advance by SAFE. We may be unable to secure sufficient foreign currency to pay dividends to shareholders or satisfy any other foreign exchange requirements. If we were to fail to obtain the approval from SAFE to convert Renminbi into any foreign currency for any of the above purposes, our capital expenditure plans, and our business, may be materially and adversely affected.