
CONNECTED TRANSACTIONS

Upon completion of the Global Offering, transactions between us and our Connected Persons will constitute connected transactions for us under Chapter 14A of the Listing Rules.

Further, as the A Shares are listed on the SZSE, some of the transactions described below will, in addition to being subject to and regulated by the Listing Rules, continue to be subject to and regulated by the SZSE Listing Rules and other applicable laws and regulations in the PRC as long as the A Shares remain listed. However, the requirements of the Listing Rules in relation to connected transactions differ from those of the SZSE. In particular, the definition of connected persons pursuant to the Listing Rules is different from the definition of related parties pursuant to the SZSE Listing Rules. Therefore, a connected transaction pursuant to the Listing Rules may not constitute a related party transaction pursuant to the SZSE Listing Rules, and vice versa.

We set out below details of our connected transactions.

CONNECTED PERSONS

China Water holds more than 10.0% of the equity interests of our Company and is a Substantial Shareholder of our Company. China Water is a wholly owned subsidiary of China Three Gorges. Therefore, each of China Three Gorges and its subsidiaries and associates constitutes a Connected Person of our Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The following transactions have been carried out by our Group and the above mentioned Connected Persons during the Track Record Period and are expected to be continued following the Listing. These transactions will constitute continuing connected transactions which are not exempt from the reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules upon the Listing:

Continuing connected transactions with China Three Gorges

Purchase of components

Description of present and future transactions and the main terms

We have purchased and will purchase from the subsidiaries and associates of China Three Gorges components for the manufacture of WTGs in the ordinary and usual course of business.

The purchase of products from the subsidiaries and associates of China Three Gorges for the manufacture of WTGs has been and will continue to be made in accordance with our internal purchase procedures. We have put in place a purchase monitoring process in the purchase department and have also formed a dedicated team to adopt the purchase procedures.

As we are not in a position to ascertain in advance which subsidiaries or associates of China Three Gorges that we may purchase components from, our Group will enter into written agreements with the subsidiaries and associates of China Three Gorges in respect of each individual connected transaction of the purchase of components for the manufacture of WTGs described above.

We believe that it is in our interest to purchase components from the subsidiaries and associates of China Three Gorges on terms acceptable to us for the manufacture of WTGs, and confirm that the transactions contemplated under the written agreements to be entered into will be conducted on normal commercial terms after arm's length negotiation.

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Pricing

The fees payable in connection with the products of the subsidiaries and associates of China Three Gorges have always been and will be determined based on the market price. Such market price is defined by reference to the price at which we are able to be provided with identical or similar products by an Independent Third Party in the ordinary and usual course of business.

Historical figures

For each of the three years ended December 31, 2007, 2008 and 2009, our purchases from the subsidiaries and associates of China Three Gorges amounted to RMB2.2 million, RMB367.0 million and RMB734.6 million, respectively. From January 1, 2010 to March 31, 2010, our purchases from the subsidiaries and associates of China Three Gorges were RMB276.6 million.

Annual caps

For each of the three years ending December 31, 2010, 2011 and 2012, the annual amount to be payable by us to the subsidiaries and associates of China Three Gorges in connection with the purchase of components from the subsidiaries and associates of China Three Gorges will be no more than RMB1,866.4 million, RMB2,245.0 million and RMB1,001.0 million, respectively. The above annual caps have been determined by our Company after consideration of the following factors:

- (i) The historical transaction value;
- (ii) Our current and anticipated business needs and production volume;
- (iii) Prevailing market conditions;
- (iv) A component purchase contract of RMB1,271.4 million we have entered into with an associate of China Three Gorges on April 22, 2010, pursuant to which most of the delivery of the components is expected to take place in 2010; and
- (v) Certain Connected Persons are expected to cease to be our Connected Persons in 2011, which results in a decrease in the annual cap for 2012.

Product sale

Description of present and future transactions and the main terms

Our Group has sold and will sell to the subsidiaries of China Three Gorges WTGs in the ordinary and usual course of business.

Such sale of WTGs by our Group to the subsidiaries of China Three Gorges is usually awarded through public tenders in accordance with the applicable laws and regulations of the PRC, i.e. the relevant subsidiary of China Three Gorges will invite bids for the WTGs they propose to purchase in accordance with the laws and regulations of the PRC, and our Group, as the tenderer, shall submit tender documents in response to the invitation to tender. For further details on our sales, please see the section entitled “Business — Sales and Marketing” in this prospectus.

As most of the sale of WTGs is usually awarded through the tendering process described above which is subject to the relevant PRC laws and regulations, our Group will enter into written agreements with the subsidiaries of China Three Gorges in respect of each individual connected transaction of sale of WTGs after winning a tender, or on normal commercial terms after arm’s length negotiation where no tendering process is required to be adopted.

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We believe that the sale of WTGs to the subsidiaries of China Three Gorges constitutes a vital part of our business and is in our interests and confirm that the transactions contemplated under the written agreements to be entered into will be conducted on normal commercial terms.

Pricing

The selling price in respect of the sale of WTGs has been and will be determined through the tender bidding process if the sale is awarded through a public tender. Where the sale of WTGs is not awarded through a public tender, the selling price has been and will be determined based on the market price.

Historical figures

For each of the three years ended December 31, 2007, 2008 and 2009, our revenue in connection with the sale of WTGs to the subsidiaries of China Three Gorges amounted to RMB79.0 million, RMB190.6 million and RMB310.0 million, respectively.

Annual caps

For each of the three years ending December 31, 2010, 2011 and 2012, the annual amount receivable by our Group from the subsidiaries of China Three Gorges in connection with the sale of WTGs to the subsidiaries of China Three Gorges will be no more than RMB1,400 million, RMB1,900 million and RMB2,300 million, respectively. The annual caps have been determined by our Company based on the following factors:

- (i) According to publicly available information, China Three Gorges has just launched an aggressive wind power development plan with both near term targets such as 2010 and 2012, and long term targets such as 2020.
- (ii) We enjoy a favorable business relationship with China Three Gorges, and have historically maintained a dominant market share of its purchases of WTGs.
- (iii) We aim to maintain our position as a leading WTG supplier for China Three Gorges by providing premium quality WTGs at competitive prices with a high performance to price ratio.
- (iv) From January 1, 2010 to the Latest Practicable Date, we had concluded WTG contracts with subsidiaries of China Three Gorges amounting to approximately RMB283 million, and are about to conclude several WTG contracts in the near term.

WAIVER APPLICATION

Upon completion of the Global Offering, the continuing connected transactions described above will constitute non-exempt continuing connected transactions under the Listing Rules, and will be subject to the requirements of reporting, announcement and independent shareholders' approval set out in Rules 14A.45 to 14A.48 of the Listing Rules.

The Directors (including independent non-executive Directors) are of the view that the continuing connected transactions described above have been carried out in our ordinary and usual course of business on normal commercial terms in the past and will be so in the future, and the proposed annual caps set out above are fair and reasonable and in the interests of the Shareholders as a whole. Pursuant to Rule 14A.42(3) of the Listing Rules, we have applied to be exempt from strict compliance with the requirements of announcement and independent shareholders' approval as set out in Rules 14A.47 and 14A.48 of the Listing Rules for the period of three years

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ending on December 31, 2010, 2011 and 2012 and the Hong Kong Stock Exchange has granted a waiver in relation thereto. Except for the waiver granted to exempt from compliance with the requirements of announcement and independent shareholders' approval, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules, including Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40. Our Company confirms that for the purpose of Rules 14A.35(1), 14A.37(3) and 14A.38(3) of the Listing Rules, all the relevant contracts in relation to the continuing connected transactions in the relevant years as disclosed above are available for review by the independent non-executive Directors and auditors of our Company. Our independent non-executive Directors and auditors will check whether the relevant continuing connected transactions are entered into in accordance with the terms and pricing disclosed in this prospectus and will disclose their confirmation annually in accordance with the requirements of the Listing Rules.

THE JOINT SPONSORS CONFIRMATION

The Joint Sponsors are of the view that the non-exempt continuing connected transactions described above have been entered into in our ordinary and usual course of business, on normal commercial terms, are fair and reasonable and in the interests of the Shareholders as a whole. The Joint Sponsors are also of the view that the annual caps for such transactions are fair and reasonable.