Under the rules of The Shenzhen Stock Exchange on which our A shares are listed, we are required to publish interim financial report containing unaudited financial statements 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 relevant rules and regulations issued by the MOF. Because we released financial statements for the three-month period ended 31 March 2010 (including financial statements for the same period in 2009) prior to the date of this prospectus, we have prepared interim financial report in accordance with International Accounting Standard 34 "Interim Financial Reporting" and have incorporated such report in this prospectus. 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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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.
(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the accompanying interim financial information of Xinjiang Goldwind Science & Technology Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages IV-3 to IV-30 which comprises the Group's interim condensed consolidated statement of financial position as at 31 March 2010 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and explanatory notes.

The directors of the Company (the "Directors") are responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
7 June 2010

I. FINANCIAL INFORMATION

(A) UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three-month period ended 31 March 2009 (unaudited) RMB'000	Three-month period ended 31 March 2010 (unaudited) RMB'000
REVENUE	5	1,080,279	1,838,650
Cost of sales		(832,269)	(1,326,478)
Gross profit		248,010	512,172
Other income and gains, net	5	101,009	35,555
Selling and distribution costs		(40,864)	(123,405)
Administrative expenses		(38,550)	(62,604)
Other expenses		19,461	(29,400)
Finance costs	7	(14,507)	(13,142)
Share of profits and losses of:			
Jointly-controlled entities		—	(21)
Associates		798	(1,033)
PROFIT BEFORE TAX	6	275,357	318,122
Income tax	8	(72,169)	(60,530)
PROFIT FOR THE PERIOD		203,188	257,592
Other comprehensive income:			
Exchange differences on translation of foreign operations		(9,716)	(18,779)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		193,472	238,813
Profit attributable to:			
Owners of the Company		195,052	248,401
Minority interests		8,136	9,191
		203,188	257,592
Total comprehensive income attributable to:			
Owners of the Company		185,336	229,622
Minority interests		8,136	9,191
		193,472	238,813
Earnings per share attributable to ordinary equity holders of the Company :			
Basic and diluted	9	RMB0.09	RMB0.11

I. FINANCIAL INFORMATION — continued

(B) UNAUIDTED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2009	As at 31 March 2010
		(audited) RMB'000	(unaudited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,440,655	2,651,707
Investment properties		80,954	80,375
Prepaid land lease payments		160,637	170,655
Goodwill		249,882	234,010
Other intangible assets		346,550	333,827
Interests in jointly-controlled entities		69,741	49,526
Interests in associates		47,370	46,337
Available-for-sale investments		9,000	9,000
Deferred tax assets	10	190,504	181,702
Prepayments	12	1,935	2,271
Total non-current assets		3,597,228	3,759,410
CURRENT ASSETS			
Inventories		2,853,546	4,006,046
Trade and bills receivables	11	2,919,607	2,912,846
Prepayments, deposits and other receivables	12	830,409	1,292,238
Derivative financial instruments	16	4,667	—
Pledged deposits	13	218,538	323,165
Cash and cash equivalents	13	4,458,950	2,388,037
Total current assets		11,285,717	10,922,332
CURRENT LIABILITIES			
Trade and bills payables	14	3,760,207	3,545,451
Other payables	15	2,055,786	1,436,099
Derivative financial instruments	16	10,746	18,064
Interest-bearing bank and other borrowings	17	601,892	924,245
Tax payable		212,335	110,167
Dividend payable		—	140,000
Provision	18	241,297	280,822
Total current liabilities		6,882,263	6,454,848
NET CURRENT ASSETS		4,403,454	4,467,484
TOTAL ASSETS LESS CURRENT LIABILITIES		8,000,682	8,226,894
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	17	2,022,121	2,145,292
Deferred tax liabilities	10	90,937	82,101
Provision	18	195,795	209,961
Government grants		140,588	141,049
Other long-term liabilities		23,984	22,421
Total non-current liabilities		2,473,425	2,600,824
Net assets		5,527,257	5,626,070
Equity attributable to owners of the Company			
Issued share capital	19	1,400,000	1,400,000
Reserves	20	3,661,057	3,106,679
Proposed dividend		140,000	784,000
		5,201,057	5,290,679
Minority interests		326,200	335,391
Total equity		5,527,257	5,626,070

I. FINANCIAL INFORMATION — continued

(C) UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month periods ended 31 March 2009 and 2010

	Attributable to owners of the Company								
	Issued share capital (note 19)	Capital reserve	Statutory surplus reserve	Retained profits	Exchange fluctuation reserve	Proposed final dividend	Total	Minority interests	Total equity
	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000
As at 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 period	—	—	—	195,052	—	—	195,052	8,136	203,188
Other comprehensive income	—	—	—	—	(9,716)	—	(9,716)	—	(9,716)
Share of reserves of an associate	—	569	453	4,079	—	—	5,101	—	5,101
Capital contribution from minority shareholders	—	—	—	—	—	—	—	927	927
Disposal of a subsidiary	—	—	—	—	—	—	—	(53,900)	(53,900)
As at 31 March 2009	1,000,000	1,670,115	157,753	830,120	(25,067)	280,000	3,912,921	370,344	4,283,265
As at 31 December 2009 and 1 January 2010	1,400,000	1,670,115	267,416	1,730,985	(7,459)	140,000	5,201,057	326,200	5,527,257
Profit for the period	—	—	—	248,401	—	—	248,401	9,191	257,592
Other comprehensive income	—	—	—	—	(18,779)	—	(18,779)	—	(18,779)
Final 2009 dividend declared	—	—	—	—	—	(140,000)	(140,000)	—	(140,000)
Proposed dividend	—	—	—	(784,000)	—	784,000	—	—	—
As at 31 March 2010	1,400,000	1,670,115*	267,416*	1,195,386*	(26,238)*	784,000	5,290,679	335,391	5,626,070

* As at 31 March 2010, these reserve accounts comprise the consolidated reserves of RMB3,106,679,000 in the interim condensed consolidated statement of financial position.

I. FINANCIAL INFORMATION — continued

(D) UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Three-month period ended 31 March	
		2009	**2010**
		(unaudited) RMB'000	**(unaudited) RMB'000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		275,357	318,122
Adjustments for:			
Finance costs	7	14,507	13,142
Foreign exchange differences, net	5,6	(2,180)	(14,205)
Bank interest income	5	(6,495)	(10,239)
Share of profits and losses of jointly-controlled entities		—	21
Share of profits and losses of associates		(798)	1,033
Unrealised profit arising from transactions with a jointly controlled entity		—	20,194
Depreciation	6	15,519	19,233
Amortisation of prepaid land lease payments	6	453	891
Amortisation of other intangible assets	6	4,770	11,231
(Gain)/loss on disposals of items of property, plant and equipment, net	6	(3)	38
Gain on disposals of a subsidiary	5	(82,323)	—
Fair value (gain)/loss, net, on derivative financial instruments	16	(885)	11,985
(Reversal of impairment)/impairment of trade and other receivables	6	(29,048)	7,688
Write-down of inventories to net realisable value	6	—	2,092
Government grants	5	(350)	(1,036)
Excess over the cost of investment to associates		(1,342)	—
		187,182	380,190
Increase in inventories		(891,759)	(1,165,382)
Decrease/(increase) in trade and bills receivables		547,028	(4,820)
Increase in prepayments, deposits and other receivables		(276,383)	(458,492)
Decrease in trade and bills payables		(434,659)	(179,816)
Decrease in other payables		(865,942)	(604,896)
(Decrease)/increase in provision		(23,943)	53,691
Cash used in operations		(1,758,476)	(1,979,525)
Income tax paid		(85,933)	(157,009)
Net cash flows used in operating activities		(1,844,409)	(2,136,534)

continued/...

I. FINANCIAL INFORMATION — continued

	Three-month period ended 31 March	
	2009	2010
	(unaudited) RMB'000	(unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(52,588)	(255,488)
Additions of prepaid land lease payments	(732)	(10,909)
Additions of other intangible assets	(1,808)	(17,387)
Purchase of shareholding in associates	(31,608)	—
Proceeds from disposals of items of property, plant and equipment	—	257
Proceeds from disposals of other intangible assets	6	—
Disposal of a subsidiary, net of cash disposed of	172,844	—
Increase in pledged deposits	—	(104,627)
Increase in non-pledged time deposits with original maturity of three months or more when acquired	(25,473)	(2,947)
Government grants received	350	1,497
Interest received	6,495	8,779
Net cash flows from/(used in) investing activities	67,486	(380,825)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	300,000	486,603
Repayment of bank and other borrowings	(50,593)	—
Interest paid	(29,018)	(34,013)
Capital contribution from a minority shareholder	927	—
Net cash flows from financing activities	221,316	452,590
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,555,607)	(2,064,769)
Cash and cash equivalents at beginning of the period	3,286,400	4,378,950
Effect of foreign exchange rate changes, net	(3,055)	(9,091)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,727,738	2,305,090

II. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED 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.

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.

2.1 BASIS OF PRESENTATION AND PREPARATION

The unaudited interim condensed consolidated financial information for the three-month period ended 31 March 2010 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board, and should be read in conjunction with the consolidated financial information of the Group as at and for the year ended 31 December 2009 included in the Accountants' Report dated 7 June 2010 (the "Accountants' Report"), the text of which is set out in Appendix I to the prospectus of the Company dated 7 June 2010 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's consolidated financial information as at and for the year ended 31 December 2009 included in the Accountants' Report.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised International Financial Reporting Standards ("IFRSs") for the first time for the financial statements for the three-month period ended 31 March 2010.

IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standards*
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Report Standards — Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
IFRS 3 (Revised)	*Business Combinations*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
Amendments to IFRS 5 included in *Improvements to IFRSs* issued in May 2009	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary*

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. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES — 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.

The adoption of these revised IFRSs has had no financial effect on this interim condensed consolidated financial information.

3. 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 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. Judgment 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.

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

3. SUMMARY OF SIGNIFICANT JUDGEMENTS AND ESTIMATES — continued

Estimation uncertainty — continued

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.

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.

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.

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.

Warranty provision

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

4. 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;

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

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

4. SEGMENT INFORMATION — continued

(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.

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

4. SEGMENT INFORMATION — continued

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the three-month periods ended 31 March 2009 and 2010.

For the three-month period ended 31 March 2009

	Wind turbine generator manufacturing and sales	Wind power services	Wind farm development	Eliminations	Total
	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000
Segment revenue:					
Sales to external customers	1,046,468	4,464	29,347	—	1,080,279
Intersegment sales	—	5,445	—	(5,445)	—
Total revenue	1,046,468	9,909	29,347	(5,445)	1,080,279
Segment results	176,045	(2,157)	43,333	66,148	283,369
Interest income	6,283	11	201	—	6,495
Finance cost	(7,737)	(146)	(6,624)	—	(14,507)
Profit/(loss) before tax	174,591	(2,292)	36,910	66,148	275,357
Segment assets	9,094,861	239,088	1,751,989	(1,260,695)	9,825,243
Segment liabilities	5,207,228	156,393	1,040,499	(862,143)	5,541,977
Other segment information:					
Share of profits and losses of:					
Associates	798	—	—	—	798
Depreciation and amortisation	14,027	389	6,668	(342)	20,742
Reversal of impairment of trade and other receivables	(13,840)	(3,970)	(1,685)	(9,553)	(29,048)
Product warranty provision	26,498	—	—	(679)	25,819
Interest in a jointly-controlled entity	—	—	3,300	—	3,300
Interests in associates	46,012	—	—	—	46,012
Capital expenditure[1]	61,161	106	31,760	—	93,027

(1) Capital expenditure mainly consists of additions of property, plant and equipment, other intangible assets, prepaid land lease payments and interests in associates.

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

4. SEGMENT INFORMATION — continued

For the three-month period ended 31 March 2010

	Wind turbine generator manufacturing and sales	Wind power services	Wind farm development	Eliminations	Total
	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000
Segment revenue:					
Sales to external customers	1,781,420	26,447	30,783	—	1,838,650
Intersegment sales	139,662	14,163	—	(153,825)	—
Total revenue	1,921,082	40,610	30,783	(153,825)	1,838,650
Segment results	334,199	4,592	7,499	(25,265)	321,025
Interest income	9,343	483	413	—	10,239
Finance cost	(5,370)	—	(7,772)	—	(13,142)
Profit before tax	338,172	5,075	140	(25,265)	318,122
Segment assets	12,128,162	453,375	3,602,078	(1,501,873)	14,681,742
Segment liabilities	6,641,024	305,481	2,934,749	(825,582)	9,055,672
Other segment information:					
Share of profits and losses of:					
Jointly-controlled entities	—	—	(21)	—	(21)
Associates	(1,033)	—	—	—	(1,033)
Depreciation and amortisation	23,690	538	8,247	(1,120)	31,355
Write-down of inventories to net realisable value	2,092	—	—	—	2,092
Impairment of trade and other receivables	4,986	1,624	2,417	(1,339)	7,688
Product warranty provision	93,560	—	—	(4,223)	89,337
Interests in jointly-controlled entities	17,500	—	32,026	—	49,526
Interests in associates	46,337	—	—	—	46,337
Capital expenditure[1]	75,564	521	218,359	(29,070)	265,374

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

Information about a major customer

For the three-month period ended 31 March 2009, revenue generated from only one of the Group's customers amounting to RMB191,923,000 had individually accounted for over 10% of the Group's total revenue. Similarly, for the three-month period ended 31 March 2010, revenue generated from only one of the Group's customers amounting to RMB549,824,000 had individually accounted for over 10% of the Group's total revenue.

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.

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

5. 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	Three-month period ended 31 March 2009 (unaudited) RMB'000	2010 (unaudited) RMB'000
Revenue			
Sale of wind turbine generators and wind power components		1,046,468	1,781,420
Wind power services		4,464	26,447
Wind power generation		29,347	30,783
		1,080,279	1,838,650
Other income			
Bank interest income		6,495	10,239
Gross rental income		4,636	3,525
Government grants		350	1,036
Value-added tax refund		362	2,012
Insurance compensation on product warranty expenditures		—	3,678
Others		2,335	100
		14,178	20,590
Gains			
Gain on disposal of a wind farm project subsidiary		82,323	—
Gain on disposals of items of property, plant and equipment		3	—
Fair value gain, net, on derivative financial instruments		885	—
Realised gain on derivative financial instruments		—	60
Foreign exchange difference, net	6	2,180	14,205
Others		1,440	700
		86,831	14,965
		101,009	35,555

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

6. PROFIT BEFORE TAX

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

	Note	Three-month period ended 31 March	
		2009	2010
		(unaudited) RMB'000	(unaudited) RMB'000
Cost of inventories sold		818,002	1,295,375
Write-down of inventories to net realisable value		—	2,092
Depreciation (note(a)) provided for:			
Property, plant and equipment		14,973	18,654
Investment properties		546	579
		15,519	19,233
Amortisation of prepaid land lease payments		453	891
Amortisation of other intangible assets		4,770	11,231
		5,223	12,122
(Reversal of impairment)/impairment of trade and bills receivables		(20,271)	6,307
(Reversal of impairment)/impairment of prepayments, deposits and other receivables		(8,777)	1,381
		(29,048)	7,688
(Gain)/loss on disposals of items of property, plant and equipment, net		(3)	38
Minimum lease payments under operating leases of land and buildings		561	1,490
Auditors' remuneration		59	114
Employee benefit expenses (including directors' and supervisors' remuneration):			
Wages and salaries		27,350	35,371
Pension scheme contributions (defined contribution scheme) (note(b))		3,096	5,344
Welfare and other expenses		5,154	5,842
		35,600	46,557
Foreign exchange differences, net	5	(2,180)	(14,205)
Research and development costs:			
Staff costs		5,012	3,450
Amortisation and depreciation		933	892
Materials expenditure and others		3,720	3,236
		9,665	7,578
Product warranty provision		25,819	89,337

Notes:

(a) Depreciation of approximately RMB10,582,000 and RMB12,556,000 is included in the cost of sales on the face of the unaudited condensed consolidated statement of comprehensive income for the three-month periods ended 31 March 2009 and 2010, respectively.

(b) As at 31 March 2009 and 2010, the Group's forfeited contributions available to reduce its contributions to the pension schemes in future years amounted to RMB7,000 and RMB7,000, respectively.

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

7. FINANCE COSTS

	Three-month period ended 31 March	
	2009	2010
	(unaudited) RMB'000	(unaudited) RMB'000
Interest on bank loans wholly repayable within five years	24,302	33,816
Interest on other borrowings wholly repayable within five years	633	596
	24,935	34,412
Less: Interest capitalised	(10,428)	(21,270)
	14,507	13,142

8. INCOME TAX

	Three-month period ended 31 March	
	2009	2010
	(unaudited) RMB'000	(unaudited) RMB'000
Current		
— Mainland China	39,085	41,464
— Germany	7,242	13,306
	46,327	54,770
Deferred	25,842	5,760
Tax charge for the period	72,169	60,530

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 at the Group's effective income tax rate for the three-month periods ended 31 March 2009 and 2010:

	Three-month period ended 31 March	
	2009	2010
	(unaudited) RMB'000	(unaudited) RMB'000
Profit before tax	275,357	318,122
Income tax charge at the statutory income tax rate of 25%	68,839	79,531
Effect of different income tax rates for overseas entities	296	1,599
Tax exemption	(6,496)	(24,948)
Expenses not deductible for tax purposes	2,889	375
Tax losses not recognised	1,226	3,586
Additional tax deduction on research and development expenditure	(736)	(771)
Profits and losses attributable to jointly-controlled entities	—	5
Profits and losses attributable to associates	(200)	258
Others	6,351	895
Tax charge for the period at the effective rate	72,169	60,530

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts for the three-month periods ended 31 March 2009 and 2010 is based on the profit attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the three-month periods ended 31 March 2009 and 2010.

	Three-month period ended 31 March	
	2009	2010
	(unaudited) RMB'000	(unaudited) RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	195,052	248,401

	Three-month period ended 31 March	
	2009	2010
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the three-month periods ended 31 March 2009 and 2010 used in the basic earnings per share calculation, after taking into consideration of the issuance of bonus shares in April 2010 (note 26)	2,240,000,000	2,240,000,000

The Company did not have any dilutive potential ordinary shares during the three-month periods ended 31 March 2009 and 2010.

10. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The movements in deferred tax assets and deferred tax liabilities during the year ended 31 December 2009 and the three-month period ended 31 March 2010 are as follows:

	Year ended 31 December 2009	Three-month period ended 31 March 2010
	(audited) RMB'000	(unaudited) RMB'000
At beginning of the year/period, net	16,332	99,567
Disposals of subsidiaries	(419)	—
Deferred tax credited/(charged) to profit or loss during the year/period	88,974	(5,760)
Exchange realignment	(5,320)	5,794
At end of the year/period, net	99,567	99,601

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

10. 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 condensed consolidated statement of financial position:

	As at 31 December 2009 (audited) RMB'000	As at 31 March 2010 (unaudited) RMB'000
Deferred tax assets:		
Provision for impairment of assets	29,649	30,415
Difference in amortisation for tax purposes	999	1,196
Provisions and accruals	92,226	83,834
Government grants received not yet recognised as income	3,297	3,297
Unrealised gains arising from intra-group sales	63,511	56,301
Others	822	6,659
Gross deferred tax assets	190,504	181,702
Deferred tax liabilities:		
Excess of fair values of identifiable assets and liabilities over carrying values in acquisition of a subsidiary	73,760	66,423
Others	17,177	15,678
Gross deferred tax liabilities	90,937	82,101
Net deferred tax assets	99,567	99,601

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

11. TRADE AND BILLS RECEIVABLES

	As at 31 December 2009 (audited) RMB'000	As at 31 March 2010 (unaudited) RMB'000
Trade receivables	2,624,662	2,808,591
Bills receivable	209,799	16,085
Retention money receivables	272,182	281,413
Provision for impairment	(187,036)	(193,243)
	2,919,607	2,912,846

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.

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

11. TRADE AND BILLS RECEIVABLES — continued

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:

	As at 31 December 2009	As at 31 March 2010
	(audited) RMB'000	(unaudited) RMB'000
Within 3 months	1,453,034	1,033,451
3 to 6 months	398,581	698,732
6 months to 1 year	484,080	708,943
1 to 2 years	455,656	314,796
2 to 3 years	107,439	109,187
Over 3 years	20,817	47,737
	2,919,607	2,912,846

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

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

	Year ended 31 December 2009	Three-month period ended 31 March 2010
	(audited) RMB'000	(unaudited) RMB'000
At beginning of the year/period	148,843	187,036
Impairment losses recognised	126,583	65,860
Impairment losses reversed	(85,847)	(59,553)
Disposal of a subsidiary	(2,594)	—
Exchange realignment	51	(100)
At end of the year/period	187,036	193,243

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 2009	As at 31 March 2010
	(audited) RMB'000	(unaudited) RMB'000
18%-owned shareholder of the Company	68,175	24,537

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. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2009 (audited) RMB'000	As at 31 March 2010 (unaudited) RMB'000
Advance to suppliers	736,593	739,888
Prepayments	8,503	8,425
Deductible input VAT	—	449,816
Deposits and other receivables	92,547	102,751
Provision for impairment	(5,299)	(6,371)
	832,344	1,294,509
Portion classified as non-current assets	(1,935)	(2,271)
Current portion	830,409	1,292,238

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:

	Year ended 31 December 2009 (audited) RMB'000	Three-month period ended 31 March 2010 (unaudited) RMB'000
At beginning of the year/period	14,894	5,299
Impairment losses recognised	20,444	11,585
Impairment losses reversed	(30,135)	(10,204)
Disposals of subsidiaries	(33)	—
Exchange difference	129	(309)
At end of the year/period	5,299	6,371

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

	As at 31 December 2009 (audited) RMB'000	As at 31 March 2010 (unaudited) RMB'000
18%-owned shareholder of the Company	1,560	—

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

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December 2009 (audited) RMB'000	As at 31 March 2010 (unaudited) RMB'000
Cash and bank balances	2,576,460	1,981,711
Time deposits	2,101,028	729,491
	4,677,488	2,711,202
Less: Pledged time deposits for bank loans	(218,538)	(323,165)
Cash and cash equivalents in the consolidated statements of financial position	4,458,950	2,388,037
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(80,000)	(82,947)
Cash and cash equivalents in the consolidated statements of cash flows	4,378,950	2,305,090
Cash and cash equivalents and pledged deposits denominated in:		
— RMB	4,469,305	2,442,793
— other currencies	208,183	268,409
	4,677,488	2,711,202

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.

14. TRADE AND BILLS PAYABLES

	As at 31 December 2009 (audited) RMB'000	As at 31 March 2010 (unaudited) RMB'000
Trade payables	1,997,643	2,833,467
Bills payables	1,762,564	711,984
	3,760,207	3,545,451

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

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

14. TRADE AND BILLS PAYABLES — continued

An aging analysis of the Group's trade and bills payables as at 31 December 2009 and 31 March 2010 is as follows:

	As at 31 December 2009	As at 31 March 2010
	(audited) RMB'000	(unaudited) RMB'000
Within 3 months	3,142,625	2,682,947
3 to 6 months	478,464	624,031
6 months to 1 year	66,212	133,559
1 to 2 years	70,852	102,740
2 to 3 years	893	1,008
Over 3 years	1,161	1,166
	3,760,207	3,545,451

The amounts due to Xinjiang Wind Power and one of the Group's associates included in the trade and bills payables are as follows:

	As at 31 December 2009	As at 31 March 2010
	(audited) RMB'000	(unaudited) RMB'000
18%-owned shareholder of the Company	—	328
Associate	16,473	4,568
	16,473	4,896

15. OTHER PAYABLES

	As at 31 December 2009	As at 31 March 2010
	(audited) RMB'000	(unaudited) RMB'000
Advances from customers	1,814,295	1,166,435
Accrued salaries, wages and benefits	129,142	34,866
Other taxes payable	16,600	112,388
Others	95,749	122,410
	2,055,786	1,436,099

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

	As at 31 December 2009	As at 31 March 2010
	(audited) RMB'000	(unaudited) RMB'000
Jointly-controlled entity	190,003	26,911

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

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

16. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2009	As at 31 March 2010
	(audited) RMB'000	(unaudited) RMB'000
Forward currency contracts		
Assets	4,667	—
Liabilities	10,746	18,064

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 RMB885,000 and RMB11,985,000 were credited and charged to the profit or loss for the three-month periods ended 31 March 2009 and 2010, respectively.

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

The maturity profile of the interest-bearing bank and other borrowings as at 31 December 2009 and 31 March 2010 is as follows:

	As at 31 December 2009	As at 31 March 2010
	(audited) RMB'000	(unaudited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	598,990	921,485
In the second year	454,527	288,310
In the third to fifth years, inclusive	408,000	415,000
Above five years	1,127,300	1,412,500
	2,588,817	3,037,295
Other borrowings repayable:		
Within one year	2,902	2,760
In the second year	3,110	2,959
In the third to fifth years, inclusive	10,946	10,441
Above five years	18,238	16,082
	35,196	32,242
	2,624,013	3,069,537

18. 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. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

18. PROVISION — continued

	Year ended 31 December 2009	Three-month period ended 31 March 2010
	(audited) RMB'000	(unaudited) RMB'000
At beginning of the year/period	131,312	437,092
Additional provision	458,775	89,337
Amounts utilised	(153,447)	(35,646)
Exchange realignment	452	—
At end of the year/period	437,092	490,783
Portion classified as current liabilities	(241,297)	(280,822)
Non-current portion	195,795	209,961

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

19. ISSUED SHARE CAPITAL

	As at 31 December 2009		As at 31 March 2010	
	Number of shares	Nominal value	Number of shares	Nominal value
	(audited)		(unaudited)	
	'000	RMB'000	'000	RMB'000
Shares				
Registered, issued and fully paid:				
Domestic shares of RMB1.00 each	—	—	—	—
A shares of RMB1.00 each	1,400,000	1,400,000	1,400,000	1,400,000
	1,400,000	1,400,000	1,400,000	1,400,000

Movements in the share capital during the year ended 31 December 2009 and the three-month period ended 31 March 2010 were as follows:

	Year ended 31 December 2009		Three-month period ended 31 March 2010	
	Number of shares	Nominal value	Number of shares	Nominal value
	(audited)		(unaudited)	
	'000	RMB'000	'000	RMB'000
At beginning of the year/period	1,000,000	1,000,000	1,400,000	1,400,000
Issue of bonus shares	(a)400,000	(a)400,000	—	—
At end of the year/period	1,400,000	1,400,000	1,400,000	1,400,000

Note:

(a) 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.

20. RESERVES

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

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

20. RESERVES — continued

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.

21. CONTINGENT LIABILITIES

As at 31 December 2009 and 31 March 2010, contingent liabilities not provided for in this report were as follows:

	As at 31 December 2009	As at 31 March 2010
	(audited) RMB'000	(unaudited) RMB'000
Letters of credit issued	176,507	334,167
Letters of guarantee issued	3,645,669	4,137,197
Guarantee given to a bank in connection with bank loan granted to a third party	21,000	21,000
	3,843,176	4,492,364

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.

22. OPERATING LEASE ARRANGEMENTS

(a) ***As lessor***

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to five years. As at 31 December 2009 and 31 March 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December 2009	As at 31 March 2010
	(audited) RMB'000	(unaudited) RMB'000
Within one year	14,522	14,522
In the second to fifth years, inclusive	30,726	27,130
	45,248	41,652

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

22. OPERATING LEASE ARRANGEMENTS — continued

(b) *As lessee*

As at 31 December 2009 and 31 March 2010, the Group had the following total future minimum lease payments under non-cancellable operating leases in respect of land and office building:

	As at 31 December 2009	As at 31 March 2010
	(audited) RMB'000	(unaudited) RMB'000
Within one year	5,990	9,052
In the second to fifth years, inclusive	5,862	9,372
Beyond five years	—	57
	11,852	18,481

23. COMMITMENTS

In addition to the operating lease commitments detailed in note 22(b) above, the Group had the following capital commitments as at 31 December 2009 and 31 March 2010:

	As at 31 December 2009	As at 31 March 2010
	(audited) RMB'000	(unaudited) RMB'000
Contracted, but not provided for:		
Property, plant and equipment and land use rights	609,041	822,976
Authorised, but not contracted for:		
Property, plant and equipment and land use rights	397,833	697,122
	1,006,874	1,520,098

24. RELATED PARTY TRANSACTIONS

(a) The Group had the following significant transactions with related parties during the three-month period ended 31 March 2010 whereas the Group had no significant transaction with related parties during the three-month period ended 31 March 2009:

Continuing transactions:

(i) The Group purchased spare parts and processing services from one of its associates, Hebei Goldwind Electric Equipment Co., Ltd., amounting to approximately RMB4,422,000.

(ii) The Group sold wind turbine generators to one of its jointly-controlled entities, Jilin Tongli Wind Power Co., Ltd., amounting to approximately RMB189,749,000.

Non-continuing transaction:

The Group purchased engineering technology services from Xinjiang Wind Power, amounting to RMB1,950,000.

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.

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

24. RELATED PARTY TRANSACTIONS — continued

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 11, 12, 14 and 15 of Section II above.

(c) Compensation of key management personnel of the Group

	Three-month period ended 31 March	
	2009	**2010**
	(unaudited) RMB'000	**(unaudited) RMB'000**
Short term employee benefits	2,441	2,596
Pension scheme contributions	106	104
	2,547	2,700

25. 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.

(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.

(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.

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — continued

(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 RMB14,572,000,000 as at 31 March 2010, of which an amount of approximately RMB7,241,000,000 has been utilised.

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — continued

(d) *Liquidity risk — continued*

The maturity profile of the Group's financial liabilities as at 31 December 2009 and 31 March 2010, based on the contractual undiscounted payments, is as follows:

31 December 2009

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
	(audited) RMB'000	(audited) RMB'000	(audited) RMB'000	(audited) RMB'000	(audited) RMB'000
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

31 March 2010

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000
Interest-bearing bank and other borrowings	924,245	291,269	425,441	1,428,582	3,069,537
Interest payments on bank and other borrowings	128,721	105,481	272,579	318,547	825,328
Trade and bills payables	3,545,451	—	—	—	3,545,451
Derivative financial instruments	18,064	—	—	—	18,064
Financial liabilities included in other payables	122,410	—	—	—	122,410
Other long-term liabilities	—	—	22,421	—	22,421
	4,738,891	396,750	720,441	1,747,129	7,603,211

(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-

II. TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — continued

(e) *Capital management — continued*

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.

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 are as follows:

	As at 31 December 2009	As at 31 March 2010
	(audited) RMB'000	(unaudited) RMB'000
Trade and bills payables (note 14)	3,760,207	3,545,451
Other payables (note 15)	2,055,786	1,436,099
Interest-bearing bank and other borrowings (note 17)	2,624,013	3,069,537
Other long-term liabilities	23,984	22,421
Less: Cash and cash equivalents (note 13)	(4,458,950)	(2,388,037)
Pledged deposits (note 13)	(218,538)	(323,165)
Net debt	3,786,502	5,362,306
Equity attributable to owners of the Company	5,201,057	5,290,679
Capital and net debt	8,987,559	10,652,985
Gearing ratio	42.13%	50.34%

26. SUBSEQUENT EVENTS

Pursuant to the resolution of the 2009 annual general meeting of the Company held on 25 March 2010, 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.