FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with our consolidated audited financial statements as of and for the years ended December 31, 2006, 2007 and 2008 and as of and for the six months ended June 30, 2009 included in the Accountants' Report in Appendix I, together with the accompanying notes, included elsewhere in this document. The consolidated financial statements included in the Accountants' Report ("Consolidated Financial Statements") have been prepared in accordance with IFRSs.

This discussion contains forward-looking statements that reflect current views of management and involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to, those described under "Risk Factors" and elsewhere in this document.

OVERVIEW

We are the leading wind power generation company in the PRC, one of the fastest growing wind power markets in the world. We design, develop, manage and operate wind power plants, and sell the electricity generated by our plants to our sole customers — the local grid companies. BTM ranked us first in the PRC and Asia Pacific and fifth in the world in terms of total installed wind power capacity at the end of 2008, and we accounted for approximately 24.1%, 11.1% and 2.4% of the total installed wind power capacity of the PRC, Asia Pacific and the world, respectively, at the end of 2008. Our current wind power projects in operation and under construction are mainly located in six geographically diverse areas: the Three Northeast Provinces, Inner Mongolia, the Southeast Coastal Provinces, Xinjiang, Gansu and Hebei. In addition to our wind power business, we operate two coal power plants in Jiangsu. While historically we derived more than half of our revenue and profit from our coal power business, since 1999 we have shifted our focus to wind power generation. As a result of our strategy to expand our wind power business and to strengthen our leading position in the PRC wind power sector, our wind power business grew substantially during the Track Record Period — its operating profit as a percentage of our total operating profit increased substantially from 13.3% in 2006 to 69.4% for the six months ended June 30, 2009.

Wind power business

As of September 30, 2009, our wind power plants had 3,032.0 MW of consolidated installed capacity, representing 61.4% of the consolidated installed capacity of our total portfolio, which includes wind power, coal power and other renewable energy power projects. As of September 30, 2009, we operated 80 wind power projects and were constructing 26 wind power projects through subsidiaries, and we also operated 14 wind power projects and were constructing one wind power project through associated companies. As of September 30, 2009, we had a consolidated capacity under construction of 1,760.6MW.

We also had a portfolio of pipeline wind power projects suitable for future development with an estimated consolidated installed capacity of approximately 43 GW as of September 30, 2009, including approximately 290MW of Tier 1 pipeline projects, approximately 5,690MW of Tier 2 pipeline projects, and approximately 37,000MW of Tier 3 pipeline projects. See "Business — Our Wind Power Business — Pipeline Projects." We have the rights to develop these pipeline projects under our investment and development agreements with local governments in 17 provinces, autonomous regions and municipalities in the PRC. The actual timing for the development of these pipeline projects varies, and will be determined by various factors, such as local wind resources, construction conditions, power transmission and dispatch, and on-grid tariffs. We also plan to prioritize the development of pipeline projects with greater potential based on the results of our feasibility studies.

We plan to strengthen our leading position in the PRC wind power sector by increasing our consolidated installed wind power capacity to approximately 6,500 MW by the end of 2010, representing an estimated CAGR of 82.4% from 2006 to 2010. To achieve this goal, we expect the consolidated installed capacity of our wind power business to increase by approximately 1,500MW in the fourth quarter of 2009, and further increase by approximately 2,000MW in 2010. As of September 30, 2009, we estimated that we would incur approximately RMB33.1 billion of capital expenditure to complete construction of our additional projects in the fourth quarter of 2009 and in 2010.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the net power generation of our wind power business was 529.4 GWh, 1,418.7 GWh, 3,406.8 GWh and 2,871.0 GWh, respectively. Revenue contribution from our wind power business accounted for 6.9%, 14.9%, 25.8% and 37.3% of our total revenue (excluding service concession construction revenue) during the same periods, respectively. However, as a result of our shift of focus to wind power and the fact that our wind power business enjoys a higher profit margin than our coal power business, our wind power business’s operating profit accounted for 13.3%, 39.6%, 75.7% and 69.4%, respectively, of our total operating profit, and its adjusted operating margin amounted to 32.9%, 45.8%, 53.9% and 56.5% during those periods.

Coal power business

As of September 30, 2009, our two coal power plants had 1,875.0 MW of consolidated installed capacity, representing 38.0% of the consolidated installed capacity of our total portfolio. Historically, our coal power business has provided a stable source of cash flow funding the growth of our wind power business. Going forward, we intend to continue to increase the efficiency and profitability of our coal power business by lowering our coal consumption costs. We also plan to install larger units to replace the decommissioned small units, which is in line with the recent PRC government policies requiring coal power generators to shut down their small units to reduce emissions and enhance operational efficiency.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30 , 2009, the net power generation of our coal power business was 11,979.8 GWh, 11,638.3 GWh, 11,863.4 GWh and 4,536.1 GWh, respectively. Revenue contribution from our coal power business accounted for 90.1%, 82.2%, 68.8% and 59.1% of our total revenue (excluding service concession construction revenue) during the same periods, respectively. Our coal power business’s operating profit accounted for 89.7%, 64.8%, 23.2% and 31.0%, respectively, of our total operating profit, and its adjusted operating margin amounted to 21.7%, 17.4%, 6.6% and 23.3% during those periods.

Other businesses

In addition to our wind power and our coal power businesses, we also:

- develop electricity generation pilot projects using other renewable energy sources including tidal, biomass and geothermal energy;
- provide consulting, repair and maintenance, training and other professional services to wind farms operated by us and by third parties; and
- manufacture and sell power equipment used in the power grids, wind farms and coal power plants.

BASIS OF PRESENTATION

Our Company was established in the PRC on July 9, 2009 as a joint stock company with limited liability, converting from our predecessor, CLEPG. Prior to the establishment of the Company, CLEPG was the holding company of the subsidiaries now comprising our Group, and was wholly-owned by Guodian. Pursuant to the Reorganization, CLEPG has been converted into a new joint stock company and the Company essentially replaced CLEPG as the holding company of CLEPG’s subsidiaries. Save for the Retained Business by Guodian, we retained substantially all the assets, liabilities and equity interests of our predecessor which comprise substantially all of our current lines of business. See “History, Reorganization and Corporate Structure — Reorganization.”

As there was no change of controlling shareholder pursuant to the Reorganization, our Consolidated Financial Statements have been prepared as a reorganization of business under common control. Accordingly, except for certain assets and liabilities which are stated at their fair value in accordance with the accounting policies described in section C(1) of Appendix I to this document, the relevant assets and liabilities of the companies comprising the Group have been recognized at historical cost.

Our consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements as set out in section B(1), B(3) and B(4) of Appendix I to this document include the results of operations of CLEPG and its subsidiaries comprising the Group for the Track Record Period (or in respect of each of the companies that were established on a date later than January 1, 2006, for the period from the date of its establishment to June 30, 2009), as if the group structure has been in existence throughout the Track Record Period. The consolidated balance sheets as of December 31, 2006, 2007 and 2008 and June 30, 2009, as set out in Section B(2) of Appendix I to this document, have been prepared to present the state of affairs of the companies comprising the Group as of the respective dates.

Our Consolidated Financial Statements are prepared by our Directors based on the audited financial statements, or where appropriate, unaudited management accounts, after making any adjustments as necessary to conform with (i) our accounting policies as set out in section C of Appendix I to this document and (ii) the IFRSs. All material intra-group transactions and balances have been eliminated in our Consolidated Financial Statements.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

During the Track Record Period, our results of operations and financial condition have been most significantly affected by the following factors:

Segment and business mix

Our results of operations and operating profit margin are affected by changes in our segment and business mix. For the operating profit and operating profit margin of each of our segments, see "— Results of Operations — Operating profit and adjusted operating margin."

Our results of operations and financial condition over the Track Record Period were affected by the relative size and performance of our wind power and coal power business segments. For instance, in 2006, 2007 and 2008, our total adjusted operating margin was adversely affected by the declining adjusted operating margin of our coal power business from 21.7% in 2006 to 17.4% in 2007, and further to 6.6% in 2008. These adverse effects on our adjusted operating margin were partially offset by the increasing operating profit contribution from our wind power business, whose adjusted operating margin is higher than that of our coal power business. However, for the six months ended June 30, 2009, our total adjusted operating margin increased to 35.0% compared to 18.4% in the corresponding period in 2008, which was due to the increases in adjusted operating margin of both wind and coal power business. With the growth of our wind power business, we expect the performance of our coal power business to have a diminishing effect on our total adjusted operating margin.

Our coal power business started to engage in coal supply activities from May 2009 through a newly established subsidiary, Sulong Energy, which supplies coal to Jiangyin Xiagang Power Plant and to third parties. Revenue derived from the coal supply business in the six months ended June 30, 2009 was RMB199.1 million, which resulted in an increase in other revenue of our coal power business segment. However, since Sulong Energy has only been in operation since May 2009 and its profit margin is relatively small, its performance did not have a significant effect on our results of operation for the six months ended June 30, 2009. See "Business—Our Coal Power Business — Fuel Supply."

We aim to continue to strengthen our leading position in the PRC wind power sector, but also optimize the business mix by prudently diversifying our projects and business lines within each segment based on a consideration of various factors including general market conditions. Our segment and business mix, and changes (or failure to make changes) to this mix in response to market forces and other factors, will subject us to a variety of risks, and may change our profit margins over time. Therefore, our results of operations and financial information over the Track Record Period may not be indicative of our future operational and financial performance.

Expansion and profitability of our wind power business

Our wind power business and, in turn, our results of operations and financial condition are significantly affected by the capacity and growth of our operating wind farms and the capacity of wind power projects under construction. As our installed capacity increases, our potential electricity sales increase accordingly. The increased scale and size of our wind power project portfolio in our six geographically diverse areas allow us to benefit from economies of scale and reduce project-specific risks. The consolidated installed capacity of our wind farms increased from 586.6 MW as of December 31, 2006 to 3,032.0 MW as of September 30, 2009, as our operating wind power projects operated by our subsidiaries increased from 28 to 80 during the same period. The consolidated electricity sales volume of our wind power business increased from 529.4 GWh in 2006 to 3,406.8 GWh in 2008, and from 1,476.9 GWh in the six months ended June 30, 2008 to 2,871.0 GWh in the same period in 2009. Accordingly, the contribution of our wind power business to our total revenue (excluding service concession construction revenue) has increased from 6.9% in 2006 to 25.8% in 2008, and further to 37.3% for the six months ended June 30, 2009. The adjusted operating margin of our wind power business increased from 32.9% in 2006 to 53.9% in 2008, and further to 56.5% for the six months ended June 30, 2009.

The table below sets forth the total, consolidated and attributable installed capacity of our wind power projects as of the dates indicated, and the revenue, operating profit, adjusted operating profit and adjusted operating margin of our wind power business as of the dates or for the periods indicated:

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2006	2007	2008	2009
Total installed capacity (MW)	650.0	1,630.4	2,923.9	3,175.4
Consolidated installed capacity (MW)	586.6	1,298.2	2,502.8	2,886.0
Attributable installed capacity (MW)	361.4	973.2	2,000.9	2,294.5
Revenue (RMB in millions)	306.2	726.8	1,638.1	1,324.5
Operating profit(1) (RMB in millions)	128.1	443.0	1,076.1	1,004.1
Adjusted operating profit(2) (RMB in millions)	100.8	333.1	883.6	749.0
Adjusted operating margin (%)(3)	32.9	45.8	53.9	56.5

Notes:

(1) Operating profit is calculated by adding revenue and other net income attributable to wind power business less operating expenses. Other net income attributable to wind power business mainly included sales of CERs and VERs and government grants related to VAT refund.

(2) Adjusted operating profit is calculated by the operating profit of our wind power business less other net income attributable to the wind power business (which mainly included sales of CERs and VERs and other government grants related to VAT rebate and refund), and adding back any one-off, non-recurring impairment losses attributable to this business segment. Other net income attributable to our wind power business in 2006, 2007 and 2008 and the six months ended June 30, 2009 was RMB27.3 million, RMB109.9 million, RMB296.3 million and RMB255.1 million, respectively. We recorded a provision of RMB103.8 million for an one-off, non-recurring impairment loss on construction in progress in our wind power business in 2008. All numbers in this calculation are before elimination. Adjusted operating margin and adjusted operating profit are not standard measurements under IFRSs, but we present them here because our management believes that they provide useful indicators of our profitability. [●] should be aware that adjusted operating profit and adjusted operating margin presented in this document may not be comparable to similarly titled measures reported by other companies, due to different calculation methods.

(3) Adjusted operating margin is calculated by dividing (i) adjusted operating profit of our wind power business by (ii) the revenue from this segment for the year or period. The adjusted operating margin is not a standard measurement under IFRSs. See "— Results of Operations — Operating profit and adjusted operating margin." Our management believes that it provides a useful indicator of our profitability. [●] should be aware that adjusted operating margin presented in this document may not be comparable to similarly titled measures reported by other companies due to different calculation methods.

We have significantly increased our installed wind power capacity and electricity sales volume in recent years principally by operating more wind power projects. We expect to continue to increase our installed wind power capacity and electricity sales volume, principally by completing our wind power projects under construction and developing more pipeline projects. As of September 30, 2009, we have consolidated capacity under construction of 1,760.6MW, approximately 290MW of Tier 1 pipeline projects, and approximately 5,690MW of Tier 2 pipeline projects. The actual timing for the development of these pipeline wind power projects will be determined by various factors. According to our expansion plans, we expect the consolidated installed capacity of our wind power business to increase by approximately 1,500MW in the fourth quarter of 2009, and a further increase by approximately 2,000MW in 2010, whereby our estimated wind power consolidated installed capacity is expected to reach 6,500MW by the end of 2010. To achieve this target, as of September 30, 2009 we estimated that we would incur approximately RMB33.1 billion of capital expenditure to complete construction of our addition projects in the fourth quarter of 2009 and in 2010. See "— Capital Expenditures, Commitments and Contingent Labilities."

Changes in on-grid tariffs

We generate our income primarily from selling electricity to the local grid companies to which our power plants are connected. We sell electricity at the on-grid tariffs approved by the relevant PRC pricing authorities, as described below. Our revenue and operating profit are therefore directly affected by changes in on-grid tariffs.

Wind

Under the PRC laws, the on-grid tariff of a wind power project approved by the NDRC or provincial DRC after December 31, 2005 and before August 1, 2009 is known as the "government guided price." The price has a twofold tariff setting mechanism: on-grid tariff of a concession project is generally the final bid price submitted and approved by the government; on-grid tariffs of non-concession projects are approved by the relevant pricing authorities by reference to the approved prices of concession projects in neighboring areas. The tariff for the wind concession project is set at the average electricity price of the local grid after a wind concession project reaches an electricity generation level of 30,000 accumulative equivalent full load hours.

In our experience, prior to August 1, 2009, the pricing authorities generally considered various factors in approving the on-grid tariffs for wind energy, including the wind resources of the sites, the size of the proposed projects, construction conditions and requirements, and previous approved prices for other wind power projects in the same or neighboring areas. As such, there was a wide variation in average on-grid tariffs for our wind power projects in each province or region, and the approved on-grid tariffs vary from province to province and over time during the Track Record Period.

The NDRC has recently issued the "Circular regarding the Furtherance of On-grid Pricing Policy of Wind Power," which applies to all onshore wind power projects approved after August 1, 2009. In accordance with the circular, the previous on-grid tariff as determined by "government guided price" is replaced by the geographically unified tariff, a form of government fixed price. Specifically, the PRC is categorized into four wind resource zones, and the same standard on-grid tariff (including VAT) (RMB0.51/kWh, RMB0.54/kWh, RMB0.58/kWh or RMB0.61/kWh)[2] applies to all wind power projects in the same zone. 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 — Tariff and Cost Sharing Program." Our management believes that new on-grid tariffs are generally more favorable than the previously approved tariffs in the same area and that our wind power business will benefit from new on-grid tariffs in the long run, as fixed prices can reduce uncertainties in pricing and help us better assess potential projects.

The table below sets forth our weighted average on-grid tariff (excluding VAT) for electricity from our wind power projects for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2006	2007	2008	2009
	(RMB per kWh)			
Weighted average on-grid tariff (excluding VAT)(1)	0.5744	0.5114	0.4799	0.4613

Note:

(1) Weighted average on-grid tariff (excluding VAT) is calculated by dividing the revenue from electricity sales of our wind power business by our consolidated net power generation of this business segment.

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 projects approved before 2006 have higher on-grid tariffs due to the higher 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 was decreased as a result of the lower tariffs of our more recent projects compared to those earlier projects, due to their locations on sites with abundant wind resources and/or the decreased construction costs attributable to economics of scale and improvement in technology. The downward trend of our weighted average on-grid tariff during the Track Record Period is consistent with the industry trend in the PRC wind power sector. Given that the on-grid tariff setting mechanism 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 and many of our new projects are located in the region with higher fixed prices than the tariffs approved before, we expect the weighted average on-grid tariffs of our wind power projects will gradually have a upward trend, or at least remain steady at the current level.

Despite the decrease in the weighted average on-grid tariff of our wind power projects during the Track Record Period, the adjusted operating margin of our wind power business increased from 32.9% in 2006 to 53.9% in 2008 and further to 56.5% for the six months ended June 30, 2009, primarily due to increased economies of scale as our wind power business expanded and improved operational efficiency level as shown in the increase in average utilization hours.

Coal

Planned output constituted approximately 90% of the total electricity sales volume of our two coal power plants during the Track Record Period. On-grid tariffs of the planned output of our coal power plants are reviewed and determined by the relevant pricing authorities based on various factors including the construction costs, fuel cost, and the size and configuration of comparable power plants operating within the same province. The approved on-grid tariff for any coal power plant remains in force, subject only to

[2] *Assuming the VAT rate remains at 17%, the new on-grid tariffs applicable to the four wind resource zones excluding VAT are RMB0.44/kWh, RMB0.46/kWh, RMB0.50/kWh and RMB0.52/kWh.*

adjustments for material changes, such as a substantial increase in coal cost. Pursuant to a power pricing policy issued in December 2004, when coal prices increase more than 5% in a six-month period, the NDRC is authorized to permit coal power generation companies to pass on to customers up to 70% of the increase through increases in the companies' on-grid tariffs. Since 2005, the NDRC has permitted several requested increases. See the section headed "— Coal consumption."

The table below sets forth our weighted average on-grid tariff (excluding VAT) for electricity from our coal power plants for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2006	2007	2008	2009
	(RMB per kWh)			
Weighted average on-grid tariff (excluding VAT)(1)	0.3171	0.3153	0.3447	0.3604

Note

(1) Weighted average on-grid tariff (excluding VAT) is calculated by dividing the revenue from electricity sales of our coal power plants by the consolidated net power generation of our coal power business.

Output and average utilization hours

The net power generation of a wind farm or coal power plant is determined by the consolidated installed capacity and the average utilization hours. While the consolidated installed capacity of our business increases as we expand, the average utilization hours are calculated by dividing the consolidated gross power generation in a specific period by the average consolidated installed capacity in such period.

Assuming that a coal power plant or a wind farm operates at full capacity 24 hours per day throughout a year, theoretically, its maximum utilization hours are 8,760 hours per year (365 days x 24 hours). But in practice, the average utilization hours of our coal power plants are primarily determined by the planned output assigned by the local government, and the average utilization hours of our wind farms primarily depend on wind conditions at the relevant sites, in particular, wind speed and its daily, seasonal and other fluctuations. Wind turbines can only operate when wind speed falls within certain ranges, and if wind speed falls within these ranges but is below the rated wind speed at which wind turbines are able to operate at full load, the average utilization hours of a wind farm will be affected. In addition, the average utilization hours of a wind farm are also influenced by repairs and maintenance, performance of wind turbines, other conditions such as wind direction, air density, extreme weather condition and wake effect, as well as grid constraints. In contrast, coal power plants are largely unaffected by weather conditions, and are therefore generally able to operate continuously (subject to planned output and other restrictions). Accordingly, the average utilization hours of our wind power business, which generally range from 2,000 to 3,000 hours per year, are lower than that of our coal power business, which generally range from 5,000 to 6,000 hours per year. Accordingly, with the same amount of consolidated installed capacity, a coal power plant will typically generate more electricity than a wind farm.

Wind

Subject to grid constraints, under PRC laws, grid companies are required to purchase all the electricity generated from wind power projects located in the areas covered by the respective grids, as well as to provide grid-connection services and related technical support. Unlike a coal power plant, the average utilization hours and associated output levels of a wind farm are, however, affected by various factors, including (i) climatic and wind conditions at each wind farm site, in particular, wind speed and its daily, seasonal and other fluctuations as well as wind direction, wind pattern and wake effects; (ii) planned repairs and maintenance; and (iii) various grid constraints and dispatch restrictions. Due to the seasonal change in wind conditions, the average utilization hours of our wind farms in a given period may not indicate the average utilization hours in a full year. See "Risk Factors — Risks Relating to Our Wind Power Business — Our electricity generation and, in turn, our financial condition and results of operations, depend on the operating performance of our wind turbines." For the years ended December 31, 2006, 2007 and 2008, the average utilization hours of our wind farms amounted to 2,211.2, 2,317.1 and 2,353.9, respectively, exceeding the estimated average utilization hours of the PRC wind power sector, which was 2100, 2000 and 1800, respectively, during the same periods, according to the BTM.

The table below sets forth the consolidated electricity sales of our wind farms and the average utilization hours for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
Electricity sales volume (GWh)	529.4	1,418.7	3,406.8	1,476.9	2,871.0
Electricity sales amount (RMB in millions)	304.1	725.5	1,634.9	735.9	1,324.3
Average utilization hours	2,211.2	2,317.1	2,353.9	1,106.5(1)	1,217.1(1)

(1) As this number is calculated based on the amount of consolidated gross generation for the six months period rather than a year, it is not directly comparable to the average utilization hours in 2006, 2007 and 2008.

Coal

The local government issues quotas for each coal power plant's annual planned output within its jurisdiction based on a number of factors, including power supply and demand in the region, dispatch priority for different power plants and the average utilization hours of comparable power plants. As planned output accounted for approximately 90% of total electricity sales volume of our coal power plants during the Track Record Period, the electricity sales of our coal power business are directly affected by the amount of planned output assigned to each of our coal power plants. With respect to the four decommissioned units of Tianshenggang Power Plant, we are still eligible for an allocation of annual planned output assigned to these units during a three-year transition period from 2009 to 2011. In 2008, we used the remaining operating units of the power plant to generate the planned output originally assigned to the decommissioned units, maximizing the utilization of our operating units and achieving the total planned output assigned to us.

In addition to planned output, our coal power plants also sell two kinds of excess output, including substituting generation output ("替代電") and competitive bidding output ("競價電"). See "Business — Our Coal Power Business." The tariff of excess output is generally lower than that of our planned output.

The average utilization hours of our coal power plants are affected by a number of factors, including changes in the installed capacity over a period, regional supply and demand for electricity, the level of planned output and any planned or unplanned suspension of operating units due to repair or system failure. For instance, the higher level of our average utilization hours in 2008 compared to 2006 and 2007 was due to the shutdown of the four units of Tianshenggang Power Plant.

The table below sets forth the consolidated electricity sales of our coal power plants and the average utilization hours for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
Electricity sales volume (GWh)	11,979.8	11,638.3	11,863.4	6,234.6	4,536.1
Planned output (GWh)	11,200.1	10,074.4	10,819.0	5,887.0	4,262.3
Excess output (GWh)	1,187.8	1,901.0	1,371.0	344.7	273.8
Electricity sales amount (RMB in millions)	3,798.3	3,670.0	4,089.7	2,053.0	1,635.0
Average utilization hours	5,282.2	5,130.6	6,023.6	2,744.4(1)	2,576.0(1)

(1) As this number is calculated based on the amount of consolidated gross generation for the six months period rather than a year, it is not directly comparable to the average utilization hours in 2006, 2007 and 2008.

Coal consumption

During the Track Record Period, cost of coal consumption represented the largest proportion of our operating expenses. As a result, our results of operations are affected by the cost of coal consumption and the volatility of their market price. 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), or 49.3%, 48.0%, 49.2% and 27.6% of our total revenue (excluding service concession construction revenue) in 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively.

We typically purchase our coal supplies, through procurement agents, from the major coal suppliers in the PRC, such as Shenhua Group Corporation Limited (神華集團有限責任公司). We procured our coal supplies through procurement agents as we believe that they are generally more resourceful in sourcing coal supply and enjoy favorable payment terms with those major suppliers in the PRC.

In response to the increases in coal prices from 2006 to 2008, our strategy to control our cost of coal consumption was to secure long-term coal supply with major coal suppliers in the PRC and to increase coal consumption efficiency through technology improvements and equipment upgrades. We have directly entered into long-term framework coal supply agreements with Shenhua Zhunge'er Energy Company (神華集團准格爾能源有限責任公司) and former China National Coal Import and Export Corporation (中國煤炭進出口公司) (currently known as China National Coal Group Corporation) since 2004 to cover shortfall in the coal supply of our procurement agents. These framework agreements generally have a minimum term of not less than five years, and contain provisions specifying the grade, quality and amount of coal to be purchased annually. We usually negotiate pricing and other contract terms with our procurement agents each year before entering into annual coal supply contracts with them. According to our annual coal supply contracts, in the event of significant fluctuations in coal price or material changes in the government policy in respect of coal price, both parties have the right to propose changes to the pricing term, and enter into amendment to the annual coal supply contracts.

In addition, to achieve efficiency in power generation, our coal power plants use a mix of various types of coal according to their coal heat value. During the Track Record Period, the average coal heat value of our coal supply is approximately 4,600 kcal/Kg.

Our weighted average cost of standard coal per ton (excluding VAT) increased by 11.5% from RMB525.9 in 2006 to RMB586.3 in 2007, and further by 32.3% to RMB775.9 in 2008, while 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. Because any adjustments to on-grid tariffs are subject to the review and approval of the NDRC, we have limited ability to pass on coal price increases through raising on-grid tariffs. Our weighed average on-grid tariff (excluding VAT) increased by 0.6% from 2006 to 2007, and further by 9.3% in 2008. As the increases in our unit cost of coal consumption outpaced the increases in our on-grid tariffs for coal power, the adjusted operating margin of our coal power business decreased from 21.7% in 2006 to 17.4% in 2007, and further to 6.6% in 2008. However, our weighted average cost of standard coal per ton (excluding VAT) decreased by 18.1% to RMB635.3 in the first half of 2009 which is in line with the price trends of the average coal price at the Qinhuangdao port during the same period, and as a result, the adjusted operating margin of our coal power business increased to 23.3% for the six months ended 2009. Therefore, the coal price has a direct effect on our results of operations. If coal prices continue to rise or experience volatility, we expect that our operating profit margin will continue to be affected. See "Risk Factors — 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" and "Regulatory Environment — Regulatory Requirements Relating to Coal Power — On-grid Tariff."

The table below sets forth our weighted average cost of standard coal per ton (excluding VAT) for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2006	2007	2008	2009
	(RMB per ton)	(RMB per ton)	(RMB per ton)	(RMB per ton)
Weighted average cost of standard coal (excluding VAT)	525.9	586.3	775.9	635.3

PRC tax incentives

Enterprise income tax

Prior to January 1, 2008, under the Old EIT Law, a number of our subsidiaries were entitled to various preferential income tax treatment because of their location, such as being in western China, in a high-and-new technology zone or in a special economic zone, or their status as foreign invested enterprises. Certain of our foreign invested subsidiaries applied and were allowed to use 40% of the purchase costs of domestically manufactured equipment to offset the portion of their income tax in the purchase year in excess of the income tax paid in previous year, and such tax credits may be carried forward for five to seven years. The other subsidiaries which did not enjoy any preferential tax treatment were generally subject to the statutory EIT rate of 33% under the old EIT Law.

On January 1, 2008, the New EIT Law, which unifies the statutory EIT rate in the PRC at 25%, became effective. The New EIT Law and the related regulations provide a five-year transition period for certain entities which were established before March 16, 2007 and enjoyed a preferential EIT rate of less than 25% under the Old EIT Law to gradually increase their rates to 25%. Further, enterprises that were entitled to tax holidays for a fixed term may continue to enjoy such treatment until the tax holidays expire.

In addition, under the relevant PRC tax regulation effective January 1, 2008, because wind power projects are listed in the Catalogue of Public Infrastructure Projects Eligible for Enterprise Income Tax Preferential Treatment (2008) (《公共基礎設施項目企業所得稅優惠目錄》), each of our wind power project which has obtained government approval on or after January 1, 2008 is fully exempted from EIT for three years starting from the year when operating income is first derived from the sales of wind electricity, and is 50% exempted from EIT for three years thereafter.

As a result of the above preferential tax treatment and exemptions, our effective tax rates for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 were 8.4%, 7.8%, 0.3% and 15.9%, respectively. Any modification or termination of the foregoing tax incentives currently applicable to us and our subsidiaries will affect our financial condition and results of operations. See "Regulatory Environment — Taxation — Enterprise Income Tax Law."

VAT

Under the VAT reform, effective from January 1, 2009, general VAT payers are allowed to credit against output VAT in respect of input VAT on fixed assets purchased or self-manufactured based on the relevant VAT credit receipts in accordance with the revised VAT regulations and its implementation rules.

Further, prior to January 1, 2009, some of our subsidiaries as foreign invested enterprises enjoyed VAT refund preferential treatment with respect to their purchases of domestically manufactured wind turbines and other equipment. However, such VAT refund policy was phased out over a six-month transition period starting from January 1, 2009. During the transition period, foreign invested enterprises were allowed to claim VAT refunds provided that certain conditions were met.

After the transition period, although our subsidiaries who received this preferential tax treatment cannot claim a VAT refund for the input VAT incurred on the equipment purchases and are required to pay VAT on the imported equipment, they are allowed to recover the input VAT at the time they sell electricity by offsetting the input VAT against the output VAT. As a result, newly established foreign invested wind power companies will only be able to recover the input VAT after they start production. As such, the VAT reform may adversely affect the cash flows of companies which previously enjoyed the VAT refund policy.

On the other hand, for our subsidiaries which did not enjoy the VAT refund treatment under the previous VAT rules, the amendment of the VAT regulations under the VAT reform allows them to credit input VAT on qualified equipment purchases (both imported and domestic) against the output VAT.

In addition, we are entitled to a tax rebate equivalent to 50% of the VAT payables by our wind power business during the Track Record Period. See "Regulatory Environment — Taxation — VAT Law."

Price of wind turbines

The primary operating equipment in our wind power business is wind turbines. On average, the cost of wind turbines (excluding VAT) represents approximately 60% to 70% of the overall cost of building a wind farm. Therefore, the price trend of wind turbines has a direct effect on our results of operations. Prior to the end of 2008, the contract prices of our wind turbines generally increased each year. However, due to the over-supply of wind turbines globally as a result of a rapidly expanding supply chain coupled with the global economic downturn, the contract prices of our wind turbines for the six months ended June 30, 2009 declined. Due to our existing supply agreements, we expect our wind turbine costs to remain relatively stable for the remainder of 2009, but we will be exposed to any changes in the market prices when we negotiate new supply agreements. For example, according to a news report published in Electric China on July 14, 2009, Goldwind has lowered its unit bidding price for 1,500 kW wind turbines from approximately RMB6,400 per kW in July 2008 to approximately RMB5,400 per kW in May 2009, representing a 15.6% decrease.

Financing arrangements

Our strategy is to finance the development and construction of our wind farms and other capital expenditures primarily through bank borrowings and cash flows from operations. As of December 31, 2008 and June 30, 2009, our outstanding short-term and long-term borrowings amounted to RMB22,031.2 million and RMB27,537.2 million, respectively. For the year ended December 31, 2008 and the six months ended June 30, 2009, our finance expenses amounted to RMB1,003.1 million and RMB545.4 million, respectively. In general, most of our long term and short term borrowings have an interest rate approximately 10% below the prevailing benchmark interest rates set by the PBOC for RMB loans with similar terms. See "— Indebtedness" for more details.

In addition, we may also consider utilizing alternative sources of financing to finance our future expansion needs. The balance of our borrowings and the total amount raised through other financing methods, as well as any interest rate fluctuations and other borrowing costs, have had and will continue to have a material effect on our finance costs and consequently, our results of operations and financial condition.

Sales of CERs and VERs

We began selling two kinds of carbon credits, namely CERs and VERs, for the emission reductions attributable to the electricity generated from some of our wind power projects since 2007. We record sales of CERs and VERs as other net income during the Track Record Period. In 2007 and 2008 and for the six months ended June 30, 2009, sales of both CERs and VERs amounted to RMB29.6 million, RMB117.5

million and RMB116.9 million, respectively, accounting for 17.5%, 30.1% and 43.2% of total other net income. As of September 30, 2009, we have registered 21 CDM projects with the CDM EB, eight of which have begun issuing CERs since 2007, and we have ten projects which have sold VERs. We expect that the sales of CERs and VERs will increasingly contribute to our other net income.

Our sales of CERs and VERs generated from our CDM projects depend on our ability to procure buyers for such carbon credits, which in turn depends on the CDM arrangement under the Kyoto Protocol. If the Kyoto Protocol is not renewed upon its expiration on December 31, 2012, we will be unable to continue to derive revenue from sales of CERs. Although the sales of VERs do not directly depend on the CDM arrangement, in our experience, the price of VERs from CDM projects is generally higher than the price of VERs from non-CDM projects. The price of VERs is also affected by general economic conditions. See "Risk Factors — Risks Relating to Our Wind Power Business — 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."

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our Consolidated Financial Statements in accordance with IFRSs. These significant accounting policies are important for an understanding of our financial condition and results of operation and are set forth in the Accountants' Report in Appendix I to this document. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgment related to accounting items such as assets, liabilities, income and expenses. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. Our management has identified below the accounting policies, estimates and judgments that are most critical to the preparation of our Consolidated Financial Statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

Sale of electricity, steam and goods

Electricity revenue is recognized when electricity is supplied to the local grid companies. Revenue of steam is recognized when steam is supplied to our customers. Revenue of goods are recognized when the title of the goods has been passed to customers, which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes VAT or other sales taxes and is presented after deduction of any trade discounts.

Service concession revenue

Revenue related to construction services under a service concession arrangement is recognized based on the stage of completion of the work performed. Operation or service revenue is recognized in the period in which the services are provided by us. When we provide more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair value of the services provided.

Rendering of services

Revenue from the rendering of services is recognized by reference to the stage of completion of the transaction based on the progress of work performed.

Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

Dividends

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established. Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. Investment properties are stated in the balance sheet at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost less residual value if applicable, using the straight line method over the estimated useful lives ranging from 30 to 50 years. Rental income from investment properties is accounted for as described in "— Revenue recognition — Rental income from operating leases."

Other property, plant and equipment

Buildings held for own use, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives, as follows:

Land, buildings and structures	10-40 years
Wind turbines	15-20 years
Other machinery and equipment	4-30 years
Motor vehicles	5-15 years
Furniture, fixtures and others	4-18 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Intangible assets

We record intangible assets in respect of service concession arrangements under our wind concession projects as concession assets, representing that we have the rights to charge a fee for the usage of the concession infrastructure of our wind farms. We recognized the concession assets at the fair value of the concession construction service in respect of the relevant concession projects. After the initial recognition, the intangible asset is measured at cost less accumulated amortization and accumulated impairment losses. The concession assets are amortized over the operating period of the concession projects.

Other intangible assets that we acquire are stated in the balance sheet at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses. Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

Concession assets	20 - 25 years
Software and others	5 years

Both the period and method of amortization are reviewed annually.

Government grants

Government grants are recognized in the balance sheet initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognized as revenue in profit or loss on a systematic basis during the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are recognized initially as deferred income and consequently are recognized in profit or loss on a systematic basis over the useful life of the asset.

We sell CERs attributable to the electricity output of our wind farms and other renewable energy facilities which have been registered as CDM projects with EB of the United Nations under the Kyoto Protocol. We also sell VERs attributable to electricity generation from CDM projects before being registered with CDM EB. Income generated from the sales of CERs and VERs is recognized when following conditions are met:

- the counterparties have committed to purchase the CERs or VERs;
- the selling prices of CERs or VERs have been agreed; and
- relevant electricity has been generated.

The income from sales of CERs are recorded as trade receivables to the extent the volume of CERs is verified by independent supervisors assigned by CDM EB. The remaining recognized income from sales of CERs is recorded as other receivables.

Income tax

Income tax for the year or period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year or period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits. These differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences related to investments in subsidiaries to the extent that, in the case of taxable differences, we control the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if we have the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, we intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income tax levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

DESCRIPTION OF KEY INCOME STATEMENT LINE ITEMS

The following table sets forth selected items in our consolidated statements of comprehensive income and each of these items as a percentage of our total revenue for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions) (unaudited)	(%)	(RMB in millions)	(%)
Revenue	5,445.4	100.0	6,963.1	100.0	8,554.7	100.0	3,753.9	100.0	3,912.3	100.0
Other net income	96.6	1.8	168.9	2.5	390.2	4.6	178.3	4.8	270.4	6.9
Operating expenses	(4,575.7)	(84.1)	(6,013.6)	(86.4)	(7,524.1)	(88.0)	(3,204.7)	(85.4)	(2,736.2)	(69.9)
Operating profit	966.3	17.7	1,118.4	16.1	1,420.8	16.6	727.5	19.4	1,446.5	37.0
Finance income	68.3	1.3	93.7	1.3	145.6	1.7	105.5	2.8	19.2	0.5
Finance expenses	(345.4)	(6.3)	(457.4)	(6.6)	(1,003.1)	(11.7)	(407.7)	(10.9)	(545.4)	(13.9)
Share of profits less losses of associates and jointly controlled entities	16.9	0.3	18.1	0.3	52.7	0.6	17.8	0.5	29.1	0.7
Profit before taxation	706.1	13.0	772.8	11.1	616.0	7.2	443.1	11.8	949.4	24.3
Income tax	(59.5)	(1.1)	(60.4)	(0.9)	(2.1)	—	(11.1)	(0.3)	(150.7)	(3.9)
Profit for the year/period	646.6	11.9	712.4	10.2	613.9	7.2	432.0	11.5	798.7	20.4
Profit attributable to:										
Equity owner of the Company	149.7	2.8	215.0	3.1	337.4	3.9	237.3	6.3	425.3	10.9
Non-controlling interests	496.9	9.1	497.4	7.1	276.5	3.3	194.7	5.2	373.4	9.5

Revenue

The following table sets forth (i) our segment revenue from two reportable operating segments; (ii) revenue from all other business and (iii) the amount of service concession construction revenue and each item as a percentage of our total revenue (excluding service concession construction revenue) for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB in millions)	(%*)	(RMB in millions)	(%*)	(RMB in millions)	(%*)	(RMB in millions) (unaudited)	(%*)	(RMB in millions)	(%*)
Wind power	306.2	6.9	726.8	14.9	1,638.1	25.8	737.6	24.8	1,324.5	37.3
Sales of electricity	304.1	6.8	725.5	14.9	1,634.9	25.7	735.9	24.7	1,324.3	37.3
Others	2.1	0.1	1.3	—	3.2	0.1	1.7	0.1	0.2	—
Coal power	4,028.8	90.1	4,017.9	82.2	4,373.4	68.8	2,180.2	73.2	2,095.3	59.1
Sales of electricity	3,798.3	85.0	3,670.0	75.1	4,089.7	64.4	2,053.0	68.9	1,635.0	46.1
Sales of steam	76.3	1.7	90.4	1.8	120.5	1.9	54.2	1.8	109.3	3.1
Others	154.2	3.4	257.5	5.3	163.2	2.5	73.0	2.5	351.0	9.9
Other business	172.4	3.8	236.2	4.8	455.2	7.2	111.5	3.7	228.0	6.4
Sales of power equipment	97.7	2.2	100.6	2.1	263.6	4.1	39.0	1.3	82.9	2.3
Sale of electricity	14.5	0.3	16.5	0.3	27.6	0.4	8.4	0.3	20.1	0.6
Others	60.2	1.3	119.1	2.4	164.0	2.7	64.1	2.1	125.0	3.5
Elimination of inter-segment revenue	(37.5)	(0.8)	(91.6)	(1.9)	(112.4)	(1.8)	(49.6)	(1.7)	(100.0)	(2.8)
Total revenue (excluding service concession construction revenue)	4,469.9	100.0	4,889.3	100.0	6,354.3	100.0	2,979.7	100.0	3,547.8	100.0
Service concession construction revenue	975.5		2,073.8		2,200.4		774.2		364.5	
Total revenue	5,445.4		6,963.1		8,554.7		3,753.9		3,912.3	

* Represents a percentage of revenue to our total revenue (excluding service concession construction revenue)

We generate revenue in our wind power business primarily from the production and sale of electricity generated from our wind farms. Revenue contribution from our wind power business as a percentage of our total revenue (excluding service concession construction revenue) increased over the Track Record Period and accounted for 6.9%, 14.9%, 25.8% and 37.3% of our total revenue (excluding service concession construction revenue) in 2006, 2007 and 2008 and for the six months ended June 30, 2009, respectively. We expect revenue contribution from our wind power business to continue to increase in the future as we continue to expand our wind farm portfolio to meet the growing demand.

We generate revenue in our coal power business primarily from the production and sale of electricity and steam generated from our two coal power plants. Revenue contribution from our coal power business as a percentage of our total revenue (excluding service concession construction revenue) has decreased during the Track Record Period, accounting for 90.1%, 82.2%, 68.8% and 59.1% of our total revenue (excluding service concession construction revenue) in 2006, 2007 and 2008 and for the six months ended June 30, 2009, respectively. Revenue contribution from others in our coal power business mainly represents revenues from (i) sales of byproducts of electricity generation (including coal sludge and gangue), (ii) collection of port usage fees primarily from Jiangyin Xiagang Power Plant, (iii) provision of cargo loading services primarily from Tianshenggang Power Plant and (iv) the sales of unutilized planned output of our coal power plants (particularly the unutilized planned output attributable to Tianshenggang Power Plant's four decommissioned units) to third-party power generation companies. For the six months ended June 30, 2009, revenue from others in this segment also included RMB199.1 million derived from our coal supply business. We started the coal supply business in May 2009.

We generate revenue in our other business primarily from sales of equipment and spare parts, provision of wind farm maintenance, consulting and other services, and sales of electricity from our other renewable energy power plants. Revenue from our other business accounted for 3.8%, 4.8%, 7.2% and 6.4% of our total revenue (excluding service concession construction revenue) in 2006, 2007 and 2008 and for the six months ended June 30, 2009, respectively.

Service concession construction revenue is recognized in respect of the construction work conducted for our wind concession projects pursuant to the relevant concession agreements with the PRC government. We recognize revenue and costs related to such construction services in accordance with IFRIC 12 and IAS 11. According to IFRIC 12 "Service Concession Arrangements," if an operator provides construction services, the operator is required to recognize the revenue and costs related to such construction service in accordance with IAS 11, "Construction Contracts." The revenue for the construction service is calculated based on the fair value of the construction services. As we sub-contract substantially all construction activities of our wind concession projects, total construction costs are considered as the fair value of the construction services. As a result, the service concession revenue is equal to the service concession cost during the relevant period, and thus have no net effect on our operating profit or profit for the relevant period.

If we are awarded fewer or no concession projects in the future, service concession construction revenue and service concession construction cost will correspondingly decrease or be non-existent. Pursuant to a new pricing policy issued by the NDRC on July 24, 2009, the tariff setting mechanism for wind power projects has changed from "government guided price," which is determined by reference to the approved tariff of concession projects, to "government fixed price," which is a predetermined, geographically unified tariff. This makes the competitive bidding process in a concession project unnecessary. Accordingly, we expect that fewer concession projects will be awarded by the PRC government in the near future. However, other than concession projects, the PRC government also grants wind power generation companies rights to develop pipeline projects pursuant to investment and development agreements which constitutes our portfolio of pipeline projects. We believe that the decrease in the number of concession projects is a change of government strategy and that this will not limit the total number of new wind power projects available to be developed. We expect that we will continue to be able to obtain the rights to develop such wind power projects through the standard wind farm development phases. See "Business — Our Wind Power Business — Standard wind farm development phases." As of September 30, 2009, we had a diversified portfolio of wind power pipeline projects suitable for future development with an estimated consolidated installed capacity of approximately 43GW.

Other net income

Other net income primarily consists of government grants which mainly include income from sales of CERs and VERs, other government grants, rental income from investment properties and net loss/gain on disposal of plant, property and equipment and investment properties. Other government grants mainly represent various preferential tax incentives granted by the PRC government, including a tax rebate of 50% of the VAT levied on electricity generation from our wind farms, amortized amounts of the VAT refunds for purchasing domestically manufactured wind turbines and other equipment by a number of our subsidiaries owned by offshore companies and the income tax refund for reinvestment in our PRC subsidiaries by our wholly-owned foreign holding company. The following table sets forth the principal components of our other net income and their relative percentage of our total other net income for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions) (unaudited)	(%)	(RMB in millions)	(%)
Government grants										
— CERs and VERs income	—	—	29.6	17.5	117.5	30.1	60.8	34.1	116.9	43.2
— Others	61.7	63.9	94.6	56.0	207.7	53.2	87.9	49.3	136.4	50.5
Rental income from investment properties	32.2	33.3	31.7	18.8	25.0	6.4	11.8	6.6	10.9	4.0
Net (loss)/gain on disposal of plant, property and equipment and investment properties	(4.7)	(4.9)	(0.1)	(0.1)	21.4	5.5	8.8	4.9	0.3	0.1
Others	7.4	7.7	13.1	7.8	18.6	4.8	9.0	5.1	5.9	2.2
Total other net income	96.6	100.0	168.9	100.0	390.2	100.0	178.3	100.0	270.4	100.0

Operating expenses

The following table sets forth the principal components of our operating expenses and their respective percentage of our total operating expenses (excluding service concession construction costs) for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB in millions)	(%*)	(RMB in millions)	(%*)	(RMB in millions)	(%*)	(RMB in millions) (unaudited)	(%*)	(RMB in millions)	(%*)
Coal consumption	2,202.2	61.2	2,346.8	59.6	3,127.9	58.8	1,532.0	63.0	979.7	41.3
Depreciation and amortization	609.0	16.9	778.3	19.8	1,082.9	20.3	508.9	20.9	739.3	31.2
Personnel costs	344.4	9.6	383.9	9.7	384.0	7.2	183.5	7.5	209.2	8.8
Material costs	115.5	3.2	110.3	2.8	294.6	5.5	50.5	2.1	290.1	12.2
Repairs and maintenance	96.7	2.7	104.7	2.7	87.4	1.7	26.0	1.1	28.8	1.2
Administration expenses	72.9	2.0	100.5	2.5	107.2	2.0	50.6	2.1	56.5	2.4
Other operating expenses	159.5	4.4	115.3	2.9	239.7	4.5	79.0	3.3	68.1	2.9
Total operating expenses (excluding service concession construction costs)	3,600.2	100.0	3,939.8	100.0	5,323.7	100.0	2,430.5	100.0	2,371.7	100.0
Service concession construction costs	975.5		2,073.8		2,200.4		774.2		364.5	
Total operating expenses	4,575.7		6,013.6		7,524.1		3,204.7		2,736.2	

* Represents a percentage of operating expenses to our total operating expenses (excluding service concession construction costs)

Coal consumption. Costs of coal consumption used in the generation of electricity and steam from our coal power plants have been the most significant component of our operating expenses, accounting for 61.2%, 59.6%, 58.8% and 41.3% of total operating expenses (excluding service concession construction costs) in 2006, 2007 and 2008 and for the six months ended June 30, 2009, respectively.

Service concession construction costs. Service concession construction costs are recorded in respect of the construction work of our wind concession projects according to the IFRIC 12 and IAS 11, based on the stage of completion of the construction work. However, service concession construction costs do not affect our operating profit or profit because the same amount of service concession construction revenue is recognized given the fact that we sub-contracted substantially all construction activities to third parties. We also exclude service concession construction revenue from the calculation of our total adjusted operating margin. See "— Operating profit and adjusted operating margin."

Depreciation and amortization. Depreciation relates primarily to our property, plant and equipment and investment properties and is calculated on a straight-line basis. Amortization relates primarily to the concession rights granted to us under concession agreements of our wind concession projects, as well as other intangible assets.

Personnel costs. Personnel costs primarily include salaries, benefits and contributions to the statutory employee retirement fund for our employees.

Material costs. Material costs primarily include raw materials used by Zhongneng Power-Tech in the manufacturing of power equipment, accessories, parts and other materials used in the ordinary maintenance and repairs of our coal power plants and wind farms. After Longyuan Donghai Straw-fired Biomass Power Project became operational in 2008, material costs also included costs of straw used in power generation by the biomass power project in 2008. For the six months ended June 30, 2009, material costs also included coal cost of RMB192.8 million derived from coal supply business.

Repairs and maintenance. Repairs and maintenance include repair and maintenance costs of both our wind farms and coal power plants.

Administration expenses. Administration expenses primarily include office expenses, conference expenses, travel expenses, various tax and fee expenses (such as stamp duties, property taxes, vehicle and vessel usage tax), consultation fees for technology development and entertainment expenses.

Other operating expenses. Other operating expenses include miscellaneous expenses related to our operation, such as insurance premiums, transportation fees, impairment losses on property, plant and equipment, discharge fees payable by our coal power plants and utilities expenses.

Operating profit and adjusted operating margin

Operating profit for individual business segments is the segment result set forth in Note 11 to the accountants' report included in Appendix I to this document, which includes revenue of each segment and other net income attributable to that segment after deducting operating expenses of this segment. Total operating profit for the Group represents the total of operating profit for individual business segments after the adjustments made based on the elimination of inter-segment transactions and unallocated expenses.

Adjusted operating margin of the Group is calculated by dividing (i) total adjusted operating profit by (ii) total revenue (excluding service concession construction revenue and revenue from our coal supply business) for the year or period. Total adjusted operating profit is calculated by total operating profit (excluding operating profit from our coal supply business) less total other net income, and adding back any one-off, non-recurring impairment losses of the Group.

Adjusted operating margin of each business segment is calculated by dividing (i) adjusted operating profit of the segment by (ii) revenue from such segment for the year or period (in case of the coal power business segment, revenue from our coal supply business in the amount of RMB199.1 million for the six months ended June 30, 2009 is excluded for the purposes of calculating the coal power business segment's adjusted operating profit and adjusted operating margin). Adjusted operating profit of each business segment is calculated by the operating profit of the segment (in case of the coal power business segment, operating profit from our coal supply business in the amount of RMB5.3 million for the six months ended June 30, 2009 is excluded for the purposes of calculating the coal power business segment's adjusted operating profit and adjusted operating margin) less other net income attributable to such segment, and adding back any one-off, non-recurring impairment losses attributable to such segment.

We started our coal supply business in May 2009 and our financial results during the Track Record Period only include results of the coal supply business for two months. Accordingly, to ensure comparability of our coal power business segment's adjusted operating profit and adjusted operating margin from period to period, revenue and operating profit of our coal supply business are excluded in the above calculation.

Other net income attributable to our wind power business mainly included sales of CERs and VERs and other government grants related to VAT rebates and refunds. This amounted to RMB27.3 million, RMB109.9 million, RMB296.3 million and RMB255.1 million in 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. We recorded a provision of RMB103.8 million for, a non-recurring impairment loss on construction in progress in our wind power business in 2008.

Other net income attributable to our coal power business mainly included other government grants relating to VAT rebate and disposal gains related to plant, property and equipment, amounted to RMB25.9 million, RMB25.8 million, RMB42.9 million and RMB1.5 million in 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. Our coal power business recorded a non-recurring impairment loss of RMB31.8 million in 2006.

Other net income attributable to our other business mainly included rental income from investment properties, and amounted to RMB43.4 million, RMB34.2 million, RMB53.4 million and RMB19.0 million in 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. Our other business recorded non-recurring impairment losses of RMB0.8 million, RMB2.2 million and RMB0.03 million in 2006, 2007 and 2008, respectively.

Each segment's adjusted operating profit and adjusted operating margin are results before elimination. Adjusted operating margin and adjusted operating profit are not standard measurements under IFRSs, but we present them here because our management believes that they provide useful indicators of our profitability. [●] should be aware that adjusted operating profit and adjusted operating margin presented in this document may not be comparable to similarly titled measures reported by other companies, due to different calculation methods.

The table below sets forth our operating profit and adjusted operating margin of each business segment and of our Group, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2006		2007		2008		2008		2009	
	Operating profit	Adjusted operating margin	Operating profit	Adjusted operating margin	Operating profit	Adjusted operating margin	Operating profit	Adjusted operating margin	Operating profit	Adjusted operating margin
	RMB millions	(%)	RMB millions	(%)	RMB millions	(%)	RMB millions (unaudited)	(%)	RMB millions	(%)
Wind power	128.1	32.9	443.0	45.8	1,076.1	53.9	545.1	55.6	1,004.1	56.5
Coal power	866.5	21.7	724.3	17.4	329.6	6.6	211.2	8.4	449.1	23.3
Other business	32.8	(5.7)	41.7	4.1	73.9	4.5	4.2	(9.3)	34.6	6.8
Elimination of inter-segment operating profit	(15.2)	—	(18.6)	—	(16.8)	—	(9.8)	—	(18.9)	—
Unallocated head office and corporate expenses	(45.9)	—	(72.0)	—	(42.0)	—	(23.2)	—	(22.4)	—
Total	966.3	20.2	1,118.4	19.5	1,420.8	17.9	727.5	18.4	1,446.5	35.0

Finance income

Finance income primarily consists of interest income from bank deposits, dividend income from other investments and listed securities, foreign exchange gains and interest income on other financial assets.

Finance expenses

Finance expenses primarily consist of interest expenses on financial liabilities, impairment loss on trade and other receivables, foreign exchange losses, bank charges and others.

Share of profits less losses of associates and jointly controlled entities

Share of profits less losses of associates and jointly controlled entities includes our share of the post-acquisition, post-tax results of the investments in associates and jointly controlled entities and any impairment losses for the year.

Income tax

Our income tax consists of current tax and movements in deferred taxation. Our income tax in the PRC primarily includes provisions made for the PRC enterprise income tax.

For details about the PRC tax incentives enjoyed by our PRC subsidiaries and the effect of the New EIT Law, see "— Significant Factors Affecting Our Results of Operations and Financial Condition — PRC tax incentives" and "Risk Factors — Risks Relating to Our Overall Business — Any preferential tax treatment currently or previously available to our subsidiaries in the PRC could be discontinued."

Profit attributable to non-controlling interests

Non-controlling interests represent the portion of the operating results of our subsidiaries attributable to interests not owned by us.

RESULTS OF OPERATIONS

Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2009

Revenue

Our revenue increased by 4.2% from RMB 3,753.9 million for the six months ended June 30, 2008 to RMB3,912.3 million for the six months ended June 30, 2009, primarily as a result of an increase in electricity sales of our wind power business, and to a lesser extent, an increase in revenue from other business.

Revenue from our wind power business increased by 79.6% from RMB737.6 million for the six months ended June 30, 2008 to RMB1,324.5 million for the six months ended June 30, 2009, primarily due to an increase of 80.0% in electricity sales from RMB735.9 million to RMB1,324.3 million during the same period. The increase in electricity sales was due to an increase of 94.4% in electricity sale volume as a result of increased consolidated installed capacity of our wind power projects, even though the weighted average on-grid tariff (excluding VAT) decreased by 3.7%. See "— Significant Factors Affecting Our Results of Operations and Financial Condition — Changes in on-grid tariffs." Sales of electricity from our wind power business as a percentage of our total revenue (excluding service concession construction revenue) increased from 24.7% to 37.3% during the same period.

Revenue from our other business increased significantly from RMB 111.5 million for the six months ended June 30, 2008 to RMB228.0 million for the six months ended June 30, 2009, primarily due to increased revenue from the sales of equipment and spare parts, revenue contribution from the provision of maintenance and consulting services.

The above increases were partially offset by a decrease of 52.9% in service concession construction revenue from RMB774.2 million for the six months ended June 30, 2008 to RMB364.5 million for the six months ended June 30, 2009, which reflects fewer concession projects being constructed in the first half of 2009 compared to the first half of 2008.

Revenue from our coal power business decreased by 3.9% from RMB2,180.2 million for the six months ended June 30, 2008 to RMB2,095.3 million for the six months ended June 30, 2009, primarily due to a decrease of 20.4% in electricity sales amount, which was primarily due to the fact that we sold most of our unutilized planned output of the decommissioned units of Tianshenggang Power Plant to third parties in the six months ended June 30, 2009, and the revenue from such sales of unutilized planned output is recorded as other revenue in this segment, instead of electricity sales. We decided to sell our unutilized planned output to third parties instead of having such planned output generated by our other operating units based on a variety of factors, including our electricity generation costs compared to the costs of outsourcers, the availability of our operating units and the demand for planned output from other power generating companies. The weighted average on-grid tariff (excluding VAT) increased due to PRC on-grid tariff increases in the second half of 2008. However, the decrease in electricity sales was partially offset by (i) a new revenue contribution of RMB199.1 million from the coal supply business that we started in May 2009, (ii) an increase of RMB55.1 million in sales of steam, and (iii) an increase of RMB83.2 million in sales of unutilized planned output of our coal power plants (particularly the unutilized planned output attributable to Tianshenggang Power Plant's four shutdown units).

Other net income

Other net income increased by 51.7% from RMB178.3 million for the six months ended June 30, 2008 to RMB270.4 million for the six months ended June 30, 2009, which was primarily due to (i) an increase of 92.3% in our CERs and VERs income from RMB60.8 million to RMB116.9 million during the same period as a result of the increased number of CDM projects which started to sell CERs in the first half of 2009; and (ii) an increase of 55.2% in other government grants from RMB87.9 million to RMB136.4 million during the same period as a result of the increased VAT rebate in line with the increased revenue from our wind power business and amortization of VAT refund related to purchases of domestically manufactured wind power equipment.

Operating expenses

Our operating expenses decreased by 14.6% from RMB3,204.7 million for the six months ended June 30, 2008 to RMB2,736.2 million for the six months ended June 30, 2009, primarily as a result of the decrease in coal consumption costs and service concession construction costs.

Coal consumption costs decreased by 36.1% from RMB1,532.0 million for the six months ended June 30, 2008 to RMB979.7 million for the six months ended June 30, 2009, primarily due to (i) a decrease of 27.2% in electricity sales volume; (ii) a drop of 11.9% in weighted average cost (excluding VAT) of standard coal we purchased; and (iii) improved coal consumption efficiency.

Service concession construction costs decreased by 52.9% from RMB774.2 million for the six months ended June 30, 2008 to RMB364.5 million for the six months ended June 30, 2009, primarily due to fewer concession projects being constructed in the first half of 2009 compared to the corresponding period in 2008.

The above decreases were partially offset by an increase of 45.3% in depreciation and amortization costs from RMB508.9 million for the six months ended June 30, 2008 to RMB739.3 million for the six months ended June 30, 2009, primarily due to an increase of RMB215.6 million in depreciation and amortization in our wind power business (before inter-segment elimination) as a result of the increased consolidated installed capacity of our wind farms in 2009. The decrease in operating expenses was also partially offset by a significant increase in material costs from RMB50.5 million to RMB290.1 million, primarily related to the purchase of coal in connection with our coal supply business which commenced in May 2009 and purchases of spare parts for our wind farms.

Operating Profit and adjusted operating margin

Our total operating profit increased by 98.8% from RMB727.5 million for the six months ended June 30, 2008 to RMB1,446.5 million for the six months ended June 30, 2009. Our total adjusted operating margin increased from 18.4% to 35.0% during the same period, primarily due to an increase in our total revenue and a decrease in our operating expenses. The adjusted operating margin of our wind power business increased from 55.6% to 56.5% over the same periods, due to our increased economies of scale. The adjusted operating margin of our coal power business increased from 8.4% to 23.3% over the same periods, primarily due to the decrease in coal prices and the increase in the weighted average on-grid tariff of coal power.

Finance income

Finance income decreased by 81.8% from RMB105.5 million for the six months ended June 30, 2008 to RMB19.2 million for the six months ended June 30, 2009, primarily due to (i) a decrease of 98.5% in foreign exchange gains, as a result of the exchange rate between RMB and USD remaining at a steady level since the second half of 2008, and (ii) a decrease of RMB44.1 million of income from dividends income from listed securities and other investment, primarily because we transferred a number of our investments in listed and other entities to Guodian during the Reorganization. The decreases were partially offset by an increase of RMB4.4 million in interest income on financial assets.

Finance expenses

Finance expenses increased by 33.8% from RMB407.7 million for the six months ended June 30, 2008 to RMB545.4 million for the six months ended June 30, 2009, primarily due to an increase of RMB188.9 million, or 64.4% in interest on other loans, which were not wholly payable within five years, as a result of an increase in the amount of long-term borrowings. The increase in finance expenses was partially offset by a decrease of 22.1 million, or 8.4% from the same periods in interest on bank and other borrowings wholly repayable within five years due to a decrease in short-term interest rates during the same period, despite an increase in our short-term borrowings.

Share of profits less losses of associates and jointly controlled entities

Share of profits less losses of associates and jointly controlled entities increased from RMB17.8 million for the six months ended June 30, 2008 to RMB29.1 million for the six months ended June 30, 2009, primarily due to the increases in profit contribution from some of our associates which are engaged in wind power business.

Profit before taxation

Profit before taxation increased significantly from RMB443.1 million for the six months ended June 30, 2008 to RMB949.4 million for the six months ended June 30, 2009, primarily as a result of an increase of RMB459.0 million, or 84.2%, and RMB237.9 million, or 112.6%, over the same periods in the operating profit of our wind power and coal power business, respectively.

Income tax

Income tax increased significantly from RMB11.1 million for the six months ended June 30, 2008 to RMB150.7 million for the six months ended June 30, 2009, mainly attributable to (i) a significant increase in the operating profit of our coal power business, which generally has a higher effective income tax rate than that of our wind power business; (ii) a large increase in the operating profit of our wind power business; and (iii) the expiry of or change to a preferential tax treatment which our wind power project companies previously enjoyed.

Profit for the period

As a result of the foregoing, our profit for the period increased by 84.9% from RMB432.0 million for the six months ended June 30, 2008 to RMB798.7 million for the six months ended June 30, 2009. As a percentage of our total revenue (excluding service concession construction revenue), profit for the period increased from 14.5% to 22.5%, primarily attributable to the decrease in operating expenses, in particular coal consumption costs, and to a lesser extent, the increase in total revenue.

Profit (loss) attributable to equity owner of the Company and non-controlling interests

Profit attributable to equity owner of the Company increased by 79.2% from RMB237.3 million for the six months ended June 30, 2008 to RMB425.3 million for the six months ended June 30, 2009, primarily due to the increased profit contribution from our wind farms, most of which are wholly or majority owned by us. Profit attributable to non-controlling interests increased by 91.8% from RMB194.7 million to RMB373.4 million during the same period, which was primarily due to the increased profit contribution from our two coal power plants. We hold 27.00% and 31.94% of their shareholding, respectively, but control them through concert party agreements with certain other shareholders.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2008

Revenue

Revenue increased by 22.9% from RMB6,963.1 million in 2007 to RMB8,554.7 million in 2008. This increase was primarily due to a significant increase in electricity sales of our wind power business and increased revenue from other business.

Revenue from our wind power business increased by 125.4% from RMB726.8 million in 2007 to RMB1,638.1 million in 2008, primarily due to a 125.3% increase in the electricity sales of our wind farms from RMB725.5 million in 2007 to RMB1,634.9 million in 2008. The increase in electricity sales was due to a 140.1% increase in consolidated electricity sales volume from 1,418.7 GWh in 2007 to 3,406.8 GWh in 2008, even though the weighted average on-grid tariff (excluding VAT) decreased by 6.2% from 2007 to 2008. See "— Significant Factors Affecting Our Results of Operations and Financial Condition — Changes in on-grid tariffs." The increase in our wind electricity sales volume is primarily attributable to a 92.8% increase in consolidated wind installed capacity from 1,298.2 MW to 2,502.8 MW over the same period. Sales of electricity from our wind power business as a percentage of our total revenue (excluding service concession construction revenue) increased from 14.9% in 2007 to 25.7% in 2008.

Revenue from service concession construction increased by 6.1% from RMB2,073.8 million in 2007 to RMB2,200.4 million in 2008. The increase in service concession construction revenue mainly represents the construction work of the Inner Mongolia Bayin Wind Concession Project with an installed capacity of 201.0 MW, which became operational in December 2008.

Revenue from our coal power business increased by 8.8% from RMB4,017.9 million in 2007 to RMB4,373.4 million in 2008, primarily due to an increase of RMB419.7 million, or 11.4%, in sales of electricity from our coal power business, and an increase of RMB30.1 million, or 33.3%, in sales of steam over the same period. The increase in sales of electricity from our coal power business was primarily driven by an increase of 225.1 GWh, or 1.9%, in electricity sales volume, as well as a 9.3% increase in weighted average on-grid tariff (excluding VAT) from RMB0.3153 per kWh in 2007 to RMB0.3447 per kWh in 2008. The increase in electricity sales volume from 2007 to 2008 was because Tianshenggang Power Plant underwent a planned major overhaul lasting about two months in 2007 and the power plant's electricity sales volume was lower in 2007. The increase in on-grid tariff in 2008 was due to the PRC government's upward adjustments of on-grid tariff in response to the increases in coal prices. The increase in sales of steam is primarily due to an increase in steam price and secondarily, an increase in steam sales volume as a result of increased demand. The increase in revenue from our coal power business is also attributable to an increase in sales of byproducts of electricity generation, including coal sludge and gangue.

Revenue from our other business increased by 92.7% from RMB236.2 million in 2007 to RMB455.2 million in 2008, primarily due to an increase of RMB163.0 million, or 162.0%, in sales of equipment by a new business unit we started in late 2007, in particular components for wind turbines, to third party customers.

Other net income

Other net income increased by 131.0% from RMB168.9 million in 2007 to RMB390.2 million in 2008. This increase was primarily due to an increase of RMB113.1 million, or 119.6%, in other government grants primarily resulting from 50% VAT rebate and amortization of VAT refund related to purchases of domestically manufactured equipment. The increase in other net income was also attributable to a significant increase in our CERs and VERs income, which grew from RMB29.6 million in 2007 to RMB117.5 million in 2008. The increase in CERs and VERs income was due to the increase in the number of our CDM projects which began selling CERs since 2007.

Operating expenses

Our operating expenses increased by 25.1% from RMB6,013.6 million in 2007 to RMB7,524.1 million in 2008, primarily due to the increase in our scale of operation.

Coal consumption costs increased by RMB781.1 million, or 33.3%, from RMB2,346.8 million in 2007 to RMB3,127.9 million in 2008, primarily due to increased coal prices as a result of increased demand for coal in the PRC. The weighted average cost of standard coal per ton (excludes VAT) increased by 32.3% from RMB586.3 in 2007 to RMB775.9 in 2008. To control coal consumption costs, we improved our coal consumption efficiency, reducing net generation standard coal consumption rate of our two coal power plants from 331.0 g per kWh in 2007 to 326.5 g per kWh in 2008.

Depreciation and amortization costs increased by RMB304.6 million, or 39.1%, from RMB778.3 million in 2007 to RMB1,082.9 million in 2008, primarily due to an increase of RMB294.5 million, or 108.4%, in depreciation and amortization in our wind power business (before inter-segment elimination) as a result of the increase in the number of operating wind farms in 2008 and the purchase of related assets for the expansion of our wind power business.

Material costs increased by RMB184.3 million, or 167.1%, from RMB110.3 million in 2007 to RMB294.6 million in 2008, primarily due to the increase in raw material costs of Zhongneng Power-Tech, which is in line with its increased scale of production and sales in 2008.

Service concession construction costs increased by RMB126.6 million, or 6.1%, from RMB2,073.8 million in 2007 to RMB2,200.4 million in 2008, due to the increased construction work for our wind concession projects in 2008 compared to 2007.

Other operating expenses increased by RMB124.4 million, or 107.9%, from RMB115.3 million in 2007 to RMB239.7 million in 2008, mainly due to a one-time provision of RMB103.8 million for impairment loss on construction in progress recognized in 2008. The impairment loss was related to certain damaged equipment used by one of our wind power projects under construction.

The increases in the foregoing were partially offset by a decrease of RMB17.3 million, or 16.5%, in repairs and maintenance from RMB104.7 million in 2007 to RMB87.4 million in 2008, mainly due to a planned major overhaul of Tianshenggang Power Plant in 2007.

Operating profit and adjusted operating margin

Our total operating profit increased by 27.0% from RMB1,118.4 million in 2007 to RMB1,420.8 million in 2008. Our total adjusted operating margin decreased from 19.5% in 2007 to 17.9% in 2008, due to the decrease in adjusted operating margin of our coal power business. The adjusted operating margin of our coal power business decreased from 17.4% in 2007 to 6.6% in 2008 primarily due to the increase in the cost of coal consumption affected by the increased coal price, and our limited ability to pass on such coal price increases to our customers through on-grid tariff increases. The adjusted operating margin of our wind power business increased from 45.8% to 53.9% over the same period, due to our increased economies of scale.

Finance income

Finance income increased by 55.4% from RMB93.7 million in 2007 to RMB145.6 million in 2008. This increase was primarily due to a combined effect of (i) an increase of RMB46.8 million, or 312.5%, in foreign exchange gains as a result of the further appreciation of RMB in 2008, and (ii) an increase of RMB12.1 million, or 48.7%, in interest income on financial assets mainly related to the interest income on bank deposits and from the entrusted loans we provided to our associated companies. The increase was partially offset by a decrease of RMB11.5 million, or 34.0%, in dividend income from other investments.

Finance expenses

Finance expenses increased by 119.3% from RMB457.4 million in 2007 to RMB1,003.1 million in 2008. This increase was primarily due to an increase of RMB377.7 million, or 173.1%, in interest expenses on bank and other borrowings wholly repayable within five years and an increase of RMB333.9 million, or 90.6%, in interest on other loans (including mainly bank loans and government loans repayable after five years). The increases in finance expense was partially offset by an increase of RMB224.9 million in interest expenses capitalized into property, plant and equipment and intangible assets which is deducted from the interest expenses. The increased bank loans and other borrowings are used to fund our business expansion.

Share of profits less losses of associates and jointly controlled entities

Share of profits less losses of associates and jointly controlled entities increased significantly from RMB18.1 million in 2007 to RMB52.7 million in 2008, primarily due to the increases in profit contribution from two of our associates: Yilan Longyuan Wind Power Generation Co., Ltd., the wind power project of which became operational in 2008, and Guodian Union Power Technology Co. Ltd., which was established in June 2007.

Profit before taxation

Profit before taxation decreased by 20.3% from RMB772.8 million in 2007 to RMB616.0 million in 2008. This decline was due primarily to the increases in costs of coal consumption and finance expenses described above.

Income tax

Income tax decreased by 96.5% from RMB60.4 million in 2007 to RMB2.1 million in 2008. The effective income tax rate decreased from 7.8% in 2007 to 0.3% in 2008. This decline was mainly attributable to: (i) a decrease of RMB156.8 million in profit before taxation from 2007 to 2008; (ii) a decrease of RMB394.7 million in the operating profit of our coal power business, which generally has higher effective income tax rate than that of our wind power business; and (iii) a significant increase in deferred tax credit which mainly includes exemptions or reductions in income tax rate and tax deduction for purchasing domestically manufactured equipment. Certain of our subsidiaries were exempt from income tax for the first two or three years followed by a 50% reduction in such tax for the three years thereafter. As some of our subsidiaries, which started operation in 2008, recorded profit during that year and enjoyed full exemption in income tax, the effective income tax rate for these subsidiaries was nil. In addition, tax deduction for purchase of domestically manufactured equipment by our subsidiaries which are foreign invested enterprises in 2008 was substantially higher than that in 2007.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 13.8% from RMB712.4 million in 2007 to RMB613.9 million in 2008. As a percentage of our total revenue (excluding service concession construction revenue), profit for the year decreased from 14.6% in 2007 to 9.7% in 2008, primarily attributable to a decrease in the adjusted operating margin of our coal power business from 17.4% in 2007 to 6.6% in 2008 as a result of increased coal consumption cost.

Profit (loss) attributable to equity owner of the Company and non-controlling interests

Profit attributable to equity owner of the Company increased by 56.9% from RMB215.0 million in 2007 to RMB337.4 million in 2008. This increase was primarily due to the increase in profit contribution attributable to our wind farms, most of which are wholly or majority owned by us.

Profit attributable to non-controlling interests decreased by 44.4% from RMB497.4 million in 2007 to RMB276.5 million in 2008. This decrease was primarily due to the decrease in profit contribution attributable to our two coal power plants. We hold 27.00% and 31.94% of their shareholding, respectively, but control them through concert party agreements with certain other shareholders.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2007

Revenue

Revenue increased by 27.9% from RMB5,445.4 million in 2006 to RMB6,963.1 million in 2007. This increase was primarily attributable to the growth of our wind power business and the increase in service concession construction revenue.

Revenue from electricity sales of our wind power business increased by 138.6% from RMB304.1 million in 2006 to RMB725.5 million in 2007. The increase was due to an increase of 168.0% in consolidated electricity sales volume from 529.4 GWh in 2006 to 1,418.7 GWh in 2007, even though the weighted average on-grid tariff decreased by 11.0% from 2006 to 2007. See "— Significant Factors Affecting Our Results of Operations and Financial Condition — Changes in on-grid tariffs." Our consolidated wind installed capacity increased by 121.3% from 586.6 MW to 1,298.2 MW over the same period.

Revenue from service concession construction increased by 112.6% from RMB975.5 million in 2006 to RMB2,073.8 million in 2007. This increase mainly represents the construction work of three major concession projects with an installed capacity of 199.3 MW.

The above increases in revenue were partially offset by a slight revenue decrease of RMB10.9 million, or 0.3%, in our coal power business primarily as a result of a decrease of RMB128.3 million, or 3.4%, in electricity sales from this business segment in 2007. This decrease was mainly because we suspended operations at the Tianshenggang Power Plant for approximately two months starting in March 2007 to perform a planned major overhaul. Despite the decrease in sales of electricity, the steam sales from this segment increased by RMB14.1 million, or 18.5%, due to the increase in steam sales volume as a result of increased demand.

Revenue from our other business increased by 37.0% from RMB172.4 million in 2006 to RMB236.2 million in 2007, primarily due to an increase of RMB2.0 million, or 13.8%, in sales of electricity generated from other renewable energy sources and an increase of RMB2.9 million in sales of power equipment by our subsidiary, Zhongneng Power-Tech.

Other net income

Other net income increased by 74.8% from RMB96.6 million in 2006 to RMB168.9 million in 2007. This increase was primarily due to a combined effect of (i) an increase of RMB32.9 million, or 53.3%, in government grants mainly resulting from 50% VAT rebate, amortization of VAT refund and other tax incentives, and (ii) the fact that we started generating income from sales of CERs and VERs in 2007 which amounted to RMB29.6 million.

Operating expenses

Operating expenses increased by RMB1,437.9 million, or 31.4%, from RMB4,575.7 million in 2006 to RMB6,013.6 million in 2007. This increase was primarily due to the increases in service concession construction costs and other operating expenses described below.

Service concession construction costs increased by RMB1,098.3 million, or 112.6%, from RMB975.5 million in 2006 to RMB2,073.8 million in 2007, due to the increased construction work for our wind concession projects in 2007 compared to 2006.

Depreciation and amortization costs increased by RMB169.3 million, or 27.8%, from RMB609.0 million in 2006 to RMB778.3 million in 2007, mainly due to the increase in the number of operating wind farms in 2007 and purchase of related assets in the expansions of our wind power business.

Coal consumption costs increased by RMB144.6 million, or 6.6%, from RMB2,202.2 million in 2006 to RMB2,346.8 million in 2007, despite a decrease in the volume of coal consumption as well as improved coal consumption efficiency. The increase in coal consumption costs was because of increased coal prices as a result of rising demand for coal in the PRC. The weighted average cost of standard coal per ton (excludes VAT) increased from RMB525.9 in 2006 to RMB586.3 in 2007.

Personnel costs increased by RMB39.5 million, or 11.5% from RMB344.4 million in 2006 to RMB383.9 million in 2007, mainly due to the increased number of our employees primarily as a result of the expansion of our wind power business. The number of our employees in wind power business increased from 314 in 2006 to 773 in 2007.

Administration costs increased by RMB27.6 million, or 37.9%, from RMB72.9 million in 2006 to RMB100.5 million in 2007, which is in line with the growth of our business.

Other operating expenses decreased by RMB44.2 million, or 27.7%, from RMB159.5 million in 2006 to RMB115.3 million in 2007, mainly because Tianshenggang Power Plant incurred an impairment loss of RMB31.8 million in 2006.

Operating profit and adjusted operating margin

As a result of the forgoing, our total operating profit increased by 15.7% from RMB966.3 million in 2006 to RMB1,118.4 million in 2007. Our total adjusted operating margin was decreased from 20.2% in 2006 to 19.5% in 2007 due to the decrease in adjusted operating margin of our coal power business from 21.7% in 2006 to 17.4%, primarily as a result of the increase in cost of coal consumption, which could not be completely passed to our customers through on-grid tariff increases. The adjusted operating margin of our wind power business segment increased from 32.9% to 45.8% over the same period, mainly due to the increased economies of scale and higher operating efficiency as evidenced by the increase in our average utilization hours.

Finance income

Finance income increased by 37.2% from RMB68.3 million in 2006 to RMB93.7 million in 2007. This increase was primarily due to the combined effect of (i) an increase of RMB12.1 million in foreign exchange gains due to the appreciation of RMB in 2007, and (ii) an increase of RMB10.6 million in dividend income derived from other investments.

Finance expenses

Finance expenses increased by 32.4% from RMB345.4 million in 2006 to RMB457.4 million in 2007. This increase was primarily due to an increase of RMB248.9 million in interest on other loans, which were not wholly repayable within five years, as a result of an increase in the amount of long-term bank loans. We incurred more bank loans to support the expansion of our wind power business. The increase in interest expenses was partially offset by (i) an increase of RMB99.7 million in interest expenses capitalized into property, plant and equipment and intangible assets, and (ii) a decrease of RMB24.0 million in impairment loss on financial assets as a result of a bad debt provision of RMB20 million in 2006.

Share of profit less loss of associates and jointly controlled entities

Share of profits less losses of associates and jointly controlled entities increased by 7.1% from RMB16.9 million in 2006 to RMB18.1 million in 2007. This increase was primarily due to the improvement of profitability of our associates and jointly controlled entities.

Profit before taxation

Profit before taxation increased by 9.4% from RMB706.1 million in 2006 to RMB772.8 million in 2007.

Income tax

Income tax increased by 1.5% from RMB59.5 million in 2006 to RMB60.4 million in 2007, mainly due to the increase in our profit before taxation, which was partially offset by a decrease in our effective tax rate from 8.4% in 2006 to 7.8% in 2007 due to (i) a decrease of RMB142.2 million in the operating profit of our coal power business, which had a higher effective income tax rate higher than that of our wind power business, and (ii) an increase of RMB314.9 million in the operating profit of our wind power business.

Profit for the year

As a result of the foregoing, our profit increased by 10.2% from RMB646.6 million in 2006 to RMB712.4 million in 2007. As a percentage of our total revenue (excluding service concession construction revenue), profit for the year remained steady at 14.5% and 14.6% in 2006 and 2007, respectively.

Profit (loss) attributable to equity owner of the Company and non-controlling interests

Profit attributable to equity owner of the Company increased by 43.6% from RMB149.7 million in 2006 to RMB215.0 million in 2007. This increase was primarily due to the increase in profit contribution from our wind farms, most of which are wholly or majority owned by us.

Profit attributable to non-controlling interests was RMB496.9 million in 2006 compared to RMB497.4 million in 2007.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of liquidity to date have been cash generated from our operations, bank loans, debt securities and contributions from our shareholders. Our principal uses of cash primarily include capital expenditures and working capital purposes.

As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had cash and cash equivalents of RMB102.4 million, RMB808.8 million, RMB1,001.9 million and RMB1,244.5 million, respectively.

Net Current Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2006	2007	2008	2009	2009
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions) (unaudited)
Current assets					
Trading securities	—	0.2	—	0.2	100.1
Inventories	131.6	205.1	279.3	389.0	437.5
Trade debtors and bills receivable	563.3	865.9	1,240.9	1,770.5	1,875.5
Prepayments and other current assets	489.5	974.0	1,804.8	1,246.8	2,103.8
Tax recoverable	11.5	6.9	0.5	1.2	5.7
Restricted deposits	483.3	228.6	500.0	470.5	506.0
Cash at bank and on hand	102.4	808.8	1,055.0	1,250.5	2,134.7
Total current assets	1,781.6	3,089.5	4,880.5	5,128.7	7,163.3
Current liabilities					
Borrowings	2,766.0	6,156.0	4,686.2	8,924.3	14,034.2
Obligations under finance leases	104.7	—	—	—	—
Trade creditors and bills payable	2,311.3	1,779.4	2,728.7	2,733.3	3,119.6
Other payables	1,183.3	1,541.9	1,918.0	3,570.2	4,077.3
Tax payable	11.6	28.5	80.0	90.3	127.5
Total current liabilities	6,376.9	9,505.8	9,412.9	15,318.1	21,358.6
Net current liabilities	(4,595.3)	(6,416.3)	(4,532.4)	(10,189.4)	(14,195.3)

We recorded net current liabilities of RMB4,595.3 million, RMB6,416.3 million, RMB4,532.4 million and RMB10,189.4 million as of December 31, 2006, 2007, 2008 and June 30, 2009, respectively. As of September 30, 2009, which is the latest practicable date such information is available to us, our net current liabilities were RMB14,195.3 million. Our net current liability position during the Track Record Period mainly reflected the high levels of our short-term bank borrowings to meet part of the increased demands for down payments and prepayments in the purchases of wind turbines and to finance our long-term capital requirement through short-term borrowings with a view to taking advantage of the lower financing costs in the PRC of short-term borrowings compared to the financing costs of long-term borrowings. The increase in net current liabilities as of June 30, 2009 was also attributable to the increase in payables for acquisition of property, plant and equipment. We expect that we may continue to record net current liabilies in the future. See “— Indebtedness — Short term borrowings” and “Risk Factors — Risks Relating to Our Overall Business — Our borrowing levels, significant interest payment obligations and net current liabilities could limit the funds available to us for various business purposes” for more details.

We have not experienced any financial difficulty with respect of our cash flow despite our increase in capital expenditures and the net current liability position for the following reasons:

- We have maintained long-term relationships with domestic and foreign financial institutions from whom we are able to obtain banking facilities on competitive terms to fund our business expansion. As of September 30, 2009, we had unutilized banking facilities of RMB7.2 billion. In addition, before entering into new facility agreements, we have received loan commitment letters from various PRC banks under which the banks have agreed in principle to grant loans to finance many of our new wind power project which have been approved by the NDRC or in the process of applying for such approval.

- As most of our banking facilities were obtained from various PRC reputable commercial banks and our credit history has been recognized by various PRC financial institution, our access to credit markets has not been materially and adversely affected by the recent economic crisis. During the Track Record Period, we have not experienced any material difficulty in renewing our short-term loans from our principal banks upon maturity of the existing term loans. We believe that we will be able to roll over our existing short-term loans upon their maturity, if necessary, based on our past repayment and credit history. In July 2009, we received a credit rating of AA+ from China Chengxin International Rating Co. Ltd, which is one of the reputable credit rating agencies in the PRC.

- We entered into three strategic cooperative framework agreements with China Development Bank, Bank of Communication, Beijing Branch and China Construction Bank in October 2009 to establish cooperation relationships with the three banks, and to secure financing and other financial services provided by the three banks to fund our capital requirements in the future. According to these framework agreements, the three banks agreed to provide us credit lines up to an aggregate amount of RMB50 billion to finance our business expansion, subject to, among other requirements for each draw-down, credit approval and the execution of loan agreements and related documentation.

- Our existing cash resources are improving during the Track Record Period. Our cash flow from operating activities has increased from RMB1,882.2 million in 2006 to RMB2,839.8 million in 2008. Cash flow from operating activities in the six months ended June 30, 2009 was RMB1,162.5 million. Our cash and cash equivalents as of June 30, 2009 increased to RMB1,244.5 million from RMB102.4 million as of December 31, 2006.

Our Directors believe that the new credit lines up to an aggregate amount of RMB50 billion granted under the cooperative framework agreements by the three PRC banks in October 2009 reflected the Company’s strong capability in obtaining new financing in the current economic conditions and the recognition of the three banks’ of the Group’s creditability and its business prospects. Given the Company’s leading position in the PRC wind power sector and its established credit history and long-term relationship with banks, our Directors are of the view that we will be able to draw down loans from credit lines provided in the cooperative framework agreements and to secure additional financings at competitive terms to finance its business growth.

Taking into account the bank facilities available to us, our existing cash resources and the amount of other sources of fund we expect to raise, our Directors believe that we have sufficient working capital for our present requirements and for the next 12 months from the date of this document.

CASH FLOW

The following table sets forth a summary of our net cash flow for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
Selected Cash Flow Statement Data	**2006**	**2007**	**2008**	**2008**	**2009**
	(RMB in millions)	**(RMB in millions)**	**(RMB in millions)**	**(RMB in millions) (unaudited)**	**(RMB in millions)**
Net cash generated from operating activities	1,882.2	591.3	2,839.8	243.0	1,162.5
Net cash used in investing activities	(3,476.0)	(7,365.0)	(11,085.7)	(4,248.6)	(5,295.7)
Net cash generated from financing activities	1,011.8	7,482.8	8,444.0	6,097.8	4,376.0
Net (decrease)/increase in cash and cash equivalents	(582.0)	709.1	198.1	2,092.2	242.8
Cash and cash equivalents at the end of year/period	102.4	808.8	1,001.9	2,900.3	1,244.5

Net cash generated from operating activities

We derive our net cash generated from operating activities primarily through the receipt of payments for the sale of electricity. Our cash outflow from operating activities is used primarily for coal consumption costs, personnel costs, the purchase of materials and others used in wind farms and other operating and administration expenses.

For the six months ended June 30, 2009, we generated net cash from operating activities of RMB1,162.5 million, primarily as a result of profit before taxation of RMB949.4 million mainly adjusted for depreciation and amortization of RMB739.3 million, interest expenses on financial liabilities of RMB532.7 million, and the effects of changes in working capital. Changes in working capital mainly included (i) an increase of RMB517.1 million in trade debtors and bills receivable, primarily due to increased receivables from grid companies as a result of the increased electricity sales, and increased bills receivable in our coal supply business; (ii) an increase of RMB194.1 million in prepayments and other current assets, primarily due to an increase in CER receivable and the fact that our suppliers of coal and spare parts increasingly demanded cash prepayment in lieu of bills payable, which also contributed to a decrease of RMB73.0 million in trade and other payables; and (iii) an increase of RMB79.1 million in inventories due to increased coal purchases for our newly-established coal supply business, and increased procurement of spare parts. Compared to the six months ended June 30, 2008. The increase in net cash generated from operating activities for the six months ended June 30, 2009 was mainly due to an increase in profit before taxation, and a smaller increase in prepayments and other current assets in the six months ended June 30, 2009 compared with the six months ended June 30, 2008 mainly due to the higher level of cash prepayment for procurement of coal and spare parts in the six months ended June 30, 2008.

In 2008, we generated net cash from operating activities of RMB2,839.8 million, primarily as a result of profit before taxation of RMB616.0 million mainly adjusted for depreciation and amortization of RMB1,082.9 million, impairment loss on property, plant and equipment of RMB103.8 million, and interest expenses on financial liabilities of RMB932.2 million and the effects of changes in working capital. Changes in working capital mainly included an increase of RMB945.2 million in trade and other payables, an increase of RMB375.0 million in trade debtors and bills receivable, an increase of RMB108.9 million in prepayments and other current assets and an increase of RMB68.9 million in inventories. The increase in trade and other payables was primarily attributable to the increase in bills payable mainly related to the procurement of coal by our coal power plants. The increase in trade debtors and bills receivable, prepayments and other current assets primarily related to the combination of (i) the increase in receivables from grid companies as a result of the increased electricity sales of our wind farms and (ii) the increase in receivables as a result of our increased CDM projects. The increase in inventories was primarily due to the increased procurement of spare parts and others used in operation and maintenance of our wind farms and the increased inventories of coal as a result of higher coal prices.

In 2007, we generated net cash from operating activities of RMB591.3 million, primarily as a result of profit before taxation of RMB772.8 million mainly adjusted for depreciation and amortization of RMB778.3 million, interest expenses on financial liabilities of RMB445.5 million and the effects of changes in working capital. Changes in working capital mainly included a decrease of RMB1,027.2 million in trade and other payables, an increase of RMB169.7 million in trade debtors and bills receivable, prepayments and other current assets. The decrease in trade and other payables was primarily attributable to the decrease in bills payable mainly because we began to make cash payments to our coal suppliers in 2007. The increase in trade debtors and bills receivable and prepayments and other current assets was primarily due to the increased electricity sales of our wind farms.

In 2006, we generated net cash from operating activities of RMB1,882.2 million, primarily as a result of profit before taxation of RMB706.1 million mainly adjusted for depreciation of RMB596.4 million, interest expenses on financial liabilities of RMB311.5 million and the effects of changes in working capital. Changes in working capital mainly included an increase of RMB305.2 million in trade and other payables and a decrease of RMB85.1 million in trade debtors and bills receivable, prepayments and other current assets. The increase in trade and other payables was primarily because of increased payables to equipment and construction suppliers due to the expansion of our wind power business.

Net cash used in investing activities

Our cash inflow from investing activities primarily consists of government grants received, proceeds from repayments of loans, advances and disposal of investments in associates and jointly controlled entities, dividends received and interests received. Our cash outflow from investing activities primarily consists of payments for acquisition of property, plant and equipment, lease prepayments (primarily payments for land use rights) and construction costs for concession projects, loans to our associated companies and equity investments in associates and jointly controlled entities.

For the six months ended June 30, 2009, we had net cash used in investing activities of RMB5,295.7 million, primarily as a result of (i) payments of RMB6,132.2 million for acquisition of property, plant and equipment, lease prepayments and intangible assets mainly related to the construction and expansion of our wind farms, and (ii) payments of RMB251.3 million for acquisition of financial assets and investments in associates and jointly controlled entities, which primarily related to the loans we provided to, and investments in, associates and jointly controlled entities. These were partially offset by (i) the receipt of government grants of RMB676.6 million related to VAT refunds for the purchases of domestically manufactured equipment, and (ii) the proceeds of RMB279.2 million from repayments of loans and advances and disposal of investments in, associates and jointly controlled entities, mainly related to repayment of our entrusted loans given to our associates and jointly controlled entities. Compared to the six months ended June 30, 2008, the increase in cash flow from investing activities for the six months ended June 30, 2009 was mainly due to an increase of 41.1% in payments for acquisition of property, plant and equipment, lease prepayments and intangible assets to RMB6,132.2 million for the six months ended June 30, 2009 due to the expansion of our wind power business. During the same period, government grants received increased significantly by RMB663.3 million, primarily due to a significant increase in government grant receivables in 2008 which were received in the first half of 2009. See " — Prepayments and other current assets" and "Regulatory Environment — Taxation — VAT Law."

In 2008, we had net cash used in investing activities of RMB11,085.7 million, primarily as a result of (i) payments for acquisition of property, plant and equipment, lease prepayments and intangible assets of RMB11,603.4 million mainly related to the construction and expansion of our wind farms and (ii) payments for acquisition of financial assets mainly related to the loans we provided and investments in associates and jointly controlled entities of RMB725.5 million. These were partially offset by (i) the receipt of a government grant of RMB654.9 million which primarily related to the VAT refund in connection with purchases of domestically manufactured equipment by our wind farms, and (ii) the proceeds from prepayments of loans and advances and disposal of investments in associates and jointly controlled entities of RMB472.6 million mainly related to repayment of our entrusted loans.

In 2007, we had net cash used in investing activities of RMB7,365.0 million, primarily as a result of (i) payments for acquisition of property, plant and equipment, lease prepayments and intangible assets of RMB7,161.5 million, and (ii) payments for acquisition of financial assets and investments in associates and jointly controlled entities of RMB708.2 million, which was partially offset by the receipt of a government grant of RMB353.5 million, each due to the same reasons as in 2008.

In 2006, we had net cash used in investing activities of RMB3,476.0 million, primarily as a result of (i) payments for acquisition of property, plant and equipment, lease prepayments and intangible assets of RMB3,239.4 million and (ii) payments for acquisition of financial assets and investments in associates and jointly controlled entities of RMB429.1 million, each due to the same reasons as explained above.

Net cash generated from financing activities

Our cash inflow from financing activities primarily consists of proceeds from borrowings and capital contributions from the owner of the Company and the non-controlling equity owners. Our cash outflow from financing activities primarily consists of repayment of borrowings, interest paid, and dividends paid to non-controlling equity owners.

For the six months ended June 30, 2009, we had net cash generated from financing activities of RMB 4,376.0 million, primarily as a result of the proceeds from borrowings of RMB11,512.8 million, which were primarily used to finance the expansion of our operations, as well as capital contributions from non-controlling equity owners of RMB131.0 million. Net cash generated from financing activities was partially offset by the repayment of borrowings of RMB6,401.3 million, interest paid of RMB719.5 million, and dividends paid by our subsidiaries to non-controlling equity owners of RMB145.5 million.

In 2008, we had net cash generated from financing activities of RMB8,444.0 million, primarily as a result of the proceeds from borrowings of RMB18,446.2 million (including RMB600.0 million related to the issuance of one-year term debt securities by our subsidiary, Jiangyin Xiagang Power Plant, in October 2008 ("Sulong 2008 Short Term Debenture")), which were primarily used to finance the expansion of our operations, as well as capital contributions from Guodian of RMB1,500.0 million. Net cash generated from financing activities was partially offset by the repayment of borrowings of RMB10,524.5 million, interest paid of RMB1,118.5 million and dividends paid by our subsidiaries to non-controlling equity owners of RMB358.3 million.

In 2007, we had net cash generated from financing activities of RMB7,482.8 million, primarily as a result of RMB14,663.0 million of proceeds from borrowings (including RMB528.9 million related to the issuance of one-year term debt securities by Jiangyin Xiagang Power Plant in January 2007 ("Sulong 2007 Short Term Debenture")) and RMB670.0 million of capital contributions from our parent company, partially offset by the repayment of borrowings of RMB7,143.2 million, interest paid of RMB550.3 million, and dividends paid by our subsidiaries to non-controlling equity owners of RMB372.5 million.

In 2006, we had net cash generated from financing activities of RMB1,011.8 million, primarily as a result of RMB7,891.3 million of proceeds from borrowings (including RMB630.0 million from the issue of a debenture by Tianshenggang Power Plant). This was partially offset by the repayment of loans and debenture of RMB6,375.0 million, dividends paid by our subsidiaries to non-controlling equity owners of RMB422.1 million and interest paid of RMB344.3 million.

CERTAIN BALANCE SHEET ITEMS

Inventories

The table below sets forth a summary of our inventories as of the dates indicated and the average coal inventory turnover days during the periods indicated.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)
Coal	48.9	73.4	97.2	150.0
Fuel oil	5.0	4.3	5.9	4.5
Spare parts and others	77.7	127.4	176.2	234.5
Total inventories	131.6	205.1	279.3	389.0

	Year ended December 31,		Six months ended June 30,
	2007	2008	2009
Average Coal Inventory Turnover Days(1)	9.5	10.0	19.1

(1) Average coal inventory turnover days is calculated in the following manner: coal inventory at the beginning of a given year/period plus coal inventory at the end of a given year/period, divided by two, then divided by coal consumption cost and coal cost, and then multiplied by 365 or the numbers of days for the given period. Coal cost represents coal purchases in relation to our new coal supply business.

The increases in inventories from December 31, 2006 to December 31, 2008 were primarily due to our increased purchases of spare parts in relation to the expansion of our wind power business, as well as increased inventories of coal due to higher coal prices. The increase in inventories as of June 30, 2009 was primarily due to our increased purchases of spare parts in relation to the expansion of our wind power business as well as increased purchases of coal for our newly-established coal supply business.

Our average coal inventory turnover days remain steady in 2007 and 2008. The increase in six months ended June 30, 2009 is due to the increased coal inventories and costs associated with our new coal supply business, which has a relatively higher level of turnover days compared to the coal power business.

Trade debtors and bills receivable

The table below sets forth a summary of our trade debtors and bills receivable as of the dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)
Amounts due from third parties	549.5	832.5	1,210.6	1,732.7
Amounts due from fellow subsidiaries	17.2	32.2	26.8	39.9
Amounts due from associates	0.3	3.8	9.4	3.9
	567.0	868.5	1,246.8	1,776.5
Less: allowance for doubtful debts	3.7	2.6	5.9	6.0
	563.3	865.9	1,240.9	1,770.5

These increases in our trade debtors and bills receivable were primarily due to increases in amounts due from third parties mainly because we sold more electricity from our wind power business, and to a lesser extent, because we commenced to sell coal to third parties through our coal supply business in May 2009.

The trade debtors and bills receivable also include receivables with a carrying amount of approximately RMB1.0 million, RMB1.4 million, RMB2.8 million and RMB3.4 million that are past due but not impaired as of December 31, 2006, 2007 and 2008, and June 30, 2009, respectively. We have not made any provisions for such receivables because there has not been a significant change in credit quality and we still consider the amounts to be recoverable. We do not hold any collateral securing these receivables.

In determining the recoverability of a trade receivable, we consider the creditworthiness of our customers on an individual basis and any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. As of June 30, 2009, receivables from grid companies accounted for a substantial majority of the total balance of trade receivables due from third parties. Management believes that there is no material credit risk associated with receivables from these grid companies which are government controlled or owned entities with strong credit quality and with which we have maintained long term and stable business relationships. In addition, our management continuously monitors the levels of risk exposure to ensure that proper actions are promptly taken to lower the risk exposure or to recover overdue balances.

The following table sets forth an aging analysis of trade debtors and bills receivable as of the dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)
Current	561.9	863.6	1,238.2	1,767.1
Past due within 1 year	0.7	1.3	4.9	0.8
Past due between 1 to 2 years	0.2	—	0.1	4.9
Past due between 2 to 3 years	3.1	0.2	—	0.1
Over 3 years	1.1	3.4	3.6	3.6
	567.0	868.5	1,246.8	1,776.5
Less: Allowances for doubtful accounts	3.7	2.6	5.9	6.0
	563.3	865.9	1,240.9	1,770.5

The following table shows our trade debtors and bills receivable turnover days during the periods indicated:

	Year ended December 31,		Six months ended June 30,
	2007	2008	2009
Trade debtors and bills receivable turnover days[1]	53.3	60.5	76.8

(1) Trade debtors and bills receivable turnover days are calculated in the following manner: the total net balance of trade debtors and bills receivable at the beginning of a given year/period plus the total net balance of trade debtors and bills receivable at the end of a given year/period, divided by two, then divided by total revenue (excluding service concession construction revenue) and then multiplied by 365 or the numbers of days for the given period.

With the expansion of our wind power business, our trade debtors and bills receivable turnover days increased from 53.3 days in 2007 to 60.5 days in 2008, and further to 76.8 days for the six months ended June 30, 2009. During the Track Record Period, our bills receivables were typically settled within our credit period, which is generally 15-30 days from the date of billing. Certain of our wind farms collect their sales of electricity from the local grid companies in two installments according to the terms of PPAs we entered into with the local grid company. The second installment is usually paid later compared to the first installment as such payment is subject to the allocation of additional funds by the relevant government authorities to local grid companies from the tariff surcharge payable by end-users. The payment period for the second installment is generally six to twelve months depending on the issue of the allocation plan by the PRC government with respect to funds from collecting tariff surcharge. As the electricity sales of the Company's wind power business increased during the Track Record Period, the amount of receivables in connection with the second installment increased accordingly. As a result, trade debtors and bills receivable turnover days increased during the Track Record Period. As of June 30, 2009, our trade debtors and bills receivable amounted to RMB1,776.5 million, of which RMB1,361.3 million had been collected as of September 30, 2009.

Prepayments and other current assets

The table below sets forth a breakdown of our prepayments and other current assets as of the dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)
Loans and advances to				
- associates	211.8	537.2	346.9	82.7
- Guodian	3.0	16.3	11.4	11.8
- fellow subsidiaries	46.7	34.2	21.1	20.2
- third parties	131.0	165.5	149.0	73.1
Prepayments	47.8	88.4	109.1	223.4
Government grant receivables	1.2	6.9	1,143.4	562.0
CERs receivable	—	35.1	41.0	145.7
Dividends receivable	25.7	45.4	0.2	16.2
Deductible VAT [1]	—	0.1	4.7	133.7
Other debtors	177.6	201.2	74.9	75.6
	644.8	1,130.3	1,901.7	1,344.4
Less: allowance for doubtful debts	155.3	156.3	96.9	97.6
	489.5	974.0	1,804.8	1,246.8

Note:

(1) Deductible VAT mainly represents the input VAT relating to acquisition of property, plant and equipment and intangible assets, which is deductible from output VAT since January 1, 2009. Such input VAT was recorded as part of the related assets before January 1, 2009.

Our prepayments and other current assets declined from RMB1,804.8 million as of December 31, 2008 to RMB1,246.8 million as of June 30, 2009, primarily attributable to (i) a decrease of RMB581.4 million in government grant receivables; and (ii) a decrease of RMB264.2 million in loans and advances to associate companies due to repayments of loans. Our prepayments and other current assets increased by 85.3% from December 31, 2007 to December 31, 2008, primarily attributable to a significant increase of RMB1,136.5 million in government grant receivables. Government grant receivables mainly relate to the VAT refunds granted by the PRC government for the purchases of domestically manufactured wind turbines and other equipment by foreign invested enterprises. We recognize the VAT receivables after we fulfill certain requirements and receive the approval from the PRC government confirming such grant. In anticipation of the change to the VAT refund policy effective on January 1, 2009, we filed a significant number of applications for such VAT refunds in 2008, accordingly a large amount of the VAT refunds was recorded as government grant receivables in 2008 after the refund applications were approved by the government and before we actually receive the funds. During the six-month transition period ended June 30, 2009 when companies meeting certain eligibility requirements can still apply for such VAT refund, we filed less number of applications and therefore recorded a reduced amount of government grant receivables compared to that of 2008.

The increase from December 31, 2006 to December 31, 2007 was primarily attributable to (i) an increase of RMB325.4 million in loans and advances to associates, (ii) an increase of RMB40.6 million in prepayments due to our increased procurement of inventories; and (iii) an increase of RMB35.1 million in CERs receivable after we started to sell CERs in 2007.

In determining allowance for our prepayments and other current assets, we conducted aging analysis and evaluation of collectability on an individual basis. The allowance for doubtful debts was made mainly relating to the advances to certain third parties and related parties, and our management has assessed the likelihood of recovery from the counterparties to be low in view of the prolonged period of such advances and the financial conditions of the counter parties. We do not hold any collateral over these balances.

Allowance for doubtful debts in respect of our prepayments and other current assets amounted to RMB155.3 million, RMB156.3 million, RMB96.9 million and RMB97.6 million as of December 31, 2006, 2007 and 2008, and June 30, 2009, respectively. In 2008, we recorded a write-off of RMB98.5 million representing receivables that our management considers the likelihood of recovery to be remote. The write-off also includes receivables with gross amount of RMB 52.7 million transferred to Guodian as part of the Reorganization.

Trade creditors and bills payable

The table below sets forth a breakdown of our trade creditors and bills payable as of the dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)
Bills payable	2,098.5	1,587.6	2,689.5	2,432.7
Creditors and accrued charges	196.1	184.7	38.3	300.6
Amounts due to fellow subsidiaries	16.7	7.1	0.9	—
	2,311.3	1,779.4	2,728.7	2,733.3

Trade creditors and bills payable increased from RMB1,779.4 million as of December 31, 2007 to RMB2,728.7 million as of December 31, 2008, primarily due to an increase of RMB1,101.9 million in bills payable, which was used to procure coal, spare parts and other materials, and further increased to RMB 2,733.3 million as of June 30, 2009, primarily due to an increase in creditor and accrued charges as a result of increased payables due from our coal supply business, offset by decreased bills payable due from our coal power plants, particularly Tianshenggang Power Plant. Trade creditors and bills payable decreased from RMB2,311.3 million as of December 31, 2006 to RMB1,779.4 million as of December 31, 2007, primarily due to a decrease of RMB510.9 million in bills payable. The lower level of bills payable as of December 31, 2007 compared to December 31, 2006 mainly reflected our lower reliance on bills payable financing due to the increase in discount rates in 2007.

The following table shows our trade creditors and bills payable turnover days for our coal power business during the periods indicated:

	Year ended December 31,		Six months ended June 30,
	2007	2008	2009
Trade creditors and bills payable turnover days for coal power business[1]	31.5	13.5	26.2

(1) Trade creditors and bills payable turnover days are calculated in the following manner: the total net balance of trade creditors and bills payable (excluding bills payable) at the beginning of a given year/period plus the total net balance of trade creditors and bills payable (excluding bills payable) at the end of a given year/period, divided by two, then divided by coal consumption cost of our Group and coal procurement cost of our coal supply business, and then multiplied by 365 or the numbers of days for the given period.

Our trade creditors and bills payable turnover days decreased from 31.5 days in 2007 to 13.5 days in 2008, primarily due to the fact that we increased the use of prepayments and decreased the use of payables to purchase coal when coal was generally in short supply in 2008. For the six months ended June 30, 2009, our trade creditors and bills payable turnover days increased to 26.2 days as we increased the use of payables to purchase coal for our new coal supply business.

Other payables

The table below sets forth a breakdown of our other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)
Payables for acquisition of property, plant and equipment	575.9	695.2	1,306.9	2,704.0
Payables for staff related costs	145.6	176.3	167.0	174.8
Payables for other taxes	54.5	85.5	105.8	83.7
Dividends payable	207.2	193.8	14.0	172.9
Deposits	20.5	30.9	61.3	63.3
Interests payable	9.9	25.8	46.9	42.3
Receipts in advance				
- associates	—	—	—	0.1
- fellow subsidiaries	3.8	1.6	5.6	0.4
- third parties	2.3	6.7	23.1	85.5
Amounts due to associates and jointly controlled entities	16.7	141.3	76.6	91.0
Amounts due to fellow subsidiaries	9.9	9.8	9.1	12.7
Amount due to Guodian	—	—	—	1.5
Other accruals and payables	137.0	175.0	101.7	138.0
	1,183.3	1,541.9	1,918.0	3,570.2

Our other payables were RMB1,183.3 million, RMB1,541.9 million, RMB1,918.0 million and RMB3,570.2 million as of December 31, 2006, 2007 and 2008, and June 30, 2009, respectively. During the Track Record Period, the increase in payables for acquisition of property, plant and equipment as a result of the construction and expansion of our wind farms was the major driver of increase for our other payables.

Restricted deposits

Restricted deposits mainly represent cash deposits pledged as collateral for bills payable and housing maintenance fund designated for specific purposes. Restricted deposits were RMB483.3 million, RMB228.6 million, RMB500.0 million and RMB470.5 million as of December 31, 2006, 2007, 2008 and June 30, 2009, respectively. The lower level of restricted deposits as of December 31, 2007 was primarily attributable to the lower level of bills payable as of December 31, 2007 compared to December 31, 2006 and 2008.

INDEBTEDNESS

Borrowings

Most of our borrowings are denominated in RMB. The table below sets forth our loans and borrowings as of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2006	2007	2008	2009	2009
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions) (unaudited)
Short term borrowings					
Bank loans					
Secured	1,024.0	300.0	—	—	190.0
Unsecured	1,566.2	3,413.1	2,992.9	3,062.3	6,530.3
	2,590.2	3,713.1	2,992.9	3,062.3	6,720.3
Loans from Guodian (unsecured)	—	845.0	—	—	—
Loans from fellow subsidiaries (unsecured)	—	305.0	—	—	—
Loans from other financial institutions and others					
Unsecured	41.0	233.3	141.0	3,948.6	5,861.2
Other borrowings (unsecured)	—	548.9	606.6	625.3	634.7
Current portion of long term borrowings					
Bank loans	134.8	195.7	630.7	973.1	818.0
Other borrowings	—	315.0	315.0	315.0	—
	2,766.0	6,156.0	4,686.2	8,924.3	14,034.2
Long term borrowings					
Bank loans					
Secured	1,333.1	4,152.7	9,473.1	11,130.3	6,239.6
Unsecured	2,060.5	3,571.1	8,500.6	8,453.7	11,995.6
	3,393.6	7,723.8	17,973.7	19,584.0	18,235.2
Loan from government					
Unsecured	2.0	2.0	2.0	2.0	2.0
Other borrowings (secured)	630.0	630.0	315.0	315.0	—
	4,025.6	8,355.8	18,290.7	19,901.0	18,237.2
Less: current portion of long term borrowings					
Bank loans	134.8	195.7	630.7	973.1	818.0
Other borrowings	—	315.0	315.0	315.0	—
	3,890.8	7,845.1	17,345.0	18,612.9	17,419.2

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 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. During the Track Record Period, our gearing ratio increased primarily due to the increase in borrowings outpaced the increase in equity. The increase in our short term borrowings was primarily due to temporary demands for down payments and prepayments in the purchases of wind turbines. The increase in our long term borrowings was primarily due to the increased funds we used to support our business expansion and capital expenditure.

As of September 30, 2009, which is the latest practicable date for determining our indebtedness, our total long-term and short-term borrowings were RMB31,453.4 million. As of September 30, 2009, RMB7.2 billion of our banking facilities had not been utilized.

Short term borrowings

Our short term borrowings totaled RMB2,766.0 million, RMB6,156.0 million, RMB4,686.2 million and RMB8,924.3 million as of December 31, 2006, 2007 and 2008, and June 30, 2009, respectively.

We maintained a high level of short term borrowings as of December 31, 2007 as we used short term loans to meet part of the increased demands for down payments and prepayments in the purchases of wind turbines in 2007, when wind turbines were generally in short supply. The decrease in the proportion of short term borrowings as of December 31, 2008 was attributable to the fact that market supply of wind turbines increased in 2008 and our turbine suppliers relaxed their requirements for down payments and prepayments. The increase of 90.4% in our short-term borrowings from December 31, 2008 to June 30, 2009 was primarily due to our refinancing of a portion of our long term borrowings with short term borrowings bearing lower interest rates.

In March 1993, our subsidiary China Fulin received a RMB40 million loan (the “Special Coal Loan”) with a six-year term and a 0.3% monthly interest rate from the special fund of the former State Planning Committee, which was intended to encourage the use of coal as a substitute for domestic consumption of oil and to allow the use of proceeds from the additional oil export for the development of domestic infrastructure. Our Directors are of the opinion that when China Fulin became our wholly owned subsidiary in May 1999, China Fulin’s obligations pursuant to the Special Coal Loan were not transferred to us. To maintain the status quo of this historical matter, we have adopted a conservative approach by deferring to China Fulin’s decision in respect of this loan. The Special Coal Loan was not repaid and technically remains outstanding, our management has no plans to repay it.

Based on and to the extent of the documents we provided, our PRC legal advisor is of the opinion that the statute of limitations with respect to the Special Coal Loan has expired and, although a penalty interest rate of 20% is applicable pursuant to the loan agreement, the Special Coal Loan is no longer enforceable through legal proceeding against China Fulin pursuant to PRC Civil Procedure Law and related regulations. Out of prudence, we continue to reflect the Special Coal Loan on our balance sheet under the line item “Short-term loans from other financial institutions.”

Long term borrowings

Our long term borrowings was RMB3,890.8 million, RMB7,845.1 million, RMB17,345.0 million and RMB18,612.9 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. We increased our long term borrowings to fund our business expansion and capital expenditure.

Other borrowings of RMB630.0 million, RMB630.0 million, RMB315.0 million and RMB315.0 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively, were related to debt securities issued by NTPG in August 2006 pursuant to an asset-back securitization specific asset management plan. The plan was set up to finance NTPG’s working capital, and the debt securities under the plan were issued upon CSRC’s approval. NTPG pledged its future revenue from sales of electricity as security for the plan. The debt securities issued under the plan have a three-year maturity and bear interest at an effective interest rate of 3.74% per annum. As of June 30, 2009, RMB315.0 million of the principal amount remained outstanding.

Save as disclosed in this document, as of September 30, 2009, being the latest practicable date for determining our indebtedness, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

The table below sets forth the maturity analysis of our long term borrowings as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2006	2007	2008	2009	2009
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions) (unaudited)
Within 1 year or on demand	134.8	510.7	945.7	1,288.1	818.0
More than 1 year, but within 2 years	593.1	769.8	1,343.6	2,460.9	2,689.5
More than 2 years, but within 5 years	1,671.6	2,598.5	5,196.4	5,078.6	5,264.4
More than 5 years	1,626.1	4,476.8	10,805.0	11,073.4	9,465.3
	4,025.6	8,355.8	18,290.7	19,901.0	18,237.2

CAPITAL EXPENDITURES, COMMITMENTS AND CONTINGENT LIABILITIES

Capital Expenditure

Capital expenditure principally comprises expenditures for the construction of new wind power projects and purchase of property, plant and equipment. We historically financed our capital expenditure requirements primarily through bank borrowings and cash provided by operations. We plan to increase our wind power consolidated installed capacity to 6,500MW by 2010. To achieve this goal, we estimated that as of September 30, 2009, our capital expenditure amounted to approximately RMB33.1 billion for our projects under construction, Tier 1 and Tier 2 pipeline projects which we expect to complete construction prior to the end of 2010. See "Business — Our Wind Power Business — Description of Our Wind Farms" for a breakdown of our estimated capital expenditure for these projects. Of this, 70% to 80% will be primarily financed by bank borrowings and the remaining 20% to 30% by various sources of equity investments into the relevant project companies. We expect to finance these capital expenditures principally by the following means:

— ***Debt financings***

- for our wind power projects which have obtained the NDRC's project approval, we have entered into loan agreements with the relevant domestic banks, or have received bank loan commitment letters issued by such banks, to obtain loans;
- for certain wind power projects which are in the process of applying for the NDRC's project approval, we have received bank loan commitment letters issued by various PRC banks whereby the banks have agreed, in principle, to grant bank loans to finance the construction of these projects (although formal loan agreements have not yet been executed); and
- we have entered into three strategic cooperative framework agreements with China Development Bank, Bank of Communication, Beijing Branch and China Construction Bank in October 2009, under which the three banks agreed to provide us credit lines up to an aggregate amount of RMB50 billion to finance our business expansion, subject to, among other requirements for each draw-down, credit approval and the execution of loan agreements and related documentation.

— ***Equity financings***

- cash at bank and on hand; and
- accumulated profits.

After taking into account the other sources of fund we expect to raise, our existing cash resources and the positive operating cash flow we expect to generate, our Directors believe that we will have sufficient resources to finance our capital expenditures for the second half of 2009 and 2010.

Our anticipated capital expenditure are subject to change from time to time based on evolution of our business plan, including but not limited to, the progress of our projects under construction and pipeline projects, market conditions, regulatory environment and outlook of our future results of operations.

Capital Commitments and Operating Leasing Commitments

We had total capital commitments in connection with acquisition of property, plant and equipment and intangible assets in the amount of RMB7,146.5 million, RMB9,114.1 million, RMB18,136.0 million and RMB20,477.6 million as of December 31, 2006, 2007, 2008 and June 30, 2009, respectively. We had total operating leasing commitments in respect of buildings classified as being held under non-cancellable operating lease in the amount of RMB7.5 million, RMB8.7 million, RMB10.1 million and RMB15.8 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively.

The following table sets forth our contractual obligations as of the dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)
Capital commitments				
Contracted for.	2,818.2	3,011.0	8,139.2	10,401.3
Authorized but not contracted for	4,328.3	6,103.1	9,996.8	10,076.3
	7,146.5	9,114.1	18,136.0	20,477.6
Operating lease commitments				
Within 1 year	0.8	1.0	1.6	2.1
After 1 year but within 5 years.	6.7	7.7	8.5	13.7
	7.5	8.7	10.1	15.8

Contingent Liabilities

Guarantees given to banks

We provide guarantees to banks in respect of bank loans granted to certain of our third parties and related parties. The outstanding guarantees given by us in favor of third parties were RMB115.0 million, RMB290.0 million, RMB125.0 million and RMB35.0 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. The guarantees we gave to banks in favor of third parties as of December 31, 2006, 2007 and 2008 and June 30, 2009 are the financial guarantees given by our subsidiary, JSPG to certain subsidiaries of Sanfangxiang, a minority shareholder of JSPG for their bank loans. At the end of October 2009, we had revoked all of our existing financial guarantees granted to certain subsidiaries of Sanfangxiang. The outstanding guarantees given by us in favor of related parties were RMB4.0 million, RMB4.0 million, RMB168.0 million and RMB346.8 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively.

Contingent liabilities relating to guarantee provided by China Fulin

In 1997, before China Fulin was transferred to our Group and became our wholly owned subsidiary in 1999, China Fulin provided financial guarantees of RMB24.0 million to a PRC commercial bank for a loan granted to an independent third party. After the borrower defaulted on its banking facility and a judgment against China Fulin was rendered by the relevant PRC court, China Fulin and other relevant parties subsequently entered into a settlement agreement under the conciliation and approval of the court during the enforcement of the judgment. Under the settlement agreement, the commercial bank discharged China Fulin's joint and several guarantee obligation after we repaid an aggregate amount of RMB5.0 million on the banking facility. For the remaining RMB19.0 million unpaid portion, China Fulin only has a general guarantee obligation, which our management believes would not have a material adverse effect on our business or cash flow. Based on and to the extent of the documents we provided, our PRC legal advisor is of the view that, the time period for enforcing the original judgment has expired, and thus the PRC commercial bank is no longer entitled to enforce the judgment originally rendered by the court or to bring another civil case against China Fulin based on the same cause of action under PRC Civil Procedure Law and related regulation. As the guarantees were granted by China Fulin before it was transferred to our Group in 1999, none of our current management was involved in the decision to grant such guarantees.

Counter-guarantee

In July 2008, the Company issued a counter-guarantee to the controlling equity owner of one of our associated companies in an aggregate amount of approximately RMB32.6 million in respect of the guarantee provided by the controlling equity owner for the associated company's bank loan.

We did not receive any fees in connection with all the financial guarantees disclosed above. To limit our exposure to liability from borrower default, we will prevent our subsidiaries from granting any financial guarantees to third parties (other than pro rata guarantees in respect of our shareholding in entities in which we have equity interests).

Taxes on CDM revenue

As of the latest practicable date, no rules or regulations have been issued on whether the income from sales of CERs and VERs is subject to any VAT or business tax in the PRC. Based on the discussion with the local tax authority, our Directors are of the view that no such taxes will be applicable to the income from our sales of CERs and VERs. Therefore, we have not made any provision for such contingent tax liabilities.

PROPERTY VALUE RECONCILIATION

Particulars of the Group's property interests are set out in Appendix IV to this Document. Jones Lang LaSalle Sallmanns Limited has valued the property interests of the Group as at September 30, 2009. A summary of values and valuation certificates issued by Jones Lang LaSalle Sallmanns Limited are included in Appendix IV to this Document.

The table below sets forth the reconciliation of aggregate amounts of buildings from the Group's audited combined financial statements as at June 30, 2009 to the unaudited net book value of the Group's property interests as at September 30, 2009:

	RMB in millions
Net book value of property interests of the Group as at June 30, 2009	2,181
Additions	88
Depreciation Disposals	(40)
Reclassification	(223)
Net book value as at September 30, 2009	2,006
Valuation surplus as at September 30, 2009	794
Valuation on land use rights as at September 30, 2009 per "Appendix IV — Property Valuation Report"	1,069
Valuation as at September 30, 2009 per "Appendix IV —Property Valuation Report"	3,869

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to credit, liquidity, interest rate and currency risks in the normal course of our business. We are also exposed to equity price risk arising from our equity investments in other entities. Our exposure to these risks, and the financial risk management policies and practices we use to manage these risks, are described below.

Credit risk

Our credit risk is primarily attributable to cash and cash equivalents, trade debtors and bills receivable and prepayments and other current assets. We deposit substantially all of our cash and cash equivalents in the state owned/controlled PRC banks and a related party whose credit risk our directors assessed to be insignificant.

The receivables from sales of electricity mainly represent receivables from the provincial power grid companies. We have no significant credit risk with any of these power grid companies as we maintain long-term and stable business relationships with them. The receivables from the provincial power grid companies accounted for 91%, 87%, 83% and 81% of total trade debtor and bills receivable as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. For other trade and other receivables, we perform an ongoing individual credit evaluation of our customers' and counterparties' financial condition. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

We provide financial guarantees to third parties and related parties, but except for the financial guarantees we extended as set out in note 33(a) to Appendix I — Accountants' Report, we do not provide any guarantees that would expose us to credit risk. Our maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is also disclosed in note 33(a) to Appendix I — Accountants' Report.

Liquidity risk

Our objective is to ensure continuity of sufficient funding and flexibility by utilizing a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that our outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Our policy is to monitor current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term. In order to repay the borrowings due within one year, we negotiate banking facilities and utilize operating cash inflows from our subsidiaries.

We manage the proportion of our current liabilities with respect to the total liabilities to mitigate the liquidity risk. We had net current liabilities of RMB4,595.3 million, RMB6,416.3 million, RMB4,532.4 million and RMB10,189.4 million as at December 31, 2006, 2007, 2008, and June 30, 2009, respectively. We expect to finance our future capital commitments and other financing requirements principally with bank loans, supplemented by cash from operating activities and our existing cash resources. As of September 30, 2009, RMB7.2 billion of our banking facilities had not been utilized.

Interest rate risk

Our interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose us to cash flow interest rate risk. At December 31, 2006, 2007, 2008 and June 30, 2009, we estimate that a general increase/decrease of 100 basis points in interest rates of net floating borrowings, with all other variables held constant, would have decreased/increased our profit after tax and retained profits by approximately RMB23.7 million, RMB51.7 million, RMB106.5 million and RMB120.4 million, respectively.

In order to manage the interest rate risks, our management regularly review and monitor the mix of fixed and variable rate borrowings during different credit cycles. In early 2009, we managed to replace a portion of our long term borrowings with fixed rate short term borrowings bearing a lower interest rate. We also propose to issue fixed rate corporate bonds in the PRC to hedge further the risk resulting from fluctuations in interest rates. In addition, we are able to take advantage of bills and low interest rate foreign currency loans to finance our purchases of wind power equipment and spare parts. During the Track Record Period, however, our management did not consider it necessary to use interest rate swaps to hedge our exposure to interest.

Currency risk

We are exposed to currency risk primarily through sales and purchases which give rise to receivables, borrowings and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros and U.S. dollars. A 5% strengthening/weakening of the Renminbi against the Euros and U.S. dollar as at December 31, 2006, 2007 and 2008 and June 30, 2009 would have increased/decreased the net profit and retained profit by RMB5.6 million, RMB34.9 million, RMB57.0 million and RMB47.0 million, respectively. Except for CERs and VERs sales, which were denominated in foreign currencies, all of our revenue-generating operations are transacted in RMB. In addition, we have certain borrowings that are denominated in Euros and U.S. dollars. Our directors believe that our exposure to foreign currency risk is insignificant. However, RMB is not a freely convertible currency, and the PRC Government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent us from satisfying sufficient foreign currency demands, and we may be unable to pay dividends in foreign currencies to our shareholders.

Equity price risk

We are exposed to equity price changes arising from equity investments classified as trading securities and available-for-sale equity securities. Our listed investments are listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Listed and unlisted investments held in our available-for-sale portfolio are held for long-term purpose. We assess their performance and their relevance to our long-term strategic plans at least annually. Our directors considered our exposure to equity price risk to be insignificant.

OFF BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements as of June 30, 2009.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. Any proposed distribution of dividends shall be formulated by our Board, and will be subject to our shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, future prospects and other factors that our Directors may consider important.

According to the PRC law and our Articles of Association, we will pay dividends out of our after-tax profits only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory common reserve fund equivalent to 10% of our after-tax profit, as determined under PRC GAAP; and
- allocations, if any, to a discretionary common reserve fund that are approved by the shareholders in a shareholders' meeting.

The minimum allocations to the statutory funds are 10% of our after-tax profit, as determined under PRC Company Law. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory fund will be required.

In accordance with the Articles of Association of the Company dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRSs whichever is a lower amount. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. In the future, we expect to distribute no less than 15% of our annual distributable earnings as dividends.

There is, however, no assurance that we will be able to declare dividends of such amount or any amount each year or in any year. In addition, the declaration and/or payment of dividends may be limited by legal restrictions and/or by financing agreements that we may enter into in the future.

Under current PRC tax laws and regulations, dividends paid by our Company to a Non-PRC Resident Enterprise shareholder are subject to a 10% withholding tax while the dividends paid to an individual holder of [●] Shares outside the PRC are currently exempted from PRC income tax.

SPECIAL DISTRIBUTION

According to the Interim Provisions on the Management and Financial Treatment of State Owned Capital in Enterprise Corporate Restructuring (企業公司改制有關國有資本管理財務處理的暫行規定) issued by the Ministry of Finance and effective on August 27, 2002, it is a mandatory requirement for our Group to declare and pay a special distribution to Guodian in an amount equal to our Group's net profit from September 30, 2008, the date on which our state-owned assets were valued, to July 9, 2009, the date of our incorporation (the "Special Distribution"). Pursuant to an ordinary resolution passed by our shareholders on July 17, 2009, we declared the Special Distribution payable to Guodian. Such Special Distribution, in the amount of approximately RMB600 million based on our net profit generated from September 30, 2008 to July 9, 2009, is expected to be paid to Guodian after [●] from our available cash and cash equivalents on hand.

DISTRIBUTABLE RESERVES

Our company did not have any available distributable reserves as of June 30, 2009.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

Forecast consolidated net profit attributable to equity owner of our Company(1)	not less than RMB[●] (approximately HK$[●])

Notes:

(1) The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix III to this document.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Except as disclosed in this document, we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

DIRECTORS' CONFIRMATION OF NO MATERIAL ADVERSE CHANGE

As of the date of this document, the Directors confirm that there has been no material adverse change in the financial or trading positions or prospects of the Company since June 30, 2009, the date of the latest audited financial statements of the Company.

Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since June 30, 2009, and there is no event since June 30, 2009 which would materially affect the information shown in the "Accountants' Report," the text of which is set out in Appendix I to this document.