You should read this section in conjunction with our consolidated financial information, including the notes thereto, as set out in "Appendix I—Accountants' Report" to this prospectus. The consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in "Risk Factors".

OVERVIEW

We are the largest environmental protection and energy conservation solutions provider for coal-fired power plants operating in the PRC, based on cumulative installed capacity in respect to our environmental protection businesses and contract value in respect to our energy conservation business as of December 31, 2010; and a renewable energy equipment manufacturer and service provider, with a leading position in the PRC's WTG manufacturing industry, based on newly installed capacity for the year of 2010 or cumulative installed capacity as of December 31, 2010. Our strong R&D capabilities and range of core technologies and innovative business models have allowed us to enjoy rapid growth in our operations. During the Track Record Period, our revenues were generated from two major business segments:

- Environmental protection and energy conservation solutions, comprising the following:
  - Environmental protection; and
  - Energy conservation solutions; and
- Renewable energy equipment manufacturing and services, comprising the following:
  - Wind power products and services; and
  - Solar power products and services.

During the Track Record Period, we experienced significant growth in revenues and profits. For the years ended December 31, 2008, 2009 and 2010 and for the six months ended June 30, 2011, our revenue was RMB3,966.1 million, RMB5,349.7 million, RMB10,998.9 million and RMB6,774.6 million, respectively. For the same periods, our profit attributable to shareholders of the Company was RMB90.9 million, RMB95.6 million, RMB350.3 million and RMB181.1 million, respectively. Our revenues grew at a CAGR of 66.5% between 2008 and 2010, and profits attributable to shareholders of our Company grew at a CAGR of 96.3% in the same period.

BASIS OF PRESENTATION

We became a joint stock company with limited liability in the PRC on May 16, 2011 as a result of the conversion of GDKH into Guodian Technology & Environment Group Corporation Limited. Prior to such conversion, GDKH was the holding company of the subsidiaries now comprising our Group; and the Guodian Group and GD Power held 51% and 49% of the equity interests in GDKH, respectively.

This section "Financial Information" sets forth certain consolidated financial information relating to our Group, including a description of the consolidated income statements and the consolidated cash flow statements, for the years ended December 31, 2008, 2009 and 2010, and the six months ended June 30, 2010 and 2011, and the consolidated balance sheets as at December 31, 2008, 2009 and 2010 and June 30, 2011.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those discussed below:

Developments in the PRC economy and the PRC energy sector

Demand for products and services in the industries in which we conduct our businesses directly impacts our revenues and gross profits.

In the environmental protection and energy conservation sector, the growth trend in demand for the products and services we provide is attributable to a combination of factors, including economic growth within the PRC, and changes in the environmental protection and energy conservation-related growth in power consumption and the awareness of and introduction of policies in the PRC. The PRC is currently the world's second largest economy, with one of the highest economic growth rates. This has in turn fueled a continuous increase in demand for energy and power in the PRC, at growth rates which in some instances have exceeded growth in the GDP of the PRC at the relevant time. China's per capita power consumption, however, still remains considerably lower than that of many developed countries, and we believe that the PRC's demand for power will continue to increase, which would in turn lead to increases in installed capacity for power generation. A substantial proportion of the aggregate installed capacity within the PRC is coal-fired, and we believe that going forward, coal-fired power generation will continue to play a significant role in the PRC energy sector. Given the environmental concerns relating to the use of coal-fired power plants, we expect that demand for our products and services will continue to increase as a result of these demand trends, as well as the current initiatives promulgated by the PRC Government with respect to environmental protection. In particular, the PRC Government listed both environmental protection and energy conservation as strategic industries for the PRC economy in 2010, and the 12th Five Year Plan reflecting the PRC Government's economic and policy priorities for the five-year period between 2011 and 2015 includes the promotion and development of environmental protection technologies and the industry as a whole within the PRC.

Demand for renewable energy equipment and integrated solutions has been driven by the PRC Government's initiatives in pollution control and to diversify power generation sources so as to avoid over-reliance on fossil fuel-based power generation through alternative power generation solutions. Given the increasing concern over pollution in the PRC, renewable power sources have steadily been increasing in importance within the PRC power generation industry. In particular, according to Garrad Hassan, the wind power industry is expected to experience rapid growth over the period 2011 to 2015 (based on the assumption that economic growth in the PRC over this period will broadly approximate to the growth rate experienced between 2005 to 2010). Similarly, according to Solarbuzz, demand for solar power generation in the PRC is expected to increase substantially for the period between 2011 and 2015.

Demand for the products and services offered by our Company is dependent on developments in the PRC energy sector and the PRC economy, and positive or negative developments in these areas would impact our financial condition and results of operations.

Regulatory environment and Government support

Initiatives by PRC Government through regulatory reform and policy implementation, as well as provision of financial and other governmental subsidies has stimulated demand for our products and services. The PRC Government has provided support in the form of policy initiatives and financial incentives and subsidies to both power producers and service providers of certain services in the environmental protection, energy conservation and renewable industry sectors, which comprise the main sectors in which our Company operates.

For a summary of certain regulatory initiatives and incentives which apply to our Group, please see "Regulations."

Continued Governmental focus and support for the environmental conservation and renewable energy industries is key to our financial condition and results of operations. There is no assurance that the PRC Government will continue to provide the current levels of regulatory and financial support to operators in these industries, or that such support levels will not be decreased. If this occurs, growth in these industries may be affected and consequently, our financial condition and results of operations. See "Risk Factors—Reduction or termination of government support or subsidy for renewable energy industries in China or elsewhere could adversely affect our businesses."

Business model development and business mix

Our operations are divided into two major business segments, each of which comprises two further business lines: (i) the environmental protection and energy conservation solutions business segment comprises the energy protection business and the energy conservation business, and (ii) the renewable energy equipment manufacturing and services business segment comprises our wind power products and services business and solar power products and services business. Our results of operations and operating profit margin are affected by changes in our segment and business mix. During the Track Record Period, our results of operations and financial condition were affected by the relative size and performance of our environmental protection and energy conservation business and our renewable energy equipment manufacturing and services business, in particular, our wind power products and services business line, which we expanded significantly during the Track Record Period.

We aim to continue to strengthen our leading position in the businesses in which we operate, but also optimize our business mix through diversification of our projects developed under various business models, as well as our product and service offerings in each business based on general market conditions.

Since 2008, we have adopted the use of certain new business models in addition to the historical EPC arrangements used in our business operations. These business models, such as the concession operation, build transfer and operate (BOT) and energy management contract (EMC) models, generally require substantially more capital input from us than in the traditional EPC model, and we are exposed to risks associated with ownership and operation of such assets under the concession operation and the BOT models (as opposed to the EPC models under which we undertake risks typically associated with EPC contractors) over an extended period of time. Services which are provided under these business models also require more extensive investment in terms of financial and management capabilities. For example, under a typical EPC arrangement, we receive and recognize revenues over the period of the project construction according to the stage of project completion as specified in the relevant EPC contract. However, if we develop a project under the concession operation model, we only recognize revenues when we start to receive such revenues in the form of byproduct revenues from sales of byproducts generated during the desulfurization process and revenue based on a fixed rate per KWh of electricity generated by the power plant once the desulfurization concession operations have commenced. Project costs for such projects are capitalized and transferred to the relevant asset account on our balance sheet upon completion.

We believe that the implementation of these new business models give us several operational advantages, allowing us to leverage our capabilities across our business groups and operational units and to stabilize our cashflows by providing a recurrent source of income. In addition, the PRC Government has provided incentives and subsidies to encourage the utilization of these business models in the energy and energy related industries in which we operate.

The success of these new business models is dependent on several factors, including our capital resources, ability to obtain financing for our projects at a reasonable cost or at all, and manage these projects efficiently and effectively. Accordingly, as we develop more projects through these business models, our capital, financing and asset structure will continue to evolve in line with developments in our business, and our financial condition and results of operation may be impacted as a result.

Competition

The level of competition in the industries in which we conduct our businesses may affect our revenue and consequently our financial condition and results of operations. We face competition from both domestic and international enterprises. For example, in the wind power products and services sector, the number of WTG suppliers has increased significantly over the past few years, leading to a rapid increase in WTG production capacity. Similarly, our solar power products and services business is also experiencing intense competition.

Other industry segments in which we operate are also subject to competition. These industry segments are characterized by high initial capital costs and technological barriers to entry. Given the significant start-up costs and time required to develop technological know-how and expertise, we believe we have a competitive advantage over new and existing market entrants and incumbent operators given our access to capital resources and technology advances, which will be key to maintaining our leading positions in the industries in which we operate. We will continue to face significant competition from competing companies for market share going forward, or that we will be able to maintain our current market share, which would impact our financial condition and results of operations.

Our ability to maintain or further increase our profit and market share will largely depend on our ability to maintain our strengths in terms of financing capabilities, technology expertise and brand recognition.

Seasonality

A substantial portion of our revenues and profits are derived from our WTG business, which is seasonal in nature. In general, customers of our WTG business are located primarily in northern China, where, due to weather conditions, wind farm construction tends to begin in the second quarter of a calendar year. Consequently, WTG delivery is generally scheduled to match such construction and typically is scheduled for the second half (and in particular, during the fourth quarter) of a calendar year. Our revenues during the first half of each financial year are therefore lower than our revenues in the second half of such financial year.

In our WTG business, our customers for our WTG businesses typically pay an advance of 10% of the contract value upfront upon confirmation of their orders, with the remaining 40% being payable during the construction stage, an additional 40% being payable upon delivery and installation of the WTG system and the remaining 10% being retained by the customer until expiry of the warranty period for such WTG systems (such warranty periods range from between two to five years).

Financing arrangements

During the Track Record Period, we financed our business expansion and growth partially through bank borrowings and other forms of financing. As of December 31, 2010 and June 30, 2011, our outstanding short-term and long-term borrowings amounted to RMB6,952.6 million and RMB10,175.4 million, respectively. For the year ended December 31, 2010 and the six months ended June 30, 2011, our finance costs amounted to RMB199.2 million and RMB207.9 million, respectively.

Going forward, we expect that borrowings will continue to be an integral part of our capital structure and will be key to our continued growth. For example, as we start to develop more projects based on the concession and EMC models in our environmental protection and energy conservation solutions business, our capital requirements for such projects and for their operation after completion will be significantly higher than what is required currently under under EPC models, which also require significant upfront capital investment by our Company. Our ability to obtain financing at reasonable rates or at all will therefore have an impact on our financial condition and results of operations.

Substantially all of our outstanding debt obligations are denominated in RMB and bear floating rates. Accordingly, we are exposed to fluctuations in interest rates based on adjustments of benchmark interest rates by the PBOC for RMB loans, due to the impact such changes have on our interest income and interest expenses from interest-bearing deposits and other financial assets and liabilities. See "—Indebtedness" for more details. The PBOC benchmark rate for six month RMB loans was lowered several times in 2008, from 6.21% in August 2007 to 4.86% as at December 23, 2008. This benchmark rate was increased in October 2010 to 5.10% and has been increased four times since then to the current rate of 6.10%, which was set on July 7, 2011.

Taxation

We and our subsidiaries are subject to PRC income tax. Our effective income tax rates for 2008, 2009 and 2010 were 17.1%, 21.5% and 17.4%, respectively and was 15.7% for the six months ended June 30, 2011. During the Track Record Period, the statutory PRC enterprise income tax rate was 25.0%, as determined in accordance with relevant PRC income tax rules and regulations. However, under national and local tax laws certain preferential tax treatments are applicable to certain companies, industries and regions. For example, as of June 30, 2011, 14 of our subsidiaries were categorized as "high-end new technology enterprises" and are entitled to a preferential tax rate of 15% pursuant to the PRC Enterprise Income Tax Law ("**PRC EIT Law**"). Some of our other subsidiaries are entitled to a three-year tax holiday followed by a three-year 50% rate reduction as their operations fall within certain qualified environmental protection and energy conservation segments as defined by the PRC Government. Moreover, some of our subsidiaries are entitled to a two-year tax holiday followed by a three-year 50% rate reduction.

Deductible value added tax ("**VAT**") represents the input VAT in excess of output VAT, which is deductible from output VAT in subsequent years. Input VAT is recognized when purchase of manufacturing raw materials and components and when acquisition of machinery and equipment used for operation, while output VAT is recognized when the goods are sold in subsequent years. The continuous expansion of our Group's business required maintaining certain level of inventories and purchase of machinery and equipment. As a result, our Group's input VAT exceeded its output VAT as of each of December 31, 2008, 2009, 2010 and June 30, 2011.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Revenue recognition

Revenue is measured as the fair value of the consideration received or receivable. Provided that it is probably that the economic benefits will flow to our Group and revenue and costs (as applicable) can be measured reliably, we recognize revenues as follows:

Sale of goods

Revenue is recognized when goods are delivered to customers' premises, which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is calculated after deduction of any trade discounts, and excludes value added tax and other sales taxes.

Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognized using the percentage of completion method, measured by reference to the contract costs incurred to date as a percentage of estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognized equivalent to the amount of incurred contract costs that will probably be recoverable only to the extent that it is probable that it will be recoverable.

Revenue from construction services and operation services under BOT service concession arrangements

Our Group has entered into three service concession agreements with certain local governments (the “Grantors”) to construct and operate sewage treatment plants for a concession period ranging between 25-30 years. Our Group is responsible for the construction and maintenance of these sewage treatment plants during the concession period. Upon expiry of the concession period, our Group will be required transfer the sewage treatment plants to the Grantors at nil consideration. These service concession arrangements fall under the scope of IFRIC 12, *Service Concession Arrangements*.

Revenue from construction services under service concession arrangements is measured at the fair value of the consideration received or receivable, when total income and expenses associated with the construction contract and the stage of completion can be determined reliably. The stage of completion is measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

Operation or service revenue is recognized during the period in which the services are provided by our Group.

Due to the fact that there was no real cash inflow realized/realizable during the construction phase of amount of infrastructure assets under our service concession arrangements, in order to determine the construction revenue to be recognized during the Track Record Period, our Directors estimated such amounts based on total contract costs plus estimated profit margins. The contract costs incurred up to the year/period end relate to all costs that are directly attributable to the construction. These costs include the design, inspection, evaluation and consultation costs directly related to the construction contract which is in accordance with the relevant accounting standard.

In ascertaining totals construction costs, the estimates by our Directors were based on information available to them such as budgeted project costs, actual project costs incurred/settled to date, and relevant third party evidence such as signed construction contracts and related supplements, variation orders placed and underlying construction and design plans.

In respect of the estimated profit margin earned during the construction phase, the estimates by our Directors made reference to the profit margin derived from our Group’s EPC projects in the water treatment business during the Track Record Period without taking into account the grant of the operating rights and entitlement to future operation revenues. Our

Directors believe that the construction of sewage treatment plants under service concession arrangements are analogous to our provision of EPC services for the construction of sewage treatment plants. Accordingly, construction revenues under these service concession arrangements are recognized at total expected construction cost for the sewage treatment plant plus the estimated profit margin.

Actual costs or revenues may be higher or lower than when estimated at the balance sheet date, which would affect the revenue and profit recognized in future years as an adjustment to the amounts recorded to date.

Rendering of services

Revenue from design and consultant services rendered is recognized in the consolidated income statement in proportion to the stage of completion of the transaction as at the balance sheet date.

Revenue from other services rendered is recognized upon the delivery or performance of the services.

Rental income from operating leases

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

We recognize income from our concession operations for the desulfurization business as rental income from operating leases.

Construction Contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. When the outcome of a construction contract can be estimated reliably, contract costs are recognized as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognized as an expense. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognized as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded at the net amount of costs incurred plus recognized profit less recognized losses and progress billings, and are presented in the balance sheet as the “Gross amounts due from customers for contract work” (as an asset) or the “Gross amounts due to customers for contract work” (as a liability), as applicable. Progress billings payable not yet paid by the customer are included under “Trade and bills receivables”. Amounts received before the related work is performed are presented as “Receipts in advance” under “Other payables”.

With respect to uncompleted contracts, we recognize profit and revenue based on our management's estimation of the outcome of a contract, taking into account the work done to date. Until such time as our Group determines that the work on a particular project is sufficiently advanced such that the project development costs and the revenue from a project can be reliably estimated, amounts due from customers for contract work will not include profit which the Group may eventually realize from work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated, which would affect revenue and profit recognition in forthcoming years as an adjustment to the amounts recorded to date. Unless there are any unforeseen circumstances, we generally do not expect these adjustments to be major.

Property, plant and equipment

The asset value of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

Depreciation is calculated using the straight line method over their estimated useful lives as follows:

— Land, buildings and structures	20-70 years
— Machinery and equipment	3-35[(1)] years
— Motor vehicles	4-15 years
— Furniture, fixtures and others	3-12 years

Note:

(1) The 35 year useful life of machinery and equipment relates to the grid network assets, which were disposed of in 2011.

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

Intangible assets (other than goodwill)

In respect of BOT service concession arrangements, the consideration received or receivables in exchange for construction services is recognized as a financial asset for an unconditional contractual right to receive cash or another financial asset from or at the direction of the Grantor for the construction services and/or an intangible asset for a right or a license to charge users of the sewage treatment service.

Our Group recognizes intangible assets arising from service concession arrangements for the rights to charge for usage of the concession infrastructures. Our Group has not recognized service concession receivables as the Grantors have not provided our Group with any guaranteed minimum payment for the operating periods of the sewage treatment plants. Intangible assets received as consideration for providing construction services under a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost less accumulated amortization and impairment losses.

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially viable and the Group has sufficient resources and intends to complete development. The expenditure capitalized includes the costs of materials, direct labor, and an appropriate proportion of overhead expenses and borrowing costs, where applicable. Capitalized development costs are stated at cost less accumulated amortization and impairment losses. Other development expenditures are recognized as an expense in the period in which they are incurred.

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

— Concession assets	25-30 years
— Capitalized development costs	5 years
— Technical know-how	5-10 years
— Software and others	3-10 years

Both the period and method of amortization are reviewed annually.

Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Government grants

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

DESCRIPTION OF SELECTED INCOME STATEMENT ITEMS

Revenue

We generate our revenues primarily from two major segments: (i) the environmental protection and energy conservation solutions segment, which comprises (x) the environmental protection solutions sub-segment and (y) the energy conservation solutions sub-segment, and (ii) the renewable energy equipment manufacturing and services segment, which comprises (x) the wind power products and services sub-segment and (y) the solar power products and services sub-segment.

In addition, a small portion of our revenue is generated from other lines of business such as biomass power generation and provision of other power-related products.

The following table sets forth a breakdown of our revenues by segment and each item as a percentage of revenue for the periods stated:

	Year ended December 31,						Six months ended June 30,			
	2008		2009		2010		2010		2011	
	RMB millions	%	RMB millions	%	RMB millions	%	RMB millions	%	RMB millions	%
Environmental protection and energy conservation solutions:										
Environmental protection	2,958.4	74.6	2,751.5	51.5	3,093.6	28.1	1,200.8	32.6	1,721.5	25.4
Energy conservation solutions	573.0	14.4	717.5	13.4	720.1	6.6	290.1	7.9	272.4	4.0
Segment total	3,531.4	89.0	3,469.0	64.9	3,813.7	34.7	1,490.9	40.5	1,993.9	29.4
Renewable energy equipment manufacturing and services:										
Wind products and services	33.5	0.9	1,580.1	29.5	5,807.6	52.8	1,867.4	50.7	3,463.4	51.1
Solar products and services	—	—	101.5	1.9	1,253.1	11.4	282.9	7.7	1,233.1	18.2
Segment total	33.5	0.9	1,681.6	31.4	7,060.7	64.2	2,150.3	58.4	4,696.5	69.3
All others	401.2	10.1	199.1	3.7	124.5	1.1	40.7	1.1	84.2	1.3
Total revenue	3,966.1	100.0	5,349.7	100.0	10,998.9	100.0	3,681.9	100.0	6,774.6	100.0

Cost of sales

Cost of sales consists primarily of costs of production. Costs of production primarily consist of raw materials costs, construction costs and other miscellaneous expenses (including costs of personnel, water and electricity fees and depreciation).

The following table sets forth a breakdown of our cost of sales and each line item as a percentage of cost of sales for the periods stated:

	Year ended December 31,						Six months ended June 30,			
	2008		2009		2010		2010		2011	
	RMB millions	%	RMB millions	%	RMB millions	%	RMB millions	%	RMB millions	%
Environmental protection and energy conservation solutions:										
Environmental protection	2,573.0	77.7	2,396.5	54.0	2,642.8	28.9	1,046.5	34.5	1,405.4	24.7
Energy conservation solutions	370.5	11.2	489.6	11.0	488.5	5.4	182.5	6.0	171.4	3.0
Segment total	2,943.5	88.9	2,886.1	65.0	3,131.3	34.3	1,229.0	40.5	1,576.8	27.7
Renewable energy equipment manufacturing and services:										
Wind products and services	28.0	0.9	1,307.8	29.5	4,779.1	52.3	1,506.9	49.7	2,861.9	50.3
Solar products and services	—	—	85.1	1.9	1,128.8	12.3	263.3	8.7	1,187.3	20.9
Segment total	28.0	0.9	1,392.9	31.4	5,907.9	64.6	1,770.2	58.4	4,049.2	71.2
All others	338.7	10.2	159.6	3.6	100.9	1.1	34.5	1.1	62.4	1.1
Total cost of sales	3,310.2	100.0	4,438.6	100.0	9,140.1	100.0	3,033.7	100.0	5,688.4	100.0

In our environmental protection business, our cost of sales comprises principally construction and costs relating to raw materials, components and spare parts, sub-contracting costs, staff and utility expenses, depreciation and business taxes relating to construction design-related services which are subject to applicable service taxes.

In our energy conservation solutions business, our cost of sales comprises principally construction and costs relating to raw materials, components and spare parts, sub-contracting costs, staff costs, depreciation and business taxes relating to construction design-related services which are subject to applicable service taxes.

In our wind products and services business, our cost of sales comprises principally costs relating to raw materials, components and spare parts, staff costs and depreciation expenses.

In our solar products and services business, our cost of sales comprises principally costs relating to raw materials, components and spare parts, sub-contracting costs, staff costs, depreciation and business taxes relating to construction design-related services which are subject to applicable service taxes.

Operating profit and operating margin

The operating profit for an individual business segment is calculated as the revenue of the relevant segment, other revenue and other net income/(losses) attributable to that segment after deducting cost of sales, selling and distribution expenses and administrative expenses of such segment. Total operating profit for the Group represents the total operating profit for the individual business segments after adjusting for unallocated expenses.

The operating margin of each business segment is calculated by dividing operating profit of the segment by revenue from such segment for the relevant period.

The following table sets forth a breakdown of our operating profit and profit margins (stated as a percentage of revenue) for the periods stated:

	Year ended December 31,						Six months ended June 30,			
	2008		2009		2010		2010		2011	
	RMB millions	%	RMB millions	%	RMB millions	%	RMB millions	%	RMB millions	%
Environmental protection and energy conservation solutions:										
Environmental protection	186.9	6.3	147.3	5.4	167.2	5.4	43.3	3.6	168.6	9.8
Energy conservation solutions	123.4	21.5	114.5	16.0	139.9	19.4	62.5	21.5	49.3	18.1
Segment total	310.3	8.8	261.8	7.5	307.1	8.1	105.8	7.1	217.9	10.9
Renewable energy equipment manufacturing and services:										
Wind products and services	(53.7)	(160.3)	95.4	6.0	486.6	8.4	193.9	10.4	269.2	7.8
Solar products and services	(4.0)	—	6.4	6.3	106.0	8.5	(19.4)	(6.9)	0.5	0.0
Segment total	(57.7)	(172.2)	101.8	6.1	592.6	8.4	174.5	8.1	269.7	5.7
All others	35.5	8.8	4.6	2.3	0.5	0.4	(1.3)	(3.2)	5.1	6.1
Unallocated head office and corporate operating (loss) / profit	(26.1)	—	(37.1)	—	(47.8)	—	(22.1)	—	3.6	—
Total operating profit	262.0	6.6	331.1	6.2	852.4	7.7	256.9	7.0	496.3	7.3

Other revenue

Other revenue consists primarily of government subsidies (e.g. funds for wind power equipment, operating subsidies, subsidies for research projects and special funds for conversion of scientific and technological developments), interest income, dividend income from unquoted equity securities and others.

We typically receive subsidies on a one-off basis. Examples of subsidies received by us include CDM income, tax rebates and governmental subsidies in the wind power sector, as well as research and development subsidies on a project basis for both technological development and research into industrial application of such technologies. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, we received governmental grants and subsidies amounting to RMB11.6 million, RMB18.4 million, RMB109.9 million and RMB18.1 million, respectively.

The following table sets forth a breakdown of other revenue and each item as a percentage thereof for the periods stated:

	Year ended December 31,						Six months ended June 30,			
	2008		2009		2010		2010		2011	
	RMB millions	%	RMB millions	%	RMB millions	%	RMB millions	%	RMB millions	%
Government grants	11.6	36.5	18.4	43.6	109.9	73.8	39.6	72.3	18.1	31.8
Interest income	19.3	60.7	21.8	51.7	35.1	23.6	13.8	25.2	35.3	62.1
Dividend income from unquoted equity securities	0.3	0.9	0.3	0.7	0.3	0.2	0.3	0.5	1.6	2.8
Others	0.6	1.9	1.7	4.0	3.6	2.4	1.1	2.0	1.9	3.3
	31.8	100.0	42.2	100.0	148.9	100.0	54.8	100.0	56.9	100.0

Other net income/(losses)

Other net income/(losses) consists primarily of disposal gains or losses upon disposal of long-term assets and sale of raw materials, as well as changes in fair value and foreign exchange losses or gains.

The following table sets forth a breakdown of other net income (losses) and each item as a percentage thereof for the periods stated:

	Year ended December 31,						Six months ended June 30,			
	2008		2009		2010		2010		2011	
	RMB millions	%	RMB millions	%	RMB millions	%	RMB millions	%	RMB millions	%
Net gain on sales of raw materials	2.3	191.7	3.1	(172.2)	6.6	(98.5)	3.3	(14.2)	7.8	10.9
Net gain on disposal of subsidiaries	—	—	—	—	—	—	—	—	68.2	95.7
Net gain (loss) on disposal of associates	—	—	0.2	(11.1)	—	—	—	—	(3.0)	(4.2)
Net loss from changes in fair value	—	—	—	—	—	—	—	—	(1.4)	(2.0)
Net (loss) gain on disposal of unquoted equity investments	—	—	(0.1)	5.5	—	—	—	—	0.1	0.1
Net (loss) gain on disposal of property, plant and equipment	(0.6)	(50.0)	(1.2)	66.7	0.2	(3.0)	0.2	(0.9)	(0.1)	(0.1)
Net foreign exchange loss	(0.5)	(41.7)	(3.8)	211.1	(13.5)	201.5	(26.7)	115.1	(0.3)	(0.4)
	1.2	100.0	(1.8)	100.0	(6.7)	100.0	(23.2)	100.0	71.3	100.0

Net gain on sales of raw materials comprises gains from sales of obsolete raw material, spare parts and component inventories which were no longer suitable for our purposes.

Net gain on disposal of subsidiaries comprises a gain on the sale of certain subsidiaries which were engaged in businesses not in line with our Group's strategic plans.

Net gain (loss) on disposal of associates comprises a gain on the sale of our interests in certain associated companies which were engaged in businesses not in line with our Group's strategic plans.

Net loss from changes in fair value comprise losses arising from changes in the fair value of a Euro-forward exchange contract of Guodian Jintech Solar Energy Technology (Yi Xing) Co., Ltd. (國電晶德太陽能科技（宜興）有限公司) (“**Jintech**”). We disposed of 40% of our equity interest in Jintech in June 2011.

Net (loss) gain on disposal of unquoted equity investments comprise losses and gains on disposals of minority interests in certain companies which were engaged in business not in line with our Group's strategic plans.

Net foreign exchange losses relates to translation and transaction losses on foreign exchange denominated deposits and foreign exchange denominated sales. See "—Currency Risk."

Selling and distribution expenses

The following table sets forth a breakdown of our selling and distribution expenses and each item as a percentage thereof for the periods stated:

	Year ended December 31,						Six months ended June 30,			
	2008		2009		2010		2010		2011	
	RMB millions	%	RMB millions	%	RMB millions	%	RMB millions	%	RMB millions	%
Personnel costs	14.2	19.8	22.8	14.6	35.8	8.9	11.6	9.2	24.4	10.3
Warranty provisions	(0.8)	(1.1)	50.8	32.6	177.3	44.0	56.8	44.8	107.1	45.1
Transportation	5.8	8.1	6.6	4.2	76.9	19.1	5.0	3.9	42.5	17.9
Entertainment and traveling	17.9	25.0	22.7	14.6	39.8	9.9	14.1	11.1	22.0	9.3
Bidding service fees	8.9	12.4	26.2	16.8	16.9	4.2	13.7	10.8	12.0	5.0
Advertising	7.9	11.0	5.0	3.2	20.7	5.1	15.7	12.4	11.3	4.8
Office and meeting expenses	8.5	11.8	11.2	7.2	18.7	4.6	5.8	4.6	7.1	3.0
Others	9.3	13.0	10.6	6.8	16.7	4.2	4.0	3.2	10.9	4.6
Total	71.7	100.0	155.9	100.0	402.8	100.0	126.7	100.0	237.3	100.0

Administrative expenses

Administrative expenses consist primarily of employee salaries, benefits, research and development expenditures of our Group, property management and rental expenses for our centralized administrative functions, depreciation and amortization expenses related to office and office-related equipment and systems, audit and consulting fees as well as other travel and transportation-related costs of our administrative staff.

The following table sets forth a breakdown of our administrative expenses and each item as a percentage thereof for the periods stated:

	Year ended December 31,						Six months ended June 30,			
	2008		2009		2010		2010		2011	
	RMB millions	%	RMB millions	%	RMB millions	%	RMB millions	%	RMB millions	%
Personnel	155.8	43.9	214.4	46.2	299.2	40.1	123.0	41.5	170.2	35.4
Research and development expenses	33.7	9.5	57.3	12.3	114.5	15.4	31.2	10.5	44.5	9.3
Depreciation and amortization	28.5	8.0	39.7	8.5	58.4	7.8	28.7	9.7	67.5	14.0
Property management and rental	13.8	3.9	15.2	3.3	20.3	2.7	10.7	3.6	14.2	3.0
Utilities	4.8	1.3	5.2	1.1	9.6	1.3	2.7	0.9	5.8	1.2
Professional service fees	7.1	2.0	13.8	3.0	14.6	2.0	5.5	1.9	8.9	1.8
Miscellaneous	111.5	31.4	118.9	25.6	229.2	30.7	94.4	31.9	169.7	35.3
Total	355.2	100.0	464.5	100.0	745.8	100.0	296.2	100.0	480.8	100.0

Finance costs

Finance costs consist primarily of interest payments on borrowings from banks, other financial institutions and Connected Persons, after deducting capitalized interest for property, plant and equipment and capitalized finance costs during the construction period.

The following table sets forth a breakdown of our finance costs and each item as a percentage thereof for the periods stated:

	Year ended December 31,						Six months ended June 30,			
	2008		2009		2010		2010		2011	
	RMB millions	%	RMB millions	%	RMB millions	%	RMB millions	%	RMB millions	%
Interest on bank and other borrowings wholly repayable within five years	50.3	122.4	113.9	105.7	364.4	182.9	163.9	162.6	317.8	152.9
Interest on bank and other borrowings repayable after five years	0.1	0.2	17.2	15.9	29.2	14.7	13.1	13.0	15.6	7.5
	50.4	122.6	131.1	121.6	393.6	197.6	177.0	175.6	333.4	160.4
Less: interest expenses capitalized into property, plant and equipment, intangible assets and construction contracts	(9.3)	(22.6)	(23.3)	(21.6)	(194.4)	(97.6)	(76.2)	(75.6)	(125.5)	(60.4)
	41.1	100.0	107.8	100.0	199.2	100.0	100.8	100.0	207.9	100.0

For the financial years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2010 and 2011, we capitalized finance costs for property, plant and equipment and construction at an effective rate (based on actual interest expenses capitalized) of 7.06%, 5.73%, 4.83%, 4.99% and 5.06% per annum, respectively.

Income tax

Our Company is subject to an income tax rate of 25% pursuant to the PRC EIT Law. Some of our subsidiaries are subject to a preferential income tax rate at 15% since they are high-technology enterprises under the PRC EIT Law.

Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable directly or indirectly to our Company, and in respect of which our Group has not agreed any additional terms which would result in our having a contractual obligation meeting the definition of a financial liability. Non-controlling interests are deducted from our profits for the period (in order to determine the share of such profits attributable to our equity/shareholders) with which would have been or are added to our profits for the period (in order to determine profits attributable to our equity/shareholders when the relevant entities have losses before non-controlling interests are deducted).

The major non-controlling interests noted in our consolidated income statements, include the following for the periods indicated:

- in the wind power products and services sub-segment, the results of operations of United Power attributable to the approximately 30% equity interest held by Longyuan Power from May 2008 to date; and
- in the environmental protection and energy conservation solutions segment, the results of operations of Longyuan Technology and its subsidiaries attributable to the 77% equity interest held by other parties from August 2010 to date (after the listing of Longyuan Technology on the Shenzhen Stock Exchange) and to the 69% equity interest held by other parties from January 1, 2008 to August 2010 (prior to the listing of Longyuan Technology on the Shenzhen Stock Exchange).

CONSOLIDATED RESULTS OF OPERATIONS

The following discussion addresses the principal trends that have affected our results of operations during the Track Record Period. The following table sets out our consolidated results of operations for the periods indicated:

	Years ended December 31,						Six months ended June 30,			
	2008	% of Total Revenue	2009	% of Total Revenue	2010	% of Total Revenue	2010	% of Total Revenue	2011	% of Total Revenue
			(RMB millions)				(unaudited)	(RMB millions)		
Revenue	3,966.1		5,349.7		10,998.9		3,681.9		6,774.6	
Cost of sales	(3,310.2)	83.5	(4,438.6)	83.0	(9,140.1)	83.1	(3,033.7)	82.4	(5,688.4)	84.0
Gross profit	655.9	16.5	911.1	17.0	1,858.8	16.9	648.2	17.6	1,086.2	16.0
Other revenue	31.8	0.8	42.2	0.8	148.9	1.4	54.8	1.5	56.9	0.8
Other net income/ (losses)	1.2	0.0	(1.8)	0.0	(6.7)	0.1	(23.2)	0.6	71.3	1.1
Selling and distribution expenses	(71.7)	1.8	(155.9)	2.9	(402.8)	3.7	(126.7)	3.4	(237.3)	3.5
Administrative expenses	(355.2)	8.9	(464.5)	8.7	(745.8)	6.8	(296.2)	8.1	(480.8)	7.1
Profit from operations	262.0	6.6	331.1	6.2	852.4	7.7	256.9	7.0	496.3	7.3
Finance costs	(41.1)	1.0	(107.8)	2.0	(199.2)	1.8	(100.8)	2.8	(207.9)	3.1
Share of profits less losses of associates	20.4	0.5	24.5	0.4	27.3	0.3	3.5	0.1	16.9	0.3
Profit before taxation	241.3	6.1	247.8	4.6	680.5	6.2	159.6	4.3	305.3	4.5
Income tax	(41.2)	1.1	(53.3)	1.0	(118.7)	1.1	(40.1)	1.1	(48.0)	0.7
Profit for the year/ period	200.1	5.0	194.5	3.6	561.8	5.1	119.5	3.2	257.3	3.8
Profit attributable to:										
Equity owners/ shareholders of the Company	90.9	2.3	95.6	1.8	350.3	3.2	57.8	1.5	181.1	2.7
Non-controlling interests	109.2	2.7	98.9	1.8	211.5	1.9	61.7	1.7	76.2	1.1
Profit for the year/ period	200.1	5.0	194.5	3.6	561.8	5.1	119.5	3.2	257.3	3.8
Basic and diluted earnings per share (RMB)	0.02		0.02		0.07		0.01		0.04	

Other Financial Information/Operating Data:

	Years ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
Debt to Equity (%)[1]	(10.1)	102.7	84.2	78.1
Gearing (%)[2]	(11.2)	50.7	45.7	43.8
Current ratio (times)[3]	1.2	0.8	0.9	0.9
Stock turnover (days)[4]	101.5	181.9	217.4	253.4
Gross margin (%)[5]	16.5	17.0	16.9	16.0
Net profit margin (%)[6]	5.0	3.6	5.1	3.8

Notes:

(1) Our debt to equity ratio is determined as the percentage which our net indebtedness bears to our net assets. Net indebtedness is calculated as our total indebtedness (including interest-bearing other payables and loans) less our cash and cash equivalents.

(2) Our gearing ratio is determined based on the percentage which our net indebtedness bears to the aggregate of our equity and net indebtedness.
(3) Our current ratio is determined as our current assets divided by our current liabilities.
(4) Our stock turnover days is determined by the aggregate carrying value of our inventory divided by our cost of sales for the period (being 365 days for each of 2008, 2009 and 2010 and 181 days for the six months ended June 30, 2011).
(5) Our gross margin is calculated based on the percentage which our gross profit bears to our total revenue.
(6) Our net profit margin is calculated based on the percentage which our net profit after taxes bears to our total revenue.

SIX MONTHS ENDED JUNE 30, 2011 COMPARED TO SIX MONTHS ENDED JUNE 30, 2010

Overview

	Revenue		Gross Profit		Operating Profit	
	Six months ended June 30,		Six months ended June 30,		Six months ended June 30,	
	2010	2011	2010	2011	2010	2011
	(RMB millions, except for percentage figures)					
Environmental protection and energy conservation solutions	1,490.9	1,993.9	261.9	417.1	105.8	217.9
% of total	40.5	29.4	40.4	38.4	41.2	43.9
Environmental protection	1,200.8	1,721.5	154.3	316.1	43.3	168.6
% of total	32.6	25.4	23.8	29.1	16.9	34.0
Energy conservation solutions	290.1	272.4	107.6	101.0	62.5	49.3
% of total	7.9	4.0	16.6	9.3	24.3	9.9
Renewable energy equipment manufacturing and services	2,150.3	4,696.5	380.1	647.3	174.5	269.7
% of total	58.4	69.3	58.6	59.6	67.9	54.4
Wind power products and services	1,867.4	3,463.4	360.5	601.5	193.9	269.2
% of total	50.7	51.1	55.6	55.4	75.5	54.3
Solar power products and services	282.9	1,233.1	19.6	45.8	(19.4)	0.5
% of total	7.7	18.2	3.0	4.2	(7.6)	0.1
All others	40.7	84.2	6.2	21.8	(1.3)	5.1
% of total	1.1	1.3	1.0	2.0	(0.5)	1.0
Unallocated head office and corporate operating (loss)/profit	—	—	—	—	(22.1)	3.6
% of total	—	—	—	—	(8.6)	0.7
Total	3,681.9	6,774.6	648.2	1,086.2	256.9	496.3

Revenue

Our revenue increased by RMB3,092.7 million, or 84.0%, to RMB6,774.6 million for the six months ended June 30, 2011 from RMB3,681.9 million for the six months ended June 30, 2010, primarily due to (i) an increase in revenue of RMB503.0 million, or 33.7%, from the environmental protection and energy conservation solutions segment, and (ii) an increase in revenue of RMB2,546.2 million, or 118.4%, from the renewable energy equipment manufacturing and services segment.

Our revenues from the four sub-segments for the six months ended June 30, 2011 as compared with the six months ended June 30, 2010 are as follows:

	Six months ended June 30,	
	2010	2011
	(RMB millions)	(RMB millions)
Environmental protection and energy conservation solutions	1,490.9	1,993.9
Environmental protection	1,200.8	1,721.5
Energy conservation solutions	290.1	272.4
Renewable energy equipment manufacturing and services	2,150.3	4,696.5
Wind power products and services	1,867.4	3,463.4
Solar power products and services	282.9	1,233.1

Our revenue from the environmental protection and energy conservation solutions segment increased by RMB503.0 million, or 33.7%, to RMB1,993.9 million for the six months ended June 30, 2011 from RMB1,490.9 million for the six months ended June 30, 2010, primarily due to increases in revenue generated from our SO_2 emissions reduction, NOx emissions reduction and waste heat recovery businesses.

Our revenue from the renewable energy equipment manufacturing and services segment increased by RMB2,546.2 million, or 118.4%, to RMB4,696.5 million for the six months ended June 30, 2011 from RMB2,150.3 million for the six months ended June 30, 2010, primarily due to increases in revenue in both the wind power products and services sub-segment and solar power products and services sub-segment.

Cost of sales

Our cost of sales increased by RMB2,654.7 million, or 87.5%, to RMB5,688.4 million for the six months ended June 30, 2011 from RMB3,033.7 million for the six months ended June 30, 2010, primarily due to increased sales in both our business segments, and is in line with the increase in revenue for the same period.

Cost of sales as a percentage of revenue increased to 84.0% for the six months ended June 30, 2011 from 82.4% for the six months ended June 30, 2010.

Our cost of sales for the four sub-segments for the six months ended June 30, 2011 as compared with the six months ended June 30, 2010 are set out as follows:

	Six months ended June 30,	
	2010	2011
	(RMB millions)	
Environmental protection and energy conservation solutions	1,229.0	1,576.8
Environmental protection	1,046.5	1,405.4
Energy conservation solutions	182.5	171.4
Renewable energy equipment manufacturing and services	1,770.2	4,049.2
Wind power products and services	1,506.9	2,861.9
Solar power products and services	263.3	1,187.3

Our cost of sales for the environmental protection and energy conservation solutions segment increased by RMB347.8 million, or 28.3%, to RMB1,576.8 million for the six months ended June 30, 2011 from RMB1,229.0 million for the six months ended June 30, 2010, primarily due to increases in the cost of sales for our SO_2 emissions reduction, NOx emissions reduction and waste heat recovery businesses, which was partially offset by a decrease in the cost of sales for our water treatment, steam turbine flow passage improvement and plasma-assisted coal combustion businesses.

Our cost of sales for the renewable energy equipment manufacturing and services segment increased by RMB2,279.0 million, or 128.7%, to RMB4,049.2 million for the six months ended June 30, 2011 from RMB1,770.2 million for the six months ended June 30, 2010, primarily due to increases in the cost of sales in both our wind power products and services sub-segment and solar power products and services sub-segment.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by RMB438.0 million, or 67.6%, to RMB1,086.2 million for the six months ended June 30, 2011 from RMB648.2 million for the six months ended June 30, 2010. Our gross margin for the six months ended June 30, 2011 was 16.0%, representing a slight decrease from our gross margin for the six months ended June 30, 2010 of 17.6%.

Our gross profits and gross margins for the four sub-segments for the six months ended June 30, 2011 as compared with the six months ended June 30, 2010 are set out as follows:

	Six months ended June 30,			
	2010		2011	
	(RMB millions)	%	(RMB millions)	%
Environmental protection and energy conservation solutions	261.9	17.6	417.1	20.9
Environmental protection	154.3	12.8	316.1	18.4
Energy conservation solutions	107.6	37.1	101.0	37.1
Renewable energy equipment manufacturing and services	380.1	17.7	647.3	13.8
Wind power products and services	360.5	19.3	601.5	17.4
Solar power products and services	19.6	6.9	45.8	3.7
All others	6.2	15.2	21.8	25.9
Total	648.2	17.6	1,086.2	16.0

Our gross profit for the environmental protection and energy conservation solutions segment was RMB417.1 million for the six months ended June 30, 2011, representing an increase of RMB155.2 million, or 59.3%, from RMB261.9 million for the six months ended June 30, 2010. Our gross margin increased to 20.9% for the six months ended June 30, 2011 from 17.6% for the six months ended June 30, 2010, primarily due to an increase in gross margins in our environmental protection sub-segment. During the six months ended June 30, 2011, the revenues and gross profit of our environmental protection sub-segment increased, while the cost of sales remained comparatively stable and therefore, our gross margin for this sub-segment increased.

Our gross profit for the renewable energy equipment manufacturing and services segment was RMB647.3 million for the six months ended June 30, 2011, representing an increase of RMB267.2 million, or 70.3%, from RMB380.1 million for the six months ended June 30, 2010. Our gross margin for the renewable energy equipment manufacturing and services segment decreased to 13.8% for the six months ended June 30, 2011 from 17.7% for the six months ended June 30, 2010, primarily due to a decrease in gross margin for the solar power products and services sub-segment to 3.7% for the six months ended June 30, 2011 from 6.9% for the six months ended June 30, 2010.

Other revenue

Our other revenue increased by RMB2.1 million, or 3.8%, to RMB56.9 million for the six months ended June 30, 2011 from RMB54.8 million for the six months ended June 30, 2010, primarily due to increases in interest income from our deposit in banks, and partially offset by a decrease in income from governmental subsidies during the six months ended June 30, 2011.

Other net income/losses

Our other net income/losses increased by RMB94.5 million to a net income of RMB71.3 million for the six months ended June 30, 2011 from a net loss of RMB23.2 million for the six months ended June 30, 2010, primarily due to (i) the disposal of certain subsidiaries, including Guodian Youyi Biomass Power Generation Co., Ltd., Jintech, Guodian Tangyuan Biomass Power Generation Co, Ltd, Guodian Jiansanjiang Qianjin Biomass Power Generation Co., Ltd and Shandong Longyuan Environmental Protection Co., Ltd. and (ii) a decrease in foreign exchange losses from a loss of RMB26.7 million for the six months ended June 30, 2010 to a loss of RMB0.3 million for the six months ended June 30, 2011. We disposed of these subsidiaries (except for Jintech), which were principally engaged in the biomass project construction and operation business as these operations were not in line with our Group's core business lines and plans. Our disposal of Jintech was due to strategic reasons as the solar technology and solar product offering of Jintech and its manufacturing operations did not fit within our solar power products business strategy for our solar power business segment. See "Business — Terminated Businesses".

Selling and distribution costs

Our selling and distribution costs for the six months ended June 30, 2011 were RMB237.3 million, an increase of RMB110.6 million, or 87.3%, from RMB126.7 million for the six months ended June 30, 2010. The increase in our selling and distribution costs was primarily due to our increase in product warranty provisions, and our increase in marketing activities as a result of expansions of our businesses, in particular, the WTG business, which resulted in increases in our personnel and transportation costs related to such marketing efforts. Our selling and distribution costs as a percentage of revenue increased slightly to 3.5% for the six months ended June 30, 2011 from 3.4% for the six months ended June 30, 2010.

Administrative expenses

Personnel. Our personnel expenses increased by RMB47.2 million, or 38.4%, to RMB170.2 million for the six months ended June 30, 2011 from RMB123.0 million for the six months ended June 30, 2010, primarily due to increases in our number of employees and in average salaries paid.

Research and development. Our research and development expenses increased by RMB13.3 million, or 42.6%, to RMB44.5 million for the six months ended June 30, 2011 from RMB31.2 million for the six months ended June 30, 2010, primarily due to an increase in our research and development activities for the WTG business.

Depreciation and amortization. Our depreciation and amortization expenses increased by RMB 38.8 million, or 135.2%, to RMB67.5 million for the six months ended June 30, 2011 from RMB28.7 million for the six months ended June 30, 2010, primarily due to increases in our office properties and related assets, which resulted in increases in our depreciation provisions.

Property management and rental. Our property management and rental expenses increased by RMB3.5 million, or 32.7%, to RMB14.2 million for the six months ended June 30, 2011 from RMB10.7 million for the six months ended June 30, 2010, primarily due to the expansion of our business operations.

Utilities. Our utilities expenses increased by RMB3.1 million, or 114.8%, to RMB5.8 million for the six months ended June 30, 2011 from RMB2.7 million for the six months ended June 30, 2010, primarily due to the expansion of our business operations.

Professional service fees. Our professional service fees increased by RMB3.4 million, or 61.8%, to RMB8.9 million for the six months ended June 30, 2011 from RMB5.5 million for the six months ended June 30, 2010, primarily due to an increase in consultancy fees paid.

Miscellaneous. Our miscellaneous expenses increased by RMB75.3 million, or 79.8%, to RMB169.7 million for the six months ended June 30, 2011 from RMB94.4 million for the six months ended June 30, 2010, primarily due to increases in miscellaneous taxes payable on our office properties and rentals, as well as in travel and meeting expenses related to project site visits and project management.

As a result of the above, our administrative expenses increased by RMB184.6 million, or 62.3%, to RMB480.8 million for the six months ended June 30, 2011 from RMB296.2 million for the six months ended June 30, 2010.

Operating profit and operating margin

As a result of the above factors, our operating profit was RMB496.3 million for the six months ended June 30, 2011, representing an increase of RMB239.4 million, or 93.2%, from RMB256.9 million for the six months ended June 30, 2010. Our operating margin for the six months ended June 30, 2011 was 7.3%, and our operating margin attribution for the six months ended June 30, 2010 was 7.0%.

Our operating margin for each of the four sub-segments for the six months ended June 30, 2011 as compared with the six months ended June 30, 2010 are set out as follows:

	Six months ended June 30, 2010	Six months ended June 30, 2011
	%	%
Environmental protection and energy conservation solutions	7.1	10.9
Environmental protection	3.6	9.8
Energy conservation solutions	21.5	18.1
Renewable energy equipment manufacturing and services	8.1	5.7
Wind power products and services	10.4	7.8
Solar power products and services	(6.9)	0.0

Finance costs

Our finance costs increased by RMB107.1 million, or 106.3%, to RMB207.9 million for the six months ended June 30, 2011 from RMB100.8 million for the six months ended June 30, 2010, primarily due to the increase in the effective interest rate of our borrowings due to several increases in benchmark interest rates on loans made by the People's Bank of China and an increase in our outstanding indebtedness, primarily attributable to (x) new equipment and raw material purchase financing due to business expansions at United Power and Longyuan Environmental and (y) an increase in interest payments relating to the financing of the research and development of the 80 MW double-sided silicon high-efficiency solar battery of GD Solar. Our finance costs as a percentage of revenue increased to 3.1% for the six months ended June 30, 2011 from 2.8% for the six months ended June 30, 2010.

Profit before taxation

Due to the foregoing factors, our profit before taxation increased by RMB145.7 million, or 91.3%, to RMB305.3 million for the six months ended June 30, 2011 from RMB159.6 million for the six months ended June 30, 2010.

Income tax

We had a tax charge of RMB48.0 million for the six months ended June 30, 2011 and RMB 40.1 million for the six months ended June 30, 2010, respectively. Our effective tax rate was 25.1% and 15.7% for the six months ended June 30, 2010 and 2011, respectively. The decrease in our effective tax rate was primarily due to certain subsidiaries which enjoy preferential tax treatment contributing a larger proportion of our total profit. Our effective tax rate of 25.1% for the six months ended June 30, 2010 (which is higher than the corporate income tax rate of 25.0%) in the PRC, was attributable to interim losses incurred by certain of our subsidiaries, for which no deferred tax assets have been recognized because their utilization to offset future taxable profits is not probable. This resulted in a decrease in our consolidated net operating income for the period, which resulted in an increase in our effective income tax rate for the period. Our full year effective tax rate for 2010 was 17.4%.

Profit for the period

Due to the foregoing factors, our profit for the period increased by RMB137.8 million, or 115.3%, to RMB257.3 million for the six months ended June 30, 2011 from RMB119.5 million for the six months ended June 30, 2010.

Profit attributable to non-controlling interests

Our profit attributable to non-controlling interests increased by RMB14.5 million, or 23.5%, to RMB76.2 million for the six months ended June 30, 2011 from RMB61.7 million for the six months ended June 30, 2010.

Profit attributable to shareholders of our Company

As a result of the foregoing factors, profit attributable to shareholders of our Company increased by RMB123.3 million, or 213.3%, to RMB181.1 million for the six months ended June 30, 2011 from RMB57.8 million for the six months ended June 30, 2010.

Environmental protection sub-segment

	Six months ended June 30,		Six months ended June 30,	
	2010		2011	
	(RMB millions)	% of segment revenue	(RMB millions)	% of segment revenue
Revenue	1,200.8	100.0	1,721.5	100.0
SO_2 emissions reduction	745.1	62.0	1,129.8	65.6
Water treatment	269.8	22.5	124.2	7.2
NOx emissions reduction	163.6	13.6	446.6	26.0
Others	22.3	1.9	20.9	1.2
Cost of sales	(1,046.5)	(87.2)	(1,405.4)	(81.6)
SO_2 emissions reduction	(628.2)	(52.3)	(935.6)	(54.3)
Water treatment	(242.3)	(20.2)	(109.7)	(6.4)
NOx emissions reduction	(136.1)	(11.3)	(316.5)	(18.4)
Others	(21.0)	(1.8)	(19.1)	(1.1)
Business Tax	(18.9)	(1.6)	(24.5)	(1.4)
Gross profit	154.3	12.8	316.1	18.4

Revenue

Revenue from our SO_2 emissions reduction business increased by RMB384.7 million, or 51.6%, to RMB1,129.8 million for the six months ended June 30, 2011 from RMB745.1 million for the six months ended June 30, 2010, primarily due to increases in revenue generated from our EPC and concession services. We typically generated revenue from our SO_2 emissions reduction business through several means: the provision of EPC and concession services and the sale of SO_2 emissions reduction equipment. Revenue for EPC services increased by 13.6% for the six months ended June 30, 2011, as compared with the six months ended June 30, 2010. Revenue for concession services increased by 293.5% for the six months ended June 30, 2011, as compared with the six months ended June 30, 2010, primarily due to our increased involvement in more concession projects and significant increases in the total volume of power generated from these concession projects. The total volume of power generated through these concession projects for the six months ended June 30, 2011 increased by approximately 287.9% compared with that for the six months ended June 30, 2010.

Revenue for our water treatment business decreased by RMB145.6 million, or 54.0%, to RMB124.2 million for the six months ended June 30, 2011 from RMB269.8 million for the six months ended June 30, 2010, primarily due to less BOT projects being developed during the six months ended June 30, 2011.

Revenue for our NOx emissions reduction business increased by RMB283.0 million, or 173.0%, to RMB446.6 million for the six months ended June 30, 2011 from RMB163.6 million for the six months ended June 30, 2010, primarily due to changes in the regulatory requirements relating to NOx emissions reduction which resulted in an increase in the number of our NOx emission reduction projects, and the commencement of low-NOx business which generated revenues of RMB89.3 million during the period ended June 30, 2011.

Our other revenue decreased by RMB1.4 million, or 6.3%, to RMB20.9 million for the six months ended June 30, 2011 from RMB22.3 million for the six months ended June 30, 2010, primarily due to normal market conditions.

Cost of sales

Our cost of sales increased by RMB358.9 million, or 34.3%, to RMB1,405.4 million for the six months ended June 30, 2011 from RMB1,046.5 million for the six months ended June 30, 2010, primarily due to increases in the costs of sales from our SO_2 emissions reduction and NOx emissions reduction businesses, which corresponded generally to increases in revenue in these two business lines and as partially offset by a decrease in costs of sales for our water treatment business.

Our cost of sales for the SO_2 emissions reduction business increased by RMB307.4 million, or 48.9%, to RMB935.6 million for the six months ended June 30, 2011 from RMB628.2 million for the six months ended June 30, 2010, in line with a corresponding increase in our revenues for this business.

Our cost of sales for the water treatment business decreased by RMB132.6 million, or 54.7%, to RMB109.7 million for the six months ended June 30, 2011, from RMB 242.3 million for the six months ended June 30, 2010, in line with corresponding decreases in our revenues in this segment.

Our cost of sales for the NOx emissions reduction business increased by RMB180.4 million, or 132.5%, to RMB316.5 million for the six months ended June 30, 2011 from RMB136.1 million for the six months ended June 30, 2010, in line with corresponding increases in revenue for this segment as well as higher margins from the low NOx business which we introduced in 2011.

Our cost of sales for other revenues decreased by RMB1.9 million, or 9.0%, to RMB19.1 million for the six months ended June 30, 2011, from RMB21.0 million for the six months ended June 30, 2010 in line with a corresponding decrease in revenues.

Gross profit and gross margin

As a result of the foregoing factors, our gross profit was RMB316.1 million for the six months ended June 30, 2011, representing an increase of RMB161.8 million, or 104.9%, from RMB154.3 million for the six months ended June 30, 2010. Our gross margin increased significantly to 18.4% for the six months ended June 30, 2011 from 12.8% for the six months ended June 30, 2010, primarily due to increases in gross margins for our SO_2 emissions reduction, NOx emissions reduction and water treatment businesses. The increase in gross margin for our SO_2 emissions reduction business was primarily attributable to scale efficiencies in production and management, following the development of our SO_2 emission reduction concession business line. The increase in gross margin for our NOx emissions reduction business was primarily attributable to scale economies resulting in reduced costs of production for NOx SCR, increased production efficiencies for our overall NO_2 emission reduction business and the expansion of our low-NOx business, which generates a higher gross margin as compared to other business lines in our environmental protection sub-segment. The increase in gross margin for our water treatment business was also due to higher-margin services being provided in this business line for this period.

The following table sets out the gross margins of our business lines (expressed as a percentage) in the environmental protection sub-segment for the six months ended June 30, 2011 as compared with the six months ended June 30, 2010:

	Period ended June 30,	
	2010	2011
SO_2 emissions reduction	15.7%	17.2%
Water treatment	10.2%	11.7%
NOx emissions reduction	16.8%	29.1%

Energy conservation solutions sub-segment

	Six months ended June 30,		Six months ended June 30,	
	2010		2011	
	(RMB millions)	% of segment revenue	(RMB millions)	% of segment revenue
Revenue	290.1	100.0	272.4	100.0
Plasma-assisted coal combustion	169.3	58.4	108.1	39.7
Steam turbine flow passage improvement	83.1	28.6	23.9	8.8
EMC	25.6	8.8	—	—
Construction and waste heat recovery	12.1	4.2	140.4	51.5
Cost of sales	(182.5)	(62.9)	(171.4)	(62.9)
Plasma-assisted coal combustion	(84.9)	(29.2)	(54.7)	(20.1)
Steam turbine flow passage improvement	(68.1)	(23.5)	(8.2)	(3.0)
EMC	(21.4)	(7.4)	—	—
Construction and waste heat recovery	(7.5)	(2.6)	(104.0)	(38.2)
Business Tax	(0.6)	(0.2)	(4.5)	(1.6)
Gross profit	107.6	37.1	101.0	37.1

Revenue

Our revenue for our plasma-assisted coal combustion business decreased by RMB61.2 million, or 36.1%, to RMB108.1 million for the six months ended June 30, 2011 from RMB169.3 million for the six months ended June 30, 2010, primarily due to an increase in demand in the low NOx business, which is a substitute technology to plasma-assisted coal combustion systems. In line with the decrease in our revenues for the plasma-assisted coal combustion business, we experienced increases in our NOx emissions reduction business.

Our revenue for our steam turbine flow passage improvement business decreased by RMB59.2 million, or 71.2%, to RMB23.9 million for the six months ended June 30, 2011 from RMB83.1 million for the six months ended June 30, 2010, primarily due to a decrease in the number of contracts obtained in this business segment.

Our revenue for our EMC business decreased by 100% to nil for the six months ended June 30, 2011 from 25.6 million for the six months ended June 30, 2010, as we did not carry out any of our EMC projects under development during this period and accordingly, no revenue in connection with these projects was recognized.

Our revenue for our construction and waste heat recovery business increased by RMB128.3 million, or 1,060.3%, to RMB140.4 million for the six months ended June 30, 2011 from RMB12.1 million for the six months ended June 30, 2010, primarily due to a major contract which was completed within the period.

As a result of the foregoing, our revenue from this segment decreased by RMB17.7 million, or 6.1%, to RMB272.4 million for the six months ended June 30, 2011 from RMB290.1 million for the six months ended June 30, 2010.

Cost of sales

Our cost of sales for our plasma-assisted coal combustion business decreased by RMB30.2 million, or 35.6%, to RMB54.7 million for the six months ended June 30, 2011 from RMB84.9 million for the six months ended June 30, 2010, in line with our decrease in revenues for this business lines.

Our cost of sales for our steam turbine flow passage improvement business decreased by RMB59.9 million, or 88.0%, to RMB 8.2 million for the six months ended June 30, 2011 from RMB 68.1 million for the six months ended June 30, 2010, in line with our decrease in revenues.

We did not incur any cost of sales for our EMC business for the six months ended June 30, 2011, as we recognize costs of sales of an EMC project in the same period as the corresponding revenue for the particular EMC project is recognized.

Our cost of sales for our construction and waste heat recovery business increased by RMB96.5 million, or 1,286.7%, to RMB104.0 million for the six months ended June 30, 2011 from RMB7.5 million for the six months ended June 30, 2010, primarily due to a major contract which was completed within this period.

Business taxes increased by RMB3.9 million, or 650.0%, to RMB4.5 million for the six months ended June 30, 2011 from RMB0.6 million for the six months ended June 30, 2010, primarily due to an increase in our revenue recognized from construction design services.

As a result of the foregoing, our cost of sales decreased by RMB11.1 million, or 6.1%, to RMB171.4 million for the six months ended June 30, 2011 from RMB182.5 million for the six months ended June 30, 2010.

Gross profit and gross margin

As a result of the foregoing factors, our gross profit was RMB101.0 million for the six months ended June 30, 2011, representing a decrease of RMB6.6 million, or 6.1%, from RMB107.6 million for the six months ended June 30, 2010. Our gross margin remained at 37.1% for the six months ended June 30, 2011 and 2010. This was primarily due to the decrease in gross margin for our construction and waste heat recovery business as partially offset by an increase in gross margin for our steam turbine flow passage improvement business. The decrease in gross margin for our construction and waste heat recovery business was primarily due to the commencement of our waste heat recovery business during the six months ended June 30, 2011, which carries a lower gross margin than other energy conservation projects conducted during the six months ended June 30, 2010. The increase in gross margin for our steam turbine flow passage improvement business was primarily due to our conduction of some small-scale projects during the six months ended June 30, 2011, which typically carry a higher gross margin given sub-contracting is not required. The decrease in gross margin for our plasma-assisted coal combustion business line for the six months ended June 30, 2011 was primarily due to changes in the product structure of our plasma-assisted coal combustion business but remained relatively constant.

The following table sets out the changes in gross margins of the various business lines in our energy conservation solutions sub-segment for the six months ended June 30, 2011 as compared with the six months ended June 30, 2010:

	Period ended June 30,	
	2010	2011
Plasma-assisted coal combustion	49.9%	49.4%
Steam turbine flow passage improvement	18.1%	65.7%
EMC	16.4%	—
Construction and waste heat recovery	38.0%	25.9%

Wind power products and services sub-segment

	Six months ended June 30,		Six months ended June 30,	
	2010		2011	
	(RMB millions)	% of segment revenue	(RMB millions)	% of segment revenue
Revenue	1,867.4	100.0	3,463.4	100.0
Cost of sales	(1,506.9)	(80.7)	(2,861.9)	(82.6)
Gross profit	360.5	19.3	601.5	17.4

Revenue

Our revenue increased by RMB1,596.0 million, or 85.5%, to RMB3,463.4 million for the six months ended June 30, 2011 from RMB1,867.4 million for the six months ended June 30, 2010, primarily due to an increase in WTG sales volume from 245 WTGs for the six months ended June 30, 2010 to 605 WTGs for the six months ended June 30, 2011. This was partially offset by a decrease in the average sales prices for WTGs from RMB7.6 million per WTG for the six months ended June 30, 2010 to RMB6.0 million per WTG for the six months ended June 30, 2011, due to increased competition in the WTG market and general market conditions.

Our revenue generated from our WTG business continued to increase substantially during the six-month period ended June 30, 2011 as compared to that during the six-month period ended June 30, 2010, primarily due to the following reasons:

- Our WTG business was at a relatively low level of sales during the first half of 2010, given the stage of our development—we began our inaugural WTG sales in 2008. Our business continued to expand quickly during the second half of 2010 and the first half of 2011. Given that we came from a relatively low revenue level, it was comparably easy for us to increase our sales volume at such a stage of our development.

- The quality of our products and services in general allowed us to strengthen our ties with our natural client base, which has been strong and has had sustained growth. We were therefore benefited from our client base's growth.

Cost of sales

Our cost of sales increased by RMB1,355.0 million, or 89.9%, to RMB2,861.9 million for the six months ended June 30, 2011 from RMB1,506.9 million for the six months ended June 30, 2010, primarily due to a corresponding increase in the number of WTGs sold.

Gross profit and gross margin

Due to the foregoing factors, our gross profit was RMB601.5 million for the six months ended June 30, 2011, representing an increase of RMB241.0 million, or 66.9%, from RMB360.5 million for the six months ended June 30, 2010. Our gross margin decreased to 17.4% for the six months ended June 30, 2011 from 19.3% for the six months ended June 30, 2010, primarily due to a decrease in our average sales prices of WTGs due to increased competition in the WTG market.

Our gross margin remained relatively strong during the six-month period ended June 30, 2011 as compared to that during the six-month period ended June 30, 2010, primarily as a result of the following reasons:

- Given the composition of our parts and raw materials, during the first half of 2011, we were less affected by the price increases in some of the raw materials used by some of our competitors; for example, the price increases in rare earth metals had a comparably small effect on our cost of sales during the first half of 2011.

- The stage of our WTG business' development also began to allow us to enjoy a scale of economy during the first half of 2011. Our development reached a stage that we began to increase our efficiency while maintaining a volume of our production during such a period.

Solar power products and services sub-segment

	Six months ended June 30,		Six months ended June 30,	
	2010		2011	
	(RMB millions)	% of segment revenue	(RMB millions)	% of segment revenue
Revenue	282.9	100.0	1,233.1	100.0
Cost of sales	(263.3)	(93.1)	(1,187.3)	(96.3)
Gross profit	19.6	6.9	45.8	3.7

Revenue

Our revenue increased by RMB950.2 million, or 335.9%, to RMB1,233.1 million for the six months ended June 30, 2011 from RMB282.9 million for the six months ended June 30, 2010, primarily due to substantial increases in the production capacity and sales volume of our solar power products and services (including the photovoltaic power generation plant system integration services); and an increase in sales volume of silicon chips and modules when Ningxia Solar commenced commercial operations in January 2011. In August 2011, we disposed of our interests in Ningxia Solar. See "Business—Terminated Businesses."

Cost of sales

Our cost of sales increased by RMB924.0 million, or 350.9%, to RMB1,187.3 million for the six months ended June 30, 2011 from RMB263.3 million for the six months ended June 30, 2010, corresponding to increases in revenue in the same period.

Gross profit and gross margin

As a result of the foregoing factors, our gross profit increased by RMB26.2 million, or 133.7%, to RMB45.8 million for the six months ended June 30, 2011 from RMB19.6 million for the six months ended June 30, 2010. Our gross margin decreased to 3.7% for the six months ended June 30, 2011 from 6.9% for the six months ended June 30, 2010, primarily due to our commencement of the construction of a photovoltaic power generation plant in 2011, which is currently still under development; and changes in market conditions and fluctuations in the prices of raw materials.

2010 COMPARED TO 2009

Overview

	Revenue		Gross Profit		Operating Profit	
	Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2009	2010	2009	2010	2009	2010
	(RMB millions, except for the percentages)		(RMB millions, except for the percentages)		(RMB millions, except for the percentages)	
Environmental protection and energy conservation solutions	3,469.0	3,813.7	582.9	682.4	261.8	307.1
% of total	64.9	34.7	64.0	36.7	79.1	36.0
Environmental protection	2,751.5	3,093.6	355.0	450.8	147.3	167.2
% of total	51.5	28.1	39.0	24.2	44.5	19.6
Energy conservation solutions	717.5	720.1	227.9	231.6	114.5	139.9
% of total	13.4	6.6	25.0	12.5	34.6	16.4
Renewable energy equipment manufacturing and services	1,681.6	7,060.7	288.7	1,152.8	101.8	592.6
% of total	31.4	64.2	31.7	62.0	30.7	69.5
Wind power products and services	1,580.1	5,807.6	272.3	1,028.5	95.4	486.6
% of total	29.5	52.8	29.9	55.3	28.8	57.1
Solar power products and services	101.5	1,253.1	16.4	124.3	6.4	106.0
% of total	1.9	11.4	1.8	6.7	1.9	12.4
All others	199.1	124.5	39.5	23.6	4.6	0.5
% of total	3.7	1.1	4.3	1.3	1.4	0.1
Unallocated head office and corporate operating loss	—	—	—	—	(37.1)	(47.8)
% of total	—	—	—	—	(11.2)	(5.6)
Total	5,349.7	10,998.9	911.1	1,858.8	331.1	852.4

Revenue

Our revenue increased by RMB5,649.2 million, or 105.6%, to RMB10,998.9 million for 2010 from RMB5,349.7 million for 2009, primarily due to increases in revenue from our environmental protection, wind power products and services and solar power products and services sub-segments of RMB342.1 million, RMB4,227.5 million and RMB1,151.6 million, respectively. These represented increases on a year-on-year basis of 12.4%, 267.5% and 1,134.6%, respectively.

Our revenues from our business segments for 2010 as compared to 2009 are as follows:

	Year ended December 31,	
	2009	2010
	(RMB millions)	(RMB millions)
Environmental protection and energy conservation solutions	3,469.0	3,813.7
Environmental protection	2,751.5	3,093.6
Energy conservation solutions	717.5	720.1
Renewable energy equipment manufacturing and services	1,681.6	7,060.7
Wind power products and services	1,580.1	5,807.6
Solar power products and services	101.5	1,253.1

Our revenue from the environmental protection and energy conservation solutions segment increased by RMB344.7 million, or 9.9%, to RMB3,813.7 million for 2010 from RMB3,469.0 million for 2009, primarily due to increases in revenues generated from our NOx emissions reduction, water treatment and EMC businesses and partially offset by decreases in revenue from our SO_2 emissions reduction, plasma-assisted coal combustion and steam turbine flow passage improvement businesses. Revenue from our NOx emissions reduction business increased by 82.9% to RMB538.3 million for 2010 from RMB294.3 million for 2009. Revenue from our water treatment business increased by 86.4% to RMB621.6 million for 2010 from RMB333.5 million for 2009. Revenue from our EMC business increased by 3,704.3% to RMB178.8 million for 2010 from RMB4.7 million for 2009.

Our revenue from the renewable energy equipment manufacturing and services segment increased by RMB5,379.1 million, or 319.9%, to RMB7,060.7 million for 2010 from RMB1,681.6 million for 2009, primarily due to increases in revenues of both the wind power products and services sub-segment and the solar power products and services sub-segment.

Cost of sales

Our cost of sales increased by RMB4,701.5 million, or 105.9%, to RMB9,140.1 million for 2010 from RMB4,438.6 million for 2009, primarily due to an increase in the cost of sales of RMB246.3 million, or 10.3% from the environmental protection sub-segment, an increase in the cost of sales of RMB3,471.3 million, or 265.4% from the wind power products and services sub-segment and an increase in the cost of sales of RMB1,043.7 million, or 1,226.4% from the solar power products and services sub-segment.

Our cost of sales as a percentage of revenue slightly increased to 83.1% for 2010 from 83.0% for 2009.

Our cost of sales for the four sub-segments for 2010 as compared with 2009 are set out as follows:

	Year ended December 31,	
	2009	2010
	(RMB millions)	(RMB millions)
Environmental protection and energy conservation solutions	2,886.1	3,131.3
Environmental protection	2,396.5	2,642.8
Energy conservation solutions	489.6	488.5
Renewable energy equipment manufacturing and services	1,392.9	5,907.9
Wind power products and services	1,307.8	4,779.1
Solar power products and services	85.1	1,128.8

Our cost of sales for the environmental protection and energy conservation solutions segment increased by RMB245.2 million, or 8.5%, to RMB3,131.3 million for 2010 from RMB2,886.1 million for 2009, primarily due to an increase in the cost of sales of our NOx emissions reduction, water treatment and EMC businesses resulting from expansions of these businesses and was partially offset by decreases in the costs of sales in our SO_2 emissions reduction, plasma-assisted coal combustion and steam turbine flow passage improvement businesses.

Our cost of sales for the renewable energy equipment manufacturing and services segment increased by RMB4,515.0 million, or 324.1%, to RMB5,907.9 million for 2010 from

RMB1,392.9 million for 2009. The increase in cost of sales was primarily due to an increase in cost of sales in both the wind power products and services sub-segment and the solar power products and services sub-segment.

Gross profit and gross margin

Our gross profit was RMB1,858.8 million for 2010, representing an increase of RMB947.7 million, or 104.0%, from RMB911.1 million for 2009. Our gross margin was 16.9% in 2010 and 17.0% in 2009, respectively.

Our gross profits and gross margins for 2010 as compared with 2009 are set out as follows:

	Year ended December 31,			
	2009		2010	
	(RMB millions)	%	(RMB millions)	%
Environmental protection and energy conservation solutions	582.9	16.8	682.4	17.9
Environmental protection	355.0	12.9	450.8	14.6
Energy conservation solutions	227.9	31.8	231.6	32.2
Renewable energy equipment manufacturing and services	288.7	17.2	1,152.8	16.3
Wind power products and services sub-segment	272.3	17.2	1,028.5	17.7
Solar power products and services sub-segment	16.4	16.2	124.3	9.9
All others	39.5	19.8	23.6	19.0
Grand total	911.1	17.0	1,858.8	16.9

Our gross profit for the environmental protection and energy conservation solutions segment was RMB682.4 million for 2010, representing an increase of RMB99.5 million, or 17.1%, from RMB582.9 million for 2009, and our gross margin increased to 17.9% for 2010 from 16.8% for 2009, primarily due to an increase in gross margin across both sub-segments.

Our gross profit for the renewable energy equipment manufacturing and services segment was RMB1,152.8 million for 2010, representing an increase of RMB864.1 million, or 299.3%, from RMB288.7 million for 2009, and our gross margin decreased to 16.3% for 2010 from 17.2% for 2009, primarily due to a decrease in gross margin in our solar power products and services sub-segment resulting from declines and fluctuations in the sales prices of silicon chips and modules.

Other revenue

Our other revenue increased by RMB106.7 million, or 252.8%, to RMB148.9 million for 2010 from RMB42.2 million for 2009, primarily due to increased interest income from our bank deposits and an increase of RMB91.5 million in subsidies granted by the PRC Government, including (among others) a one-off governmental subsidy in an amount of RMB31.1 million granted to United Power, and a one-off local government operating subsidy in an amount of RMB30.0 million granted to GD Solar.

Other net losses

Our other net losses increased by RMB4.9 million, or 272.2%, to RMB6.7 million for 2010 from RMB1.8 million for 2009, primarily due to foreign currency transaction losses from

Euro-denominated sales of solar cells and modules as a result of fluctuations in the Euro to RMB exchange rate.

Selling and distribution expenses

Our selling and distribution expenses for 2010 were RMB402.8 million, an increase of RMB246.9 million, or 158.4%, from RMB155.9 million for 2009. The increase in our selling and distribution costs was primarily due to an increase in warranty and transportation fees. Our selling and distribution costs as a percentage of revenue increased to 3.7% for 2010 from 2.9% for 2009.

Administrative expenses

Personnel. Our personnel expenses increased by RMB84.8 million, or 39.6%, to RMB299.2 million for 2010 from RMB214.4 million for 2009, primarily due to increases in our staff numbers and increases in salaries and wages.

Research and development. Our research and development expenses increased by RMB57.2 million, or 99.8%, to RMB114.5 million for 2010 from RMB57.3 million in 2009, primarily due to expansion of our activities in the WTG business.

Depreciation and amortization. Our depreciation and amortization expenses increased by RMB18.7 million, or 47.1%, to RMB58.4 million for 2010 from RMB39.7 million 2009, primarily due to our acquisition of our headquarters and resultant increases in depreciation provisions.

Property management and rental. Our property management and rental expenses increased by RMB5.1 million, or 33.6%, to RMB20.3 million in 2010 from RMB15.2 million in 2009, primarily due to increases in our rental of office space related to the expansion of our business operations.

Utilities. Our utilities expenses increased by RMB4.4 million, or 84.6%, to RMB9.6 million in 2010 from RMB5.2 million in 2009, primarily due to the expansion of our business operations.

Professional service fees. Our professional service fees increased by RMB0.8 million, or 5.8%, to RMB14.6 million in 2010 from RMB13.8 million in 2009, primarily due to an increase in our audit expenses and partially offset by a decrease in our consultancy fees paid.

Miscellaneous. Our miscellaneous expenses increased by RMB110.3 million, or 92.8%, to RMB229.2 million in 2010 from RMB118.9 million in 2009, primarily due to the development and expansion of our WTG business.

As a result of the above, our administrative expenses increased by RMB281.3 million, or 60.6%, to RMB745.8 million for 2010 from RMB464.5 million for 2009.

Operating profit and operating margin

As a result of the foregoing factors, our operating profit was RMB852.4 million for 2010, representing an increase of RMB521.3 million, or 157.4%, from RMB331.1 million for 2009. Our operating margins for 2009 and 2010 were 6.2% and 7.7%, respectively.

Our operating margin for each of our segments for 2010 as compared with 2009 are as follows:

	Year ended December 30, 2009	Year ended December 30, 2010
	%	%
Environmental protection and energy conservation solutions	7.5	8.1
Environmental protection sub-segment	5.4	5.4
Energy conservation solutions sub-segment	16.0	19.4
Renewable energy equipment manufacturing and services	6.1	8.4
Wind power products and services sub-segment	6.0	8.4
Solar power products and services sub-segment	6.3	8.5

Finance costs

Our finance costs increased by RMB91.4 million, or 84.8%, to RMB199.2 million for 2010 from RMB107.8 million for 2009, primarily due to increased interest expense for certain financings we obtained for our WTG business in 2010, principally for capital investment and working capital requirements. Our finance costs as a percentage of revenue decreased to 1.8% for 2010 from 2.0% for 2009.

Profit before taxation

As a result of the foregoing factors, profit before tax increased by RMB432.7 million, or 174.6%, to RMB680.5 million for 2010 from RMB247.8 million for 2009.

Income tax

We incurred income tax charges of RMB53.3 million and RMB118.7 million for 2009 and 2010 at an effective tax rate of 21.5% and 17.4%, respectively. The reduction in our effective tax rate was primarily due to increased profit attribution from certain of our subsidiaries which currently enjoy preferential tax rates.

Profit for the year

As a result of the foregoing factors, our profit for the year increased by RMB367.3 million, or 188.8%, to RMB561.8 million for 2010 from RMB194.5 million for 2009.

Profit attributable to non-controlling interests

Our profit attributable to non-controlling interests increased by RMB112.6 million, or 113.9%, to RMB211.5 million for 2010 from RMB98.9 million for 2009.

Profit attributable to equity owners of the Company

As a result of the foregoing, profit attributable to equity owners of our Company increased by RMB254.7 million, or 266.4%, to RMB350.3 million for 2010 from RMB95.6 million for 2009.

Environmental protection sub-segment

	Year ended December 31,			
	2009		2010	
	(RMB millions)	% of segment revenue	(RMB millions)	% of segment revenue
Revenue	2,751.5	100.0	3,093.6	100.0
SO_2 emissions reduction	2,074.3	75.4	1,856.5	60.0
Water treatment	333.5	12.1	621.6	20.1
NOx emissions reduction	294.3	10.7	538.3	17.4
Others	49.4	1.8	77.2	2.5
Cost of sales	(2,396.5)	(87.1)	(2,642.8)	(85.4)
SO_2 emissions reduction	(1,771.6)	(64.4)	(1,570.6)	(50.8)
Water treatment	(304.3)	(11.1)	(537.7)	(17.4)
NOx emissions reduction	(257.2)	(9.3)	(418.3)	(13.5)
Others	(22.9)	(0.8)	(75.3)	(2.4)
Business tax	(40.5)	(1.5)	(40.9)	(1.3)
Gross profit	355.0	12.9	450.8	14.6

Revenue

Our revenue for our SO_2 emissions reduction business decreased by RMB217.8 million, or 10.5%, to RMB1,856.5 million for 2010 from RMB2,074.3 million for 2009, primarily due to a decrease in the revenue generated from our EPC services business and partially offset by operating lease income from concession services. Revenue from provision of concession services and sale of SO_2 emissions reduction equipment increased by 260.5% and 58.2% respectively for 2010, as compared with 2009.

Our revenue for our water treatment business increased by RMB288.1 million, or 86.4%, to RMB621.6 million for 2010 from RMB333.5 million for 2009, primarily due to an increase in revenues recognized from our wastewater EPC projects. See "—Critical Accounting Policies, Judgments and Estimates—Revenue recognition—Contract revenue."

Our revenue from our NOx emissions reduction business increased by RMB244.0 million, or 82.9%, to RMB538.3 million for 2010 from RMB294.3 million for 2009, primarily due to increases in the NOx SCR sales volume, increases in the volume of NOx emissions reduction facilities installation services provided and the commencement of low-NOx emissions reduction business in 2010.

Our other revenues increased by RMB27.8 million, or 56.3%, to RMB77.2 million for 2010 from RMB49.4 million in 2009, primarily due to an increase in ancillary services to the major business lines in this segment provided.

As a result of the above, our segment revenue increased by RMB342.1 million, or 12.4%, to RMB3,093.6 million for 2010 from RMB2,751.5 million for 2009.

Cost of sales

Our cost of sales for our SO_2 emissions reduction business decreased by RMB201.0 million, or 11.3%, to RMB1,570.6 million in 2010 from RMB1,771.6 million in 2009, in line with the decreases in our revenue for this business line.

Our cost of sales for our water treatment business increased by RMB233.4 million, or 76.7%, to RMB537.7 million in 2010 from RMB304.3 million in 2009, in line with the corresponding increase in revenues for this business line.

Our cost of sales for our NOx emissions business increased by RMB161.1 million, or 62.6%, to RMB418.3 million in 2010 from RMB257.2 million in 2009, in line with the increase in our revenue for this business line.

Our cost of sales for other revenues increased by RMB52.4 million, or 228.8%, to RMB75.3 million in 2010 from RMB22.9 million in 2009, primarily due to increases in our ancillary services provided under this segment. The comparatively high increase in our cost of sales as compared to incremental revenues in this business line is primarily due to the negotiated contract prices for these ancillary services being relatively low, resulting in lower margins for such contracted ancillary services.

Business taxes increased by RMB0.4 million, or 1.0%, to RMB40.9 million in 2010 from RMB40.5 million in 2009, primarily due to increases in taxable revenues for construction-related design services.

As a result of the above, our cost of sales for this segment increased by RMB246.3 million, or 10.3%, to RMB2,642.8 million for 2010 from RMB2,396.5 million for 2009.

Gross profit and gross margin

As a result of the foregoing factors, our gross profit was RMB450.8 million for 2010, representing an increase of RMB95.8 million, or 27.0%, from RMB355.0 million for 2009 and our gross margin increased to 14.6% for 2010 from 12.9% for 2009. This was primarily due to increases in the gross margins from our SO_2 emissions reduction, water treatment and NOx emissions reduction businesses. The increase in gross margin of our NOx emissions reduction business was primarily attributable to some of our high-profit business lines such as low-NOx equipment and projects.

The following table sets out the change in gross margins of the businesses in the environmental protection sub-segment for 2010 as compared with 2009:

	Year ended December 31,	
	2009	**2010**
SO_2 emissions reduction	14.6%	15.4%
Water treatment	8.8%	13.5%
NOx emissions reduction	12.6%	22.3%

Energy conservation solutions sub-segment

	Year ended December 31,			
	2009		2010	
	(RMB millions)	% of segment revenue	(RMB millions)	% of segment revenue
Revenue	717.5	100.0	720.1	100.0
Plasma-assisted coal combustion	421.1	58.7	373.4	51.9
Steam turbine flow passage improvement	277.6	38.7	157.3	21.8
EMC	4.7	0.6	178.8	24.8
Construction and waste heat recovery	14.1	2.0	10.6	1.5
Cost of sales	(489.6)	(68.2)	(488.5)	(67.8)
Plasma-assisted coal combustion	(232.5)	(32.4)	(202.2)	(28.1)
Steam turbine flow passage improvement	(243.2)	(33.9)	(133.5)	(18.5)
EMC	(3.9)	(0.5)	(144.0)	(20.0)
Construction and waste heat recovery	(10.0)	(1.4)	(6.8)	(0.9)
Business Tax	—	—	(2.0)	(0.3)
Gross profit	227.9	31.8	231.6	32.2

Revenue

Revenue from our plasma-assisted coal combustion business decreased by RMB47.7 million, or 11.3%, to RMB373.4 million for 2010 from RMB421.1 million for 2009, primarily due to a cyclical decrease in the demand for the plasma-assisted coal combustion facilities due to excess supply as a large amount of power plants had installed such facilities in 2009.

Revenue from our steam turbine flow passage improvement business decreased by RMB120.3 million, or 43.3%, to RMB157.3 million for 2010 from RMB277.6 million for 2009, primarily due to general market conditions.

Revenue for our EMC business increased by RMB174.1 million, or 3,704.3%, to RMB178.8 million for 2010 from RMB4.7 million for 2009, primarily due to projects which were completed in 2010 and for which revenues were recognized during the period.

Revenue from our construction and waste heat recovery business decreased by RMB3.5 million, or 24.8%, to RMB10.6 million for 2010 from RMB14.1 million for 2009, primarily due to general market fluctuations.

As a result of the above, our segment revenue increased by RMB2.6 million, or 0.4%, to RMB720.1 million for 2010 from RMB717.5 million for 2009.

Cost of sales

Cost of sales for our plasma-assisted coal combustion business decreased by RMB30.3 million, or 13.0%, to RMB202.2 million in 2010 from RMB232.5 million in 2009, in line with a corresponding decrease in our revenue for this business line.

Cost of sales for our steam turbine flow passage improvement business decreased by RMB109.7 million, or 45.1%, to RMB133.5 million in 2010 from RMB243.2 million in 2009, in line with a corresponding decrease in our revenue for this business line.

Cost of sales for our EMC business increased by RMB140.1 million, or 3,592.3%, to RMB144.0 million in 2010 from RMB3.9 million in 2009, primarily due to construction costs for projects completed in 2010.

Cost of sales for our construction and waste heat recovery business decreased by RMB3.2 million, or 32%, to RMB6.8 million in 2010 from RMB10.0 million in 2009, in line with decreases in our revenue from this business line.

Business taxes were RMB2.0 million in 2010, primarily due to the provision of taxable construction design services.

As a result of the above, our cost of sales for this segment decreased by RMB1.1 million, or 0.2%, to RMB488.5 million for 2010 from RMB489.6 million for 2009.

Gross profit and gross margin

As a result of the foregoing factors, our gross profit was RMB231.6 million for 2010, representing an increase of RMB3.7 million, or 1.6%, from RMB227.9 million for 2009, and our gross margin increased to 32.2% for 2010 from 31.8% for 2009.

The following table sets out our gross margins for the energy conservation solutions sub-segment for 2010 as compared with 2009:

	Year ended December 31,	
	2009	2010
Plasma-assisted coal combustion	44.8%	45.8%
Steam turbine flow passage improvement	12.4%	15.1%
EMC	17.0%	19.5%
Construction and waste heat recovery	29.1%	35.8%

Wind power products and services sub-segment

	Year ended December 31,			
	2009		2010	
	(RMB millions)	% of segment revenue	(RMB millions)	% of segment revenue
Revenue	1,580.1	100.0	5,807.6	100.0
Cost of sales	(1,307.8)	(82.8)	(4,779.1)	(82.3)
Gross profit	272.3	17.2	1,028.5	17.7

Revenue

Our revenue increased by RMB4,227.5 million, or 267.5%, to RMB5,807.6 million for 2010 from RMB1,580.1 million for 2009, primarily due to a significant increase in WTG sales volume from 195 WTGs in 2009 to 867 WTGs in 2010 resulting from increases in our production capacity and market share, and partially offset by a decrease in the average selling price of WTGs from approximately RMB7.9 million per WTG in 2009 to approximately RMB6.6 million per WTG in 2010 as a result of increased market competition and declines in the raw material costs.

Cost of sales

Our cost of sales increased by RMB3,471.3 million, or 265.4%, to RMB4,779.1 million for 2010 from RMB1,307.8 million for 2009, primarily due to a corresponding increase in WTG sales volumes, as well as declines in the prices of raw materials used in the production of WTGs.

Gross profit and gross margin

As a result of the foregoing, our gross profit was RMB1,028.5 million for 2010, representing an increase of RMB756.2 million, or 277.7%, from RMB272.3 million for 2009, and our gross margin slightly increased to 17.7% for 2010 from 17.2% for 2009, primarily due to scale economies from our expansion in production.

Solar power products and services sub-segment

	Year ended December 31,			
	2009		2010	
	(RMB millions)	% of segment revenue	(RMB millions)	% of segment revenue
Revenue	101.5	100.0	1,253.1	100.0
Cost of sales	(85.1)	(83.8)	(1,128.8)	(90.1)
Gross profit	16.4	16.2	124.3	9.9

Revenue

Our revenue increased by RMB1,151.6 million, or 1,134.6%, to RMB1,253.1 million for 2010 from RMB101.5 million for 2009, primarily due to increased sales of solar cells and modules by GD Solar and the consolidation of the results of operations of Jintech for a full financial year in 2010. We acquired Jintech in October 2009 and accordingly only consolidated the fourth quarter results of Jintech in our results of operations for 2009.

Cost of sales

Our cost of sales increased by RMB1,043.7 million, or 1,226.4%, to RMB1,128.8 million for 2010 from RMB85.1 million for 2009, primarily due to the correlated increase in sales volume for the same period.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by RMB107.9 million, or 657.9%, to RMB124.3 million for 2010 from RMB16.4 million for 2009 and our gross margin decreased to 9.9% for 2010 from 16.2% for 2009, primarily due to changes in market conditions and increased competition.

2009 COMPARED TO 2008

Overview

	Revenue		Gross Profit		Operating Profit	
	Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2008	2009	2008	2009	2008	2009
	(RMB in million, except for the percentages)		(RMB in million, except for the percentages)		(RMB in million, except for the percentages)	
Environmental protection and energy conservation solutions	3,531.4	3,469.0	587.9	582.9	310.3	261.8
% of total	89.0	64.9	89.7	64.0	118.4	79.1
Environmental protection	2,958.4	2,751.5	385.4	355.0	186.9	147.3
% of total	74.6	51.5	58.8	39.0	71.3	44.5
Energy conservation solutions	573.0	717.5	202.5	227.9	123.4	114.5
% of total	14.4	13.4	30.9	25.0	47.1	34.6
Renewable energy equipment manufacturing and services	33.5	1,681.6	5.5	288.7	(57.7)	101.8
% of total	0.9	31.4	0.8	31.7	(22.0)	30.7
Wind power products and services	33.5	1,580.1	5.5	272.3	(53.7)	95.4
% of total	0.9	29.5	0.8	29.9	(20.5)	28.8
Solar power products and services	—	101.5	—	16.4	(4.0)	6.4
% of total	—	1.9	—	1.8	(1.5)	1.9
All others	401.2	199.1	62.5	39.5	35.5	4.6
% of total	10.1	3.7	9.5	4.3	13.6	1.4
Unallocated head office and corporate operating loss	—	—	—	—	(26.1)	(37.1)
% of total	—	—	—	—	(10.0)	(11.2)
Total	3,966.1	5,349.7	655.9	911.1	262.0	331.1

Revenue

Our revenue increased by RMB1,383.6 million, or 34.9%, to RMB5,349.7 million for 2009 from RMB3,966.1 million for 2008, primarily due to increases in revenues from our energy conservation, wind power and solar power businesses of RMB144.5 million, RMB1,546.6 million and RMB101.5 million, representing a year-on-year increase of 25.2%, 4,616.7% and 100%, respectively.

Our revenues for 2009 as compared with 2008 are as follows:

	Year ended December 31,	
	2008	2009
	(RMB millions)	(RMB millions)
Environmental protection and energy conservation solutions	3,531.4	3,469.0
Environmental protection	2,958.4	2,751.5
Energy conservation solutions	573.0	717.5
Renewable energy equipment manufacturing and services	33.5	1,681.6
Wind power products and services	33.5	1,580.1
Solar power products and services	—	101.5

Revenue from the environmental protection and energy conservation solutions segment decreased by RMB62.4 million, or 1.8%, to RMB3,469.0 million for 2009 from RMB3,531.4 million for 2008, primarily due to decreases in our revenues generated from our

SO_2 emissions reduction and EMC businesses and partially offset by increases in our revenues generated from our NOx emissions reduction, water treatment, plasma-assisted coal combustion and steam turbine flow passage improvement businesses.

Revenue from our renewable energy equipment manufacturing and services segment increased by RMB1,648.1 million, or 4,919.7%, to RMB1,681.6 million for 2009 from RMB33.5 million for 2008, primarily due to an increase in revenue from our wind power products and services sub-segment and the revenue generated from our solar power products and services sub-segment, which commenced in October 2009 when we acquired Jintech. Substantially all of the increase in the revenues of our Group in 2009 is attributable to the increase in revenues from the wind power products and services sub-segment.

Cost of sales

Our cost of sales increased by RMB1,128.4 million, or 34.1%, to RMB4,438.6 million for 2009 from RMB3,310.2 million for 2008, primarily due to increases in the costs of sales for the energy conservation, wind power products and services and solar power products and services sub-segments of RMB119.1 million, RMB1,279.8 million and RMB85.1 million, representing a year-on-year increase of 32.1%, 4,570.7% and 100%, respectively. Cost of sales as a percentage of revenue decreased to 83.0% for 2009 from 83.5% for 2008.

Our cost of sales for each segment for 2009 as compared with 2008 are as follows:

	Year ended December 31,	
	2008	2009
	(RMB millions)	(RMB millions)
Environmental protection and energy conservation solutions	2,943.5	2,886.1
Environmental protection	2,573.0	2,396.5
Energy conservation solutions	370.5	489.6
Renewable energy equipment manufacturing and services	28.0	1,392.9
Wind power products and services	28.0	1,307.8
Solar power products and services	—	85.1

Our cost of sales for the environmental protection and energy conservation solutions segment decreased by RMB57.4 million, or 1.9%, to RMB2,886.2 million for 2009 from RMB2,943.5 million for 2008, primarily due to a decrease in the costs of sales from our SO_2 emission reduction and EMC businesses and partially offset by increases in costs of sales of our water treatment, NOx emission reduction, plasma-assisted coal combustion business and steam turbine flow passage improvement businesses.

Our cost of sales for the renewable energy equipment manufacturing and services segment increased by RMB1,364.9 million, or 4,874.6%, to RMB1,392.9 million for 2009 from RMB28.0 million for 2008, primarily due to the expansion of our WTG business and the commencement of our solar power product and service business.

Gross profit and gross margin

As a result of the foregoing factors, our gross profit increased by RMB255.2 million, or 38.9%, to RMB911.1 million for 2009 from RMB655.9 million for 2008 and our gross margin increased to 17.0% for 2009 from 16.5% for 2008.

Our gross profits and gross margins for each segment for 2009 as compared with 2008 are as follows:

	Year ended December 31,			
	2008		2009	
	(RMB million)	%	(RMB million)	%
Environmental protection and energy conservation solutions	587.9	16.6	582.9	16.8
Environmental protection	385.4	13.0	355.0	12.9
Energy conservation solutions	202.5	35.3	227.9	31.8
Renewable energy equipment manufacturing and services	5.5	16.4	288.7	17.2
Wind power products and services	5.5	16.4	272.3	17.2
Solar power products and services	—	—	16.4	16.2
All others	62.5	15.6	39.5	19.8
Grand total	655.9	16.5	911.1	17.0

Our gross profit for the environmental protection and energy conservation solutions segment was RMB582.9 million for 2009, representing a decrease of RMB5.0 million, or 0.9%, from RMB587.9 million for 2008, and our gross margin increased to 16.8% for 2009 from 16.6% for 2008.

Our gross profit for the renewable energy equipment manufacturing and services segment was RMB288.7 million for 2009 representing an increase of RMB283.2 million, or 5,149.1%, from RMB5.5 million for 2008, and our gross margin increased to 17.2% for 2009 from 16.4% for 2008. In 2009, we expanded our WTG production capacity and also commenced the operation of our solar power products and services business through Jintech, which we acquired in October 2009. Accordingly, our financial results for the solar power products and services sub-segment for 2009 comprise only the fourth quarter results of Jintech.

Other revenue

Our other revenue increased by RMB10.4 million, or 32.7%, to RMB42.2 million for 2009 from RMB31.8 million for 2008, primarily due to increases in one-off governmental subsidies received.

Other net income/losses

Other net income/losses decreased by approximately RMB3.0 million to a loss of RMB1.8 million for 2009 from a gain of RMB1.2 million for 2008, primarily due to an exchange loss of RMB3.8 million in 2009.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB84.2 million, or 117.4%, to RMB155.9 million for 2009 from RMB71.7 million for 2008. Our selling and distribution costs as a percentage of revenue increased to 2.9% for 2009 from 1.8% for 2008, primarily due to an increase in our provisions relating to product warranties for our WTG business, as a result of an expansion of this business line.

Administrative expenses

Personnel. Our personnel expenses increased by RMB58.6 million, or 37.6%, to RMB214.4 million for 2009 from RMB155.8 million for 2008, primarily due to increases in our number of research and development specialists and technicians.

Research and development. Our research and development expenses increased by RMB23.6 million, or 70.0%, to RMB57.3 million for 2009 from RMB33.7 million for 2008, primarily due to our increased research and development activities for the WTG business.

Depreciation and amortization. Our depreciation and amortization expenses increased by RMB11.2 million, or 39.3%, to RMB39.7 million in 2009 from RMB28.5 million in 2008, primarily due to increased depreciation provision for our office and office related assets.

Property management and rental. Our property management and rental expenses increased by RMB1.4 million, or 10.1%, to RMB15.2 million in 2009 from RMB13.8 million in 2008, primarily due to expansions in our rental office space.

Utilities. Our utilities expenses increased by RMB0.4 million, or 8.3%, to RMB5.2 million in 2009 from RMB4.8 million in 2008, primarily due to our operational expansions.

Professional service fees. Our professional service fees increased by RMB6.7 million, or 94.4%, to RMB13.8 million in 2009 from RMB7.1 million in 2008, primarily due to an increase in consulting fees paid during the period.

Miscellaneous. Our miscellaneous expenses increased by RMB7.4 million, or 6.6%, to RMB118.9 million in 2009 from RMB111.5 million in 2008, primarily due to increases in staff traveling expenses.

As a result of the above, our administrative expenses increased by RMB109.3 million, or 30.8%, to RMB464.5 million for 2009, from 355.2 million for 2008.

Operating profit and operating margin

As a result of the foregoing factors, our operating profit was RMB331.1 million for 2009, representing an increase of RMB69.1 million, or 26.4%, from RMB262.0 million for 2008. Our operating margin for 2009 was 6.2%, and our operating margin for 2008 was 6.6%.

Our operating margin for each of our business segments for 2009 as compared with 2008 are as follows:

	Year ended December 30, 2008	Year ended December 30, 2009
	%	%
Environmental protection and energy conservation solutions	8.8	7.5
Environmental protection	6.3	5.4
Energy conservation solutions	21.5	16.0
Renewable energy equipment manufacturing and services	(172.2)	6.1
Wind power products and services	(160.3)	6.0
Solar power products and services	—	6.3

The negative operating margin for our renewable energy equipment manufacturing and services segment was primarily due to the commencement and early development of our wind power products and services business and our solar power products and services business. In the initial stages of our expansion, we were required to acquire more inventories of materials, parts and components and incur more production and other start-up costs (such as marketing expenses and general administrative expenses) which were not matched by our revenues during this period.

Finance costs

Our finance costs increased by RMB66.7 million, or 162.3%, to RMB107.8 million for 2009 from RMB41.1 million for 2008, primarily due to an increase in interest payable on outstanding loans from banks and other financial institutions (comprising primarily finance companies offering financing for equipment purchases). The increase in interest payable in 2009 was primarily due to increases in outstanding indebtedness related to our expansion of the WTG business, and predominantly related to financing for equipment and raw material purchases. This was partially offset by a decrease in our effective interest rate from 7.3% in 2008 to 4.6% for 2009. Our finance costs as a percentage of revenue increased to 2.0% for 2009 from 1.0% for 2008.

Profit before taxation

As a result of the foregoing factors, profit before tax increased by RMB6.5 million, or 2.7%, to RMB247.8 million for 2009 from RMB241.3 million for 2008.

Income tax

Our income tax charges increased by RMB12.1 million, or 29.4%, to RMB53.3 million in 2009 from RMB41.2 million in 2008, due to a corresponding increase in our net profits for the period. Our effective tax rate was 21.5% and 17.1% for 2009 and 2008, respectively. We had current taxes in the amount of RMB82.2 million and RMB54.6 million for 2009 and 2008 respectively, primarily due to an increase in the taxable income we received for 2009.

Profit for the year

As a result of the foregoing factors, our profit for the year decreased by RMB5.6 million, or 2.8%, to RMB194.5 million for 2009 from RMB200.1 million for 2008.

Profit attributable to non-controlling interests

Our profit attributable to non-controlling interests decreased by RMB10.3 million, or 9.4% to RMB98.9 million for 2009 from RMB109.2 million for 2008.

Profit attributable to equity owners of the Company

As a result of the foregoing factors, our profit attributable to equity owners of the Company increased by RMB4.7 million, or 5.2%, to RMB95.6 million for 2009 from RMB90.9 million for 2008.

Environmental protection sub-segment

	Year ended December 31,			
	2008		2009	
	(RMB millions)	% of segment revenue	(RMB millions)	% of segment revenue
Revenue	2,958.4	100.0	2,751.5	100.0
SO_2 emissions reduction	2,542.5	86.0	2,074.3	75.4
Water treatment	273.6	9.2	333.5	12.1
NOx emissions reduction	51.4	1.7	294.3	10.7
Others	90.9	3.1	49.4	1.8
Cost of sales	(2,573.0)	(87.0)	(2,396.5)	(87.1)
SO_2 emissions reduction	(2,176.3)	(73.6)	(1,771.6)	(64.4)
Water treatment	(242.5)	(8.2)	(304.3)	(11.1)
NOx emissions reduction	(40.6)	(1.4)	(257.2)	(9.3)
Others	(69.1)	(2.3)	(22.9)	(0.8)
Business tax	(44.5)	(1.5)	(40.5)	(1.5)
Gross profit	385.4	13.0	355.0	12.9

Revenue

Revenue from our SO_2 emissions reduction business decreased by RMB468.2 million, or 18.4%, to RMB2,074.3 million in 2009 from RMB2,542.5 million in 2008, primarily due to a decrease in the revenue generated from our EPC services business, as we commenced providing such services under the concession operations model. Accordingly this decrease was partially offset by an increase in operating lease income from our concession services business. Revenue from SO_2 emissions reduction concession services increased by 356.1% for 2009 as compared to 2008.

Revenue from our water treatment business increased by RMB59.9 million, or 21.9%, to RMB333.5 million in 2009 from RMB273.6 million in 2008, primarily due to increases in contracted projects and in project construction development.

Revenue from our NOx emissions reduction business increased by RMB242.9 million, or 472.6%, to RMB294.3 million for 2009 from RMB51.4 million for 2008, primarily due to the commencement of production and sales of NOx SCR and an increase in the number of NOx emissions reduction projects undertaken.

Other revenue decreased by RMB41.5 million, or 45.7%, to RMB49.4 million in 2009 from RMB90.9 million in 2008, primarily due to a decrease in ancillary services provided relating to this segment.

As a result of the above, our segment revenue decreased by RMB206.9 million, or 7.0%, to RMB2,751.5 million for 2009 from RMB2,958.4 million for 2008.

Cost of sales

Cost of sales for our SO_2 emissions reduction business decreased by RMB404.7 million, or 18.6%, to RMB1,771.6 million in 2009 from RMB2,176.3 million in 2008, primarily in line with the corresponding decrease in revenues from this business.

Cost of sales for our water treatment business increased by RMB61.8 million, or 25.5%, to RMB304.3 million in 2009 from RMB242.5 million in 2008, in line with corresponding increases in revenue for this business line.

Cost of sales for our NOx emissions reduction business increased by RMB216.6 million, or 533.5%, to RMB257.2 million in 2009 from RMB40.6 million in 2008, in line with corresponding increase in revenue for this business line.

Cost of sales for other revenues decreased by RMB46.2 million, or 66.9%, to RMB22.9 million in 2009 from RMB69.1 million in 2008, in line with decreases in revenue for this business line.

Business taxes decreased by RMB4.0 million, or 9.0%, to RMB40.5 million in 2009 from RMB44.5 million in 2008, primarily due to less construction-design related services provided during this period.

As a result of the above, our cost of sales for this segment decreased by RMB176.5 million, or 6.9%, to RMB2,396.5 million for 2009 from RMB2,573.0 million for 2008.

Gross profit and gross margin

As a result of the foregoing factors, our gross profit was RMB355.0 million for 2009, representing a decrease of RMB30.4 million, or 7.9%, from RMB385.4 million for 2008, and our gross margin was 12.9% for 2009 and 13.0% for 2008 respectively.

The following table sets out the gross margins for each sub-segment for 2009 as compared with 2008:

	Year ended December 31,	
	2008	2009
SO_2 emissions reduction	14.4%	14.6%
Water treatment	11.4%	8.8%
NOx emissions reduction	21.0%	12.6%

Energy conservation solutions sub-segment

	Year ended December 31,			
	2008		2009	
	(RMB millions)	% of segment revenue	(RMB millions)	% of segment revenue
Revenue	573.0	100.0	717.5	100.0
Plasma-assisted coal combustion	368.4	64.3	421.1	58.7
Steam turbine flow passage improvement	171.2	29.9	277.6	38.7
EMC	30.3	5.3	4.7	0.6
Construction and waste heat recovery	3.1	0.5	14.1	2.0
Cost of sales	(370.5)	(64.7)	(489.6)	(68.2)
Plasma-assisted coal combustion	(203.9)	(35.6)	(232.5)	(32.4)
Steam turbine flow passage improvement	(138.7)	(24.2)	(243.2)	(33.9)
EMC	(24.9)	(4.3)	(3.9)	(0.5)
Construction and waste heat recovery	(2.0)	(0.4)	(10.0)	(1.4)
Business tax	(1.0)	(0.2)	—	—
Gross profit	202.5	35.3	227.9	31.8

Revenue

Revenue from our plasma-assisted coal combustion business increased by RMB52.7 million, or 14.3%, to RMB421.1 million for 2009 from RMB368.4 million for 2008, primarily due to the expansion of our plasma-assisted coal combustion business.

Revenue from our steam turbine flow passage improvement business increased by RMB106.4 million, or 62.1%, to RMB277.6 million for 2009 from RMB171.2 million for 2008, primarily due to an increase in the volume of our steam turbine flow passage improvement projects.

Revenue from our EMC business decreased by RMB25.6 million, or 84.5%, to RMB4.7 million for 2009 from RMB30.3 million for 2008, reflecting fluctuations during the early stage of our EMC business. For detailed description of our EMC business, please refer to section entitled “Business—EMC”.

Revenue from our construction and waste heat recovery business increased by RMB11.0 million, or 354.8%, to RMB14.1 million in 2009 from RMB3.1 million in 2008, remaining relatively stable.

As a result of the above, our segment revenue increased by RMB144.5 million, or 25.2%, to RMB717.5 million for 2009 from RMB573.0 million for 2008.

Cost of sales

Cost of sales for our plasma-assisted coal combustion business increased by RMB28.6 million, or 14.0%, to RMB232.5 million in 2009 from RMB203.9 million in 2008, in line with increases in revenue from this business line.

Cost of sales for our steam turbine flow passage improvement business increased by RMB104.5 million, or 75.3%, to RMB243.2 million in 2009 from RMB138.7 million in 2008, primarily due to in line with increases in revenue from this business line.

Cost of sales for our EMC business decreased by RMB21.0 million, or 84.3%, to RMB3.9 million in 2009 from RMB24.9 million in 2008, primarily due to fewer EMC projects being completed or developed during this period.

Cost of sales for our construction and waste heat recovery business increased by RMB8.0 million, or 400%, to RMB10.0 million in 2009 from RMB2.0 million in 2008, primarily due to developmental costs incurred in relation to this business line.

Business tax decreased 100% to nil from RMB1.0 million in 2008, primarily due to a decrease in taxable construction design-related services.

As a result of the above, our cost of sales increased by RMB119.1 million, or 32.1%, to RMB489.6 million for 2009 from RMB370.5 million for 2008.

Gross profit and gross margin

As a result of the foregoing factors, our gross profit was RMB227.9 million for 2009, representing an increase of RMB25.4 million, or 12.5%, from RMB202.5 million for 2008, and our gross margin decreased to 31.8% for 2009 from 35.3% for 2008.

The following table sets out the gross margins for energy conservation service sub-segment for 2009 as compared with 2008:

	Year ended December 31,	
	2008	2009
Plasma-assisted coal combustion	44.7%	44.8%
Steam turbine flow passage improvement	19.0%	12.4%
EMC	17.8%	17.0%
Construction and waste heat recovery	35.5%	29.1%

Wind power products and services sub-segment

	Year ended December 31,			
	2008		2009	
	(RMB millions)	% of segment revenue	(RMB millions)	% of segment revenue
Revenue	33.5	100.0	1,580.1	100.0
Cost of sales	(28.0)	(83.6)	(1,307.8)	(82.8)
Gross profit	5.5	16.4	272.3	17.2

Revenue

Revenue increased by RMB1,546.6 million, or 4,616.7%, to RMB1,580.1 million for 2009 from RMB33.5 million for 2008, primarily due to an increase in WTG sales volume from 4 WTGs in 2008 to 195 WTGs in 2009 and partially offset by a decrease in the average sales price, from approximately RMB8.4 million per WTG in 2008 to approximately RMB7.9 million per WTG in 2009. The increase in sales volume of the WTGs was primarily due to the expansion of our WTG business.

Cost of sales

Our cost of sales increased by RMB1,279.8 million, or 4,570.7%, to RMB1,307.8 million for 2009 from RMB28.0 million for 2008, primarily due to a corresponding increase in sales volume of our WTGs as a result of an expansion of our WTG business, and was partially offset by a reduction in our production costs due to improved production efficiency.

Gross profit and gross margin

As a result of the foregoing factors, our gross profit was RMB272.3 million for 2009, representing an increase of RMB266.8 million, or 4,850.9%, from RMB5.5 million for 2008, and our gross margin increased to 17.2% for 2009 from 16.4% for 2008.

Solar power products and services sub-segment

	Year ended December 31,			
	2008		2009	
	(RMB millions)	% of segment revenue	(RMB millions)	% of segment revenue
Revenue	—	—	101.5	100.0
Cost of sales	—	—	(85.1)	(83.8)
Gross profit	—	—	16.4	16.2

Revenue

We commenced our operations in the solar power products and services sub-segment in October 2009, upon the completion of our acquisition of Jintech. Accordingly, our results in this segment for 2009 are based on the fourth quarter results of Jintech, which we consolidated upon completion of the acquisition. Accordingly, we had no revenues in 2008 and our 2009 revenues only reflect the fourth quarter revenues of Jintech of RMB101.5 million for 2009.

Cost of sales

Our cost of sales for the solar cell and module manufacturing and solar power integrated sub-segment was RMB85.1 million for 2009.

Gross profit and gross margin

Our gross profit for the solar cell and module manufacturing and solar power integrated sub-segment was RMB16.4 million for 2009, and our gross margin was 16.2% for 2009.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal use of cash has been for funding our business operations. Our main source of liquidity has been cash generated from our operating activities and debt financing. We currently rely on cash generated from our operations, as well as normal trade terms from our suppliers and with our customers, to fund our expansion and other working capital requirements. We expect to increase our liquidity and capital resources with the net proceeds from the Global Offering.

The following table sets forth certain information about our consolidated cash flows for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	(RMB millions)				
				(unaudited)	
Net cash used in operating activities	(401.5)	(227.5)	(1,266.9)	(1,827.9)	(30.6)
Net cash used in investing activities	(452.1)	(2,906.9)	(7,045.1)	(2,375.7)	(891.0)
Net cash generated from financing activities	1,407.9	3,236.5	8,852.1	4,845.0	2,859.9
Cash and cash equivalents at end of year/period	1,152.9	1,255.1	1,790.9	1,887.5	3,732.6

Net cash used in operating activities

Our net cash used in operating activities primarily represent cash used in our operations for the purposes of purchases of raw material and other inventories, payments to suppliers and subcontractors, payments of expenses such as salaries and benefits, and income tax payments. We also receive cash from our customers for products and services provided by us, or as advances against such products and services to be provided.

Our negative cash flows for operating activities during the Track Record Period are primarily attributable to our commencement and expansion of the renewable energy business, in both the wind and solar products and services business lines. As a result of our development of these businesses, we purchased more inventories and other production materials, and incurred more production costs to build up our inventory of finished products, to meet the increasing demand for these products. In addition, our customers for our WTG businesses typically pay an advance of 10% of the contract value upfront upon confirmation of their orders, with the remaining 40% being payable during the construction stage, an additional 40% being payable upon delivery and installation of the WTG system and the remaining 10% being retained by the customer until expiry of the warranty period for such WTG systems (such warranty periods are typically two years, although in selected cases, they are up to five years). As a result, our production and inventory costs for the expansion of these businesses and our production were financed through internal cash flows and financing activities. Going forward, as we expand our environmental protection and energy conservation business to include projects which are comparatively more capital intensive such as the EMC and concession operations business models, we expect that there may be further medium-term pressure on our operational cash flows.

For the six months ended June 30, 2011, our net cash used in operating activities was RMB30.6 million, primarily comprising cash receipts from customers of RMB7,970.5 million and governmental grants received of RMB12.7 million and offset by cash payments to suppliers of RMB7,011.4 million, tax payments of RMB485.2 million and payments to employees of RMB378.1 million.

For 2010, our net cash used in operating activities was RMB1,266.9 million, primarily comprising cash receipts from customers of RMB10,990.8 million and governmental grants received of RMB90.6 million and offset by cash payments to suppliers of 10,887.0 million, tax payments of RMB588.1 million and payments to employees of RMB601.2 million.

For 2009, our net cash used in operating activities was RMB227.5 million, primarily comprising cash receipts from customers of RMB6,196.6 million and governmental grants received of RMB9.0 million, and offset by payments to suppliers of RMB5,691.2 million, cash paid to employees of RMB393.0 million and taxes paid of RMB264.8 million.

For 2008, our net cash used in operating activities was RMB401.5 million, principally comprising cash receipts from customers of RMB3,293.2 million and governmental grants received of RMB7.2 million, and offset by payments to suppliers of RMB3,081.0 million, payments to employees of RMB316.1 million and taxes paid of RMB230.0 million.

Net cash used in investing activities

Our net cash used in investing activities has principally been used for property, plant and equipment purchases, lease prepayments and intangible assets.

For the six months ended June 30, 2011, our net cash used in investing activities was RMB891.0 million, principally comprising RMB1,667.0 million payments for purchase of property, plant and equipment, lease prepayments and intangible assets.

For 2010, our net cash used in investing activities was RMB7,045.1 million, principally comprising RMB6,075.9 million in payments made for purchases of property, plant and equipment used in our construction of WTG production lines and solar products businesses and investment in biomass power generation business.

For 2009, our net cash used in investing activities was RMB2,906.9 million, principally comprising RMB2,860.7 million in payments for purchases of property, plant and equipment used in our construction of WTG production lines and polysilicon business and as investment in our SO_2 emission reduction concession business.

For 2008, our net cash used in investing activities was RMB452.1 million, principally comprising RMB531.1 million in payments for purchases of property, plant and equipment used our in biomass power generation business.

Net cash generated from financing activities

Our net cash generated from financing activities primarily represent capital contributions from shareholders of our Company, capital contributions to our subsidiaries from non-controlling equity owners of our subsidiaries, proceeds from borrowings, and proceeds from advances received.

For the six months ended June 30, 2011, our net cash generated from financing activities was RMB2,859.9 million, principally generated from proceeds from borrowings, partially offset by repayment of borrowings and repayment of advances from related parties.

For 2010, our net cash generated from financing activities was RMB8,852.1 million, primarily comprising (i) RMB3,249.6 million in capital contributions from equity owners of our Company, (ii) RMB1,268.0 million in capital contributions to our subsidiaries from non-controlling equity owners of our subsidiaries, (iii) RMB6,811.0 million in proceeds from borrowings, and (iv) RMB2,077.7 million in proceeds from advances received, partially offset by RMB3,355.2 million in repayment of borrowings.

For 2009, our net cash generated from financing activities was RMB3,236.5 million primarily comprising RMB115.5 million in capital contributions to our subsidiaries from non-controlling equity owners of our subsidiaries and RMB3,175.3 million in proceeds from borrowings.

For 2008, our net cash generated from financing activities was RMB1,407.9 million, primarily comprising RMB76.9 million in capital contributions from non-controlling equity owners of our subsidiaries and RMB1,214.5 million in proceeds from borrowings.

WORKING CAPITAL

The tables below present our current assets and current liabilities as at the dates indicated:

	As at December 31,			As at June 30,	As at September 30,
	2008	2009	2010	2011	2011
	(RMB millions)				(unaudited)
Current assets					
Inventories	920.5	3,502.7	7,387.2	8,541.9	8,012.3
Gross amount due from customers for contract work	1,023.1	873.9	1,021.5	1,027.4	1,559.0
Trade and bills receivables	1,297.0	2,489.8	5,613.5	6,697.8	9,813.9
Deposits, prepayments and other receivables	1,091.1	1,003.8	2,070.7	2,061.8	2,494.7
Taxes recoverable	21.9	22.8	149.8	156.0	155.3
Restricted deposits	113.7	484.8	86.9	245.3	384.5
Cash at bank and in hand	1,152.9	1,255.1	2,766.9	4,041.5	3,043.7
Interest in an associate classified as held for sale	—	—	—	15.2	—
Total current assets	5,620.2	9,632.9	19,096.5	22,786.9	25,463.4
Current liabilities					
Borrowings	660.2	2,368.5	4,443.9	7,659.5	9,199.0
Trade and bills payables	1,741.2	4,219.7	9,402.1	10,623.5	13,364.1
Other payables	1,489.2	4,252.2	6,607.6	7,123.6	4,359.1
Gross amount due to customer for contract work	803.8	484.0	588.5	274.9	649.8
Income tax payable	75.3	87.0	157.9	113.6	156.6
Provision for warranty	—	—	19.9	58.5	88.9
Total current liabilities	4,769.7	11,411.4	21,219.9	25,853.6	27,817.5
Net current assets/(liabilities)	850.5	(1,778.5)	(2,123.4)	(3,066.7)	(2,354.1)

Since June 30, 2011, our practice of settlement or utilization of inventories, trade receivables, prepayments to sub-contractors, prepayments for purchase of inventories, receipts in advance and trade payables is in line with our normal practice, and has not significantly changed in a negative way.

Directors' statements on our liquidity and capital position

We recorded net current liabilities of RMB1,778.5 million, RMB2,123.4 million and RMB3,066.7 million as of December 31, 2009, 2010 and June 30, 2011, respectively. Our net current liability position during the Track Record Period mainly attributed to the high levels of our trade and bills payables and other payables, in addition to our short-term bank borrowings. These items primarily reflected our entry into the WTG and solar businesses, which grew rapidly during our Track Record Period. Given the level of our expansions, we had increases of short-term indebtedness and negative operating cash flow as a result of the long inventory and receivable cycles. We also took advantage of the lower financing costs in the PRC of short-term borrowings compared to that of the long-term borrowings. We expect that we may continue to record net current liabilities in the future.

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

- We have maintained long-term relationships with PRC financial institutions from whom we are able to obtain banking facilities on competitive terms to fund our business expansions. As of September 30, 2011, we had unutilized banking facilities of RMB9.6 billion based on definitive bank facility documentation. In addition, before entering into new facility agreements, we have received loan commitment letters from various PRC banks under which the banks have agreed in principle to grant loans to finance many of our new projects subject to certain conditions.

- As most of our banking facilities were obtained from various PRC reputable commercial banks and our credit history has been recognized by various PRC financial institution, our access to credit markets has not been materially and adversely affected by the recent market conditions. During the Track Record Period, we have not experienced any material difficulty in renewing our short-term loans from our principal banks upon maturity of the existing term loans. We believe that we will be able to roll over our existing short-term loans upon their maturity, if necessary, based on our past repayment and credit history.

- We entered into strategic cooperative framework agreements and commitment letters with Bank of Beijing, Industrial and Commercial Bank of China, Agricultural Bank of China and China Construction Bank in October 2011 to establish cooperation relationships, and to secure financing and other financial services provided by the banks to fund our capital requirements in the future. According to these framework agreements or commitment letters, these banks agreed to provide us credit lines up to an aggregate amount of RMB18 billion to finance our business expansion, subject to, amount other requirements for each draw-down, credit approval and the execution of loan agreements and related documentation.

- Our existing cash resources are in a process of improving. Our various EPC businesses generate sufficient cash flow to satisfy their operations. For our WTG business, which was in a build-out stage and therefore had a significant negative impact on our operating cash flow during our Track Record Period, has been improving its operating cash flow and is expected to reach a positive operating cash flow in the near future. As of June 30, 2011, operating cash flow from our WTG business reached a positive of approximately RMB558.5 million. We expect that the Group's operating cash flow will be positively affected as a result.

Taking into account our presently available banking facilities, our existing cash resources and the amount of other sources of fund we expect to raise (including the proceeds from the Global Offering), our Directors confirm that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

Inventories

The following table sets forth a breakdown of our inventories as at the date indicated:

	As at December 31,			As at June 30,
	2008	2009	2010	2011
	(RMB millions)			
Raw materials	145.8	307.3	961.6	1,388.4
Work in progress	70.6	881.4	332.9	1,674.0
Finished goods	698.5	2,308.9	6,082.5	5,456.9
Spare parts	5.6	5.1	10.2	22.6
	920.5	3,502.7	7,387.2	8,541.9

In general our inventory increases over the period of 2008, 2009 and 2010 and the six months ended June 30, 2011 was primarily attributable to our expansion of the WTG business. The WTG business is seasonal in nature, and orders are typically placed in the beginning of a year, with delivery of the WTG units and systems in the fourth quarter of the year. Accordingly, as we built up our WTG business and expanded our production, we were required to increase our inventory levels of raw material and completed WTG units. We believe that our increases in inventory, as well as in trade payables and receivables and settlement periods are comparable to other manufacturers in the WTG industry within the PRC who are in the operational development phase.

June 30, 2011 compared to December 31, 2010

Total inventory balance increased by 15.6% to RMB8,541.9 million as at June 30, 2011 from RMB7,387.2 million as at December 31, 2010, primarily due to (i) an increase in raw materials by RMB426.8 million, or 44.4% from RMB961.6 million as at December 31, 2010 to RMB1,388.4 million as at June 30, 2011, and (ii) an increase in work in progress by RMB1,341.1 million, or 402.9%, from RMB332.9 million as at December 31, 2010 to RMB1,674.0 million as at June 30, 2011. This was partially offset by a decrease in finished goods by RMB625.6 million, or 10.3%, from RMB6,082.5 million as at December 31, 2010 to RMB5,456.9 million as at June 30, 2011.

December 31, 2010 compared to December 31, 2009

Total inventory balance increased by 110.9% to RMB7,387.2 million as at December 31, 2010 from RMB3,502.7 million at December 31, 2009. This increase was primarily due to (i) an increase in raw materials by RMB654.3 million, or 212.9%, from RMB307.3 million as at December 31, 2009 to RMB961.6 million as at December 31, 2010, and (ii) an increase in finished goods by RMB3,773.6 million, or 163.4%, from RMB2,308.9 million as at December 31, 2009 to RMB6,082.5 million as at December 31, 2010. This was partially offset by a decrease in work in progress by RMB548.5 million, or 62.2%, from RMB881.4 million as at December 31, 2009 to RMB332.9 million as at December 31, 2010.

December 31, 2009 compared to December 31, 2008

Total inventory balance increased by 280.5% to RMB3,502.7 million as at December 31, 2009 from RMB920.5 million at December 31, 2008. This increase was primarily due to (i) an increase in raw materials by RMB161.5 million, or 110.8%, from RMB145.8 million as at December 31, 2008 to RMB307.3 million as at December 31, 2009, (ii) an increase in finished goods by RMB1,610.4 million, or 230.6%, from RMB698.5 million as at December 31, 2008 to RMB2,308.9 million as at December 31, 2009, and (iii) an increase in work in progress by RMB810.8 million, or 1,148.4%, from RMB70.6 million as at December 31, 2008 to RMB881.4 million as at December 31, 2009.

The following table sets forth our inventory turnover days[1] as at the dates indicated:

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
	Days	Days	Days	Days
Inventory turnover days[1]	101.5	181.9	217.4	253.4

Note:

(1) Inventory turnover days are derived by dividing cost of sales by the balances of inventory for the relevant period and multiplying by 365 days (or 181 days for the six-month period in 2011). The closing balance of inventory is used for the year ended December 31, 2008 and the arithmetic mean of the opening and closing balances of inventory is used for the years ended December 31, 2009 and 2010 and six months ended June 30, 2011.

The increase in our inventory turnover days was primarily due to an expansion of our WTG business. We typically increase our inventory to meet the anticipated demand for the WTGs.

We recorded net current assets of RMB850.5 million as of December 31, 2008 and net current liabilities of RMB1,778.5 million, RMB2,123.4 million and RMB3,066.7 million as of December 31, 2009, 2010 and June 30, 2011, respectively. Our net current liabilities position during the Track Record Period mainly reflected the levels of our trade and bills payables, our borrowings and our other payables for the relevant period.

Trade and bill receivables

Our trade and bills receivables represent receivables for sale of goods and rendering of services and from receivables for contract work. The following table shows the breakdown of our consolidated trade and bills receivables as at the dates indicated:

	At December 31,			At June 30,
	2008	2009	2010	2011
		(RMB millions)		
Trade receivables for contract work	676.1	851.7	1,188.8	1,811.0
Bills receivable for contract work	133.3	244.0	465.5	324.9
Trade receivables for operating leases due from Guodian's affiliates	33.8	55.2	106.8	384.3
Trade receivables for sale of goods and rendering of services	433.7	543.3	1,759.9	2,442.3
Bills receivable for sale of goods and rendering of services	53.2	834.8	2,142.5	1,797.9
Less: allowance for doubtful debts	(33.1)	(39.2)	(50.0)	(62.6)
	1,297.0	2,489.8	5,613.5	6,697.8

Our trade and bill receivables amounted to RMB1,297.0 million, RMB2,489.8 million, RMB5,613.5 million and RMB6,697.8 million as at December 31, 2008, 2009 and 2010 and June 30, 2011, respectively. This represented a year-on-year increase between 2008, 2009 and 2010 of 92.0% and 125.5% respectively and an increase of 19.3% between December 31, 2010 and June 30, 2011, in each case primarily attributable to the expansion of our WTG business.

We do not typically grant any specific credit terms beyond payment terms to our customers. Generally, our agreements with customers include provisions relating to payment terms for invoices issued with respect to work done or product sold. Under these provisions, our customers are typically required to make payment of invoiced amounts within a specified period, which ranges between 0 to 30 days. These provisions are not classified as credit terms granted to customers on the basis that invoiced amounts are only due and payable after the expiry of the stipulated payment term. During the Track Record Period, there was only one occasion when we granted Guodian Dianli Datong Power Generation Limited Company (國電電力大同發電有限責任公司), a subsidiary of the Guodian Group, a credit period of 180 days. This was a pilot project conducted pursuant to a local government's instruction and was not representative of the credit period we granted to our customers, including the Guodian Group. We apply the same credit terms to all of our customers and have not adopted differential treatment for the Guodian Group.

The aging analysis of trade and bills receivables of our Group is as follows:

	At December 31,			At June 30,
	2008	2009	2010	2011
		(RMB millions)		
With 1 year	914.3	2,206.9	5,262.4	6,598.9
Between 1 to 2 years	310.8	225.3	261.1	71.7
Between 2 to 3 years	72.5	55.7	79.8	49.3
Over 3 years	32.5	41.1	60.2	40.5
Less: allowance for doubtful debts	(33.1)	(39.2)	(50.0)	(62.6)
	1,297.0	2,489.8	5,613.5	6,697.8

Although we do not typically grant our customers credit terms, we had approximately RMB371.7 million, RMB257.1 million, RMB333.1 million and RMB110.9 million past due trade and bills receivables in excess of one year for 2008, 2009 and 2010 and for the six months ended June 30, 2011. This is not uncommon in the PRC EPC market, in light of the bargaining power of large customers who may not settle the outstanding receivable balances on a timely basis. Our management closely monitors the recoverability of our overdue trade and bills receivables on a regular basis.

Our trade and other receivables comprise trade receivables which are currently due and payable, as well as the current portion of retention receivables. Retention receivables comprise amounts payable to us by customers of our environmental protection business which are retained by such customers until the end of the applicable warranty period, and typically amount to 10% of the contract value and the current portion of long-term retention payables. The following table sets forth a breakdown of our normal trade receivables and retention receivables for the Track Record Period:

	Financial years ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
	(RMB millions)			
Normal trade receivables	1,242.1	2,420.5	5,505.6	6,501.1
Retention receivables[(1)]	54.9	69.3	108.0	196.8

Note:

(1) Contract amounts retained by WTG customers are generally classified as long term retention receivables until the period in which they become due and payable, upon which they are transferred to trade receivables. For 2010 and the six months ended June 30, 2011, normal trade receivables included amount of RMB68.2 million and RMB163.1 million, respectively, representing the current portion of WTG customer retained receivables owed to our Company.

The following table sets forth our receivable turnover days calculated based on three different methods:

	Financial years ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
	(RMB millions)			
Receivable turnover days[(1)]	119.4	129.2	134.5	164.5
Receivable turnover days (including long term retention payables)[(2)]	119.4	133.3	144.7	178.6
Receivable turnover days (excluding all retention)[(3)]	114.3	124.9	131.5	160.4

Notes:

(1) Receivable turnover days has been calculated by dividing the days in the relevant period by the receivables turnover ratio (which is determined by dividing total sales revenue by average trade and bills receivables). For the purposes of this calculation, we have used 365 days for the financial years ended December 31, 2008, 2009 and 2010 and 181 days for the six months ended June 30, 2011.

(2) Receivable turnover days (including long term retention payables) has been calculated by dividing the days in the relevant period by the receivables turnover ratio (which has been determined by dividing total sales revenue by the sum of trade and bills receivables and long-term retention receivables (which comprise approximately 10% of WTG sales revenue which is retained by our WTG customers until the expiry of the applicable warranty period).

(3) Receivable turnover days (excluding all retention payables) has been calculated by dividing the days in the relevant period by the receivables turnover ratio (which has been determined by dividing total sales revenue by normal trade and bills receivables). This calculation excludes retention receivables and long term retention receivables.

(4) For the purposes of these calculations, we have used 365 days for the financial years ended December 31, 2008, 2009 and 2010 and 181 days for the six months ended June 30, 2011.

The increase in our debtor turnover days was primarily a result of the expansion of our WTG business, which resulted in an increase in monies retained by our WTG customers over the warranty period. Our debtor turnover days increased as these customer-retained funds are classified as long-term retention receivables and are not included in our trade and other receivables (except for current portions), although all of the revenue from the sale is recognized upon the commissioning of the WTG unit. In addition, the severe macroeconomic environment and continued tightening of monetary policy by the PRC authorities resulted in our customers taking a relatively longer period to settle outstanding balances owed to us. See "Risk Factors—Risks Relating to Our Businesses and Industries—We experienced negative operating cash flows and an increase in our receivable turnover days during the Track Record Period."

Deposits, prepayments and other receivables

The following table shows the breakdown of our deposits, prepayments and other receivables as at the dates indicated.

	At December 31,			At June 30,
	2008	2009	2010	2011
	(RMB millions)			
Prepayments to sub-contractors	610.8	616.2	780.1	940.3
Prepayments for purchase of inventories	358.5	246.3	882.4	724.7
Dividends receivables from associates	1.8	20.9	—	—
Deposits for construction contracts' bidding or performance	51.2	54.8	89.6	119.3
Other deposit	15.2	12.1	49.2	43.6
Advances to staff	31.3	31.2	49.5	55.7
Other advances(1)	19.6	18.4	167.9	128.4
Interest receivables	—	—	6.9	18.6
Others	8.1	9.7	53.5	34.7
	1,096.5	1,009.6	2,079.1	2,065.3
Less: allowance for doubtful debts	(5.4)	(5.8)	(8.4)	(3.5)
	1,091.1	1,003.8	2,070.7	2,061.8

Note:

(1) Other advances comprise advances made by us to affiliates of the Guodian Group, associated companies and third parties. In 2010, we advanced amounts of RMB100 million and RMB50 million to an associate. These advances bear interest of 4.05% and 4.78%, and are payable in July 30, 2011 and April 21, 2011, respectively. These were repaid in full in October 2011.

Our deposits, prepayments and other receivables amounted to RMB1,091.1 million, RMB1,003.8 million, RMB2,070.7 million and RMB 2,061.8 million as at December 31, 2008, 2009 and 2010 and June 30, 2011, respectively. This represented a year-on-year decrease between 2008 and 2009 of 8.0%, an increase between 2009 and 2010 of 106.3% and a decrease of 0.4% between December 31, 2010 and June 30, 2011.

Trade and bills payables

Our trade and bills payables represent payables to sub-contractors, equipment suppliers and raw material suppliers. The following table shows the breakdown of our consolidated trade and bills payables as at the dates indicated.

	At December 31,			At June 30,
	2008	2009	2010	2011
	(RMB millions)			
Bills payables	70.2	641.0	2,198.6	1,941.9
Trade payables to				
—sub-contractors and equipment suppliers	1,141.7	1,613.8	2,084.1	1,569.9
—raw material suppliers	529.3	1,964.9	5,119.4	7,111.7
	1,741.2	4,219.7	9,402.1	10,623.5

Our trade and bill payables amounted to RMB1,741.2 million, RMB4,219.7 million, RMB9,402.1 million and RMB10.623.5 million as at December 31, 2008, 2009 and 2010 and June 30, 2011, respectively. This represented a year-on-year increase between 2008, 2009 and 2010 of 142.3% and 122.8% respectively and an increase of 13.0% between December 31, 2010 and June 30, 2011. These increases were mainly due to the expansion of our operations during this period. For example, in 2008, we commenced our provision of concession operation services and in 2009, we commenced our operations in the solar power products and services business line. Since 2008, we have also been expanding our WTG business operations.

Credit terms granted to us by our suppliers are specific to our supplier relationships and are not indicative of general credit terms granted by suppliers in each segment.

The aging analysis of our trade and bills payables as at the dates indicated are as follows:

	As at December 31,			As at June 30,
	2008	2009	2010	2011
	(RMB millions)			
Due within 3 months or on demand	213.5	2,674.0	5,792.6	4,723.4
Due after 3 months but within 6 months	787.9	933.9	2,276.2	3,239.2
Due after 6 months	739.8	611.8	1,333.3	2,660.9
	1,741.2	4,219.7	9,402.1	10,623.5

During the Track Record Period, our trade and bills payables turnover days were as follows:

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
Creditor turnover days(1)	192.0	245.1	272.0	318.6

Note:

(1) Creditor turnover days are derived by dividing cost of sales by the balances of trade and bills payables for the relevant period and multiplying by 365 days (or 181 days for the six-month period in 2011). The closing balance of trade and bills payables is used for the year ended December 31, 2008 and the arithmetic mean of the opening and closing balances of trade and bills payables is used for the years ended December 31, 2009 and 2010 and six months ended June 30, 2011.

Consistent with the development stages of several lines of our businesses, our credit turnover days had an upward trend during the Track Record Period. Such a trend is primarily due to the following reasons:

- Our WTG and solar products and services sub-segments were at inauguration and expansion stages. Our WTG business commenced its sales in 2008, while our solar business commenced its sales in 2009. Our WTG business, in particular, was at a rapid ramp-up stage, and has had a relatively large backlog of orders on hand; we increased our purchases of parts and raw materials accordingly. At the initial stage, however, we recognized a relatively low amount of cost of goods sold, given the stages of development of our businesses in these two sub-segments.
- Overall, our Company has had a relatively strong bargain power, given our market statue and the overall scale of our operations. We therefore have the ability to negotiate relatively favorable credit period terms while maintaining good relationships with our suppliers.
- In the WTG industry in particular, given the long production cycles of our various products, suppliers of this industry are generally accustomed in granting favorable credit period terms to allow us to fund our extended production cycles.

Other payables

Other payables were RMB1,489.2 million, RMB4,252.2 million, RMB6,607.6 million and RMB7,123.6 million as at December 31, 2008, 2009 and 2010 and at June 30, 2011, respectively and consisted primarily of receipts in advance from our customers and advances from the Guodian Group.

Long-term retention payables

Long-term retention payables principally comprise amounts payable to our suppliers in the WTG business.

The following table sets forth our long-term retention payables for the relevant periods:

	At December 31,			At June 30,
	2008	2009	2010	2011
	(RMB millions)			
Long-term retention payables				
Guodian's affiliates	1.9	0.2	2.0	0.1
Third parties	93.4	109.3	236.6	84.8
	95.3	109.5	238.6	84.9

Our long term retention payables increased by 14.9% to RMB109.5 million in 2009 from RMB93.5 million in 2008, primarily due to our expansion of the WTG business, which resulted in increases in our purchases of WTG components and retained amounts.

Our long term retention payables increased by 117.9% to RMB238.6 million in 2010 from RMB109.5 million in 2009, primarily due to our expansion of the WTG business, which resulted in increases in our purchases of WTG components and retained amounts.

Our long term retention payables decreased by 64.4% between December 31, 2010 and June 30, 2011, primarily due to the expiry of warranty periods for WTG components purchased in previous periods and the settlement of such amounts owed by us to our suppliers.

INDEBTEDNESS

Borrowings

Most of our borrowings are denominated in RMB. The following table shows our borrowings as at the dates indicated:

	At December 31,			At June 30,	At September 30,
	2008	2009	2010	2011	2011
			(RMB millions)		(unaudited)
Long-term interest-bearing borrowings					
Bank loans					
—Secured	90.5	353.4	326.8	315.3	302.3
—Guaranteed	43.1	—	—	—	—
—Unsecured	—	544.0	1,416.6	1,810.2	1,358.4
Loans from Guodian Finance Corporation Limited ("Guodian Finance")					
—Secured	150.0	200.0	150.0	—	—
—Unsecured	—	200.0	850.0	500.0	—
Other loans (unsecured)	9.3	8.5	12.6	12.5	12.5
	292.9	1,305.9	2,756.0	2,638.0	1,673.2
Less: Current portion of long-term borrowings	(29.3)	(177.5)	(247.3)	(122.1)	(249.2)
	263.6	1,128.4	2,508.7	2,515.9	1,424.0
Short-term interest-bearing borrowings					
Bank loans					
—Secured	27.5	66.0	23.0	36.0	361.0
—Guaranteed	63.0	15.0	—	—	—
—Unsecured	480.4	1,480.0	3,003.6	6,431.4	7,928.8
Loans from Guodian Finance					
—Unsecured	60.0	500.0	1,170.0	1,070.0	—
Other loans					
—Secured	—	30.0	—	—	—
—Unsecured	—	100.0	—	—	660.0
Current portion of long-term borrowings	29.3	177.5	247.3	122.1	249.2
	660.2	2,368.5	4,443.9	7,659.5	9,199.0

The interest rates per annum on borrowings are as follows:

	At December 31,			At June 30,	At September 30,
	2008	2009	2010	2011	2011
					(unaudited)
Long-term					
Bank loans	5.76%~7.83%	4.86%~5.94%	4.86%~5.94%	4.86%~6.80%	4.86%~7.74%
Loans from Guodian Finance	6.80%	4.86%~5.13%	4.86%~5.32%	5.27%~5.81%	—
Other loans	2.82%~4.44%	2.82%~4.44%	0.30%~4.44%	0.30%~4.44%	0.3%~4.44%
Short-term					
Bank loans	5.02%~7.24%	1.88%~5.84%	4.78%~5.84%	4.78%~7.26%	5.00%~7.54%
Loans from Guodian Finance	6.72%	4.37%~4.78%	4.37%~5.00%	5.68%~6.31%	—
Other loans	—	4.43%~4.51%	—	—	7.22%

Bank and other borrowings increased by RMB2,573.1 million, or 278.5%, from RMB923.8 million as at December 31, 2008 to RMB3,496.9 million as at December 31, 2009. Bank and other borrowings increased by RMB3,455.7 million, or 98.8%, from RMB3,496.9 million as at December 31, 2009 to RMB6,952.6 million as at December 31, 2010 and by RMB3,222.8 million, or 46.4% to RMB10,175.4 million as at June 30, 2011.

As at September 30, 2011, we had unutilized banking facilities of RMB9.6 billion, based on definitive bank facility documentation.

Certain of our bank and other borrowings were secured by property, plant and equipment and trade receivables.

During the Track Record Period and up to the Latest Practicable Date, we are not in breach of any covenants in our loan agreements.

During the Track Record Period, no bank has withdrawn any of the banking facilities previously extended to us and has not demanded early repayment. Given our ability to access new bank borrowings and our strong credit profile, we believe we will not be subject to any risk of potential withdrawal of banking facilities, early repayment of outstanding loans or increase in amount of pledged deposits for secured bank borrowings. We also confirm that as at the Latest Practicable Date, we have not received any requests for early repayment of the principal and/or interests on any of our loan agreements.

The table below sets forth the maturity profiles of our long-term bank borrowings as at the dates indicated:

	At December 31,			At June 30,	At September 30,
	2008	2009	2010	2011	2011
	(RMB millions)				(unaudited)
Within 1 year or on demand	29.3	177.5	247.3	122.1	249.2
After 1 year but within 2 years	137.6	234.5	451.4	676.4	400.3
After 2 years but within 5 years	121.1	379.9	1,422.6	1,266.2	837.7
After 5 years	4.9	514.0	634.7	573.3	186.0
	292.9	1,305.9	2,756.0	2,638.0	1,673.2

As at December 31, 2008, our gearing ratio[1] was (11.2)%, as at December 31, 2009 and 2010 and June 30, 2011, our gearing ratios were 50.7%, 45.7% and 43.8%, respectively. Our gearing ratio increased from (11.2)% as at December 31, 2008 to 50.7% as at December 31, 2009, primarily due to increases in interest-bearing bank loans. Our gearing ratio decreased from 50.7% as at December 31, 2009 to 45.7% as at December 31, 2010. Our gearing ratio decreased from 45.7% as at December 31, 2010 to 43.8% as at June 30, 2011.

Our Directors confirm that there has been no material or significant change in our indebtedness since September 30, 2011.

CONTINGENT LIABILITIES

We provided the following financial guarantees to banks in respect of the bank loans granted to our related parties and bid and performance guarantees to our customers in relation to construction contracts and sales of wind turbines as at the dates specified below:

	At December 31,			At June 30,	At September 30,
	2008	2009	2010	2011	2011
			(RMB millions)		(unaudited)
Financial guarantees to banks for associates	5.0	—	5.0	—	—
Performance guarantees	167.5	79.4	1,368.4	1,473.7	1,802.6
Bid guarantees	—	19.6	111.2	25.9	50.1
	172.5	99.0	1,484.6	1,499.6	1,852.7

Guarantees given to our customers in relation to our biddings and performances

We provide guarantees to our customers in relation to our biddings and performances. It is a standard market practice for EPC service providers and WTG manufacturers to provide performance guarantees to their respective customers. The outstanding guarantees to our customers in relation to our bidding and performance as at December 31, 2008, 2009 and 2010 and June 30, 2011 were RMB167.5 million, RMB99.0 million, RMB1,479.6 million and RMB1,499.6 million, respectively. At December 31, 2008 and 2009, the balances of our performance guarantees were derived from our EPC projects. Given that contracts entered into for EPC projects typically vary significantly from project to project, the amounts of our performance guarantees varied accordingly as of the dates mentioned.

Our Directors confirm that there has been no material or significant change in our contingent liabilities since September 30, 2011.

Guarantees given to banks

We provide guarantees to banks in respect of the bank loans granted to our related parties. The outstanding guarantees to banks in respect of the bank loans to our related parties as at December 31, 2008, 2009 and 2010 and June 30, 2011 were RMB5.0 million, zero, RMB5.0 million and zero, respectively.

During 2010, however, some of our WTG customers began to request performance guarantees. These WTG guarantees typically must cover 10% of our contract values. Given the rapid expansion of our WTG business, the amount of our performance guarantees as of

(1) Gearing ratio is net debt divided by total equity plus net debt. Net debt includes interest-bearing other payables and interest-bearing bank loans, less cash and cash equivalents.

June 30, 2011 increased significantly as compared to that as of December 31, 2010. Similarly, such amount as of December 31, 2010 increased significantly as compared to that as of December 31, 2009.

Given that performance guarantees are tied directly to our business activities, we are committed to providing quality WTG products and EPC services. We believe that our default risks arising from such performance guarantees are small.

Our directors evaluate the risks under each of our guarantees on an ongoing basis, and as at each balance sheet date, our Directors do not consider it probable that a claim will be made against us under any of the guarantees.

COMMITMENTS

Our capital commitments outstanding at the dates indicated below not provided for were as follows:

	At December 31,			At June 30,
	2008	2009	2010	2011
	(RMB millions)			
Contracted for	727.8	3,103.8	2,565.9	1,723.9
Authorized but not contracted for	3,224.5	1,182.7	3,606.3	3,297.9
	3,952.3	4,286.5	6,172.2	5,021.8

Our commitments for capital contribution to a subsidiary outstanding at June 30, 2011 was as follows:

	At June 30, 2011
	(RMB millions)
Contracted for	12.9
Authorized but not contracted for	—
	12.9

PROPERTY, PLANT AND EQUIPMENT

Our property, plant and equipment was RMB1,170.3 million, RMB4,586.9 million, RMB9,492.6 million and RMB10,225.7 million as at December 31, 2008, 2009 and 2010 and June 30, 2011 respectively. This represented an increase of 291.9% and 107.0% on a year-on-year basis between 2008 and 2010 and an increase of 7.7% between December 31, 2010 and June 30, 2011. These increases principally related to assets acquired in the expansion of our WTG, SO_2 emissions reduction and solar businesses.

Property, plant and equipment principally comprises property, plant and equipment located in the PRC and used in our business operations, including properties which we lease out on an operating lease basis for our concession services operations.

INTANGIBLE ASSETS—CONCESSION ASSETS

Pursuant to service concession agreements, our Group was granted by local governments the concession rights to construct and operate sewage treatment plants during the concession period. These service concession agreements follow the "BOT" model, under which our Group will have a concession period of 25-30 years to operate the sewage treatment plants exclusively and receive relevant fee for sewage treatment or sale of reclaimed water. At the expiration of concession period, the concession right to operate and all infrastructures associated with service concession arrangements will be transferred to the responsible government authorities at nil consideration.

During the years ended December 31, 2008, 2009 and 2010 and six months ended June 30, 2011, our Group recognized construction revenue and the corresponding concession assets regarding service concession arrangements of approximately RMB5.1 million, RMB144.7 million, RMB262.6 million and RMB8.5 million respectively.

OFF-BALANCE SHEET ARRANGEMENTS

Other than as disclosed in the prospectus, as of the Latest Practicable Date we did not have any outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements. We do not engage in trading activities involving non-exchange traded contracts. In the course of our business operations, we do not enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

CAPITAL EXPENDITURE

Our capital expenditure was RMB745.2 million, RMB3,664.1 million, RMB5,947.4 million and RMB2,166.1 million as at December 31, 2008, 2009 and 2010 and June 30, 2011, respectively.

Our capital expenditure for each of our segments as at the dates indicated below are as follows:

	At December 31,			At June 30,
	2008	2009	2010	2011
		(RMB millions)		
Environmental protection	428.7	549.1	1,348.6	918.2
Energy conservation solutions	24.3	23.9	15.7	10.7
Wind power products and services	217.9	628.2	996.5	426.7
Solar power products and services	27.5	620.8	3,096.4	790.8
All others	46.1	1,049.8[1]	408.6[1]	6.0
Elimination of inter-segment transaction/unallocated head office and corporate capital expenditure	0.7	792.3	81.6	13.7
	745.2	3,664.1	5,947.4	2,166.1

Note:

(1) Capital expenditures for these periods included partial costs of acquiring our head office property in 2009, as well as associated renovation costs incurred in 2010.

PROPERTY INTEREST AND PROPERTY VALUATION

Particulars of our property interests are set out in Appendix IV to this prospectus. Jones Lang LaSalle Sallmanns Limited, an independent property valuer, had valued our property interests as at September 30, 2011. The full text of the letter, summary of values and valuation certificates in connection with such property interests are set out in Appendix IV to this prospectus.

The table below sets forth the reconciliation of aggregate amounts of our property interests from our consolidated financial statements as of June 30, 2011 to the unaudited net book value of our property interests as at September 30, 2011:

	RMB in millions
Net book value of our property interests as at June 30, 2011	3,460
Movements for three months ended September 30, 2011	720
Net book value of our property interests as at September 30, 2011	4,180
Valuation surplus as at September 30, 2011	413
Valuation as at September 30, 2011 per Appendix IV—Valuation Report	4,593(1)

Note:

(1) Includes both commercial value and reference value.

RELATED PARTY TRANSACTIONS

With respect to related parties transactions as set out in Appendix I in the Accountants' Report attached to this prospectus, our Directors have confirmed that the transactions were conducted on normal commercial terms and entered into in the ordinary course of business.

MARKET RISKS

Credit risk

Our credit risk is primarily attributable to our cash at bank and in hand, trade and bills receivables, deposits, prepayments and other receivables, gross amounts due from customers for contract work and other non-current assets. Our management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Substantially all of our cash at bank and in hand are deposited in the state owned or controlled PRC banks which our Directors consider the credit risk to be insignificant.

In respect of the gross amounts due from customers for contract work, trade and bills receivables, deposits, prepayments and other receivables and other non-current assets, individual credit evaluations are performed on all customers. These evaluations focus on the customer's history of making payments when due and current ability to pay, and take into account information specific to the customer as well as the economic environment of the industries in which the customer operates. We generally require customers to settle progress billings and other debts in accordance with the terms of the agreements such customers have entered into Credit terms may be granted to customers, depending on the nature of business. Normally, we does not obtain collateral from customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets after deducting any impairment allowance.

Our impairment of trade and other receivables increased by 523.8% to RMB13.1 million for the six months ended June 30, 2011 from RMB2.1 million for the six months ended June 30, 2010, primarily due to certain amounts due under our project contracts which have been disputed by our customers and which our Directors believe may not be recoverable.

Our impairment of trade and other receivables increased by 132.8% to RMB13.5 million in 2010 from RMB5.8 million from 2009, primarily due to certain amounts due under our project contracts which have been disputed by our customers and which our Directors believe may not be recoverable.

Our impairment of trade and other receivables decreased by 50.8% to RMB5.8 million in 2009 from RMB11.8 million in 2008, primarily due to decreases in disputed amounts under our project contracts.

Liquidity risk

We aim to ensure continuity of sufficient funding and flexibility by utilizing a variety of bank and other borrowings with debt maturities spreading over a range of periods. This way, we are able to ensure that our outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

We had net current liabilities of RMB1,778.5 million, RMB2,123.4 million and RMB3,066.7 million as at December 31, 2009, 2010 and June 30, 2011 respectively. With regards to our future capital commitments and other financing requirements, we have unutilized banking facilities of RMB3,429.0 million as of June 30, 2011.

In addition, our Directors carried out a review of the cash flow forecast for the 18 month period ending December 31, 2012. Based on such forecast, our Directors considered that adequate liquidity exists to finance our working capital and capital expenditure requirements during the aforesaid period.

Interest rate risk

Our interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose us to cash flow interest rate risk. As at December 31, 2008, 2009, 2010 and June 30, 2011, it is estimated that a general increase or decrease of 100 basis points in interest rates of net floating borrowings, with all other variables held constant, would have increased or (decreased) (as the case may be) our profit after tax and retained profits by approximately RMB5.9 million, RMB(4.6) million, RMB(1.8) million and RMB(13.0) million, respectively. Other components of consolidated equity would not be affected by the general increase or decrease in interest rates. We regularly review and monitor the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the Track Record Period, however, our management did not consider it is necessary to use interest rate swaps to hedge their exposure to interest.

Currency risk

We are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash at bank and in hand that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The principal currencies for which we may be exposed to exchange rate risk are the United States dollar, the Hong Kong dollar, the Euro and the yen. However, substantially all of our sales are currently made within the PRC and denominated in RMB. We have had negligible amount of foreign currency sales during the Track Record Period. Our production costs and raw material costs are also generally denominated in RMB, and accordingly, we have minimal exposure to currency risk from our operations.

In respect of cash at bank and in hand, receivables and payables denominated in foreign currencies, we consider that the net exposure to foreign currency risk is insignificant. We did not hedge our foreign currency exposure.

The RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent us from satisfying sufficient foreign currency demands and we may not be able to pay dividends in foreign currencies to its shareholders.

A 5% strengthening of RMB against the following currencies as at December 31, 2008, 2009 and 2010 and June 30, 2011 would have increased or (decreased) (as the case may be) the net profit after tax and retained profits by the amount shown below. Other components of equity would not be affected by the strengthen of RMB against foreign currencies. A 5% weakening of RMB against the above currencies as at December 31, 2008, 2009 and 2010 and June 30, 2011 would have had the equal but opposite effect on the following currencies to the amounts shown below, on the basis that all other variables remain constant.

	At December 31,			At June 30,
	2008	2009	2010	2011
		(RMB '000)		
USD	(11)	274	(1,112)	47
EUR	207	(4,560)	(3,420)	306
HKD	(1,939)	(2,838)	(1,530)	(1,802)
JPY	—	371	—	—
	(1,743)	(6,753)	(6,062)	(1,449)

Our Directors believe that our exposure to foreign currency risk is insignificant. However, RMB is not a freely convertible currency, and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent us from satisfying sufficient foreign currency demands, and we may be unable to pay dividends in foreign currencies to our shareholders.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2011

Barring unforeseen circumstances, and based on the bases set out in Appendix II to this prospectus, the Directors forecast that the consolidated profit attributable to shareholders of our Company for the year ending December 31, 2011 to be not less than RMB840.6 million.

On the basis of the above profit forecast and on the assumption that our Company had been listed since January 1, 2011 and a total of 6,928,571,000 Shares were in issue during the entire year ending December 31, 2011, the unaudited pro forma forecast earnings per share will be no less than RMB0.12 (equivalent to approximately HK$0.15), representing a forecast fully diluted price/ earnings multiple on a pro forma basis of approximately 15.3 times (assuming an Offer Price of HK$2.29 being the mid-point of our indicative Offer Price range).

SPECIAL DIVIDEND

According to the *Interim Provisions on the Management and Financial Treatment of State Owned Capital in Enterprise Corporate Restructuring* (企業公司制改建有關國有資本管理與財務處理的暫行規定) issued by the Ministry of Finance and effective on August 27, 2002, it is a mandatory requirement for our Group to declare and pay a special distribution to Guodian Group and GD Power in an amount equal to our Group's net profit from November 1, 2010, the date following the day on which our state-owned assets were valued, to May 16, 2011, the date of our incorporation (the "**Mandatory Distribution**"). Pursuant to an ordinary resolution passed by our shareholders on June 3, 2011, a special dividend (the "**Special Dividend**") will be paid to the Guodian Group and GD Power in an amount equal to the net profit generated by the Group from November 1, 2010 to June 30, 2011, which also satisfies the Mandatory Distribution requirement. The Special Dividend would cover the Mandatory Distribution such that the Group would not be required to pay the Mandatory Distribution separately. The PRC legal adviser of the Group is of the view that the Special Dividend will satisfy the Mandatory Distribution requirement.

We currently estimate such Special Dividend amounting to no more than RMB300.0 million based on our unaudited net profit from November 1, 2010 to June 30, 2011. The actual amount of the Special Dividend will be determined after a special audit by an independent accounting firm in PRC to be conducted after the Global Offering. We expect that the special audit will be completed after the completion of the Global Offering, and expect to pay the Special Dividend shortly after the approval thereof at the annual general meeting of our shareholders, which is expected to be held in April 2012. We will pay the Special Dividend through cash generated from our operations.

DIVIDEND POLICY

After completion of the Global Offering, our Shareholders will be entitled to receive dividends declared by us. The proposed dividends and the amount of declared dividends will be made at the discretion of the Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, interests of the Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that the Board deems relevant. Any dividend distribution will also be subject to the approval of the Shareholders in the Shareholders' meeting.

Under the PRC Company Law and the Articles of Association, we will pay dividends out of our after-tax profits only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory reserve fund equivalent to 10% of our Company's profit; and

- allocations, if any, to a discretionary reserve fund approved by the shareholders in a shareholders' meeting.

When the statutory reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory fund will be required. Our dividend distribution shall be determined by PRC GAAP or IFRS, whichever is lower. All of our Shareholders have equal rights to dividends and distributions in the form of stock or cash. For holders of our H Shares, cash dividend payments, if any, will be declared in Renminbi and paid in Hong Kong dollars after the Global Offering, having taking into account our financial condition, cash at hand and anticipated cash flows.

We have not distributed any dividend during the Track Record Period.

DISTRIBUTABLE RESERVES

As at June 30, 2011, our Company did not have a reserve available for distribution to its shareholders.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company which has been prepared for the purpose of illustrating the effect of the Global Offering as if it had been taken place on June 30, 2011 and based on our consolidated net assets attributable to the owners of our Company as at June 30, 2011 as shown in the Accountants' Report set forth in Appendix I to this prospectus and is adjusted as follows:

	Adjusted consolidated net tangible assets attributable to equity shareholders of the Company as at June 30, 2011(1)(4)	Estimated net proceeds from the Global Offering(2)(5)	Estimated distribution of Special Dividend(6)	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share(3)	
	(RMB millions)	(RMB millions)	(RMB millions)	(RMB millions)	RMB	HK$(5)
Based on Offer Price of HK$2.16 per Offer Share	5,844.0	3,463.3	300.0	9,007.3	1.30	1.60
Based on Offer Price of HK$2.42 per Offer Share	5,844.0	3,889.3	300.0	9,433.3	1.36	1.67

Notes:

(1) The adjusted consolidated net tangible assets attributable to equity shareholders of the Company as at June 30, 2011 have been calculated as follows:

	RMB millions
Consolidated equity attributable to equity shareholders of the Company as set out in Appendix I	6,342.7
Less: Goodwill as set out in Appendix I	(7.1)
Less: Intangible assets as set out in Appendix I	(658.6)
Add: Intangible assets and goodwill attributable to non-controlling interests	167.0
Adjusted consolidated net tangible assets attributable to equity shareholders of the Company	5,844.0

(2) The estimated net proceeds from the Global Offering are based on the indicative offer price of HK$2.16 and HK$2.42 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of any Shares which may be issued pursuant to any exercise of the Over-allotment Option.
(3) The unaudited pro forma adjusted consolidated net tangible assets per Share after the adjustments referred to in the prevailing paragraphs and on the basis that 6,928,571,000 shares are in issue assuming that the Global Offering has been completed on June 30, 2011 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
(4) The Group's property interests as at September 30, 2011 have been valued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer. The relevant property valuation report is set out in Appendix IV to this prospectus. The revaluation surplus or deficit of these properties was not incorporated in the Group's consolidated financial information for six months ended June 30, 2011 and will not be included in the Group's financial statements for the year ending December 31, 2011. The above adjustments do not take into account the revaluation surplus attributable to the Group arising from the revaluation of the Group's property interests amounting to approximately RMB524.1 million. If the revaluation surplus was recorded in the Group's financial statements, additional depreciation and amortization of approximately RMB6.1 million would be charged against the results for the year ending December 31, 2011.
(5) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share are converted from or into Hong Kong dollars at an exchange rate of HK$1.00 = RMB0.8148, the PBOC middle rate prevailing on December 2, 2011. No representation is made that the HK$ amounts have been, could have been or may be converted into RMB, or vice versa, at that rate.
(6) We currently estimate that the Special Dividend will not exceed RMB300.0 million. See "Special Dividend" section in this prospectus. The actual amount of the Special Dividend will be determined after a special audit by an independent accounting firm in PRC to be conducted after the Global Offering. We expect that the special audit will be completed after the completion of the Global Offering, and expect to pay the Special Dividend shortly after the approval thereof at the annual general meeting of our shareholders, which is expected to be held in April 2012.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

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

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

The Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this prospectus and save as disclosed in this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2011, and there is no event since June 30, 2011 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

RECENT DEVELOPMENTS

We have engaged in certain acquisition and disposal activities after the latest balance sheet date, being June 30, 2011. A brief description of the activities is as follows:

Dalian Company acquisition. Please see the section headed "Waivers from Strict Compliance with the Listing Rules—Post Balance Sheet Acquisition".

Ningxia Solar disposal. Please see the section headed "Business—Terminated Businesses".

Disposal of interests in an associated company. Please see the section headed "Business—Terminated Businesses".