The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

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7 June 2010

The Directors
Xinjiang Goldwind Science & Technology Co., Ltd.
China International Capital Corporation Hong Kong Securities Limited
Citigroup Global Markets Asia Limited
Hai Tong Capital (HK) Limited

Dear Sirs,

We set out below our report on the financial information regarding Xinjiang Goldwind Science & Technology Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2007, 2008 and 2009 (the "Relevant Years") (the "Financial Information") for inclusion in the prospectus of the Company dated 7 June 2010 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Group is principally engaged in the development, manufacture and sale of wind turbine generators and wind power components; development of wind farms; and the provision of wind power related consultancy, wind farm construction, maintenance and transportation services.

The Company was established as a joint stock company with limited liability on 26 March 2001 in the People's Republic of China (the "PRC", or Mainland China, which excludes for the purpose of this report, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan). In December 2007, the Company conducted an initial public offering of its domestic common shares ("A shares") in the Mainland China. The Company's A shares have been listed on the Shenzhen Stock Exchange since 26 December 2007.

The Group, its jointly-controlled entities and associates have adopted 31 December as their financial year end date for statutory reporting purposes. The financial statements of these companies were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance (the "MOF") of the PRC in 2006, and other related regulations issued by the MOF, or other accounting principles applicable to these companies in their respective jurisdictions. The statutory consolidated financial statements of the Group for the year ended 31 December 2007, 2008 and 2009 were audited by Wuzhou Songde Certified Public Accountants ("Wuzhou Songde", 五洲松德聯合會計師事務所), a certified public accounting firm registered in the PRC. Particulars of the Company and its subsidiaries, jointly-controlled entities and associates are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group for the Relevant Years and the statements of financial position of the Company as at 31 December 2007, 2008 and 2009 in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board (the "IASB") (the "IFRS Financial Statements"). We have carried out an independent audit on the IFRS Financial Statements in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information set out in this report, including the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Years, the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2007, 2008 and 2009, together with the notes thereto, has been prepared from the IFRS Financial Statements.

We have carried out an independent audit on the Financial Information in accordance with International Standards on Auditing issued by the IAASB and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants. No adjustments were considered necessary to adjust the IFRS Financial Statements to conform to the accounting policies referred to in note 3.2 of Section II of this report for the Relevant Years.

The IFRS Financial Statements are the responsibility of the Directors who approved their issuance. The Directors are also responsible for the contents of the Prospectus, including the preparation and the true and fair presentation of the Financial Information in accordance with IFRSs. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable. It is our responsibility to form an independent opinion based on our audit of the Financial Information for the Relevant Years and to report our opinion thereon.

Our responsibility is to express an opinion on the Financial Information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the consolidated results and cash flows of the Group for each of the Relevant Years and the state of affairs of the Company and of the Group as at 31 December 2007, 2008 and 2009 in accordance with IFRSs.

I. FINANCIAL INFORMATION

(A) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000
REVENUE	6	3,089,045	6,417,271	10,666,505
Cost of sales		(2,177,242)	(4,895,945)	(7,908,882)
Gross profit		911,803	1,521,326	2,757,623
Other income and gains, net	6	38,167	337,298	335,583
Selling and distribution costs		(107,213)	(286,699)	(689,847)
Administrative expenses		(161,930)	(237,012)	(276,341)
Other expenses		(36,221)	(145,869)	(77,440)
Finance costs	8	(22,930)	(42,950)	(62,759)
Share of profits and losses of:				
Jointly-controlled entities	20	—	—	(289)
Associates		—	—	4,028
PROFIT BEFORE TAX	7	621,676	1,146,094	1,990,558
Income tax	10	8,084	(120,898)	(199,955)
PROFIT FOR THE YEAR		629,760	1,025,196	1,790,603
Other comprehensive income:				
Exchange differences on translation of foreign operations		1,824	(24,328)	7,892
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		631,584	1,000,868	1,798,495
Profit attributable to:				
Owners of the Company	11	624,643	906,407	1,745,580
Minority interests		5,117	118,789	45,023
		629,760	1,025,196	1,790,603
Total comprehensive income attributable to:				
Owners of the Company		626,467	889,232	1,753,472
Minority interests		5,117	111,636	45,023
		631,584	1,000,868	1,798,495
Earnings per share attributable to ordinary equity holders of the Company:				
Basic and diluted	13	RMB0.31	RMB0.40	RMB0.78

I. FINANCIAL INFORMATION — continued

(B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2007	2008	2009
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	404,243	1,303,428	2,440,655
Investment properties	15	53,268	76,938	80,954
Prepaid land lease payments	16	62,807	79,112	160,637
Goodwill	17	16	240,195	249,882
Other intangible assets	18	17,677	320,067	346,550
Interests in jointly-controlled entities	20	—	—	69,741
Interests in associates	21	—	—	47,370
Available-for-sale investments	22	4,171	26,171	9,000
Deferred tax assets	23	11,710	101,903	190,504
Prepayments	26	—	323	1,935
Other long-term assets		—	2,021	—
Total non-current assets		553,892	2,150,158	3,597,228
CURRENT ASSETS				
Inventories	24	971,552	2,119,196	2,853,546
Trade and bills receivables	25	764,066	2,619,021	2,919,607
Prepayments, deposits and other receivables	26	498,398	1,036,061	830,409
Derivative financial instruments	30	—	—	4,667
Pledged deposits	27	—	—	218,538
Cash and cash equivalents	27	2,679,663	3,286,400	4,458,950
Total current assets		4,913,679	9,060,678	11,285,717
CURRENT LIABILITIES				
Trade and bills payables	28	934,525	2,544,530	3,760,207
Other payables	29	862,104	2,671,398	2,055,786
Derivative financial instruments	30	—	2,279	10,746
Interest-bearing bank and other borrowings	31	470,000	50,000	601,892
Tax payable		—	184,373	212,335
Provision	32	7,920	51,059	241,297
Total current liabilities		2,274,549	5,503,639	6,882,263
NET CURRENT ASSETS		2,639,130	3,557,039	4,403,454
TOTAL ASSETS LESS CURRENT LIABILITIES		3,193,022	5,707,197	8,000,682

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I. FINANCIAL INFORMATION — continued

	Notes	As at 31 December		
		2007	2008	2009
		RMB'000	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		3,193,022	5,707,197	8,000,682
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	31	153,000	1,281,675	2,022,121
Deferred tax liabilities	23	—	85,571	90,937
Provision	32	16,022	80,253	195,795
Government grants	33	75,086	98,387	140,588
Other long-term liabilities		—	23,646	23,984
Total non-current liabilities		244,108	1,569,532	2,473,425
Net assets		2,948,914	4,137,665	5,527,257
Equity attributable to owners of the Company				
Issued share capital	34	500,000	1,000,000	1,400,000
Reserves	35(a)	2,333,252	2,442,484	3,661,057
Proposed final dividend	12	50,000	280,000	140,000
		2,883,252	3,722,484	5,201,057
Minority interests		65,662	415,181	326,200
Total equity		2,948,914	4,137,665	5,527,257

I. FINANCIAL INFORMATION — continued

(C) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Issued share capital (note 34)	Capital reserve	Statutory surplus reserve	Retained profits	Exchange fluctuation reserve	Proposed final dividend	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2007	100,000	150,695	59,916	201,510	—	100,000	612,121	4,858	616,979
Profit for the year	—	—	—	624,643	—	—	624,643	5,117	629,760
Other comprehensive income	—	—	—	—	1,824	—	1,824	—	1,824
Final 2006 dividend declared	—	—	—	—	—	(100,000)	(100,000)	—	(100,000)
Profit appropriation to reserves	—	—	60,460	(60,460)	—	—	—	—	—
Capitalisation of reserves (note 34(a))	164,000	(130,000)	(34,000)	—	—	—	—	—	—
Issue of bonus shares (note 34(a))	186,000	—	—	(186,000)	—	—	—	—	—
Issue of new shares (note 34(b))	50,000	1,702,000	—	—	—	—	1,752,000	—	1,752,000
Share issue expenses	—	(7,336)	—	—	—	—	(7,336)	—	(7,336)
Transfer to capital reserve (note 35(b)(i))	—	4,187	—	(4,187)	—	—	—	—	—
Capital contribution from a minority shareholder	—	—	—	—	—	—	—	39,000	39,000
Acquisition of subsidiaries (note 36(ii))	—	—	—	—	—	—	—	21,393	21,393
Disposal of a subsidiary (note 37)	—	—	—	—	—	—	—	(4,706)	(4,706)
Proposed final 2007 dividend	—	—	—	(50,000)	—	50,000	—	—	—
As at 31 December 2007 and 1 January 2008	500,000	1,719,546*	86,376*	525,506*	1,824*	50,000	2,883,252	65,662	2,948,914
Profit for the year	—	—	—	906,407	—	—	906,407	118,789	1,025,196
Other comprehensive income	—	—	—	—	(17,175)	—	(17,175)	(7,153)	(24,328)
Final 2007 dividend declared	—	—	—	—	—	(50,000)	(50,000)	—	(50,000)
Profit appropriation to reserves	—	—	70,924	(70,924)	—	—	—	—	—
Capitalisation of reserves (note 34(c))	50,000	(50,000)	—	—	—	—	—	—	—
Issue of bonus shares (note 34(c))	450,000	—	—	(450,000)	—	—	—	—	—
Capital contribution from minority shareholders	—	—	—	—	—	—	—	94,673	94,673
Acquisition of subsidiaries (note 36(i)(ii))	—	—	—	—	—	—	—	143,210	143,210
Proposed final 2008 dividend	—	—	—	(280,000)	—	280,000	—	—	—
As at 31 December 2008 and 1 January 2009	1,000,000	1,669,546*	157,300*	630,989*	(15,351)*	280,000	3,722,484	415,181	4,137,665
Profit for the year	—	—	—	1,745,580	—	—	1,745,580	45,023	1,790,603
Other comprehensive income	—	—	—	—	7,892	—	7,892	—	7,892
Final 2008 dividend declared	—	—	—	—	—	(280,000)	(280,000)	—	(280,000)
Profit appropriation to reserves	—	—	109,663	(109,663)	—	—	—	—	—
Dividend declared to minority shareholders	—	—	—	—	—	—	—	(93,867)	(93,867)
Issue of bonus shares (note 34(d))	400,000	—	—	(400,000)	—	—	—	—	—
Share of reserves of an associate	—	569	453	4,079	—	—	5,101	—	5,101
Capital contribution from minority shareholders	—	—	—	—	—	—	—	22,977	22,977
Acquisition of subsidiaries (note 36(ii))	—	—	—	—	—	—	—	69,610	69,610
Disposal of subsidiaries (note 37)	—	—	—	—	—	—	—	(132,724)	(132,724)
Proposed final 2009 dividend	—	—	—	(140,000)	—	140,000	—	—	—
As at 31 December 2009	1,400,000	1,670,115*	267,416*	1,730,985*	(7,459)*	140,000	5,201,057	326,200	5,527,257

* As at 31 December 2007, 2008 and 2009, these reserve accounts comprise the consolidated reserves of RMB2,333,252,000, RMB2,442,484,000 and RMB3,661,057,000, respectively, in the consolidated statements of financial position.

I. FINANCIAL INFORMATION — continued

(D) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		621,676	1,146,094	1,990,558
Adjustments for:				
Finance costs	8	22,930	42,950	62,759
Foreign exchange differences, net	7	958	7,884	3,988
Bank interest income	6	(4,837)	(19,872)	(23,879)
Share of profits and losses of jointly-controlled entities		—	—	289
Share of profits and losses of associates		—	—	(4,028)
Depreciation	7	8,413	49,613	67,475
Amortisation of prepaid land lease payments	7	836	1,800	2,101
Amortisation of other intangible assets	7	2,578	24,458	12,557
Loss on disposals of items of property, plant and equipment, net	7	23	124	9,205
Loss/(gain) on disposals of subsidiaries	37	335	(263,132)	(189,815)
Gain on disposal of available-for-sale investments	6	—	—	(12,750)
Dividend income		(1,508)	—	—
Fair value loss, net, on derivative financial instruments	30	—	2,279	3,800
Fair value adjustment of other long-term liabilities		—	(750)	—
Impairment of trade and other receivables	7	30,176	119,052	31,045
Write-down of inventories to net realisable value	7	—	9,014	1,405
Government grants	6	(18,331)	(10,662)	(51,839)
Excess over the cost of investment to associates		—	—	(1,342)
		663,249	1,108,852	1,901,529
Increase in inventories		(679,143)	(1,156,136)	(733,366)
Increase in trade and bills receivables		(510,608)	(1,829,664)	(394,203)
(Increase)/decrease in prepayments, deposits and other receivables		(392,002)	(527,472)	98,223
Increase in trade and bills payables		686,862	1,940,705	1,069,838
Increase/(decrease) in other payables		759,141	1,777,960	(659,033)
Increase in provision		23,942	97,722	305,156
Cash generated from operations		551,441	1,411,967	1,588,144
Income tax paid		(108)	(37,109)	(286,352)
Net cash flows from operating activities		551,333	1,374,858	1,301,792

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I. FINANCIAL INFORMATION — continued

	Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(296,358)	(1,398,024)	(1,540,106)
Purchases of investment properties		(13,141)	—	—
Additions of prepaid land lease payments		(45,925)	(12,665)	(95,199)
Additions of other intangible assets		(8,128)	(4,802)	(42,770)
Acquisitions of subsidiaries, net of cash acquired	36	22,109	(329,994)	(9,772)
Purchase of shareholding in jointly-controlled entities		—	—	(70,030)
Purchase of shareholding in associates		—	—	(31,608)
Purchases of available-for-sale investments		(677)	(22,000)	(1,000)
Proceeds from disposals of items of property, plant and equipment		10	3,603	13,866
Proceeds from disposals of other intangible assets		24	—	7,566
Disposals of subsidiaries, net of cash disposed of	37	(4,139)	253,526	304,834
Disposal of a jointly-controlled entity		—	—	3,300
Disposal of available-for-sale investments		—	—	27,750
Increase in pledged deposits		—	—	(218,538)
Decrease/(increase) in non-pledged time deposits with original maturity of three months or more when acquired		8,660	—	(80,000)
Government grants received		58,651	33,963	94,040
Interest received		4,837	19,872	21,182
Net cash flows used in investing activities		(274,077)	(1,456,521)	(1,616,485)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank and other borrowings		825,000	1,627,377	2,249,840
Repayment of bank and other borrowings		(422,000)	(918,702)	(424,500)
Interest paid		(22,930)	(50,730)	(69,155)
Proceeds from issue of new shares		1,752,000	—	—
Share issue expenses		(7,336)	—	—
Capital contributions from minority shareholders		39,000	94,673	22,977
Dividend paid to owners of the Company		(100,000)	(50,000)	(280,000)
Dividend paid to minority shareholders		—	—	(93,867)
Net cash flows from financing activities		2,063,734	702,618	1,405,295
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,340,990	620,955	1,090,602
Cash and cash equivalents at beginning of the year		339,676	2,679,663	3,286,400
Effect of foreign exchange rate changes, net		(1,003)	(14,218)	1,948
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	27	2,679,663	3,286,400	4,378,950

I. FINANCIAL INFORMATION — continued

(E) STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	141,735	206,899	205,806
Investment properties	15	53,268	73,557	77,762
Prepaid land lease payments	16	19,305	31,002	44,159
Other intangible assets	18	17,677	18,426	22,929
Investments in subsidiaries	19	206,158	1,239,604	1,367,164
Investment in a jointly-controlled entity	20	—	—	17,500
Investments in associates	21	—	—	44,140
Available-for-sale investments	22	3,171	25,171	8,000
Deferred tax assets	23	10,139	54,524	93,191
Total non-current assets		451,453	1,649,183	1,880,651
CURRENT ASSETS				
Inventories	24	965,185	1,548,237	1,967,234
Trade and bills receivables	25	755,751	2,240,838	2,285,100
Prepayments, deposits and other receivables	26	603,500	710,381	783,211
Derivative financial instruments	30	—	—	4,667
Pledged deposits	27	—	—	218,538
Cash and cash equivalents	27	2,573,341	1,643,067	2,215,797
Total current assets		4,897,777	6,142,523	7,474,547
CURRENT LIABILITIES				
Trade and bills payables	28	929,308	1,692,819	2,266,854
Other payables	29	873,948	2,139,776	1,938,308
Derivative financial instruments	30	—	2,279	10,746
Interest-bearing bank loans	31	470,000	50,000	259,492
Tax payable		—	87,527	143,812
Provision	32	9,993	36,636	133,300
Total current liabilities		2,283,249	4,009,037	4,752,512
NET CURRENT ASSETS		2,614,528	2,133,486	2,722,035
TOTAL ASSETS LESS CURRENT LIABILITIES		3,065,981	3,782,669	4,602,686

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I. FINANCIAL INFORMATION — continued

	Notes	As at 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		3,065,981	3,782,669	4,602,686
NON-CURRENT LIABILITIES				
Interest-bearing bank loans	31	135,000	115,000	—
Provision	32	20,215	74,110	153,209
Government grants	33	55,291	78,841	116,268
Total non-current liabilities		210,506	267,951	269,477
Net assets		2,855,475	3,514,718	4,333,209
EQUITY				
Issued share capital	34	500,000	1,000,000	1,400,000
Reserves	35(b)	2,305,475	2,234,718	2,793,209
Proposed final dividend	35(b)	50,000	280,000	140,000
Total equity		2,855,475	3,514,718	4,333,209

II. NOTES TO FINANCIAL INFORMATION

1. Corporate Information

The Company was established as a joint stock company with limited liability on 26 March 2001 in the PRC. The Company's A shares have been listed on The Shenzhen Stock Exchange from 26 December 2007 onwards. The registered office of the Company is located at 107 Shanghai Road, Economic & Technology Development District, Urumqi, Xinjiang, the PRC.

In the opinion of the Directors, the Company has no controlling shareholder.

As at 31 December 2009, the Company had interests in the following subsidiaries, jointly-controlled entities and associates, all of which are private companies:

Subsidiaries

Company name*	Notes	Place and date of incorporation/ operations	Nominal value of authorised/ issued and fully paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Beijing Goldwind Science & Creation Wind Power Equipment Co., Ltd. (北京金風科創風電設備有限公司)	(i)	The PRC/ Mainland China 13 February 2006	RMB350,000,000	100	—	Manufacture and sale of wind power equipment and accessories
Inner Mongolia Goldwind Science & Technology Co., Ltd. (內蒙古金風科技有限公司)	(i)	The PRC/ Mainland China 28 April 2006	RMB150,000,000	100	—	Manufacture and sale of wind power equipment and accessories
Goldwind Windenergy GmbH ("Goldwind Windenergy")	(vi)	Germany 18 May 2006	EUR350,000	100	—	Investment holding
Vensys Energy AG ("Vensys AG")	(v)	Germany 14 February 2000	EUR5,000,000	—	70	Provision of technical services and manufacture and sale of wind power equipment and accessories
Vensys Elektrotechnik GmbH	(vi)	Germany 13 November 1998	EUR100,000	—	63	Provision of technical services and manufacture and sale of wind power equipment and accessories
Vensys Windenergie Geschäftsführungs GmbH	(vii)	Germany 10 November 2009	EUR25,000	—	70	Investment holding
Vensys Windpark Tholey GmbH & Co. KG	(vii)	Germany 10 November 2009	EUR10,000	—	70	Construction and operation of wind farm
Vensys Windpark Wagenfeld Betriebsgesellschaft mbH & Co. KG	(vii)	Germany 13 October 2009	EUR1,000	—	63	Construction and operation of wind farm
Vensys Windpark Wagenfeld Verwaltungs-GmbH	(vii)	Germany 10 December 2009	EUR25,000	—	63	Investment holding
Beijing Tianrun New Energy Investment Co., Ltd. (北京天潤新能投資有限公司)	(ii)	The PRC/ Mainland China 11 April 2007	RMB331,600,000	100	—	Investment holding
Beijing Tianyuan Science & Creation Wind Power Technology Co., Ltd. ("Beijing Tianyuan") (北京天源科創風電技術有限責任公司)	(iii)	The PRC/ Mainland China 29 September 2005	RMB45,000,000	83.33	—	Provision of wind farm construction and technical services and sale of wind power accessories
Xinjiang Tianyun Wind Power Equipment Distribution Co., Ltd. (新疆天運風電設備配送有限公司)	(ii)	The PRC/ Mainland China 11 June 2007	RMB4,000,000	100	—	Transportation agent
Gansu Goldwind Wind Power Equipment Manufacture Co., Ltd. (甘肅金風風電設備製造有限公司)	(iv)	The PRC/ Mainland China 26 March 2008	RMB88,600,000	100	—	Manufacture and sale of wind power equipment and accessories

II. NOTES TO FINANCIAL INFORMATION — continued

1. Corporate Information — continued

Subsidiaries — continued

Company name*	Notes	Place and date of incorporation/ operations	Nominal value of authorised/ issued and fully paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Xi'an Goldwind Science & Technology Co., Ltd. (西安金風科技有限公司)	(iv)	The PRC/ Mainland China 8 May 2008	RMB60,000,000	100	—	Manufacture and sale of wind power equipment and accessories
Nanjing Goldwind Science & Technology Co., Ltd. (南京金風科技有限公司)	(iv)	The PRC/ Mainland China 12 September 2008	RMB116,000,000	100	—	Manufacture and sale of wind power equipment and accessories
Beijing Techwin Electric Co., Ltd. (北京天誠同創電氣有限公司)	(iv), (xiii)	The PRC/ Mainland China 16 December 2008	RMB10,000,000	75	—	Manufacture and sale of wind power equipment and accessories
Urumchi Goldwind Tianyi Wind Power Co., Ltd. (烏魯木齊金風天翼風電有限公司)	(viii)	The PRC/ Mainland China 27 October 2009	RMB5,000,000	100	—	Construction and operation of wind farm
Beijing Goldwind Tiantong Import and Export Trading Co., Ltd. (北京金風天通進出口貿易有限公司)	(viii)	The PRC/ Mainland China 30 November 2009	RMB3,000,000	100	—	Machinery and technology trader
Jiangsu Goldwind Wind Power Equipment Manufacture Co., Ltd. (江蘇金風風電設備製造有限公司)	(viii)	The PRC/ Mainland China 13 November 2009	RMB65,000,000	100	—	Manufacture and sale of wind power equipment and accessories
Tianrun Wind Power (Beijing) Logistics Co., Ltd. (天運風電(北京)物流有限公司)	(viii)	The PRC/ Mainland China 22 December 2009	RMB4,000,000	100	—	Transportation agent
Goldwind USA, Inc.	(ix)	United States of America 30 November 2009	US$100,000	100	—	Manufacture and sale of wind power equipment and accessories
Goldwind Australia Pty Ltd.	(ix)	Australia 21 December 2009	US$87,500	100	—	Manufacture and sale of wind power equipment and accessories
Inner Mongolia Bayannur Fuhui Wind Energy Electricity Co., Ltd. ("Bayannur Fuhui") (內蒙古巴彥淖爾富滙風能電力有限公司)	(iii), (xiii)	The PRC/ Mainland China 26 April 2004	RMB40,000,000	—	51	Investment holding
Damao Qi Tianrun Wind Power Co., Ltd. (達茂旗天潤風電有限公司)	(ii)	The PRC/ Mainland China 26 July 2007	RMB100,000,000	—	100	Construction and operation of wind farm
Buerjin Tianrun Wind Power Co., Ltd. (布爾津縣天潤風電有限公司)	(ii)	The PRC/ Mainland China 21 September 2007	RMB57,500,000	—	100	Construction and operation of wind farm
Shangdu Tianrun Wind Power Co., Ltd. (商都縣天潤風電有限公司)	(ii)	The PRC/ Mainland China 28 September 2007	RMB84,000,000	—	51	Construction and operation of wind farm
Hami Tianrun New Energy Co., Ltd. (哈密天潤新能源有限公司)	(iv)	The PRC/ Mainland China 12 November 2008	RMB2,000,000	—	100	Construction and operation of wind power and solar power generation projects
Xianghuang Qi Tianrun Wind Power Co., Ltd. (鑲黃旗天潤風電有限公司)	(iv)	The PRC/ Mainland China 18 November 2008	RMB1,000,000	—	100	Construction and operation of wind farm
Tacheng Tianrun New Energy Co., Ltd. (塔城天潤新能源有限公司)	(viii)	The PRC/ Mainland China 2 March 2009	RMB1,000,000	—	100	Construction and operation of wind power and solar power generation projects
Guazhou Tianrun Wind Power Co., Ltd. (瓜州天潤風電有限公司)	(viii)	The PRC/ Mainland China 6 March 2009	RMB20,000,000	—	100	Construction and operation of wind farm

II. NOTES TO FINANCIAL INFORMATION — continued

1. Corporate Information — continued

Subsidiaries — continued

Company name*	Notes	Place and date of incorporation/ operations	Nominal value of authorised/ issued and fully paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Sunite Youqi Tianrunlong Wind Power Co., Ltd. (蘇尼特右旗天潤龍風電有限公司)	(viii)	The PRC/ Mainland China 1 April 2009	RMB1,000,000	—	51	Construction and operation of wind farm
Qianguo Fuhui Wind Energy Co., Ltd. ("Qianguo Fuhui") (前郭富匯風能有限公司)	(x), (xiii)	The PRC/ Mainland China 26 March 2007	RMB40,000,000	—	51	Construction and operation of wind farm
Yichun Taiyangfeng New Energy Co., Ltd. ("Yichun Taiyangfeng") (伊春太陽風新能源有限公司)	(x)	The PRC/ Mainland China 7 December 2007	RMB75,000,000	—	66	Construction and operation of wind farm
Tongyu Fuhui Wind Energy Co., Ltd. (通榆富滙風能有限公司)	(viii), (xiii)	The PRC/ Mainland China 15 July 2009	RMB126,000,000	—	51	Construction and operation of wind farm
Boli Double Star Wind Power Development Co., Ltd. ("Double Star") (勃利縣雙星風電開發有限責任公司)	(x)	The PRC/ Mainland China 20 March 2009	RMB500,000	—	100	Construction and operation of wind farm
Beijing Xingqiyuan Energy Conservation Technology Co., Ltd. ("Xingqiyuan") (北京興啟源節能科技有限公司)	(x)	The PRC/ Mainland China 15 November 2004	RMB12,500,000	—	56	Construction and operation of wind farm
TianRun USA, Inc.	(xi)	United States of America 10 June 2009	US$1,500,000	—	100	Investment holding
TianRun Uilk, LLC ("TianRun Uilk")	(xi)	United States of America 24 March 2009	US$2,000,000	—	75	Construction and operation of wind farm
Uilk Wind Farm LLC	(xi)	United States of America 6 February 2008	US$10,000	—	72.75	Construction and operation of wind farm
Chifeng Huifeng New Energy Co., Ltd. (赤峰市匯風新能源有限公司)	(x), (xiii)	The PRC/ Mainland China 19 November 2007	RMB64,000,000	—	51	Construction and operation of wind farm
Tacheng Tianrun Wind Power Co., Ltd. (塔城天潤風電有限公司)	(viii)	The PRC/ Mainland China 19 October 2009	RMB1,000,000	—	100	Construction and operation of wind farm
Urumchi Tianrun Wind Power Co., Ltd. (烏魯木齊天潤風電有限公司)	(viii)	The PRC/ Mainland China 27 October 2009	RMB2,000,000	—	100	Construction and operation of wind farm
Chifeng Tianrun Xinneng New Energy Co., Ltd. (赤峰市天潤鑫能新能源有限公司)	(viii)	The PRC/ Mainland China 24 November 2009	RMB5,000,000	—	90	Manufacture and sale of wind power equipment and accessories

II. NOTES TO FINANCIAL INFORMATION — continued

1. Corporate Information — continued

Jointly-controlled entities

Company name*	Notes	Place and date of incorporation/ operations	Nominal value of issued and fully paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Gannan Town Fuhui Wind Energy Co., Ltd. ("Gannan Fuhui") (甘南縣富滙風能有限公司)	(xii)	The PRC/ Mainland China 3 July 2009	RMB2,000,000	—	51	Construction and operation of wind farm
Jilin Tongli Wind Power Co., Ltd ("Jilin Tongli") (吉林同力風力發電有限公司)	(xii)	The PRC/ Mainland China 1 June 2006	RMB96,000,000	—	51	Construction and operation of wind farm
Shanghai Yicheng Electric Power Engineering Co., Ltd. ("Shanghai Yicheng") (上海頤成電力工程有限公司)	(xii)	The PRC/ Mainland China 18 May 2009	RMB5,000,000	—	51	Construction and operation of wind farm and other industrial architecture
Jiangsu Chenfeng New Material Technology Co., Ltd. ("Jiangsu Chenfeng") (江蘇辰風新材料科技有限公司)	(xii)	The PRC/ Mainland China 16 November 2009	RMB50,000,000	35	—	Research and development of new materials

Associates

Company name*	Notes	Place and date of incorporation/ operations	Nominal value of issued and fully paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Hebei Goldwind Electric Equipment Co., Ltd. ("Hebei Goldwind") (河北金風電控設備有限公司)	(xii)	The PRC/ Mainland China 7 September 2004	RMB26,000,000	27.22	—	Manufacture and sale of wind power equipment and accessories
Jiangxi Jinli Mag Rare-Earth Co., Ltd. ("Jiangxi Jinli") (江西金力永磁科技有限公司)	(xii)	The PRC/ Mainland China 19 August 2008	RMB100,000,000	34	—	Manufacture and sale of ndfed magnet, and permanent magnet wind power equipment and accessories

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

All the above companies are limited liability companies.

Notes:

(i) The statutory accounts of these subsidiaries for the three years ended 31 December 2007, 2008 and 2009 were audited by Wuzhou Songde.

(ii) The statutory accounts of these subsidiaries for the periods from the dates of incorporation to 31 December 2007 and for the two years ended 31 December 2008 and 2009 were audited by Wuzhou Songde.

(iii) The statutory accounts of these subsidiaries for the three years ended 31 December 2007, 2008 and 2009 were audited by Wuzhou Songde. These subsidiaries were acquired by the Group in May 2007 and June 2007, respectively.

(iv) The statutory accounts of these subsidiaries for the periods from the dates of incorporation to 31 December 2008 and for the year ended 31 December 2009 were audited by Wuzhou Songde.

(v) The statutory accounts of this subsidiary, which was acquired by the Group in April 2008, for the two years ended 31 December 2008 and 2009 were audited by Susat & Partner oHG Wirtschaftsprüfungsgesellschaft, a certified public accounting firm registered in Germany.

(vi) No statutory accounts had been prepared for these subsidiaries for each of the three years ended 31 December 2009 as a statutory audit was not required for these subsidiaries in Germany. Goldwind Windenergy is the parent company of Vensys AG whereas Vensys Elektrotechnik GmbH is the subsidiary of Vensys AG.

(vii) These subsidiaries were incorporated by the Group during the year ended 31 December 2009. No statutory accounts had been prepared for these subsidiaries for the periods from the dates of incorporation to 31 December 2009 as a statutory audit was not required for these subsidiaries in Germany. These subsidiaries are the subsidiaries of Vensys AG.

(viii) These subsidiaries were incorporated by the Group during the year ended 31 December 2009, and the statutory accounts of these subsidiaries for the periods from the dates of incorporation to 31 December 2009 were audited by Wuzhou Songde.

II. NOTES TO FINANCIAL INFORMATION — continued

1. Corporate Information — continued

(ix) These subsidiaries were incorporated by the Group during the year ended 31 December 2009. No statutory accounts had been prepared for these subsidiaries for the year ended 31 December 2009 as they were dormant companies as of 31 December 2009.

(x) These subsidiaries were acquired by the Group during the year ended 31 December 2009, and the statutory accounts of these subsidiaries for the year ended 31 December 2009 were audited by Wuzhou Songde.

(xi) TianRun Uilk was acquired by the Group during the year ended 31 December 2009. Uilk Wind Farm LLC is a subsidiary of TianRun Uilk. The statutory accounts of Uilk Wind Farm LLC for the year ended 31 December 2009 were audited by Eide Bailly LLP, a certified public accounting firm registered in the United States of America. No statutory accounts had been prepared for TianRun Uilk and TianRun USA, Inc. for the year ended 31 December 2009 as a statutory audit was not required for these subsidiaries in the United States of America.

(xii) These companies became the Group's jointly-controlled entities or associates during the year ended 31 December 2009. The statutory accounts of Jilin Tongli, Jiangsu Chenfeng, Hebei Goldwind and Jiangxi Jinli for the year ended 31 December 2009 were audited by Baicheng Sanyuan Certified Public Accountants (白城三元會計師事務所), Yancheng Zhongxingning United Certified Public Accountants (鹽城中興寧聯合會計師事務所), Chengde Beifang Certified Public Accountants Limited Company (承德北方會計師事務所有限責任公司), the three certified public accounting firms registered in the PRC, and Wuzhou Songde, respectively. No statutory accounts had been prepared for Gannan Fuihui and Shanghai Yicheng for the year ended 31 December 2009 as a statutory audit was not required for these jointly-controlled entities by local government.

(xiii) During the Relevant Years, the Company directly or indirectly owns more than half of equity interests in these companies but the voting power attached to the equity interests does not allow the Company to have the power to govern the financial and operating activities of these companies according to the articles of association of these companies. According to the articles of association, the Company or one of the Company's subsidiaries (the "Subsidiary"), as the case may be, is the biggest equity owner of these companies and no other equity owners individually or in the aggregate had the power to control these companies. The Company or the Subsidiary, as the case may be, which holds the shareholding interests in these companies, had signed the voting right agreements with the other equity owners of these companies during the Relevant Years, whereby such equity owners have agreed to vote unanimously with the Company or the Subsidiary in the financial and operating activities of these companies. Such equity owners have also confirmed that the unanimous voting with the Company or the Subsidiary existed since these entities were incorporated or acquired by the Company or the Subsidiary. The PRC lawyer of the Company confirmed that the voting right agreements are valid under the relevant PRC laws. Considering the above mentioned factors, the Directors are of the opinion that the Company or the Subsidiary, as the case may be, controlled these entities during the period from the date of their establishment or acquisition by the Group to 31 December 2009 or to the date that these companies were ceased to be controlled by the Company or the Subsidiary. Therefore the financial statements of these companies are consolidated by the Company during the period from the date of their establishment or acquisition by the Group to 31 December 2009 or to the date that these companies were ceased to be controlled by the Company or the Subsidiary.

2. Basis of Presentation and Preparation

(a) The Financial Information has been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the IASB, and the International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee and the disclosure requirements of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting periods commencing from 1 January 2007, 2008 and 2009, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Years.

(b) This Financial Information has been prepared under the historical cost convention, except for certain derivative financial instruments, which have been measured at fair value. In addition, this Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

II. NOTES TO FINANCIAL INFORMATION — continued

3.1 Issued But Not Yet Effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information herein.

IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standards*(1)
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Report Standards — Additional Exemptions for First-time Adopters*(2)
IFRS 1 Amendments	Amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosure of First-time Adopters*(4)
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*(2)
IFRS 3 (Revised)	*Business Combinations*(1)
IFRS 9	*Financial Instruments*(6)
IAS 24 (Revised)	*Related Party Disclosures*(5)
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*(1)
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*(3)
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*(1)
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*(5)
IFRIC 17	*Distributions of Non-cash Assets to Owners*(1)
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*(4)
Amendments to IFRS 5 included in *Improvements to IFRSs* issued in May 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary*(1)
Annual Improvements Project	Improvements to IFRSs — a collection of amendments to seven International Financial Reporting Standards(5)

(1) Effective for annual periods beginning on or after 1 July 2009

(2) Effective for annual periods beginning on or after 1 January 2010

(3) Effective for annual periods beginning on or after 1 February 2010

(4) Effective for annual periods beginning on or after 1 July 2010

(5) Effective for annual periods beginning on or after 1 January 2011

(6) Effective for annual periods beginning on or after 1 January 2013

Apart from the above, the IASB has issued *Improvements to IFRSs 2009* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009 while the

II. NOTES TO FINANCIAL INFORMATION — continued

3.1 Issued But Not Yet Effective IFRSs — continued

amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

IFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters.

The IFRS 1 Amendments provide relief from the full retrospective application of IFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the existing exemption relating to decommissioning liabilities has also been revised. The amendments will not have any financial impact on the Group.

The IFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The amendments also incorporate guidance that was previously included in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2 — Group and Treasury Share Transactions*. The Group expects to adopt the IFRS 2 Amendments from 1 January 2010. The amendments will not have any financial impact on the Group's accounting for share-based payments.

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.

The Group expects to adopt IFRS 3 (Revised) and IAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect the accounting of future acquisitions, loss of control and transactions with minority interests.

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety by the end of 2010. The Group expects to adopt IFRS 9 from 1 January 2013.

IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group

II. NOTES TO FINANCIAL INFORMATION — continued

3.1 Issued But Not Yet Effective IFRSs — continued

expects to adopt IAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly. While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government related entities.

The IAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Group expects to adopt the IAS 32 Amendments from 1 January 2011. As the Group currently has no such rights, options or warrants in issue, the amendment is unlikely to have any financial impact on the Group.

The IAS 39 Amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of financial instrument as a hedged item. The Group expects to adopt the IAS 39 Amendment from 1 January 2010. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

The IFRIC 14 Amendment removes an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The Group expects to adopt the IFRIC 14 Amendments from 1 January 2011. As the Group has no defined benefit scheme, the amendments will not have any financial impact on the Group.

IFRIC 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010 prospectively. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to IAS 10 *Events after the Reporting Period* and IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

IFRIC 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Group expects to adopt the interpretation from 1 January 2011. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. As the Group has not undertaken such transactions, the interpretation is unlikely to have any material financial impact on the Group.

II. NOTES TO FINANCIAL INFORMATION — continued

3.1 Issued But Not Yet Effective IFRSs — continued

The amendments to IFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a minority interest. The Group expects to adopt the amendments from 1 January 2010. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary.

Improvements to IFRSs 2009 issued in May 2009 sets out amendments to a number of IFRSs. Except for the amendment to IAS 18, the Group expects to adopt the amendments from 1 January 2010. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

Improvements to IFRSs 2010 issued in May 2010 sets out a collection of amendments to seven IFRSs — as its latest set of annual improvements. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. The Group is in the process of making an assessment of the impact of these amendments.

3.2 Summary of Significant Accounting Policies

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the Relevant Years. The results of subsidiaries are consolidated from the date of incorporation or the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full. Upon disposal of subsidiaries, including wind farm project companies, gains on disposal of subsidiaries are recorded in other income and gains in the statements of comprehensive income.

The acquisition of subsidiaries during the Relevant Years has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the ventures stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the ventures, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with IAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the profit or loss and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of jointly-controlled entities are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in profit or loss and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated statement of financial position.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries, associates and jointly-controlled entities (previously referred to as negative goodwill), after reassessment, is recognised immediately in profit or loss.

The excess for associates and jointly-controlled entities is included in the Group's share of the associates' and jointly-controlled entities' profits or losses in the period in which the investments are acquired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Related parties — continued

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.4% to 3.2%
Machinery	4.8% to 19.2%
Vehicles	9.6% to 19.2%
Electronic equipment and others	9.6% to 19.2%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress representing property, plant and equipment under construction is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

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

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Investment properties — continued

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is charged so as to write off the cost of investment properties using the straight-line method over the estimated useful lives of 20 to 50 years. Owner-occupied property is transferred to investment property when there is a change in use evidenced by the end of owner occupation.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognised.

Intangible assets (other than goodwill)

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

Patents and licenses

Purchased patents and licenses are stated at cost less any impairment losses and are amortised on the straight-line basis over the shorter of their estimated useful lives of 7 to 10 years and the relevant license periods.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products commencing from the date when the products are put into commercial production.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Leases — continued

the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and bills receivables, other receivables, other long-term assets, derivative financial instruments and available-for-sale investments.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Investments and other financial assets — continued

profit or loss. These net fair value changes not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in profit or loss in other operating expenses.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in financial income in profit or loss. The loss arising from impairment is recognised in the financial costs in profit or loss.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in profit or loss and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Investments and other financial assets — continued

Available-for-sale financial investments — continued

estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Fair value of financial assets

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Impairment of financial assets — continued

Financial assets carried at amortised cost — continued

not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss — is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, other long-term liabilities, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Financial liabilities — continued

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. Forward currency contracts are initially recognised at fair value on the date on which such derivative

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Derivative financial instruments — continued

contracts are entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress, semi-finished goods and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Cash and cash equivalents

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

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly-controlled entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly-controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Income tax — continued

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of individual wind turbines based on standard solutions (supply-only projects) as well as spare parts sales, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the sale of electricity, upon the transmission of electric power to the power grid companies, as determined based on the volume of electric power transmitted and the applicable fixed tariff rates agreed with the respective electric power grid companies periodically;

(c) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

(d) from the rendering of wind power services, when the agreed services are performed, provided over the term of the agreement;

(e) rental income, on a time proportion basis over the lease terms;

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Revenue recognition — continued

(f) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(g) dividend income, when the shareholders' right to receive payment has been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

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

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and jointly-controlled entities are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of comprehensive income are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange

II. NOTES TO FINANCIAL INFORMATION — continued

3.2 Summary of Significant Accounting Policies — continued

Foreign currencies — continued

fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as expenses in profit or loss as incurred.

Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit- sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4. Summary of Significant Judgements and Estimates

Judgements

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

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets

II. NOTES TO FINANCIAL INFORMATION — continued

4. Summary of Significant Judgements and Estimates — continued

Judgements — continued

held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. Depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at each date of the statement of financial position, based on changes in circumstances.

The carrying amounts of property, plant and equipment as at 31 December 2007, 2008 and 2009 were approximately RMB404,243,000, RMB1,303,428,000 and RMB2,440,655,000, respectively. More details are given in note 14.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 31 December 2007, 2008 and 2009 were approximately RMB16,000, RMB240,195,000 and RMB249,882,000, respectively. More details are given in note 17.

Current income tax

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

II. NOTES TO FINANCIAL INFORMATION — continued

4. Summary of Significant Judgements and Estimates — continued

Estimation uncertainty — continued

The carrying amounts of tax payables as at 31 December 2007, 2008 and 2009 were Nil, RMB184,373,000 and RMB212,335,000, respectively.

Deferred income tax

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

The carrying amounts of deferred tax assets as at 31 December 2007, 2008 and 2009 were RMB11,710,000, RMB101,903,000 and RMB190,504,000, respectively. More details are given in note 23.

The carrying amounts of deferred tax liabilities as at 31 December 2007, 2008 and 2009 were Nil, RMB85,571,000 and RMB90,937,000, respectively. More details are given in note 23.

Impairment of trade and bills receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade and bills receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers will deteriorate such that the actual impairment loss might be higher than expected, the Group would be required to revise the basis for making the allowance and its future results would be affected.

The carrying amounts of trade and bills receivables as at 31 December 2007, 2008 and 2009 were RMB764,066,000, RMB2,619,021,000 and RMB2,919,607,000, respectively. More details are given in note 25.

Warranty provision

Provision for product warranties granted by the Group to certain products is recognised based on sales volume and past experience of the level of repairs, discounted to their present values as appropriate. At 31 December 2007, 2008 and 2009, the best estimates of the carrying amounts of warranty provisions were RMB23,942,000, RMB131,312,000 and RMB437,092,000, respectively. More details are given in note 32.

5. Segment Information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) The manufacturing segment engages in the research and development, manufacture and sale of wind turbine generators and wind power components;

II. NOTES TO FINANCIAL INFORMATION — continued

5. Segment Information — continued

(b) The wind power services segment provides wind power related consultancy, wind farm construction, maintenance and transportation services; and

(c) The wind farm development segment engages in development of wind farms, consisting of wind power generation service provided by the Group's wind farms as well as sale of wind farms, if appropriate.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax from continuing operations. The adjusted profit or loss before tax from continuing operations is measured consistently with the Group's profit or loss before tax from continuing operations.

Intersegment revenues are eliminated on consolidation. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the three years ended 31 December 2007, 2008 and 2009.

	Year ended 31 December 2007				
	Wind turbine generator manufacturing and sales	Wind power services	Wind farm development	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
Sales to external customers	3,079,212	9,833	—	—	3,089,045
Intersegment sales	—	22,013	—	(22,013)	—
Total revenue	3,079,212	31,846	—	(22,013)	3,089,045
Segment results	620,464	15,649	(5,085)	8,741	639,769
Interest income	4,494	12	331	—	4,837
Finance cost	(21,941)	(989)	—	—	(22,930)
Profit/(loss) before tax	603,017	14,672	(4,754)	8,741	621,676
Segment assets	5,380,841	80,820	140,196	(134,286)	5,467,571
Segment liabilities	2,510,582	23,316	44,730	(59,971)	2,518,657
Other segment information:					
Depreciation and amortisation	10,774	990	63	—	11,827
Impairment of trade and other receivables	31,332	1,166	152	(2,474)	30,176
Product warranty provision	52,768	—	—	(20,958)	31,810
Capital expenditure[1]	271,467	19,194	105,122	—	395,783

(1) Capital expenditure mainly consists of additions of property, plant and equipment, other intangible assets, prepaid land lease payments and investment properties including assets from the acquisition of subsidiaries.

II. NOTES TO FINANCIAL INFORMATION — continued

5. Segment Information — continued

	Year ended 31 December 2008				
	Wind turbine generator manufacturing and sales	Wind power services	Wind farm development	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
Sales to external customers	6,299,251	29,564	88,456	—	6,417,271
Intersegment sales	449,579	84,503	—	(534,082)	—
Total revenue	6,748,830	114,067	88,456	(534,082)	6,417,271
Segment results	981,868	24,026	295,431	(132,153)	1,169,172
Interest income	18,564	285	1,023	—	19,872
Finance cost	(35,883)	(1,031)	(6,036)	—	(42,950)
Profit before tax	964,549	23,280	290,418	(132,153)	1,146,094
Segment assets	10,003,855	205,229	1,914,005	(912,253)	11,210,836
Segment liabilities	6,263,074	115,322	1,180,305	(485,530)	7,073,171
Other segment information:					
Depreciation and amortisation	48,916	1,486	26,430	(961)	75,871
Write-down of inventories to net realisable value	9,014	—	—	—	9,014
Impairment of trade and other receivables	109,937	5,323	15,770	(11,978)	119,052
Product warranty provision	149,272	—	—	(17,559)	131,713
Capital expenditure[(1)]	698,865	4,375	1,495,284	(155,573)	2,042,951

(1) Capital expenditure mainly consists of additions of property, plant and equipment, other intangible assets and prepaid land lease payments including assets from the acquisition of subsidiaries.

II. NOTES TO FINANCIAL INFORMATION — continued

5. Segment Information — continued

	Year ended 31 December 2009				
	Wind turbine generator manufacturing and sales	Wind power services	Wind farm development	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
Sales to external customers	10,347,350	215,368	103,787	—	10,666,505
Intersegment sales	1,855,648	110,000	—	(1,965,648)	—
Total revenue	12,202,998	325,368	103,787	(1,965,648)	10,666,505
Segment results	2,043,000	54,127	90,937	(158,626)	2,029,438
Interest income	20,535	791	2,553	—	23,879
Finance cost	(30,896)	(427)	(31,967)	531	(62,759)
Profit before tax	2,032,639	54,491	61,523	(158,095)	1,990,558
Segment assets	12,856,741	408,894	3,027,529	(1,410,219)	14,882,945
Segment liabilities	7,449,870	297,576	2,360,626	(752,384)	9,355,688
Other segment information:					
Share of profits and losses of:					
Jointly-controlled entities	—	—	(289)	—	(289)
Associates	4,028	—	—	—	4,028
Depreciation and amortisation	58,522	1,911	25,944	(4,244)	82,133
Write-down of inventories to net realisable value	1,405	—	—	—	1,405
Impairment/(reversal of impairment) of trade and other receivables	53,962	1,963	(6,572)	(18,308)	31,045
Product warranty provision	496,029	—	—	(37,254)	458,775
Interests in jointly-controlled entities	17,500	—	52,241	—	69,741
Interests in associates	47,370	—	—	—	47,370
Capital expenditure[(1)]	269,776	4,535	2,023,164	(219,136)	2,078,339

(1) Capital expenditure mainly consists of additions of property, plant and equipment, other intangible assets and prepaid land lease payments including assets from the acquisition of subsidiaries.

Information about a major customer

For the year ended 31 December 2007, revenue generated from only one of the Group's customers amounting to RMB371,362,000 had individually accounted for over 10% of the Group's total revenue. For the year ended 31 December 2008, revenue generated from only one of the Group's customers amounting to RMB1,024,097,000 had individually accounted for over 10% of the Group's total revenue. Similarly, for the year ended 31 December 2009, revenue generated from only one of the Group's customers amounting to RMB1,534,143,000 had individually accounted for over 10% of the Group's total revenue.

II. NOTES TO FINANCIAL INFORMATION — continued

5. Segment Information — continued

Geographical information

No further geographical segment information is presented as over 95% of the Group's revenue is derived from customers based in Mainland China, and most of the Group's assets are located in Mainland China.

6. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and the values of services rendered.

An analysis of the Group's revenue, other income and gains is as follows:

	Note	Year ended 31 December		
		2007	2008	2009
		RMB'000	RMB'000	RMB'000
Revenue				
Sale of wind turbine generators and wind power components		3,079,212	6,299,251	10,347,350
Wind power services		9,833	29,564	215,368
Wind power generation		—	88,456	103,787
		3,089,045	6,417,271	10,666,505
Other income				
Bank interest income		4,837	19,872	23,879
Gross rental income		3,125	11,392	16,879
Government grants		18,331	10,662	51,839
Value-added tax refund		385	7,860	1,810
Insurance compensation on product warranty expenditures		7,709	8,320	19,714
Others		—	9,969	7,379
		34,387	68,075	121,500
Gains				
Gain on disposals of subsidiaries, including wind farm project companies	37	—	263,132	189,815
Gain on disposal of available-for-sale investments		—	—	12,750
Gain on disposals of items of property, plant and equipment		—	51	93
Realised gain on derivative financial instruments		—	2,490	8,184
Others		3,780	3,550	3,241
		3,780	269,223	214,083
		38,167	337,298	335,583

II. NOTES TO FINANCIAL INFORMATION — continued

7. Profit Before Tax

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

	Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000
Cost of inventories sold		2,173,856	4,838,705	7,708,089
Write-down of inventories to net realisable value		—	9,014	1,405
Depreciation (note (a)) provided for:				
Property, plant and equipment	14	7,932	47,930	65,243
Investment properties	15	481	1,683	2,232
		8,413	49,613	67,475
Amortisation of prepaid land lease payments	16	836	1,800	2,101
Amortisation of other intangible assets	18	2,578	24,458	12,557
		3,414	26,258	14,658
Impairment of trade and bills receivables	25	29,677	104,909	40,736
Impairment/(reversal of impairment) of prepayments, deposits and other receivables	26	499	14,143	(9,691)
		30,176	119,052	31,045
Loss on disposals of items of property, plant and equipment, net		23	124	9,205
Minimum lease payments under operating leases of land and buildings		156	16	4,122
Auditors' remuneration		472	573	789
Employee benefit expenses (including directors' and supervisors' remuneration):				
Wages and salaries		109,923	155,905	213,701
Pension scheme contributions (defined contribution scheme) (note (b))		3,870	7,681	12,507
Welfare and other expenses		7,966	19,330	28,231
		121,759	182,916	254,439
Foreign exchange differences, net		958	7,884	3,988
Research and development costs:				
Staff costs		21,309	35,482	25,831
Amortisation and depreciation		2,117	4,591	3,236
Materials expenditure and others		8,171	38,595	28,528
		31,597	78,668	57,595
Product warranty provision	32	31,810	131,713	458,775

Notes:

(a) Depreciation of approximately RMB3,408,000, RMB34,489,000 and RMB41,837,000 is included in the cost of sales on the face of the consolidated statements of comprehensive income for each of the three years ended 31 December 2007, 2008 and 2009, respectively.

(b) As at 31 December 2007 and 2008, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years. As at 31 December 2009, the Group's forfeited contributions available to reduce its contributions to the pension schemes in future years amounted to RMB7,000.

II. NOTES TO FINANCIAL INFORMATION — continued

8. Finance Costs

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Interest on bank loans wholly repayable within five years	26,405	69,415	100,329
Interest on other borrowings wholly repayable within five years	—	1,393	2,565
	26,405	70,808	102,894
Less: Interest capitalised (note 14)	(3,475)	(27,858)	(40,135)
	22,930	42,950	62,759

9. Directors' and Supervisors' Remuneration and Five Highest Paid Individuals

(a) ***Directors' and supervisors' remuneration***

The aggregate amounts of remuneration of the Directors and supervisors of the Company (the "Supervisors") during the Relevant Years are as follows:

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Fees	190	233	160
Other emoluments:			
— Salaries, allowances and benefits in kind	4,120	4,350	3,818
— Performance related bonuses	10,720	7,670	6,029
— Pension scheme contributions (defined contribution scheme)	69	184	196
	15,099	12,437	10,203

The names of the Directors and the Supervisors and their remuneration for the Relevant Years are as follows:

	Year ended 31 December 2007				
	Fees	Salaries, allowances, and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Wu Gang	—	1,430	5,336	18	6,784
Li Ying	—	—	—	—	—
Pan Shijie	—	—	—	—	—
Guo Jian	—	1,434	4,281	14	5,729
Liu Tongliang	—	709	659	13	1,381
Lv Houjun	—	—	—	—	—
Yang Yongbao*	—	—	—	—	—
	—	3,573	10,276	45	13,894

II. NOTES TO FINANCIAL INFORMATION — continued

9. Directors' and Supervisors' Remuneration and Five Highest Paid Individuals — continued

(a) *Directors' and supervisors' remuneration — continued*

	Year ended 31 December 2007				
	Fees	Salaries, allowances, and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Independent directors					
Wang Yousan**	60	—	—	—	60
Shi Pengfei**	60	—	—	—	60
Song Chang	70	—	—	—	70
Ni Weidou*	—	—	—	—	—
Peng Chengwu*	—	—	—	—	—
Lin Zhijun*	—	—	—	—	—
	190	—	—	—	190
Supervisors					
Zhang Hua	—	—	—	—	—
Wang Dunchun	—	—	—	—	—
Luo Jun	—	—	—	—	—
Wang Haibo	—	287	225	6	518
Zheng Chengjiang**	—	236	219	14	469
Nie Xinhui*	—	24	—	4	28
	—	547	444	24	1,015
	190	4,120	10,720	69	15,099

* Yang Yongbao, Ni Weidou, Peng Chengwu and Lin Zhijun, and Nie Xinhui resigned as a Director, independent Directors and a Supervisor of the Company, respectively, with effect from 24 March 2007.

** Wang Yousan and Shi Pengfei, and Zheng Chengjiang were appointed as independent Directors and a Supervisor of the Company, respectively, with effect from 24 March 2007.

	Year ended 31 December 2008				
	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Wu Gang	—	1,466	3,110	62	4,638
Li Ying	—	—	—	—	—
Gao Zhong**	—	—	—	—	—
Pan Shijie*	—	—	—	—	—
Guo Jian	—	1,465	3,110	62	4,637
Liu Tongliang	—	948	800	22	1,770
Lv Houjun	—	—	—	—	—
	—	3,879	7,020	146	11,045

II. NOTES TO FINANCIAL INFORMATION — continued

9. Directors' and Supervisors' Remuneration and Five Highest Paid Individuals — continued

(a) *Directors' and supervisors' remuneration — continued*

	Year ended 31 December 2008				
	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Independent directors					
Wang Yousan	73	—	—	—	73
Shi Pengfei	80	—	—	—	80
Song Chang	80	—	—	—	80
	233	—	—	—	233
Supervisors					
Zhang Hua	—	—	—	—	—
Wang Mengqiu**	—	—	—	—	—
Wang Dunchun*	—	—	—	—	—
Luo Jun	—	—	—	—	—
Wang Haibo	—	287	475	20	782
Zheng Chengjiang	—	184	175	18	377
	—	471	650	38	1,159
	233	4,350	7,670	184	12,437

* Pan Shijie and Wang Dunchun resigned as a Director and a Supervisor of the Company with effect from 11 and 23 June 2008, respectively.

** Gao Zhong and Wang Mengqiu were appointed as a Director and a Supervisor of the Company, respectively, with effect from 14 August 2008.

	Year ended 31 December 2009				
	Fees	Salaries, allowances, and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Wu Gang	—	1,406	2,500	64	3,970
Li Ying	—	—	—	—	—
Guo Jian	—	1,425	2,480	64	3,969
Gao Zhong	—	—	—	—	—
Liu Tongliang***	—	388	—	17	405
Lv Houjun	—	—	—	—	—
	—	3,219	4,980	145	8,344
Independent directors					
Wang Yousan	—	—	—	—	—
Shi Pengfei	80	—	—	—	80
Song Chang***	80	—	—	—	80
	160	—	—	—	160

II. NOTES TO FINANCIAL INFORMATION — continued

9. Directors' and Supervisors' Remuneration and Five Highest Paid Individuals — continued

(a) *Directors' and supervisors' remuneration — continued*

	Year ended 31 December 2009				
	Fees	Salaries, allowances, and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Supervisors					
Zhang Hua*	—	—	—	—	—
Wang Mengqiu	—	—	—	—	—
Luo Jun	—	—	—	—	—
Wang Shiwei**	—	—	—	—	—
Wang Haibo***	—	412	799	30	1,241
Zheng Chengjiang	—	187	250	21	458
	—	599	1,049	51	1,699
	160	3,818	6,029	196	10,203

* Zhang Hua resigned as a Supervisor of the Company with effect from 5 August 2009.

** Wang Shiwei was appointed as a Supervisor of the Company with effect from 9 September 2009.

*** Liu Tongliang, Song Chang and Wang Haibo resigned as a Director, an independent Director and a Supervisor of the Company, respectively, with effect from 25 March 2010. Wei Hongliang, Li Man Bun and Xiao Zhiping were appointed as a Director, an independent Director and a Supervisor of the Company, respectively, with effect from 25 March 2010.

Those Directors or Supervisors receiving no emoluments for the Relevant Years is because they did not receive any remuneration in the capacity of their service as Directors and Supervisors.

(b) *Five highest paid employees*

An analysis of the headcounts of five highest paid employees within the Group for the Relevant Years is as follows:

	Year ended 31 December		
	2007	2008	2009
Directors	2	2	2
Non-director and non-supervisor employees	3	3	3
	5	5	5

II. NOTES TO FINANCIAL INFORMATION — continued

9. Directors' and Supervisors' Remuneration and Five Highest Paid Individuals — continued

(b) *Five highest paid employees — continued*

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

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	2,107	2,253	2,248
Performance related bonuses	6,888	5,132	6,727
Pension scheme contributions	51	92	71
	9,046	7,477	9,046

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

	Year ended 31 December		
	2007	2008	2009
Nil to HK$1,000,000	—	—	—
HK$1,000,001 – HK$2,000,000	—	—	—
HK$2,000,001 – HK$2,500,000	—	—	—
HK$2,500,001 – HK$3,000,000	1	3	—
HK$3,000,001 – HK$3,500,000	2	—	2
HK$3,500,001 – HK$4,000,000	—	—	1

During the Relevant Years, no Directors, Supervisors or any of the non-director and non-supervisor highest paid individuals waived or agreed to waive any emoluments and no emoluments were paid by the Group to the Directors, Supervisors or any of the non-director and non-supervisor highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. Income Tax

Under the relevant PRC Corporate Income Tax Law and the respective regulations, except for the Company's subsidiaries overseas and certain preferential treatment available to the Company, the Company's subsidiaries, jointly-controlled entities and associates in the PRC, which were exempted from income tax or taxed at a preferential rate of 15% primarily due to their status as entities engaging in technology development or their involvement in the important public infrastructure investment projects that were supported by the government and development projects in the western region of PRC, the entities within the Group were subject to corporate income tax at a rate of 33% during the year ended 31 December 2007, and at 25% during the two years ended 31 December 2008 and 2009.

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong during the Relevant Years.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

II. NOTES TO FINANCIAL INFORMATION — continued

10. Income Tax — continued

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduced a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested enterprises and foreign-invested enterprises, which results in a reduction in the income tax rate from 33% to 25% applicable to all domestic-invested enterprises and foreign-invested enterprises. The New Corporate Income Tax Law also removed the levy of local income tax. The effect of this change has been reflected in the calculation of deferred income tax as at 31 December 2007.

The Company was exempted from income tax in the PRC for the period from 1 April 2004 to 31 March 2008 in accordance with preferential tax policies issued by the government of Xinjiang Uygur Autonomous Region and was taxed at a preferential income tax rate of 15% for the period from 1 April 2008 to 31 December 2008 in accordance with the preferential tax policies in the western region of the PRC. In addition, the Company has been identified as a "high and new technology enterprise" and was entitled to a preferential income tax rate of 15% for the three years ending 31 December 2011 in accordance with the New Corporate Income Tax Law.

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**
Current			
— Mainland China	5	197,475	255,332
— Germany	103	13,005	33,597
	108	210,480	288,929
Deferred (note 23)	(8,192)	(89,582)	(88,974)
Tax charge/(credit) for the year	(8,084)	120,898	199,955

II. NOTES TO FINANCIAL INFORMATION — continued

10. Income Tax — continued

A reconciliation of the income tax expense applicable to profit before tax using the statutory income tax rate applicable to the Company to the income tax expense (credit) at the Group's effective income tax rate for each of the Relevant Years:

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Profit before tax	621,676	1,146,094	1,990,558
Income tax charge at the statutory income tax rate of 25% (2007: 33%)	205,153	286,523	497,639
Effect of different income tax rates for overseas entities	(4)	2,296	5,578
Tax exemption	(210,010)	(186,718)	(298,144)
Effect on opening deferred income tax due to change in income tax rates	(4,971)	—	—
Effect of lower enacted tax rate used for the recognition of deferred tax	(7,794)	—	—
Expenses not deductible for tax purposes (note)	6,933	33,211	4,337
Tax losses not recognised	—	80	485
Additional tax deduction on research and development expenditure	(1,395)	(13,073)	(7,589)
Profits and losses attributable to jointly-controlled entities	—	—	(72)
Profits and losses attributable to associates	—	—	1,007
Others	4,004	(1,421)	(3,286)
Tax charge/(credit) for the year at the effective rate	(8,084)	120,898	199,955

Note: Expenses not deductible for tax purpose generally refer to expenses without proper tax-deductible documents and other miscellaneous expenses which are in excess of the allowable tax deduction limit, such as entertainment expenses and advertising expenses. Certain expenses accrued but unpaid as at 31 December 2007 were not deductible for income tax purpose for the year ended 31 December 2007. As the Company was in its tax holiday in fiscal year 2007 and exempted from income tax for the year ended 31 December 2007, when these unpaid expenses were settled by the Company in 2008, they were accounted for as non-deductible expenses and needed to be added back for income tax calculation for the year ended 31 December 2008.

11. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the Relevant Years includes the profits of approximately RMB599,646,000, RMB709,243,000 and RMB1,093,390,000, respectively, which have been dealt with in the financial statements of the Company (note 35(b)).

12. Dividends

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Proposed final cash dividend of the Company (RMB0.1, RMB0.28 and RMB0.1 per ordinary share for the three years ended 31 December 2007, 2008 and 2009, respectively)	50,000	280,000	140,000

II. NOTES TO FINANCIAL INFORMATION — continued

13. Earnings Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of basic earnings per share amounts for each of the Relevant Years is based on the profit attributable to ordinary equity holders of the Company for each of the Relevant Years and the weighted average number of ordinary shares in issue during each of the Relevant Years.

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Earnings			
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	624,643	906,407	1,745,580

	Year ended 31 December		
	2007	2008	2009
Shares			
Weighted average number of ordinary shares in issue during the Relevant Years used in the basic earnings per share calculation, after taking into consideration of the issuance of bonus shares from the beginning of the Relevant Years up to the date of this report	2,016,000,000	2,240,000,000	2,240,000,000

The Company did not have any dilutive potential ordinary shares during the Relevant Years.

II. NOTES TO FINANCIAL INFORMATION — continued

14. Property, Plant and Equipment

GROUP

	Year ended 31 December 2007					
	Buildings	Machinery	Vehicles	Electronic equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2007	18,302	51,108	3,836	5,133	48,351	126,730
Additions	2,271	17,873	3,887	6,283	277,510	307,824
Acquisitions of subsidiaries (note 36(ii))	15,802	—	—	1,285	1,145	18,232
Disposals	—	—	—	(120)	—	(120)
Disposal of a subsidiary (note 37)	—	(102)	(142)	(149)	—	(393)
Transfers	78,931	29,308	337	5,484	(114,060)	—
Transferred to investment properties (note 15)	—	—	—	—	(25,142)	(25,142)
At 31 December 2007	115,306	98,187	7,918	17,916	187,804	427,131
Accumulated depreciation:						
At 1 January 2007	(1,366)	(10,790)	(620)	(1,824)	—	(14,600)
Depreciation charge for the year (note 7)	(1,425)	(4,468)	(503)	(1,536)	—	(7,932)
Acquisitions of subsidiaries (note 36(ii))	(413)	—	—	(92)	—	(505)
Disposals	—	—	—	92	—	92
Disposal of a subsidiary (note 37)	—	12	21	24	—	57
At 31 December 2007	(3,204)	(15,246)	(1,102)	(3,336)	—	(22,888)
Net carrying amount:						
At 31 December 2007	112,102	82,941	6,816	14,580	187,804	404,243
At 1 January 2007	16,936	40,318	3,216	3,309	48,351	112,130

II. NOTES TO FINANCIAL INFORMATION — continued

14. Property, Plant and Equipment — continued

	Year ended 31 December 2008					
	Buildings	Machinery	Vehicles	Electronic equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2008	115,306	98,187	7,918	17,916	187,804	427,131
Additions	47,432	40,523	4,557	19,384	1,377,017	1,488,913
Acquisitions of subsidiaries (note 36(i)(ii))	14,759	27,988	2,771	4,986	104,673	155,177
Disposals	—	(6,067)	(999)	(102)	—	(7,168)
Disposals of subsidiaries (note 37)	—	(673,779)	(142)	(37)	—	(673,958)
Transfers	177,272	1,303,334	—	656	(1,481,262)	—
Transferred to investment properties (note 15)	(3,954)	—	—	—	(28,856)	(32,810)
Exchange realignment	(30)	(191)	(121)	(253)	(2)	(597)
At 31 December 2008	350,785	789,995	13,984	42,550	159,374	1,356,688
Accumulated depreciation:						
At 1 January 2008	(3,204)	(15,246)	(1,102)	(3,336)	—	(22,888)
Depreciation charge for the year (note 7)	(6,012)	(36,546)	(1,559)	(3,813)	—	(47,930)
Acquisitions of subsidiaries (note 36(i)(ii))	(63)	(1,151)	(758)	(1,809)	—	(3,781)
Disposals	—	745	460	3	—	1,208
Disposals of subsidiaries (note 37)	—	19,128	20	6	—	19,154
Transferred to investment properties (note 15)	480	—	—	—	—	480
Exchange realignment	16	167	79	235	—	497
At 31 December 2008	(8,783)	(32,903)	(2,860)	(8,714)	—	(53,260)
Net carrying amount:						
At 31 December 2008	342,002	757,092	11,124	33,836	159,374	1,303,428
At 1 January 2008	112,102	82,941	6,816	14,580	187,804	404,243

II. NOTES TO FINANCIAL INFORMATION — continued

14. Property, Plant and Equipment — continued

	Year ended 31 December 2009					
	Buildings	**Machinery**	**Vehicles**	**Electronic equipment and others**	**Construction in progress**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Cost:						
At 1 January 2009	350,785	789,995	13,984	42,550	159,374	1,356,688
Additions	12,692	43,456	12,669	25,545	1,660,810	1,755,172
Acquisitions of subsidiaries (note 36(ii))	—	—	1,165	567	77,002	78,734
Disposals	(226)	(104,275)	(2,702)	(1,966)	(1,658)	(110,827)
Disposals of subsidiaries (note 37)	(52,449)	(510,340)	(1,276)	(670)	—	(564,735)
Transfers	59,108	476,301	—	500	(535,909)	—
Exchange realignment	2,891	1,376	209	1,038	129	5,643
At 31 December 2009	372,801	696,513	24,049	67,564	1,359,748	2,520,675
Accumulated depreciation:						
At 1 January 2009	(8,783)	(32,903)	(2,860)	(8,714)	—	(53,260)
Depreciation charge for the year (note 7)	(9,838)	(43,077)	(1,960)	(10,368)	—	(65,243)
Acquisitions of subsidiaries (note 36(ii))	—	—	(105)	(40)	—	(145)
Disposals	19	15,742	423	1,345	—	17,529
Disposals of subsidiaries (note 37)	1,444	22,429	396	159	—	24,428
Exchange realignment	(940)	(1,171)	(206)	(1,012)	—	(3,329)
At 31 December 2009	(18,098)	(38,980)	(4,312)	(18,630)	—	(80,020)
Net carrying amount:						
At 31 December 2009	354,703	657,533	19,737	48,934	1,359,748	2,440,655
At 1 January 2009	342,002	757,092	11,124	33,836	159,374	1,303,428

II. NOTES TO FINANCIAL INFORMATION — continued

14. Property, Plant and Equipment — continued

COMPANY

	Year ended 31 December 2007					
	Buildings	Machinery	Vehicles	Electronic equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2007	18,302	50,841	2,764	5,085	7,010	84,002
Additions	—	15,725	2,331	4,968	80,655	103,679
Disposals	—	—	—	(105)	—	(105)
Transfers	—	15,802	—	—	(15,802)	—
Transferred to investment properties (note 15)	—	—	—	—	(25,142)	(25,142)
At 31 December 2007	18,302	82,368	5,095	9,948	46,721	162,434
Accumulated depreciation:						
At 1 January 2007	(1,365)	(10,426)	(581)	(2,143)	—	(14,515)
Depreciation charge for the year	(511)	(4,422)	(324)	(1,004)	—	(6,261)
Disposals	—	—	—	77	—	77
At 31 December 2007	(1,876)	(14,848)	(905)	(3,070)	—	(20,699)
Net carrying amount:						
At 31 December 2007	16,426	67,520	4,190	6,878	46,721	141,735
At 1 January 2007	16,937	40,415	2,183	2,942	7,010	69,487

II. NOTES TO FINANCIAL INFORMATION — continued

14. Property, Plant and Equipment — continued

	Year ended 31 December 2008					
	Buildings	Machinery	Vehicles	Electronic equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2008	18,302	82,368	5,095	9,948	46,721	162,434
Additions	—	18,753	1,062	4,821	85,105	109,741
Disposals	—	(962)	(999)	(11)	—	(1,972)
Transfers	67,258	25,338	—	161	(92,757)	—
Transferred to investment properties (note 15)	—	—	—	—	(28,856)	(28,856)
At 31 December 2008	85,560	125,497	5,158	14,919	10,213	241,347
Accumulated depreciation:						
At 1 January 2008	(1,876)	(14,848)	(905)	(3,070)	—	(20,699)
Depreciation charge for the year	(1,545)	(9,575)	(477)	(2,693)	—	(14,290)
Disposals	—	79	460	2	—	541
At 31 December 2008	(3,421)	(24,344)	(922)	(5,761)	—	(34,448)
Net carrying amount:						
At 31 December 2008	82,139	101,153	4,236	9,158	10,213	206,899
At 1 January 2008	16,426	67,520	4,190	6,878	46,721	141,735

	Year ended 31 December 2009					
	Buildings	Machinery	Vehicles	Electronic equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2009	85,560	125,497	5,158	14,919	10,213	241,347
Additions	1,166	25,752	1,610	3,069	34,958	66,555
Disposals	(3)	(63,632)	(705)	(1,324)	—	(65,664)
Transfers	4,359	11,139	—	19	(15,517)	—
At 31 December 2009	91,082	98,756	6,063	16,683	29,654	242,238
Accumulated depreciation:						
At 1 January 2009	(3,421)	(24,344)	(922)	(5,761)	—	(34,448)
Depreciation charge for the year	(2,410)	(13,175)	(556)	(2,793)	—	(18,934)
Disposals	—	15,722	10	1,218	—	16,950
At 31 December 2009	(5,831)	(21,797)	(1,468)	(7,336)	—	(36,432)
Net carrying amount:						
At 31 December 2009	85,251	76,959	4,595	9,347	29,654	205,806
At 1 January 2009	82,139	101,153	4,236	9,158	10,213	206,899

II. NOTES TO FINANCIAL INFORMATION — continued

14. Property, Plant and Equipment — continued

The carrying amount of construction in progress of the Group included capitalised interest of approximately RMB3,475,000, RMB27,858,000 and RMB40,135,000 charged for the three years ended 31 December 2007, 2008 and 2009 (note 8) prior to being transferred to buildings and machinery.

As at 31 December 2009, the Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB57,201,000. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2009.

As at 31 December 2007, 2008 and 2009, certain of the Group's property, plant and equipment with carrying values of approximately RMB47,471,000, RMB492,417,000 and RMB1,574,101,000 were pledged to secure certain of the Group's bank and other borrowings (note 31).

15. Investment Properties

GROUP

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Cost:			
At beginning of the year	—	53,749	79,472
Addition	13,141	—	—
Transfer from property, plant and equipment (note 14)	25,142	32,810	—
Transfer from prepaid land lease payments (note 16)	15,466	—	6,523
Transfer to prepaid land lease payments (note 16)	—	(7,087)	—
At end of the year	53,749	79,472	85,995
Accumulated depreciation:			
At beginning of the year	—	(481)	(2,534)
Depreciation charge for the year (note 7)	(481)	(1,683)	(2,232)
Transfer from property, plant and equipment (note 14)	—	(480)	—
Transfer from prepaid land lease payments (note 16)	—	—	(275)
Transfer to prepaid land lease payments (note 16)	—	110	—
At end of the year	(481)	(2,534)	(5,041)
Net carrying amount:			
At end of the year	53,268	76,938	80,954
At beginning of the year	—	53,268	76,938

II. NOTES TO FINANCIAL INFORMATION — continued

15. Investment Properties — continued

COMPANY

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Cost:			
At beginning of the year	—	53,749	75,518
Addition from acquisition	13,141	—	—
Transfer from property, plant and equipment (note 14)	25,142	28,856	—
Transfer from prepaid land lease payments (note 16)	15,466	—	6,523
Transfer to prepaid land lease payments (note 16)	—	(7,087)	—
At end of the year	53,749	75,518	82,041
Accumulated depreciation:			
At beginning of the year	—	(481)	(1,961)
Depreciation charge for the year	(481)	(1,590)	(2,043)
Transfer from prepaid land lease payments (note 16)	—	—	(275)
Transfer to prepaid land lease payments (note 16)	—	110	—
At end of the year	(481)	(1,961)	(4,279)
Net carrying amount:			
At end of the year	53,268	73,557	77,762
At beginning of the year	—	53,268	73,557

The Group's investment properties were valued on 31 December 2007, 2008 and 2009 by Jones Lang LaSalle Sallmanns, an independent professionally qualified valuer, at approximately RMB111,149,000, RMB145,179,000 and RMB150,750,000, respectively, on an open market, existing use basis.

The Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 39(a).

As at 31 December 2008, certain of the Group's investment properties with a carrying value of approximately RMB3,954,000 was pledged to secure certain of the Group's bank and other borrowings (note 31).

As at 31 December 2009, certain of the Group's investment properties with carrying value of approximately RMB33,559,000 were pledged to secure certain of the Group's letter of guarantees.

II. NOTES TO FINANCIAL INFORMATION — continued

16. Prepaid Land Lease Payments

GROUP

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of the year	33,184	62,807	79,112
Additions	45,925	12,665	95,199
Acquisition of a subsidiary (note 36(ii))	—	2,923	—
Transfer from investment properties (note 15)	—	6,977	—
Transfer to investment properties (note 15)	(15,466)	—	(6,248)
Disposal of subsidiaries (note 37)	—	(4,460)	(5,325)
Amortisation for the year (note 7)	(836)	(1,800)	(2,101)
Carrying amount at end of the year	62,807	79,112	160,637

COMPANY

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of the year	13,190	19,305	31,002
Additions	21,884	7,785	20,152
Transfer from investment properties (note 15)	—	6,977	—
Transfer to investment properties (note 15)	(15,466)	—	(6,248)
Disposals to a subsidiary	—	(2,329)	—
Amortisation for the year	(303)	(736)	(747)
Carrying amount at end of the year	19,305	31,002	44,159

As at 31 December 2009, the Group was in the process of applying for the title certificates of certain of its land use rights with an aggregate net carrying amount of approximately RMB46,376,000. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land use rights. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2009.

As at 31 December 2007 and 2008, certain of the Group's land use rights with carrying values of approximately RMB3,541,000 and RMB5,935,000 respectively were pledged to secure certain of the Group's bank loans (note 31).

II. NOTES TO FINANCIAL INFORMATION — continued

17. Goodwill

GROUP

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Cost and carrying amount at beginning of the year	—	16	240,195
Acquisitions of subsidiaries (note 36(i)(ii))	16	270,968	6,252
Exchange realignment	—	(30,789)	3,435
Cost and carrying amount at end of the year	16	240,195	249,882

Goodwill acquired through business combination in 2008 in the amount of approximately RMB270,968,000 has been allocated to the wind turbine generator manufacturing cash-generating unit, which is a reportable segment, for impairment testing.

The recoverable amount of the wind turbine generator manufacturing cash-generating unit has been determined based on a value in use calculation using cash flow projections based on a financial budget covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 15.70%.

Key assumptions were used in the value in use calculation of the wind turbine generator manufacturing cash-generating unit for 31 December 2008 and 2009. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to key assumptions reflect past experience of the management.

II. NOTES TO FINANCIAL INFORMATION — continued

18. Other Intangible Assets

GROUP

	Year ended 31 December 2007			
	Technology license	Office software	Patent	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January 2007	13,234	3,082	—	16,316
Additions	3,384	2,236	2,506	8,126
Acquisition of a subsidiary (note 36(ii))	—	21	—	21
Disposals	—	(27)	—	(27)
At 31 December 2007	16,618	5,312	2,506	24,436
Accumulated amortisation:				
At 1 January 2007	(3,570)	(614)	—	(4,184)
Amortisation for the year (note 7)	(1,697)	(881)	—	(2,578)
Acquisition of a subsidiary (note 36(ii))	—	(2)	—	(2)
Disposals	—	5	—	5
At 31 December 2007	(5,267)	(1,492)	—	(6,759)
Net carrying amount:				
At 31 December 2007	11,351	3,820	2,506	17,677
At 1 January 2007	9,664	2,468	—	12,132

	Year ended 31 December 2008			
	Technology license	Office software	Patent	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January 2008	16,618	5,312	2,506	24,436
Additions	731	2,911	1,160	4,802
Acquisition of a subsidiary (note 36(i))	—	1,015	354,158	355,173
Disposals	—	(990)	—	(990)
Exchange realignment	—	(522)	(33,331)	(33,853)
At 31 December 2008	17,349	7,726	324,493	349,568
Accumulated amortisation:				
At 1 January 2008	(5,267)	(1,492)	—	(6,759)
Amortisation for the year (note 7)	(1,888)	(1,524)	(21,046)	(24,458)
Acquisition of a subsidiary (note 36(i))	—	(548)	(2,485)	(3,033)
Disposals	—	990	—	990
Exchange realignment	—	121	3,638	3,759
At 31 December 2008	(7,155)	(2,453)	(19,893)	(29,501)
Net carrying amount:				
At 31 December 2008	10,194	5,273	304,600	320,067
At 1 January 2008	11,351	3,820	2,506	17,677

II. NOTES TO FINANCIAL INFORMATION — continued

18. Other Intangible Assets — continued

	Year ended 31 December 2009			
	Technology license	Office software	Patent	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January 2009	17,349	7,726	324,493	349,568
Additions	140	6,856	35,775	42,771
Disposals	(9,324)	(211)	(4,220)	(13,755)
Disposal of a subsidiary (note 37)	—	(425)	—	(425)
Exchange realignment	—	31	7,244	7,275
At 31 December 2009	8,165	13,977	363,292	385,434
Accumulated amortisation:				
At 1 January 2009	(7,155)	(2,453)	(19,893)	(29,501)
Amortisation for the year (note 7)	(1,625)	(1,590)	(9,342)	(12,557)
Disposals	6,025	154	—	6,179
Disposal of a subsidiary (note 37)	—	45	—	45
Exchange realignment	—	(12)	(3,038)	(3,050)
At 31 December 2009	(2,755)	(3,856)	(32,273)	(38,884)
Net carrying amount:				
At 31 December 2009	5,410	10,121	331,019	346,550
At 1 January 2009	10,194	5,273	304,600	320,067

COMPANY

	Year ended 31 December 2007			
	Technology license	Office software	Patent	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January 2007	13,234	3,057	—	16,291
Additions	3,384	2,236	2,506	8,126
At 31 December 2007	16,618	5,293	2,506	24,417
Accumulated amortisation:				
At 1 January 2007	(3,570)	(614)	—	(4,184)
Amortisation for the year	(1,697)	(859)	—	(2,556)
At 31 December 2007	(5,267)	(1,473)	—	(6,740)
Net carrying amount:				
At 31 December 2007	11,351	3,820	2,506	17,677
At 1 January 2007	9,664	2,443	—	12,107

II. NOTES TO FINANCIAL INFORMATION — continued

18. Other Intangible Assets — continued

	Year ended 31 December 2008			
	Technology license	Office software	Patent	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January 2008	16,618	5,293	2,506	24,417
Additions	871	1,828	1,160	3,859
Disposals	—	(971)	—	(971)
At 31 December 2008	17,489	6,150	3,666	27,305
Accumulated amortisation:				
At 1 January 2008	(5,267)	(1,473)	—	(6,740)
Amortisation for the year	(1,888)	(1,222)	—	(3,110)
Disposals	—	971	—	971
At 31 December 2008	(7,155)	(1,724)	—	(8,879)
Net carrying amount:				
At 31 December 2008	10,334	4,426	3,666	18,426
At 1 January 2008	11,351	3,820	2,506	17,677

	Year ended 31 December 2009			
	Technology license	Office software	Patent	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January 2009	17,489	6,150	3,666	27,305
Additions	—	1,478	13,398	14,876
Disposals	(9,324)	(211)	(4,220)	(13,755)
At 31 December 2009	8,165	7,417	12,844	28,426
Accumulated amortisation:				
At 1 January 2009	(7,155)	(1,724)	—	(8,879)
Amortisation for the year	(1,625)	(1,029)	(141)	(2,795)
Disposals	6,024	153	—	6,177
At 31 December 2009	(2,756)	(2,600)	(141)	(5,497)
Net carrying amount:				
At 31 December 2009	5,409	4,817	12,703	22,929
At 1 January 2009	10,334	4,426	3,666	18,426

II. NOTES TO FINANCIAL INFORMATION — continued

19. Investments in Subsidiaries

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	206,158	1,239,604	1,367,164

Particulars of all subsidiaries of the Company are set out in note 1 of Section II above.

20. Interests in Jointly-controlled Entities/Investment in a Jointly-controlled Entity

	Group	Company
	As at 31 December 2009	As at 31 December 2009
	RMB'000	RMB'000
Unlisted investments, at cost	—	17,500
Share of net assets	69,741	—
	69,741	17,500

Particulars of the jointly-controlled entities of the Group are set out in note 1 of Section II above.

The following tables illustrate the summarised financial information of the Group's jointly-controlled entities:

	As at 31 December 2009
	RMB'000
Share of the jointly-controlled entities' assets and liabilities:	
Current assets	151,841
Non-current assets	20,058
Current liabilities	(158)
Non-current liabilities	(102,000)
Net assets	69,741

	Year ended 31 December 2009
	RMB'000
Share of the jointly-controlled entities' results:	
Revenue	881
Cost of sales	(281)
Total expenses	(876)
Tax	(13)
Loss after tax	(289)

II. NOTES TO FINANCIAL INFORMATION — continued

21. Interests/Investments in Associates

	GROUP	COMPANY
	As at 31 December 2009	As at 31 December 2009
	RMB'000	RMB'000
Unlisted investments, at cost	—	44,140
Share of net assets	47,370	—
	47,370	44,140

Particulars of the associates of the Group are set out in note 1 of Section II above.

The following tables illustrate the summarised financial information of the Group's associates extracted from their management accounts:

	As at 31 December 2009
	RMB'000
The associates' financial position:	
Current assets	57,305
Non-current assets	162,471
Current liabilities	(21,349)
Non-current liabilities	(27,770)
Net assets	170,657

	Year ended 31 December 2009
	RMB'000
The associates' operating results:	
Revenue	53,486
Profit	13,584

22. Available-for-sale Investments

GROUP

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Unlisted equity investments, at cost	4,171	26,171	9,000

COMPANY

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Unlisted equity investments, at cost	3,171	25,171	8,000

The unlisted equity investments are equity securities issued by private entities established in the PRC. They are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so

II. NOTES TO FINANCIAL INFORMATION — continued

22. Available-for-sale Investments — continued

significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

23. Deferred Tax Assets and Deferred Tax Liabilities

The movements in deferred tax assets and deferred tax liabilities during the Relevant Years are as follows:

GROUP

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
At beginning of the year, net	3,518	11,710	16,332
Acquisition of a subsidiary (note 36(i))	—	(100,133)	—
Disposals of subsidiaries (note 37)	—	(719)	(419)
Deferred tax credited to profit or loss during the year (note 10)	8,192	89,582	88,974
Exchange realignment	—	15,892	(5,320)
At end of the year, net	11,710	16,332	99,567

COMPANY

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
At beginning of the year, net	3,518	10,139	54,524
Deferred tax credited to profit or loss during the year	6,621	44,385	38,667
At end of the year, net	10,139	54,524	93,191

II. NOTES TO FINANCIAL INFORMATION — continued

23. Deferred Tax Assets and Deferred Tax Liabilities — continued

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

GROUP

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Deferred tax assets:			
Provision for impairment of assets	10,398	31,669	29,649
Difference in amortisation for tax purposes	—	455	999
Provisions and accruals	—	27,390	92,226
Government grants received not yet recognised as income	—	3,287	3,297
Unrealised gains arising from intra-group sales	—	36,605	63,511
Others	1,312	2,497	822
Gross deferred tax assets	11,710	101,903	190,504
Deferred tax liabilities:			
Excess of fair values of identifiable assets and liabilities over carrying values in acquisition of a subsidiary	—	76,351	73,760
Others	—	9,220	17,177
Gross deferred tax liabilities	—	85,571	90,937
Net deferred tax assets	11,710	16,332	99,567

COMPANY

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Deferred tax assets:			
Provision for impairment of assets	10,139	22,608	27,027
Difference in amortisation for tax purposes	—	455	999
Provisions and accruals	—	27,380	62,017
Government grants received not yet recognised as income	—	3,287	2,868
Others	—	794	280
Gross deferred tax assets	10,139	54,524	93,191
Net deferred tax assets	10,139	54,524	93,191

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

II. NOTES TO FINANCIAL INFORMATION — continued

24. Inventories

GROUP

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Raw materials	412,524	760,450	927,554
Work in progress	340,449	942,847	1,239,104
Finished and semi-finished goods	198,073	279,711	543,912
Consigned processing materials	19,542	130,163	137,597
Low-value consumables and others	964	6,025	5,379
	971,552	2,119,196	2,853,546

COMPANY

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Raw materials	407,174	596,138	588,257
Work in progress	340,449	569,630	1,037,300
Finished and semi-finished goods	197,712	264,506	233,651
Consigned processing materials	19,542	117,265	107,350
Low-value consumables and others	308	698	676
	965,185	1,548,237	1,967,234

25. Trade and Bills Receivables

GROUP

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade receivables	619,582	2,539,564	2,624,662
Bills receivable	—	39,000	209,799
Retention money receivables	189,165	189,300	272,182
Provision for impairment	(44,681)	(148,843)	(187,036)
	764,066	2,619,021	2,919,607

COMPANY

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade receivables	610,787	2,141,156	1,996,877
Bills receivable	—	39,000	202,381
Retention money receivables	189,165	189,300	237,508
Provision for impairment	(44,201)	(128,618)	(151,666)
	755,751	2,240,838	2,285,100

II. NOTES TO FINANCIAL INFORMATION — continued

25. Trade and Bills Receivables — continued

The Group normally allows a credit period of not more than three months to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are unsecured and non-interest-bearing.

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

GROUP

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within 3 months	586,782	1,898,080	1,453,034
3 to 6 months	8,217	51,395	398,581
6 months to 1 year	97,551	505,435	484,080
1 to 2 years	69,424	131,556	455,656
2 to 3 years	87	31,219	107,439
Over 3 years	2,005	1,336	20,817
	764,066	2,619,021	2,919,607

COMPANY

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within 3 months	580,140	1,523,767	962,740
3 to 6 months	7,267	48,217	384,502
6 months to 1 year	97,551	505,216	391,922
1 to 2 years	68,701	131,145	417,966
2 to 3 years	87	31,157	107,153
Over 3 years	2,005	1,336	20,817
	755,751	2,240,838	2,285,100

The Group has no trade and bills receivables that are neither individually nor collectively considered to be impaired.

II. NOTES TO FINANCIAL INFORMATION — continued

25. Trade and Bills Receivables — continued

Movements in the provision for impairment of trade and bills receivables are as follows:

GROUP

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
At beginning of the year	15,082	44,681	148,843
Acquisition of a subsidiary	—	1,694	—
Impairment losses recognised	38,797	129,534	126,583
Impairment losses reversed	(9,120)	(24,625)	(85,847)
Disposal of subsidiaries	(78)	(2,441)	(2,594)
Exchange realignment	—	—	51
At end of the year	44,681	148,843	187,036

COMPANY

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
At beginning of the year	15,046	44,201	128,618
Impairment losses recognised	38,275	109,042	93,254
Impairment losses reversed	(9,120)	(24,625)	(70,206)
At end of the year	44,201	128,618	151,666

The amount due from Xinjiang Wind Power Company Limited ("Xinjiang Wind Power") (新疆風能有限責任公司), the 18%-owned shareholder of the Company, included in the trade and bills receivables is as follows:

	As at 31 December	
	2008	2009
	RMB'000	RMB'000
18%-owned shareholder of the Company	3	68,175

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

II. NOTES TO FINANCIAL INFORMATION — continued

26. Prepayments, Deposits and Other Receivables

GROUP

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Advance to suppliers	480,454	760,325	736,593
Prepayments	—	1,063	8,503
Deposits and other receivables	18,993	289,890	92,547
Provision for impairment	(1,049)	(14,894)	(5,299)
	498,398	1,036,384	832,344
Portion classified as non-current assets	—	(323)	(1,935)
Current portion	498,398	1,036,061	830,409

COMPANY

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Advance to suppliers	457,793	577,509	449,730
Prepayments	—	361	4,810
Deposits and other receivables	154,523	141,838	352,691
Provision for impairment	(8,816)	(9,327)	(24,020)
	603,500	710,381	783,211
Portion classified as non-current assets	—	—	—
Current portion	603,500	710,381	783,211

The Group has no deposits and other receivables that are neither individually nor collectively considered to be impaired.

Movements in the provision for impairment of prepayments, deposits and other receivables are as follows:

GROUP

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
At beginning of the year	554	1,049	14,894
Impairment losses recognised	605	14,357	20,444
Impairment losses reversed	(106)	(214)	(30,135)
Written off	—	(298)	—
Disposals of subsidiaries	(4)	—	(33)
Exchange difference	—	—	129
At end of the year	1,049	14,894	5,299

II. NOTES TO FINANCIAL INFORMATION — continued

26. Prepayments, Deposits and Other Receivables — continued

COMPANY

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
At beginning of the year	1,540	8,816	9,327
Impairment losses recognised	7,382	6,214	17,378
Impairment losses reversed	(106)	(5,405)	(2,685)
Written off	—	(298)	—
At end of the year	8,816	9,327	24,020

The amount due from Xinjiang Wind Power included in the prepayments, deposits and other receivables is as follows:

	As at 31 December
	2009
	RMB'000
18%-owned shareholder	1,560

The above amount is unsecured, non-interest-bearing and repayable on similar credit terms to those offered to independent third parties.

27. Cash and Cash Equivalents and Pledged Deposits

GROUP

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Cash and bank balances	2,133,302	1,647,685	2,576,460
Time deposits	546,361	1,638,715	2,101,028
	2,679,663	3,286,400	4,677,488
Less: Pledged time deposits for — bank loans (note 31)	—	—	(218,538)
Cash and cash equivalents in the consolidated statements of financial position	2,679,663	3,286,400	4,458,950
Less: Non-pledged time deposits with original maturity of three months or more when acquired	—	—	(80,000)
Cash and cash equivalents in the consolidated statements of cash flows	2,679,663	3,286,400	4,378,950
Cash and cash equivalents and pledged deposits denominated in:			
— RMB	2,643,057	3,231,787	4,469,305
— other currencies	36,606	54,613	208,183
	2,679,663	3,286,400	4,677,488

II. NOTES TO FINANCIAL INFORMATION — continued

27. Cash and Cash Equivalents and Pledged Deposits — continued

COMPANY

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Cash and bank balances	2,035,948	860,953	1,470,293
Time deposits	537,393	782,114	964,042
	2,573,341	1,643,067	2,434,335
Less: Pledged time deposits for — bank loans	—	—	(218,538)
Cash and cash equivalents	2,573,341	1,643,067	2,215,797
Cash and cash equivalents and pledged deposits denominated in:			
— RMB	2,572,831	1,642,954	2,429,920
— other currencies	510	113	4,415
	2,573,341	1,643,067	2,434,335

The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

28. Trade and Bills Payables

GROUP

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade payables	442,397	1,332,390	1,997,643
Bills payables	492,128	1,212,140	1,762,564
	934,525	2,544,530	3,760,207

COMPANY

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade payables	437,180	876,741	1,219,036
Bills payables	492,128	816,078	1,047,818
	929,308	1,692,819	2,266,854

Trade and bills payables are non-interest-bearing and are normally settled within 90 days.

II. NOTES TO FINANCIAL INFORMATION — continued

28. Trade and Bills Payables — continued

An aging analysis of the Group's trade and bills payables as at the end of each of the Relevant Years is as follows:

GROUP

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within 3 months	797,679	2,409,862	3,142,625
3 to 6 months	133,951	104,926	478,464
6 months to 1 year	549	24,448	66,212
1 to 2 years	1,592	3,567	70,852
2 to 3 years	475	1,431	893
Over 3 years	279	296	1,161
	934,525	2,544,530	3,760,207

COMPANY

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within 3 months	798,889	1,600,536	1,838,631
3 to 6 months	127,585	80,207	328,839
6 months to 1 year	488	9,489	28,529
1 to 2 years	1,592	860	68,892
2 to 3 years	475	1,431	802
Over 3 years	279	296	1,161
	929,308	1,692,819	2,266,854

The amount due to one of the Group's associates included in the trade and bills payables is as follows:

	As at 31 December 2009
	RMB'000
Associate	16,473

29. Other Payables

GROUP

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Advances from customers	679,398	2,362,385	1,814,295
Accrued salaries, wages and benefits	68,166	76,254	129,142
Other taxes payable	110,216	111,650	16,600
Others	4,324	121,109	95,749
	862,104	2,671,398	2,055,786

II. NOTES TO FINANCIAL INFORMATION — continued

29. Other Payables — continued

COMPANY

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Advances from customers	692,942	1,750,654	1,671,584
Accrued salaries, wages and benefits	67,334	52,926	76,051
Other taxes payable	109,931	100,030	182,736
Others	3,741	236,166	7,937
	873,948	2,139,776	1,938,308

The amount due to one of the Group's jointly-controlled entities included in advances from customers is as follows:

	As at 31 December 2009
	RMB'000
Jointly-controlled entity	190,003

Other payables are non-interest-bearing and have no fixed terms of repayment.

30. Derivative Financial Instruments

GROUP AND COMPANY

	As at 31 December	
	2008	2009
	RMB'000	RMB'000
Forward currency contracts		
Assets	—	4,667
Liabilities	2,279	10,746

The carrying amounts of the forward currency contracts are the same as their fair values. The above transactions involving derivative financial instruments are with Bank of China.

The Company entered into forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. Changes in the fair value of non-hedging currency derivatives amounting to RMB2,279,000 and RMB3,800,000 were charged to the statements of comprehensive income for the two years ended 31 December 2008 and 2009, respectively.

II. NOTES TO FINANCIAL INFORMATION — continued

31. Interest-bearing Bank and Other Borrowings

GROUP

	As at 31 December								
	2007			2008			2009		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Secured	—	—	—	—	—	—	1.33-7.00	2010	494,393
Unsecured	5.27-5.83	2008	470,000	5.91	2009	50,000	6.61-7.56	2010	107,499
			470,000			50,000			601,892
Non-current									
Secured	6.12-7.13	2009-2011	68,000	7.00-7.83	2010-2020	865,667	2.44	2011-2021	1,666,095
Unsecured	6.48-6.75	2009-2010	85,000	7.56-7.74	2010-2013	416,008	5.35-7.00	2011-2014	356,026
			153,000			1,281,675			2,022,121
			623,000			1,331,675			2,624,013
Interest-bearing bank and other borrowings denominated in:									
— RMB			623,000			943,298			1,935,800
— EUR			—			388,377			646,948
— US			—			—			41,265
			623,000			1,331,675			2,624,013

COMPANY

	As at 31 December								
	2007			2008			2009		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Secured	—	—	—	—	—	—	1.33-1.99	2010	224,492
Unsecured	5.43-5.83	2008	470,000	5.91	2009	50,000	6.61-7.56	2010	35,000
			470,000			50,000			259,492
Non-current									
Secured	6.12	2009-2011	50,000	7.74	2010-2011	50,000	—	—	—
Unsecured	6.48-6.75	2009-2010	85,000	7.56-7.74	2010	65,000	—	—	—
			135,000			115,000			—
			605,000			165,000			259,492
Interest-bearing bank loans denominated in:									
— RMB			605,000			165,000			35,000
— EUR			—			—			183,227
— US			—			—			41,265
			605,000			165,000			259,492

II. NOTES TO FINANCIAL INFORMATION — continued

31. Interest-bearing Bank and Other Borrowings — continued

The maturity profile of the interest-bearing bank and other borrowings as at the end of each of the Relevant Years is as follows:

GROUP

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Analysed into:			
Bank loans repayable:			
Within one year	470,000	50,000	598,990
In the second year	55,000	105,000	454,527
In the third to fifth years, inclusive	98,000	529,306	408,000
Above five years	—	610,000	1,127,300
	623,000	1,294,306	2,588,817
Other borrowings repayable:			
Within one year	—	—	2,902
In the second year	—	9,793	3,110
In the third to fifth years, inclusive	—	15,647	10,946
Above five years	—	11,929	18,238
	—	37,369	35,196
	623,000	1,331,675	2,624,013

COMPANY

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Bank loans repayable:			
Within one year	470,000	50,000	259,492
In the second year	50,000	65,000	—
In the third to fifth years, inclusive	85,000	50,000	—
	605,000	165,000	259,492

The Group's bank loans of approximately RMB118,000,000, RMB1,251,675,000 and RMB2,609,013,000 at 31 December 2007, 2008 and 2009, respectively, were secured and guaranteed by:

(a) Certain of the Group's bank loans amounting to RMB50,000,000 and RMB300,000,000 as at 31 December 2007 and 2008, respectively, were secured by mortgages over the Group's property, plant and equipment and land use rights (prepaid land lease payments), which had aggregate carrying values of approximately RMB36,192,000 and RMB430,682,000 as at 31 December 2007 and 2008, respectively.

(b) Certain of the Group's bank loans amounting to approximately RMB519,000,000 and RMB788,000,000 as at 31 December 2008 and 2009, respectively, were secured by pledge of

II. NOTES TO FINANCIAL INFORMATION — continued

31. Interest-bearing Bank and Other Borrowings — continued

certain of the Company's subsidiaries' electricity charge right and their future income thereon. These subsidiaries commenced operation in 2009; the receivables under this charge amounted to RMB23,672,000 as at 31 December 2009.

(c) Certain of the Group's bank loans amounting to approximately RMB1,112,800,000 as at 31 December 2009 were secured by mortgages over certain of the Company's subsidiaries' property, plant and equipment and by pledge of these subsidiaries' electricity charge right and their future income thereon. As at 31 December 2009, the aggregate carrying values of the property, plant and equipment, and the receivables under the electricity charge amounted to RMB1,517,803,000 and RMB18,511,000, respectively.

(d) Certain of the Group's bank loans amounting to approximately RMB224,492,000 as at 31 December 2009 were secured by pledge of certain of the Group's bank deposits amounting to approximately RMB218,538,000 (note 27) as at 31 December 2009.

(e) Certain of the Group's bank loans amounting to RMB50,000,000, RMB35,000,000 and RMB20,000,000 as at 31 December 2007, 2008 and 2009 were guaranteed by China Water Resources Investment Group Company, a shareholder of the Company. The guarantee by China Water Resources Investment Group Company was released in March 2010.

(f) The bank loans of one of the Company's subsidiaries, Beijing Tianyuan, amounting to approximately RMB18,000,000 and RMB9,298,000 as at 31 December 2007 and 2008, respectively, were guaranteed by China Orienwise Group (FS) Ltd. ("China Orienwise") (北京中科智擔保有限公司), an independent third party. Beijing Tianyuan in turn provided counter-guarantees by mortgages over certain of its property, plant and equipment and investment properties with carrying values aggregating RMB14,820,000 and RMB14,636,000 as at 31 December 2007 and 2008, respectively, to China Orienwise.

(g) Certain of the bank loans of one of the Company's subsidiaries, Goldwind Windenergy, amounting to approximately EUR36,340,000 (equivalent to approximately RMB351,008,000) and EUR36,340,000 (equivalent to approximately RMB356,027,000) as at 31 December 2008 and 2009, respectively, were guaranteed by China Construction Bank in the form of letter of guarantees. The Company in turn provided counter-guarantees of the same amount to China Construction Bank as at 31 December 2008 and 2009.

(h) Certain of the bank loans of one of the Company's subsidiaries, Goldwind Windenergy, amounting to EUR7,400,000 (equivalent to approximately RMB72,498,000) as at 31 December 2009 was guaranteed by Bank of China in the form of letter of guarantees. The Company in turn provided counter-guarantees of the same amount to Bank of China as at 31 December 2009.

(i) The Group's other borrowing amounting to EUR3,868,000 (equivalent to approximately RMB37,369,000) and EUR3,593,000 (equivalent to approximately RMB35,196,000) as at 31 December 2008 and 2009, respectively, was secured by mortgages over certain of the Group's property, plant and equipment of carrying values aggregating RMB56,988,000 and RMB56,298,000 as at 31 December 2008 and 2009, respectively.

II. NOTES TO FINANCIAL INFORMATION — continued

31. Interest-bearing Bank and Other Borrowings — continued

Other interest rate information:

GROUP

	As at 31 December					
	2007		2008		2009	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans:						
Secured	—	68,000	—	828,298	224,492	1,900,800
Unsecured	470,000	85,000	—	466,008	—	463,525
Other borrowings:						
Secured	—	—	37,369	—	35,196	—
	470,000	153,000	37,369	1,294,306	259,688	2,364,325

COMPANY

	As at 31 December					
	2007		2008		2009	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans:						
Secured	—	50,000	—	50,000	224,492	—
Unsecured	470,000	85,000	—	115,000	—	35,000
	470,000	135,000	—	165,000	224,492	35,000

The carrying amounts of the Group's bank loans, current other borrowings and non-current floating rate other borrowings approximate to their fair values.

The carrying amounts and fair values of the Group's non-current fixed rate secured other borrowings are as follows:

GROUP

	As at 31 December					
	2007		2008		2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other borrowings:						
Secured	—	—	37,369	37,386	35,196	32,295

32. Provision

The Group generally provides two-year warranties to its customers on the wind turbine generators sold by the Group, under which faulty components are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

II. NOTES TO FINANCIAL INFORMATION — continued

32. Provision — continued

GROUP

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
At beginning of the year	—	23,942	131,312
Additional provision (note 7)	31,810	131,713	458,775
Acquisition of a subsidiary (note 36(i))	—	11,488	—
Amounts utilised	(7,868)	(33,991)	(153,447)
Exchange realignment	—	(1,840)	452
At end of the year	23,942	131,312	437,092
Portion classified as current liabilities	(7,920)	(51,059)	(241,297)
Non-current portion	16,022	80,253	195,795

COMPANY

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
At beginning of the year	—	30,208	110,746
Additional provision	52,768	136,774	311,652
Amounts utilised	(22,560)	(56,236)	(135,889)
At end of the year	30,208	110,746	286,509
Portion classified as current liabilities	(9,993)	(36,636)	(133,300)
Non-current portion	20,215	74,110	153,209

The carrying amounts of the Group's provisions approximate to their fair values.

33. Government Grants

The movements of government grants during the Relevant Years are as follows:

GROUP

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
At beginning of the year	32,168	75,086	98,387
Additions	52,711	28,473	61,664
Recognised as income during the year	(9,793)	(5,172)	(19,463)
At end of the year	75,086	98,387	140,588

II. NOTES TO FINANCIAL INFORMATION — continued

33. Government Grants — continued

COMPANY

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
At beginning of the year	32,168	55,291	78,841
Additions	32,916	27,896	56,890
Recognised as income during the year	(9,793)	(4,346)	(19,463)
At end of the year	55,291	78,841	116,268

Government grants are received by the Group as financial subsidies for the research and development projects and improvement of manufacturing facilities of the Group. Government grants are recognised as income over the periods necessary to match the grant on a systematic basis to the research and development costs that they are intended to compensate or over the weighted average of the expected useful life of the relevant property, machinery and equipment.

34. Issued Share Capital

	As at 31 December					
	2007		2008		2009	
	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value
	'000	RMB'000	'000	RMB'000	'000	RMB'000
Shares						
Registered, issued and fully paid:						
Domestic shares of RMB1.00 each	—	—	—	—	—	—
A shares of RMB1.00 each	500,000	500,000	1,000,000	1,000,000	1,400,000	1,400,000
	500,000	500,000	1,000,000	1,000,000	1,400,000	1,400,000

Movements in the share capital during the Relevant Years were as follows:

	Year ended 31 December					
	2007		2008		2009	
	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value
	'000	RMB'000	'000	RMB'000	'000	RMB'000
At beginning of the year	100,000	100,000	500,000	500,000	1,000,000	1,000,000
Capitalisation of capital reserve	130,000(a)	130,000(a)	50,000(c)	50,000(c)	—	—
Capitalisation of statutory surplus reserve	34,000(a)	34,000(a)	—	—	—	—
Issue of bonus shares	186,000(a)	186,000(a)	450,000(c)	450,000(c)	400,000(d)	400,000(d)
Issue of new shares	50,000(b)	50,000(b)	—	—	—	—
At end of the year	500,000	500,000	1,000,000	1,000,000	1,400,000	1,400,000

Notes:

(a) Pursuant to the resolution of the annual general meeting on 24 March 2007, the registered capital of the Company was increased by capitalising the capital reserve of RMB130,000,000 and statutory surplus reserve of RMB34,000,000, respectively, and issuing bonus

II. NOTES TO FINANCIAL INFORMATION — continued

34. Issued Share Capital — continued

shares amounting to RMB186,000,000. Bonus shares were allotted and issued to the shareholders of the Company on the basis of 18.6 bonus shares for every 10 shares held by the shareholders on the record date. The registered capital of the Company increased from RMB100,000,000 to RMB450,000,000, accordingly, upon completion of capitalisation of capital reserve and statutory surplus reserve and the issue of bonus shares.

(b) On 26 December 2007, the Company completed the placement of 50,000,000 A shares of the Company. The gross proceeds received from the issue of the A shares amounted to RMB1,752,000,000. Part of the proceeds amounting to RMB50,000,000 was credited as issued share capital, and the remaining balance of the proceeds of RMB1,702,000,000 was credited to capital reserve. The registered capital of the Company increased from RMB450,000,000 to RMB500,000,000, accordingly, upon completion of the issue of the new shares.

(c) Pursuant to the resolution of the annual general meeting on 19 February 2008, the registered capital of the Company was increased by capitalising the capital reserve of RMB50,000,000 and issuing the bonus shares amounting to RMB450,000,000. Bonus shares were allotted and issued to the shareholders of the Company on the basis of 9 bonus shares for every 10 shares held by the shareholders on the record date. The registered capital of the Company increased from RMB500,000,000 to RMB1,000,000,000, accordingly, upon completion of capitalisation of capital reserve and the issue of bonus shares.

(d) Pursuant to the resolution of the annual general meeting on 14 April 2009, bonus shares amounting to RMB400,000,000 were allotted and issued to the shareholders of the Company on the basis of 4 bonus shares for every 10 shares held by the shareholders on the record date. The registered capital of the Company increased from RMB1,000,000,000 to RMB1,400,000,000, accordingly, upon completion of the issue of bonus shares.

35. RESERVES

(a) GROUP

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity for the Relevant Years in Section I (C) above.

II. NOTES TO FINANCIAL INFORMATION — continued

35. RESERVES — continued

(b) COMPANY

	Capital reserve	Statutory surplus reserve (note (ii))	Retained profits	Proposed final dividend	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	150,695	59,916	200,554	100,000	511,165
Profit for the year (note 11)	—	—	599,646	—	599,646
Final 2006 dividend declared	—	—	—	(100,000)	(100,000)
Profit appropriation to reserves	—	60,460	(60,460)	—	—
Capitalisation of reserves (note 34(a))	(130,000)	(34,000)	—	—	(164,000)
Issue of bonus shares (note 34(a))	—	—	(186,000)	—	(186,000)
Issue of new shares (note 34(b))	1,702,000	—	—	—	1,702,000
Share issue expenses	(7,336)	—	—	—	(7,336)
Transfer to capital reserve (note (i))	4,187	—	(4,187)	—	—
Proposed final 2007 dividend	—	—	(50,000)	50,000	—
At 31 December 2007 and 1 January 2008	1,719,546*	86,376*	499,553*	50,000	2,355,475
Profit for the year (note 11)	—	—	709,243	—	709,243
Final 2007 dividend declared	—	—	—	(50,000)	(50,000)
Profit appropriation to reserves	—	70,924	(70,924)	—	—
Capitalisation of reserves (note 34(c))	(50,000)	—	—	—	(50,000)
Issue of bonus shares (note 34(c))	—	—	(450,000)	—	(450,000)
Proposed final 2008 dividend	—	—	(280,000)	280,000	—
At 31 December 2008 and 1 January 2009	1,669,546*	157,300*	407,872*	280,000	2,514,718
Profit for the year (note 11)	—	—	1,093,390	—	1,093,390
Final 2008 dividend declared	—	—	—	(280,000)	(280,000)
Profit appropriation to reserves	—	109,663	(109,663)	—	—
Issue of bonus shares (note 34(d))	—	—	(400,000)	—	(400,000)
Share of reserves of an associate	569	453	4,079	—	5,101
Proposed final 2009 dividend	—	—	(140,000)	140,000	—
At 31 December 2009	1,670,115*	267,416*	855,678*	140,000	2,933,209

Notes:

* As at 31 December 2007, 2008 and 2009, these reserve accounts comprise the reserves of RMB2,305,475,000, RMB2,234,718,000 and RMB2,793,209,000, respectively, in the statements of financial position.

(i) During the year ended 31 December 2007, certain of the Company's government grants amounting to RMB4,187,000, were credited to the capital reserve in the Company's financial statements prepared in accordance with the accounting principles generally accepted in the PRC and according to the instruction of the local government, the provider of these government grants, as a non-distributable reserve. In accordance with IAS 20, these government grants were recognised as income in the consolidated statements of comprehensive income, and then transferred to the capital reserve.

(ii) Statutory surplus reserve is presented as part of the reserve funds in the consolidated statement of changes in equity. According to the relevant PRC regulations and the articles of association of the Company and its subsidiaries in the PRC, these subsidiaries are required to transfer 10% of their profit after income tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of their respective registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the Company and its subsidiaries and is non-distributable other than in liquidation.

II. NOTES TO FINANCIAL INFORMATION — continued

36. Acquisition of Subsidiaries

(i) *Vensys AG*

In January 2008, one of the Company's subsidiaries, Goldwind Windenergy, entered into a share purchase agreement with Vensys/Innowind Beteiligungs-GmbH & Co. Kommanditgesellschaft ("Vensys/Innowind") and Saarwind Beteiligungs-Kommanditgesellschaft ("Saarwind"), two independent third parties, to acquire a total of 70% equity interests in Vensys AG (51.68% and 18.32% from Vensys/Innowind and Saarwind, respectively) at a cash consideration of EUR41,240,000 (equivalent to approximately RMB449,401,000) and a deferred consideration of EUR2,448,000 (equivalent to approximately RMB26,677,000). Vensys AG is engaged in the provision of technical services and manufacture and sale of wind power equipment and accessories. In the opinion of the Directors, the effective acquisition date was 30 April 2008 when Goldwind Windenergy took over the voting right over the operating and financial decision making of the Vensys AG.

The fair values of the identifiable assets and liabilities of Vensys AG as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition	Previous carrying amount
		RMB'000	RMB'000
Property, plant and equipment	14	49,507	40,184
Other intangible assets	18	352,140	56,332
Inventories		40,203	40,203
Trade and bills receivables		37,996	37,996
Prepayments, deposits and other receivables		39,538	39,538
Cash and cash equivalents		105,412	105,412
Trade and bills payables		(24,655)	(24,655)
Other payables		(188,363)	(188,363)
Tax payable		(3,093)	(3,093)
Provision	32	(11,488)	(11,488)
Deferred tax liabilities	23	(100,133)	(8,594)
Minority interests		(272)	(272)
		296,792	83,200
Minority interests		(89,038)	
Goodwill on acquisition	17	270,968	
Total consideration		478,722	

The total cost of purchase consideration was EUR43,931,000 (equivalent to approximately RMB478,722,000) and comprised a cash consideration of EUR41,240,000 (equivalent to approximately RMB449,401,000), a deferred consideration of EUR2,448,000 (equivalent to approximately RMB26,677,000) which is estimated based on the present value of royalty income of EUR9,000,000 (equivalent to approximately RMB98,075,000) minus related costs to be recognised by Vensys AG in the first five years after conclusion of the license agreement with a specific independent third party, and costs directly attributable to the business combination amounting to RMB2,644,000.

II. NOTES TO FINANCIAL INFORMATION — continued

36. Acquisition of Subsidiaries — continued

(i) *Vensys AG — continued*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Vensys AG is as follows:

	RMB'000
Cash consideration	449,401
Direct cost incurred	2,644
Cash and cash equivalents acquired	(105,412)
Net outflow of cash and cash equivalents in respect of the acquisition	346,633

(ii) *Others*

During the Relevant Years, in addition to the acquisition of Vensys AG above, certain equity interests in subsidiaries now or ever comprising the Group were acquired from third parties for the purpose of expanding business. Acquisitions of equity interests in these subsidiaries have been accounted for using the acquisition method of accounting effective from the dates when the subsidiaries were controlled by the Group. Details are as follows:

Company name	Acquisition date	Percentage of interests acquired	Cash consideration
Beijing Tianyuan	May 2007	70%	RMB26,600,000
Bayannur Fuhui	June 2007	51%	RMB51,000,000
Keshiketengqi Huifeng New Energy Co., Ltd. ("Keshiketengqi Huifeng") (克什克騰旗匯風新能源有限責任公司)	June 2008	51%	RMB56,100,000
Qianguo Fuhui	June 2009	51%	RMB 5,100,000
Double Star	April 2009	100%	RMB 6,125,000
Xingqiyuan	August 2009	56%	RMB 7,000,000
Yichun Taiyangfeng	September 2009	66%	RMB49,500,000
TianRun Uilk	July 2009	75%	US$ 1,500,000
Chifeng Huifeng	November 2009	51%	RMB32,640,000

II. NOTES TO FINANCIAL INFORMATION — continued

36. Acquisition of Subsidiaries — continued

(ii) ***Others — continued***

The fair values of the identifiable assets and liabilities of the above-mentioned other subsidiaries acquired as at the date of acquisition approximate to the corresponding carrying values. Details are as follows:

	Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000
Property, plant and equipment, net	14	17,727	101,889	78,589
Available-for-sale investments		323	—	—
Prepaid land lease payments	16	—	2,923	—
Other intangible assets	18	19	—	—
Inventories		836	—	—
Trade receivables		4,096	20,786	—
Prepayments, deposits and other receivables		9,264	23,985	52,075
Cash and cash equivalents		99,709	72,739	100,836
Trade payables		(1,457)	(20,682)	(257)
Interest-bearing bank loans		(20,000)	—	—
Other payables		(11,540)	(91,640)	(57,277)
		98,977	110,000	173,966
Minority interests		(21,393)	(53,900)	(69,610)
Goodwill on acquisitions	17	16	—	6,252
Satisfied by cash		77,600	56,100	110,608

An analysis of the net outflow/(inflow) of cash and cash equivalents in respect of the acquisitions of other subsidiaries is as follows:

	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000
Cash consideration paid	77,600	56,100	110,608
Cash and cash equivalents acquired	(99,709)	(72,739)	(100,836)
Net outflow/(inflow) of cash and cash equivalents in respect of the acquisitions	(22,109)	(16,639)	9,772

(iii) ***Acquirees' contributions***

Contributions of Vensys AG and other acquirees to the Group's revenue and the Group's profit before tax for the period between the date of acquisition and the year end date of the respective year are as follows:

	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000
Contributions to:			
Group's revenue	43,179	132,324	—
Group's profit before tax	17,925	34,526	(3)

II. NOTES TO FINANCIAL INFORMATION — continued

36. Acquisition of Subsidiaries — continued

(iii) *Acquirees' contributions — continued*

Had the acquisitions taken place at the beginning of the year, the revenue of the Group and the profit before tax of the Group would have been as follows:

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Group's revenue	3,104,773	6,506,485	10,666,505
Group's profit before tax	622,689	1,145,983	1,990,550

37. Disposals of Subsidiaries

(i) On 15 May 2007, the Company dissolved one of its subsidiaries, Zhejiang Huayi Goldwind Wind Power Co., Ltd. (浙江華儀金風風電有限公司), and received a consideration in the form of cash of RMB2,170,000 and trade receivables of RMB2,392,000 resulting from the disposal of the assets of this subsidiary.

(ii) On 16 November 2008, the Group disposed of its entire shareholding interest in Bayannur Wulate Zhongqi Fuhui Wind Energy Electricity Co., Ltd. (巴彥淖爾烏拉特中旗富匯風能電力有限公司) and Bayannur Wulate Houqi Fuhui Wind Energy Electricity Co., Ltd. (巴彥淖爾烏拉特後旗富匯風能電力有限公司) to an independent third party, for a consideration in the form of cash of RMB233,000,000 and RMB209,460,000, respectively. These two companies were engaged in wind farm operation.

(iii) On 31 March 2009, the Group disposed of its 48% shareholding interest in Keshiketengqi Huifeng to two independent third parties for a consideration in the form of cash of RMB90,365,000. Keshiketengqi Huifeng was engaged in wind farm operation.

(iv) On 30 November 2009, the Group disposed of its 51% shareholding interest in Tacheng Tianrun Wind Power Co., Ltd. (塔城天潤風力發電有限公司) to an independent third party for a consideration in the form of cash of RMB86,300,000. Tacheng Tianrun Wind Power Co., Ltd. is engaged in wind farm operation.

The net assets of the subsidiaries disposed of during the Relevant Years were as follows:

		Year ended 31 December		
	Notes	2007	2008	2009
		RMB'000	RMB'000	RMB'000
Net assets disposed of:				
Property, plant and equipment, net	14	336	654,804	540,307
Deferred tax assets	23	—	719	419
Prepaid land lease payments	16	—	4,460	5,325
Other intangible assets	18	—	—	380
Other non-current assets		—	2,343	512
Cash and cash equivalents		6,309	2,934	32,753
Trade receivables		2,713	46,388	55,663
Prepayments, deposits and other receivables		245	7,819	14,251
Trade payables		—	(481,749)	(12,314)

II. NOTES TO FINANCIAL INFORMATION — continued

37. Disposals of Subsidiaries — continued

	Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000
Other payables		—	(50,407)	(12,126)
Tax payable		—	(7,983)	30,704
Interest-bearing bank loans		—	—	(533,000)
Minority interests		(4,706)	—	(132,724)
		4,897	179,328	(9,850)
Net assets not disposed of and remained as interest in a jointly-controlled entity		—	—	(3,300)
Gain/(loss) on disposals of subsidiaries	6	(335)	263,132	189,815
Total consideration		4,562	442,460	176,665
Satisfied by cash		2,170	442,460	176,665
Satisfied by trade receivables		2,392	—	—
		4,562	442,460	176,665

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposals of subsidiaries is as follows:

	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000
Cash consideration	2,170	442,460	176,665
(Cash consideration receivable at year end)/Settlement of prior year's unsettled receivable, net	—	(186,000)	160,922
Cash and cash equivalents disposed of	(6,309)	(2,934)	(32,753)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposals	(4,139)	253,526	304,834

38. Contingent Liabilities

At the end of each of the Relevant Years, contingent liabilities not provided for in this report were as follows:

GROUP

	As at 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000
Letters of credit issued	65,468	176,054	176,507
Letters of guarantee issued	971,559	2,365,053	3,645,669
Guarantee given to a bank in connection with bank loan granted to a third party	—	—	21,000
	1,037,027	2,541,107	3,843,176

II. NOTES TO FINANCIAL INFORMATION — continued

38. Contingent Liabilities — continued

COMPANY

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Letters of credit issued	65,468	176,054	170,869
Letters of guarantee issued	971,559	2,365,053	3,597,286
Guarantee given to a bank in connection with bank loan granted to a third party	—	—	21,000
	1,037,027	2,541,107	3,789,155

The fair value of the guarantees is not significant and therefore the Directors are of the view that no provision for financial guarantees should be made.

39. Operating Lease Arrangements

(a) ***As lessor***

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to five years. At the end of each of the Relevant Years, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

GROUP

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within one year	7,500	17,629	14,522
In the second to fifth years, inclusive	26,875	48,098	30,726
	34,375	65,727	45,248

COMPANY

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within one year	7,500	15,000	14,100
In the second to fifth years, inclusive	26,875	47,500	30,550
	34,375	62,500	44,650

II. NOTES TO FINANCIAL INFORMATION — continued

39. Operating Lease Arrangements — continued

(b) *As lessee*

At the end of each of the Relevant Years, the Group and the Company had the following total future minimum lease payments under non-cancellable operating leases in respect of land:

GROUP

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within one year	160	2,174	5,990
In the second to fifth years, inclusive	35	4,315	5,862
	195	6,489	11,852

COMPANY

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within one year	160	10	—
In the second to fifth years, inclusive	35	25	—
	195	35	—

40. Commitments

In addition to the operating lease commitments detailed in note 39(b) above, the Group and the Company had the following capital commitments at the end of each of the Relevant Years:

Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Property, plant and equipment and land use rights	976,804	514,329	609,041
Authorised, but not contracted for:			
Property, plant and equipment and land use rights	1,186,113	268,939	397,833
Equity investments	—	34,000	—
	2,162,917	817,268	1,006,874

II. NOTES TO FINANCIAL INFORMATION — continued

40. Commitments — continued

Company

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Property, plant and equipment and land use rights	12,565	8,949	4,251
Authorised, but not contractor for:			
Property, plant and equipment and land use rights	371,903	37,072	—
Equity investments	331,790	197,044	—
	716,258	243,065	4,251

41. Related Party Transactions

(a) The Group had the following significant transactions with related parties during the Relevant Years:

Continuing transaction:

(i) In 2009, the Group sold wind turbine generators to Xinjiang Wind Power, amounting to approximately RMB124,256,000.

(ii) In 2009, the Group purchased spare parts and processing services from one of its associates, Hebei Goldwind, amounting to approximately RMB24,763,000.

Non-continuing transaction:

In May and July 2009, the Company disposed of eleven experimental wind turbine generators to Xinjiang Wind Power, the 18%-owned shareholder of the Company, for a consideration of approximately RMB42,511,000.

In the opinion of the Directors, the transactions between the Group and the related parties were based on prices mutually agreed between the parties after taking into account the market prices.

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

(b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 25, 26, 28 and 29 of Section II above.

(c) Compensation of key management personnel of the Group

Save as disclosed in note 9 of Section II above, no remuneration has been paid or is payable in respect of any of the Relevant Years referred to in this report by the Company or any of the companies now comprising the Group, to the Directors.

II. NOTES TO FINANCIAL INFORMATION — continued

41. Related Party Transactions — continued

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Short term employee benefits	29,544	27,968	28,950
Pension scheme contributions	162	396	418
	29,706	28,364	29,368

42. Financial Instruments By Category

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Years are as follows:

GROUP

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Financial assets			
Financial assets at fair value through profit or loss:			
Derivative financial instruments	—	—	4,667
Loans and receivables:			
Trade and bills receivables	764,066	2,619,021	2,919,607
Financial assets included in prepayments, deposits and other receivables	17,944	274,996	87,248
Other long-term assets	—	2,021	—
Pledged deposits	—	—	218,538
Cash and cash equivalents	2,679,663	3,286,400	4,458,950
	3,461,673	6,182,438	7,684,343
Available-for-sale financial assets:			
Available-for-sale investments	4,171	26,171	9,000
Financial liabilities			
Financial liabilities at fair value through profit or loss:			
Derivative financial instruments	—	2,279	10,746
Financial liabilities at amortised cost:			
Trade and bills payables	934,525	2,544,530	3,760,207
Financial liabilities included in other payables	4,324	121,109	95,749
Interest-bearing bank and other borrowings	623,000	1,331,675	2,624,013
Other long-term liabilities	—	23,646	23,984
	1,561,849	4,020,960	6,503,953

II. NOTES TO FINANCIAL INFORMATION — continued

42. Financial Instruments By Category — continued

COMPANY

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Financial assets			
Financial assets at fair value through profit or loss:			
Derivative financial instruments	—	—	4,667
Loans and receivables:			
Trade and bills receivables	755,751	2,240,838	2,285,100
Financial assets included in prepayments, deposits and other receivables	145,707	132,511	328,671
Pledged deposits	—	—	218,538
Cash and cash equivalents	2,573,341	1,643,067	2,215,797
	3,474,799	4,016,416	5,048,106
Available-for-sale financial assets:			
Available-for-sale investments	3,171	25,171	8,000
Financial liabilities			
Financial liabilities at fair value through profit or loss:			
Derivative financial instruments	—	2,279	10,746
Financial liabilities at amortised cost:			
Trade and bills payables	929,308	1,692,819	2,266,854
Financial liabilities included in other payables	3,741	236,166	7,937
Interest-bearing bank loans	605,000	165,000	259,492
	1,538,049	2,093,985	2,534,283

43. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank loans, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are fair value and cash flow interest rate risks, foreign currency risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the board of directors of the Company holds meetings regularly to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. The Group's accounting policies in relation to derivative financial instruments are set out in note 3.2 of Section II above.

II. NOTES TO FINANCIAL INFORMATION — continued

43. Financial Risk Management Objectives and Policies — continued

(a) *Fair value and cash flow interest rate risks*

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. With its borrowings issued at fixed and floating interest rates, the Group is exposed to both fair value and cash flow interest rate risks.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. The Group's interest-bearing bank loans and short term deposits are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to profit or loss as earned/incurred.

If there would be a general increase/decrease in the interest rates of bank loans with floating interest rates by one percentage point, with all other variables held constant, the consolidated pre-tax profit would have decreased/increased by approximately RMB1,530,000, RMB12,943,000 and RMB23,643,000 for the three years ended 31 December 2007, 2008 and 2009, respectively, and there is no impact on other components of the consolidated equity, except for retained profits, of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of each reporting period and has applied the exposure to interest rate risk to those financial instruments in existence at those dates. The estimated one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

(b) *Foreign currency risk*

The Group is exposed to foreign currency risk on cash and cash equivalents, receivables, payables and bank loans that are denominated in a currency other than the respective functional currencies of the Group's entities. The currencies giving rise to this risk are primarily the Euro and United States dollar.

The Group's and the Company's exposures to foreign currencies as at 31 December 2007, 2008 and 2009 are as follows:

GROUP

	As at 31 December					
	2007		2008		2009	
	Euro	United States dollar	Euro	United States dollar	Euro	United States dollar
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	—	—	—	37,117	—	5,058
Prepayments, deposits and other receivables	—	—	2,074	—	2,926	—
Cash and cash equivalents	80	430	25	10,479	1	13,935
Trade payables	—	—	(6,152)	—	(3,804)	—
Other payables	—	—	—	(149)	—	—
Interest-bearing bank loans	—	—	—	—	(183,227)	(178,205)
	80	430	(4,053)	47,447	(184,104)	(159,212)

II. NOTES TO FINANCIAL INFORMATION — continued

43. Financial Risk Management Objectives and Policies — continued

(b) *Foreign currency risk — continued*

COMPANY

	As at 31 December					
	2007		2008		2009	
	Euro	United States dollar	Euro	United States dollar	Euro	United States dollar
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	—	—	—	37,117	—	5,058
Cash and cash equivalents	80	430	25	88	1	4,415
Trade payables	—	—	(6,152)	—	—	—
Interest-bearing bank loans	—	—	—	—	(183,227)	(178,205)
	80	430	(6,127)	37,205	(183,226)	(168,732)

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates by 10%, with all other variables held constant, of the Group's profit before tax and the Group's and the Company's equity.

Effect on increase/(decrease) of the Group's pre-tax profit

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
If RMB weakens against Euro	8	(405)	(18,410)
If RMB strengthens against Euro	(8)	405	18,410
If RMB weakens against United States dollar	43	4,745	(15,921)
If RMB strengthens against United States dollar	(43)	(4,745)	15,921

Effect on increase/(decrease) of the Group's equity

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
If RMB weakens against Euro	8	(365)	(15,662)
If RMB strengthens against Euro	(8)	365	15,662
If RMB weakens against United States dollar	43	4,271	(13,676)
If RMB strengthens against United States dollar	(43)	(4,271)	13,676

Effect on increase/(decrease) of the Company's equity

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
If RMB weakens against Euro	8	(521)	(15,574)
If RMB strengthens against Euro	(8)	521	15,574
If RMB weakens against United States dollar	43	3,162	(14,342)
If RMB strengthens against United States dollar	(43)	(3,162)	14,342

II. NOTES TO FINANCIAL INFORMATION — continued

43. Financial Risk Management Objectives and Policies — continued

(b) *Foreign currency risk — continued*

The sensitivity analysis above has been determined assuming that the change in foreign currency rates had occurred at the end of each of the Relevant Years and had applied the exposure to foreign currency risk to those monetary assets and liabilities and net investment operations in existence at those dates. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in foreign currency rates over the period until the end of the next reporting period. The sensitivity analysis is performed on the same basis for the entire Relevant Years.

(c) *Credit risk*

The Group trades only with recognised and creditworthy parties. The Group has a credit policy in place which requires credit evaluations on all customers who wish to trade on credit terms. Receivable balances are monitored on an ongoing basis. In most instances, advance payments are required for customers of wind turbine generators. Otherwise, the credit quality of customers is assessed after taking into account the Group's financial position and past experience with the customers.

The Group establishes an allowance for impairment that represents its estimate of losses to be incurred in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the impaired financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Management evaluates the creditworthiness of the Group's existing and prospective customers and ensures that the customers have adequate financing for the projects as well as the source of the financing.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Cash and bank balances are placed with banks and financial institutions which are regulated.

(d) *Liquidity risk*

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Group has already obtained banking facilities with several banks of up to an amount of RMB13,712,000,000 as at 31 December 2009, of which an amount of approximately RMB6,986,000,000 has been utilised.

II. NOTES TO FINANCIAL INFORMATION — continued

43. Financial Risk Management Objectives and Policies — continued

(d) *Liquidity risk — continued*

The maturity profile of the Group's and the Company's financial liabilities as at the dates of the statements of financial position, based on the contractual undiscounted payments, is as follows:

GROUP

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2007					
Interest-bearing bank loans	470,000	55,000	98,000	—	623,000
Interest payments on bank loans	15,984	7,903	7,947	—	31,834
Trade and bills payables	934,525	—	—	—	934,525
Financial liabilities included in other payables	4,324	—	—	—	4,324
	1,424,833	62,903	105,947	—	1,593,683
31 December 2008					
Interest-bearing bank and other borrowings	50,000	114,793	544,953	621,929	1,331,675
Interest payments on bank and other borrowings	85,537	69,030	86,063	60,688	301,318
Trade and bills payables	2,544,530	—	—	—	2,544,530
Derivative financial instruments	2,279	—	—	—	2,279
Financial liabilities included in other payables	121,109	—	—	—	121,109
Other long-term liabilities	—	—	23,646	—	23,646
	2,803,455	183,823	654,662	682,617	4,324,557
31 December 2009					
Interest-bearing bank and other borrowings	601,892	457,637	418,946	1,145,538	2,624,013
Interest payments on bank and other borrowings	115,748	96,554	239,674	243,563	695,539
Trade and bills payables	3,760,207	—	—	—	3,760,207
Derivative financial instruments	10,746	—	—	—	10,746
Financial liabilities included in other payables	95,749	—	—	—	95,749
Other long-term liabilities	—	—	23,984	—	23,984
	4,584,342	554,191	682,604	1,389,101	7,210,238

II. NOTES TO FINANCIAL INFORMATION — continued

43. Financial Risk Management Objectives and Policies — continued

(d) *Liquidity risk — continued*

COMPANY

	Within 1 year	1 to 2 years	2 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2007				
Interest-bearing bank loans	470,000	50,000	85,000	605,000
Interest payments on bank loans	14,701	6,762	6,308	27,771
Trade and bills payables	929,308	—	—	929,308
Financial liabilities included in other payables	3,741	—	—	3,741
	1,417,750	56,762	91,308	1,565,820
31 December 2008				
Interest-bearing bank loans	50,000	65,000	50,000	165,000
Interest payments on bank loans	8,432	5,891	1,935	16,258
Trade and bills payables	1,692,819	—	—	1,692,819
Derivative financial instruments	2,279	—	—	2,279
Financial liabilities included in other payables	236,166	—	—	236,166
	1,989,696	70,891	51,935	2,112,522
31 December 2009				
Interest-bearing bank loans	259,492	—	—	259,492
Interest payments on bank loans	3,637	—	—	3,637
Trade and bills payables	2,266,854	—	—	2,266,854
Derivative financial instruments	10,746	—	—	10,746
Financial liabilities included in other payables	7,937	—	—	7,937
	2,548,666	—	—	2,548,666

(e) *Capital management*

The Group's primary objective for managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services and products commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes trade and bills payables, other payables, interest-bearing bank and other borrowings and other long-term liabilities, less cash and cash equivalents and pledged deposits. Capital includes the equity attributable to owners of the Company stated in the consolidated statements of financial position.

II. NOTES TO FINANCIAL INFORMATION — continued

43. Financial Risk Management Objectives and Policies — continued

(e) *Capital management — continued*

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios at the end of each reporting period financial position are as follows:

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade and bills payables (note 28)	934,525	2,544,530	3,760,207
Other payables (note 29)	862,104	2,671,398	2,055,786
Interest-bearing bank and other borrowings (note 31)	623,000	1,331,675	2,624,013
Other long-term liabilities	—	23,646	23,984
Less: Cash and cash equivalents (note 27)	(2,679,663)	(3,286,400)	(4,458,950)
Pledged deposits (note 27)	—	—	(218,538)
Net debt	(260,034)	3,284,849	3,786,502
Equity attributable to owners of the Company	2,883,252	3,722,484	5,201,057
Capital and net debt	2,623,218	7,007,333	8,987,559
Gearing ratio	(9.91)%	46.88%	42.13%

III. SUBSEQUENT EVENTS

Pursuant to the resolution of the 2009 annual general meeting of the Company held on 25 March 2010, a final dividend of RMB0.1 per share was approved, and bonus shares amounting to RMB840,000,000 were allotted and issued to the shareholders of the Company on the basis of 6 bonus shares for every 10 shares held by the shareholders on the record date, 2 April 2010. The issued capital of the Company increased from RMB1,400,000,000 to RMB2,240,000,000, accordingly, upon completion of the issue of bonus shares.

In addition to the dividend mentioned above, pursuant to the resolution of the 2009 annual general meeting of the Company held on 25 March 2010, a plan to make further cash dividend of RMB787,766,000 was approved. On 26 May 2010, the Board of Directors of the Company approved the distribution of RMB784.0 million in the form of a cash dividend, subject to approval of the shareholders of the Company in a general meeting to be held on 12 June 2010, which is expected to be settled after the listing of the Company's H Shares on The Stock Exchange of Hong Kong Limited.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group and the Company in respect of any period subsequent to 31 December 2009. Save as disclosed in Section III above, no dividend has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2009.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong