

**OVERVIEW**

We are a leading pure-play renewable energy company in the PRC with a primary focus on wind power generation. According to Garrad Hassan, we ranked third in China and eighth in the world in terms of total wind installed capacity as of December 31, 2010. Among the top ten global wind power generation companies, we had the highest CAGR of total installed capacity from 2008 to 2010, based on the year-end capacity data published by these companies. Since our inception in 2002, we have been a pioneer and innovator in the fast-growing PRC wind power sector. From 2008 to 2010, our consolidated installed capacity and revenue from sale of electricity grew rapidly, at a CAGR of 195.9% and 166.2%, respectively, while our adjusted operating profit increased from RMB122.7 million in 2008 to RMB884.5 million in 2010, representing a CAGR of 168.5%. We believe that our execution track record and sizeable pipeline will support our profitable growth in the near future.

As of December 31, 2010, we had a consolidated installed capacity of 3,522.4 MW. We also had 1,202.0 MW capacity under construction and approximately 73,463.5 MW of wind power pipeline projects reserved for future development. Our installed, under-construction and pipeline wind power projects are principally located in six geographically diversified areas and cover 19 provinces and autonomous regions in China. These areas are strategically selected to achieve optimal return based on a combination of key considerations for wind farm development, including quality wind resources, high on-grid tariffs and the conditions of local grid connections and transmission.

In recent years, wind power industry in China has grown rapidly. During the past few years, the Chinese government has promulgated a number of preferential policies to support and encourage the development of renewable energy industries, such as a transparent fixed on-grid tariff regime, mandatory grid connection, mandatory power off-take and favorable tax incentives. In 2010, the country's total wind installed capacity grew by 18,928 MW, or 73.4%, from that as of the end of 2009 and reached 44,733 MW as of the end of 2010, making China the largest market in terms of total wind installed capacity. Garrad Hassan expects that China will continue to be a global growth leader with an estimated total wind installed capacity CAGR of 21.8% from 2010 to 2015.

During the Track Record Period, our consolidated installed capacity increased from 402.3 MW as of December 31, 2008 to 3,522.4 MW as of December 31, 2010, representing a CAGR of 195.9%. We generated revenue from the sale of electricity of RMB248.1 million, RMB847.1 million and RMB1,758.6 million and realized profits of RMB95.9 million, RMB281.2 million and RMB609.4 million from our continuing operations for the years ended December 31, 2008, 2009 and 2010, respectively, representing a CAGR of 166.2% and 152.1%. As of December 31, 2010, we also had a portfolio of wind power pipeline projects with an estimated capacity of approximately 73,463.5 MW, including 633.0 MW Advanced-stage Projects, approximately 3,346.7 MW Developing-stage Projects, and approximately 69,483.8 MW Early-stage Projects. See “— Pipeline Projects.” We target to increase our consolidated installed capacity to approximately 5,100 MW by the end of 2011.

We are a subsidiary of Huaneng Group, the largest power generation company in China in terms of total installed capacity as of December 31, 2010. We are Huaneng Group's sole renewable energy platform for the ultimate consolidation of its renewable energy businesses such as wind power.

We firmly believe in the evolution of renewable energies from alternative to mainstream and ultimately to the primary energy sources of our society. Our mission is to promote economic, social and environmental sustainability through the proactive, conscientious and rational development of wind power and other renewable energies. Our goal is to become a leading renewable energy company in the world with sustainable shareholder return.

**OUR COMPETITIVE STRENGTHS**

We believe our rapid growth and strong market position are largely attributable to the following principal competitive strengths, which distinguish us from our competitors.

***Strategically selected locations of our wind power projects with quality wind resources, high on-grid tariffs and taking into account the conditions of local grid connections and transmission***

Throughout our development, we have been carefully managing our expansion with an equal emphasis on scale versus quality and growth versus profitability. Our wind power projects, including projects in operation, projects under construction and pipeline projects, are strategically located in geographically diversified areas to achieve optimal return based on a combination of key considerations for wind power operations, including quality wind resources, high on-grid tariffs and the conditions of local grid connections and transmission. Our geographical diversification also helps us mitigate part of our exposure to regional risks relating to our operations.

As of December 31, 2010, we had wind power projects located in eight provinces and autonomous regions in China with a consolidated installed capacity of 3,522.4 MW, of which (i) approximately 75% was located on sites with quality wind resources based on the PRC national industry standards, (ii) approximately 51.3% enjoyed on-grid tariffs (including VAT) equal to or higher than RMB0.61/kWh, which is the highest on-grid tariff stipulated by the NDRC since August 2009, and (iii) 100% was connected to the grid. As a result, in 2010 our weighted average utilization hours were 2,265.3 hours and our weighted average on-grid tariff (including VAT) was RMB0.604/kWh. We have reserved a sizable portfolio of wind power pipeline projects and will develop them into operating projects strategically accordingly to our expansion plan. As of December 31, 2010, in addition to 1,202.0 MW of capacity under construction, we had a portfolio of wind power pipeline projects reserved for future development with an estimated capacity of approximately 73,463.5 MW, including 633.0 MW Advanced-stage Projects, approximately 3,346.7 MW Developing-stage Projects and approximately 69,483.8 MW Early-stage Projects. Our under-construction and pipeline projects were located in 19 provinces and autonomous regions in China.

In areas where we have operating, under-construction or pipeline projects, we have strategically identified two tiers and develop our projects in these two tiers in an order which matches the country's grid development. With this development strategy, we believe we will be able to mitigate the risk of loss from grid congestions. We consider Liaoning Province, eastern Inner Mongolia and Shandong Province as Tier 1 growth areas, and Yunnan, Shanxi, Guangdong and Guizhou provinces as Tier 2 growth areas. Both Tier 1 and Tier 2 growth areas have quality wind resources and relatively high on-grid tariff. Tier 2 growth areas, compared to Tier 1 growth areas, are less developed in terms of wind installed capacity and have no material grid congestions. As of December 31, 2009 and 2010, approximately 80.3% and 75.7% of our consolidated installed capacity are located in Tier 1 growth areas, and approximately 6.9% and 10.2% in Tier 2 growth areas. As of December 31, 2010, approximately 53.7% of the capacity of our under-construction projects are located in Tier 1 growth areas, and approximately 15.8% in Tier 2 growth areas.

The strategically selected locations of our under-construction and pipeline projects, together with our strategic development plan and our proven execution capability, will ensure our profitable growth in the near future and give us an advantage over our competitors.

***A track record of profitable growth demonstrating our managerial strength and execution ability***

We have grown rapidly during the Track Record Period. Our consolidated installed capacity increased from 402.3 MW as of December 31, 2008 to 3,522.4 MW as of December 31, 2010, representing a CAGR of 195.9%

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and outpacing the CAGR of China's total wind installed capacity of 92.9% from 2008 to 2010, according to Garrad Hassan. For the three years ended December 31, 2008, 2009 and 2010, our revenue from the sale of electricity amounted to RMB248.1 million, RMB847.1 million and RMB1,758.6 million, respectively, representing a CAGR of 166.2%, and our net profits from continuing operations were RMB95.9 million, RMB281.2 million and RMB609.4 million, respectively, representing a CAGR of 152.1%. Our adjusted operating profit increased from RMB122.7 million in 2008 to RMB884.5 million in 2010, at a CAGR of 168.5%. Our track record of rapid growth in both capacity and profit demonstrates our managerial strength and execution ability.

### *A pioneer and innovator in the fast-growing PRC wind power sector*

We have been playing an important leadership role in the development of the fast-growing PRC wind power industry in a number of areas.

- *Exploration of new possibilities within wind power and other renewable energies sector.* As an industry pioneer, we have been constantly and actively exploring business opportunities in new areas within the wind power and other renewable energies sector. For instance,
  - our Yunnan Eryuan Project is the first wind power project in China successfully developed at altitudes exceeding 3,000 meters;
  - we are appointed by the NDRC to develop a model tidal-flat wind farm in Jiangsu Province with an estimated capacity of 300 MW;
  - we are actively developing offshore wind power projects, and our Rongcheng Project in Shandong Province is one of the first wind power projects using offshore 3 MW turbines in China;
  - we have successfully registered with the CDM EB three out of the first ten wind power CDM projects in China. As of December 31, 2010, we are one of the largest holders of registered CDM projects in China in terms of installed capacity;
  - our Guangdong Nan'ao Niutouling Project is the first wind-solar co-located project developed for commercial operation in China; and
  - we have received support from the State Oceanic Administration of China to develop a demonstrational wave power project.
- *Pursuit of wind power technological improvements.* We are constantly seeking opportunities to improve and innovate, tailoring to the characteristics of wind resources in China. For instance,
  - *Wind turbine design.* We initiated and participated in designing the 82-meter rotor diameter blade for 1.5 MW wind turbines together with Sinovel and we are one of the first Chinese wind power companies to use the 82-meter rotor diameter blade. Compared to the traditional 77-meter rotor diameter blade, the 82-meter rotor diameter blade has the benefit of a larger swept area and a lower cut-in wind speed, and therefore we believe wind turbine using 82-meter rotor diameter blade has higher operational efficiency and is more suitable for China's wind resources most of which are of lower wind speed. With the 82-meter rotor diameter blade, we are able to increase the gross power generation by 19.2% in some of our wind farms;
  - *Ancillary equipment.* We developed transformers suitable for our wind farms based on the desirable functional features of both U.S.- and European-style transformers. Our re-designed

transformer lowers the unit cost while maintaining operational stability. It also saves electricity needed for transformer cooling. As another example, we designed and installed single real-time monitoring systems which work for both wind turbines and substations on the same wind farm, thereby improving efficiency and saving costs relating to on-site monitoring;

- *Wind resources assessment.* Our successful wind test solutions in the coastal areas of Jiangsu and Shandong provinces provided valuable experience and reference to the formulation of national wind resources assessment standards. Moreover, by use of a combination of fixed and mobile anemometer towers, we also improved wind assessment methodologies and are able to assess wind resources with greater accuracy.
- *Close co-operation with China's wind power equipment manufacturers.* We have also played an important role in the development and technological advancement of the wind power equipment manufacturing sector in China. We are the first wind power company to use domestic-brand MW-class turbines, and we were appointed by the NDRC to develop one of the first 500 MW large-scale wind farms designated for the promotion of domestic wind turbines. Through working closely with the Chinese wind power manufacturers, we have developed strong and long-standing relationships with all major domestic wind turbine manufacturers and accumulated valuable experience with and know-how on the operation and maintenance of their turbines. We believe our strong relationships with Chinese wind turbine manufacturers enhance our ability to secure a reliable supply of high quality wind turbines on favorable terms, receive prompt and comprehensive after-sales services and explore equipment and technology improvement and innovation opportunities in a collaborative manner with the major domestic wind turbine manufacturers.

Our position as a pioneer in the wind power industry brings us competitive advantages such as preferential government support, opportunities to participate in government's planning of wind resources development, strong relationships with suppliers, lower development cost, and access to quality wind resources. In addition, we believe that our continuous focus on technological innovation enables us to better utilize wind resources, enhance production efficiency and reduce operating costs.

### ***Expertise and experience in wind farm development and power generation leading to enhanced efficiency and profitability***

We have extensive experience and expertise in each and every aspect of wind farm development and power generation operations, including (i) wind resources assessment and site selection, (ii) wind farm design, (iii) construction management, (iv) operation and maintenance, and (v) post-construction evaluation, and we strive to optimize the operating efficiency and profitability throughout the value chain.

- *Wind resources assessment and site selection.* We have a professional team with extensive experience in wind farm site selection and wind resources assessment. Leveraging the expertise of our professional team and our improved methodologies of wind assessment, we are able to conduct both macro- and micro-site selection more accurately and achieve high utilization hours.
- *Wind farm design.* We have an experienced team overseeing the design of all of our wind farms. We implement standardized design specifications for the overall design of our wind farms, and then customize the key elements according to the features of each wind farm to optimize operational performance. In addition to the national and industry standards, we have compiled a set of guidelines and standards for the design and construction of our wind farms, which is the first set of guidelines and standards of such type compiled by an enterprise in China. Our standardized designs, detailed guidelines and standards have helped to speed up the initial design process, reduce construction costs and improve the quality of design of our wind farms.

- *Construction management.* We have a specialized construction management team to supervise and control the entire construction process of our wind farms. We have the capability of managing the construction of large-scale wind farms. For instance, our Fuxin Project is one of the first 500 MW large-scale wind farms in China. We also train our key employees at project-level through the construction management process, which not only prepares them for the future operation of the wind farms under construction but also enhances their capability of managing future project construction. As a result, we are able to construct high quality wind farms within a shorter period of time and at lower costs. For example, without incurring additional costs, it generally takes us a period of eight to ten months to complete the construction of a wind farm with an installed capacity of 50 MW, which we believe is shorter than the industry average in China.
- *Operation and maintenance.* We operate all of the wind power projects by ourselves instead of engaging any third party managers. With the experience and expertise of our operation team, we are able to operate the wind power projects effectively and efficiently. For example, we carefully manage our spare parts inventory and maintenance schedule to minimize interruption to operations and control costs.
- *Post-construction evaluation.* We conduct post-construction evaluation for our projects to improve our management system and standards. We constantly evaluate our experience in operating projects and apply such experience to the development of other projects, especially projects located in nearby areas or under similar conditions.

As a result of the comprehensive management, we have enhanced operating efficiency and profitability. In 2010, the weighted average utilization hours of approximately 74.6% of our wind power projects in operation, in terms of installed capacity as of December 31, 2010, were higher than their respective provincial averages as provided by the China Electricity Council. During the Track Record Period, the availability factor of our wind farms reached 98.06%, 98.94%, and 98.90% in 2008, 2009 and 2010, respectively. Attributable to the foregoing, we believe we enjoy a higher profit margin than many of our competitors.

#### ***Experienced and professional management team dedicated to the development of renewable energies***

Our management team has a broad range of expertise and an in-depth understanding of wind power industry, including its history and future trends. Certain key members of our management team are participants and key contributors to the setting of the national wind power industry policies. Our senior management has an average of approximately seven years of wind power related experience. As we are a pure-play renewable energy company, our management is able to dedicate its time and energy on the development of renewable energies.

Our management is supported by a team of professional and competent employees with rich industry knowledge. Our employees are equipped with high-level qualifications and extensive technical know-how. As of December 31, 2010, we had a total of 777 employees, among whom approximately 98% have college-level or higher education background. We provide our employees with trainings tailored to meet the requirements of various positions. For example, we provide comprehensive wind power related trainings to newly recruited employees, and we cooperate with renowned universities and international equipment suppliers to provide advanced training programs to our key engineers and technicians.

Under the leadership of our senior management and with the support of our employees, we have achieved rapid and profitable growth during the Track Record Period.

**OUR STRATEGIES**

Our goal is to become a leading renewable energy company in the world with sustainable shareholder return. To achieve our goal, we intend to pursue the following strategies.

***Expand in areas with attractive returns and continue to increase market share in the wind power sector***

With 1,202.0 MW capacity under construction and approximately 73,463.5 MW wind power pipeline projects reserved for future development as of December 31, 2010, we expect to increase our consolidated installed capacity by 44.8% from 3,522.4 MW as of the end of 2010 to approximately 5,100 MW by the end of 2011. According to Garrad Hassan, during the same period, the wind installed capacity in China is projected to be increased by 33.5%. We believe our competitive strengths have well positioned us to implement this strategy. To that end, we also plan to utilize approximately HK\$3,607.1 million of the proceeds from this Global Offering to construct wind farms as well as purchase equipment to increase our installed capacity.

We plan to focus on expanding in areas with attractive returns. In the six regions where we currently have significant operations or pipelines, we consider Liaoning Province, eastern Inner Mongolia and Shandong Province as Tier 1 growth areas. We believe we can achieve optimal return based on the combination of quality wind resources and high on-grid tariffs in these areas. In addition, the Tier 1 growth areas also have well-established infrastructure which facilitates the construction of wind farms. With our substantial installed capacity as well as capacity under construction, we believe we have first-mover advantages, such as strong relationships with local governmental authorities and opportunities to participate in the planning of the further development of the local wind resources, and advantages in assessment of wind resources and selection of suitable sites for wind power projects. We expect to further increase our presence in the Tier 1 growth areas and enhance the economies of scale. We believe that expansion in Tier 1 growth areas will yield relatively high returns in the next three years. We also plan to expand in certain other areas that we consider as Tier 2 growth areas, such as the provinces of Yunnan, Shanxi, Guangdong and Guizhou. The expansion in Tier 2 growth areas is expected to be complementary in the near future to the expansion in Tier 1 growth areas, and to be the major contributor to our long-term growth. As of December 31, 2010, approximately 53.7% of the capacity of our under-construction projects are located in Tier 1 growth areas, and approximately 15.8% in Tier 2 growth areas. In addition, we also intend to develop wind farms in Xinjiang and Hebei Province in accordance with the pace of construction of the grid infrastructure in these areas.

We are also exploring other opportunities to increase our market share, such as developing nearshore wind farms in areas with quality wind resources. However, the large-scale development of nearshore wind farms still depends on proven economic feasibility. We will also strive to increase income from CERs or VERs to maximize the returns to our Shareholders.

***Develop other renewable energies with a focus on solar power***

Currently, our business concentrates on wind power operations, and substantially all of our assets are related to wind power business. We plan to develop other renewable energies to expand our power generation capabilities and to diversify our revenue base. We believe the solar power market has viable growth potential, and our in-depth knowledge in China's power sector, established relationships with the local governments and proven track record will give us a competitive advantage to capture the growth opportunities in the PRC solar power market.

We are in the process of developing our solar power business and acquiring resources. As of December 31, 2010, we had entered into 20 investment and development agreements to develop our solar power projects with an estimated total capacity of 1,740 MW. The capacity is mainly located in Shaanxi Province, Inner Mongolia and Hebei Province. We had also been awarded by the PRC government two solar power concession projects

with a total capacity of 50.4 MW. In addition, we are currently developing wind-solar co-located projects. Our Guangdong Nan'ao Niutouling Project, being the first wind-solar co-located project installed for commercial operation in China, provides us with valuable experience for the development and operation of solar power projects. With such reserved resources and experience derived from operation of wind-solar co-located projects, we believe we are well positioned to commence the development of solar power projects in large-scale as soon as the economic feasibility is established.

We are also exploring opportunities to develop other renewable energies, including tidal, wave and hydrogen power, in order to expand our power generation capabilities. For example, we have received support from the State Oceanic Administration of China to develop a demonstrational wave power project.

***Pursue opportunities in the international markets***

We plan to pursue opportunities of developing and acquiring wind power projects and solar power projects in certain international markets. We believe that expansion into international markets will help promote our brand and reputation, acquire technologies, diversify revenue base and increase growth potential. Therefore, while we plan to continue to increase our market share in China's wind power sector, we are evaluating opportunities to expand into certain international markets which have stable geopolitics, quality wind or solar resources and favorable policies that support renewable energies, by leveraging our wind power operational expertise and strong relationships with wind turbine suppliers. We also intend to enter into strategic alliances with international wind power generation companies to identify and exploit development opportunities. As of the Latest Practicable Date, we have not identified any specific target or entered into any agreement for developing and acquiring wind power or solar power projects in the international market, nor have we formed alliances with any international wind power generation companies, but we intend to continue our efforts in this regard.

***Continue our efforts to promote technological innovation and industry development***

We plan to continue our cooperation with domestic wind turbine suppliers in the advancement of wind power related technologies. For example, we are currently cooperating with domestic equipment manufacturers in the research and development of 89-meter rotor diameter blade for 1.5 MW wind turbine which is tailored for areas with a relatively low wind speed. When successfully implemented, we may benefit from increased utilizable wind resources and in turn higher net power generation. We are also exploring technological innovation in electricity storage and distributed generation to further increase our utilization hours.

We will also continue to actively participate in the process of setting relevant industry standards for the development of wind power and other renewable energies, including solar power. These standards include those related to equipment manufacturing, project design and construction, and grid connection. With our experience, expertise and comprehensive capabilities in the wind power operations, we expect to be an important participant in the standard setting process, which we believe, in turn, will benefit us in terms of the long-term development of our business.

***Continue to control costs and improve profitability***

We will continue to control costs and improve profitability of our wind power business, through implementing the following measures:

- During the construction stage of our wind power projects, we plan to further reduce procurement costs and manage finance expenses.
- *Reduce procurement costs.* To further reduce the procurement costs per kW of wind turbines, we will implement a centralized procurement system. We plan to negotiate and enter into long-

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term master agreements with selected suppliers who are able to provide us with high quality equipment at relatively favorable price.

- *Manage finance expenses.* We plan to actively monitor the financing sources available to us and control our finance expenses. We will strive to maintain our leverage at an optimal level. In particular, we plan to maintain and further enhance our strategic relationships with large state-owned commercial banks in China. We also plan to implement additional internal procedures to better allocate our financial resources.
- During the operation stage of our wind power projects, we plan to further control the operational costs through centralized management system at regional level and selective outsourcing of wind turbine maintenance.
- *Centralized management system at regional level.* We plan to further strengthen our labor cost control and spare parts management by implementing a centralized management system at regional level. We intend to manage the operations and maintenance of all our wind power projects in a region within certain distance, including the overhaul of wind turbines, through one dedicated team, so that the workforce can be more efficiently utilized and our labor cost per MW can be reduced. With respect to the spare parts management, we are improving our centralized spare parts management, aiming to further streamline the process and reduce the cost and lead time. For instance, we plan to make arrangements with our suppliers that, upon the payment of a small amount of deposit, our suppliers will store one set of large-size spare parts in their warehouse and make immediate delivery to our wind farms once we place a purchase order. Such arrangements, while ensuring the supply of large-size spare parts, will minimize the working capital occupied by large-size spare parts.
- *Selective outsourcing based on cost.* The wind turbine suppliers are responsible for the maintenance of wind turbines within warranty period. For those wind turbines no longer covered by warranties, we plan to carry out the maintenance by utilizing our internal specialized team or third-party service providers or a combination of both, with an aim to minimize the maintenance costs.

With these measures, we believe we will be able to further improve our efficiency, reduce our costs and increase our profitability, which in turn will increase returns to our investors.

### OUR WIND POWER BUSINESS

We are a leading wind power producer focused on the development and operation of wind power projects in the PRC, one of the fastest growing wind power markets in the world. The table below sets forth certain selected operational and financial information relating to our business as of the dates or for the periods indicated:

|                                                                    | <b>For the year ended or as of December 31,</b> |             |             |
|--------------------------------------------------------------------|-------------------------------------------------|-------------|-------------|
|                                                                    | <b>2008</b>                                     | <b>2009</b> | <b>2010</b> |
| <b>Selected Operational Data</b>                                   |                                                 |             |             |
| Consolidated installed capacity (in MW) .....                      | 402.3                                           | 1,549.8     | 3,522.4     |
| Attributable installed capacity (in MW) .....                      | 263.8                                           | 1,387.1     | 3,339.8     |
| Consolidated operational capacity (in MW) .....                    | 303.3                                           | 1,146.3     | 2,239.9     |
| Weighted average consolidated operational capacity (in MW) .....   | 184.3                                           | 693.1       | 1,541.5     |
| Consolidated gross power generation (in GWh) .....                 | 477.5                                           | 1,884.5     | 3,788.9     |
| Consolidated net power generation (in GWh) <sup>(1)</sup> .....    | 427.4                                           | 1,606.6     | 3,404.9     |
| Weighted average on-grid tariff (excluding VAT) (in RMB/kWh) ..... | 0.581                                           | 0.527       | 0.516       |
| Weighted average unit cost (in RMB/kWh) <sup>(2)</sup> .....       | 0.303                                           | 0.247       | 0.260       |
| Weighted average utilization hours <sup>(3)</sup> .....            | 2,380.4                                         | 2,365.2     | 2,265.3     |



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|                                                                                       | For the year ended December 31, |       |         |
|---------------------------------------------------------------------------------------|---------------------------------|-------|---------|
|                                                                                       | 2008                            | 2009  | 2010    |
| <b>Selected Financial Data</b>                                                        |                                 |       |         |
| Revenue (RMB in millions) . . . . .                                                   | 570.3                           | 918.4 | 1,768.5 |
| Service concession construction revenue . . . . .                                     | 318.1                           | 66.6  | —       |
| Revenue excluding service concession construction revenue (RMB in millions) . . . . . | 252.2                           | 851.8 | 1,768.5 |
| Sales of electricity . . . . .                                                        | 248.1                           | 847.1 | 1,758.6 |
| Others . . . . .                                                                      | 4.1                             | 4.7   | 9.9     |
| EBITDA (RMB in millions) <sup>(4)</sup> . . . . .                                     | 239.1                           | 836.3 | 1,768.0 |
| Operating profit (RMB in millions) . . . . .                                          | 158.3                           | 539.5 | 1,134.3 |
| Adjusted operating profit (RMB in millions) <sup>(5)(6)</sup> . . . . .               | 122.7                           | 454.2 | 884.5   |
| Adjusted operating margin (%) <sup>(6)</sup> . . . . .                                | 48.7                            | 53.3  | 50.0    |

*Notes:*

- (1) Consolidated net power generation represents the electricity sold to the local grid companies minus the electricity generated and sold during the construction and testing period. It is calculated by deducting from the consolidated gross power generation (i) auxiliary electricity and (ii) the electricity generated during the construction and testing period. Sales of electricity generated during the construction and testing period are not included in the revenue of electricity sales, but are offset against the cost of property, plant and equipment.
- (2) Weighted average unit cost is calculated by dividing the operating expenses (excluding service concession construction cost) by consolidated net power generation.
- (3) Weighted average utilization hours are calculated by dividing the consolidated gross power generation (excluding power generated during construction and testing period) in a specific period by the weighted average consolidated operational capacity in the same period.
- (4) EBITDA represents operating profit plus depreciation and amortization. The depreciation and amortization amounted to RMB80.8 million, RMB296.8 million, and RMB633.7 million in 2008, 2009 and 2010, respectively. EBITDA is not a standard measure under IFRSs. EBITDA is included because it is a widely used financial indicator of a company's ability to service and incur debt. However, EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Prospective investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.
- (5) Adjusted operating profit is operating profit less other net income. Other net income mainly included net income from sales of CERs and VAT rebate and refund as well as our net gain on disposal of investment in a subsidiary. Other net income amounted to RMB35.6 million, RMB85.3 million and RMB249.8 million in 2008, 2009 and 2010, respectively. Our net gain on disposal of investment in a subsidiary related to the disposal of our entire 65.0% equity interest in Qidong Wind Power in 2009, which contributed a net gain in the amount of RMB18.9 million to other net income in 2009.
- (6) Adjusted operating margin is calculated by dividing (i) our adjusted operating profit by (ii) our revenue (excluding service concession construction revenue) for the year. See "Financial Information — Description of Certain Income Statement Components — Operating Profit." Adjusted operating margin and adjusted operating profit are not standard measurements under IFRSs, but we present them here because our management believes that they provide useful indicators of our profitability. Prospective investors should be aware that adjusted operating profit and adjusted operating margin presented in this prospectus may not be comparable to similarly titled measures reported by other companies due to different calculation methods.

The difference between our gross and net power generation was caused by (i) electricity generated during the construction and testing period; and (ii) auxiliary electricity which comprises electricity consumed by our wind farms in the course of electricity generation and lost during the transmission from the wind farms to the grid meter measuring the net power generation sold to the grid companies. During the Track Record Period, electricity generated during construction and testing period accounted for approximately 8.1%, 13.0% and 7.8%, respectively, of our gross power generation. During the same periods, auxiliary electricity accounted for approximately 2.5%, 2.0% and 2.5%, respectively, of our gross power generation less electricity generated during the construction and testing period. The relatively high amount of electricity generated during the construction and testing period as a percentage of our gross power generation during the Track Record Period was primarily due to our rapid expansion in recent years. During the Track Record Period, our consolidated installed capacity increased at a CAGR of 195.9% from December 31, 2008 to December 31, 2010. As a result,

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we had a large number of new wind power projects in construction and testing period during the Track Record Period, the electricity generated from which was accounted for in the gross power generation but excluded from the net power generation.

In addition to the operating projects, we also had a consolidated capacity under construction of 1,202.0 MW and a portfolio of wind power pipeline projects reserved for future development with an estimated capacity of approximately 73,463.5 MW as of December 31, 2010. We classify our wind power pipeline projects into three categories based on the stage of development. As of December 31, 2010, we had Advanced-stage Projects, Developing-stage Projects and Early-stage Projects with capacity of approximately 633.0 MW, 3,346.7 MW and 69,483.8 MW, respectively. See “— Pipeline Projects” for detailed discussion.

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According to Garrad Hassan, China is the largest wind market in terms of total wind installed capacity as of the end of 2010, and will continue to be a global growth leader with an estimated total wind installed capacity CAGR of 21.8% from 2010 to 2015. Garrad Hassan ranked us the third largest wind power producer in China in terms of total installed capacity as of December 31, 2010. We plan to leverage our experience and substantial presence in China to further expand our wind power business and increase our installed capacity. We expect to increase our consolidated installed capacity to approximately 5,100 MW by the end of 2011. We also plan to start the construction of two solar power concession projects in the second half of 2011 or in 2012. The table below sets forth the details of our wind power projects which we expect to complete by the end of 2011, and the two aforementioned solar power concession projects.

| As of December 31, 2010               |                                               |                 |                                   |                                                 |
|---------------------------------------|-----------------------------------------------|-----------------|-----------------------------------|-------------------------------------------------|
|                                       | Location                                      | No. of projects | Estimated installed capacity (MW) | Estimated capital expenditure (RMB in millions) |
| Wind Power                            |                                               |                 |                                   |                                                 |
| Projects under construction . . . . . | Northeast China                               | 5               | 298.5                             | 2,783.3                                         |
|                                       | East China                                    | 2               | 68.0                              | 652.8                                           |
|                                       | West Inner Mongolia                           | 0               | 0.0                               | 0.0                                             |
|                                       | South China                                   | 1               | 42.0                              | 410.9                                           |
|                                       | North China                                   | 2               | 99.0                              | 891.0                                           |
|                                       | Xinjiang                                      | 0               | 0.0                               | 0.0                                             |
|                                       | Other regions <sup>(1)</sup>                  | 0               | 0.0                               | 0.0                                             |
| Advanced-stage projects . . . . .     | Northeast China                               | 1               | 49.5                              | 432.5                                           |
|                                       | East China                                    | 1               | 30.0                              | 288.0                                           |
|                                       | West Inner Mongolia                           | 0               | 0.0                               | 0.0                                             |
|                                       | South China                                   | 7               | 346.5                             | 3,370.9                                         |
|                                       | North China                                   | 0               | 0.0                               | 0.0                                             |
|                                       | Xinjiang                                      | 0               | 0.0                               | 0.0                                             |
|                                       | Other regions <sup>(1)</sup>                  | 1               | 9.0                               | 77.7                                            |
| Developing-stage projects . . . . .   | Northeast China                               | 1               | 49.5                              | 497.4                                           |
|                                       | East China                                    | 4               | 188.5                             | 1,820.3                                         |
|                                       | West Inner Mongolia                           | 0               | 0.0                               | 0.0                                             |
|                                       | South China                                   | 1               | 49.5                              | 470.3                                           |
|                                       | North China                                   | 1               | 100.5                             | 886.6                                           |
|                                       | Xinjiang                                      | 0               | 0.0                               | 0.0                                             |
|                                       | Other regions <sup>(1)</sup>                  | 0               | 0.0                               | 0.0                                             |
| Early-stage projects . . . . .        | Northeast China                               | 0               | 0.0                               | 0.0                                             |
|                                       | East China                                    | 0               | 0.0                               | 0.0                                             |
|                                       | West Inner Mongolia                           | 1               | 49.5                              | 425.7                                           |
|                                       | South China                                   | 3               | 138.0                             | 1,311.0                                         |
|                                       | North China                                   | 2               | 99.0                              | 889.4                                           |
|                                       | Xinjiang                                      | 0               | 0.0                               | 0.0                                             |
|                                       | Other regions <sup>(1)</sup>                  | 0               | 0.0                               | 0.0                                             |
| Subtotal . . . . .                    | Six main regions and other regions in the PRC | 33              | 1,617.0                           | 15,207.7                                        |
| Solar Power . . . . .                 |                                               | 2               | 50.4                              | 806.7                                           |
| Total . . . . .                       |                                               | <u>35</u>       | <u>1,667.4</u>                    | <u>16,014.5</u>                                 |

*Note:*

(1) Other regions include Shaanxi Province, Gansu Province, Anhui Province and Qinghai Province.

To achieve our expansion targets, we estimate that the total capital expenditure will be RMB16.0 billion for wind power projects to be installed from January 1, 2011 to December 31, 2011 and for the two solar power concession projects. Of this sum, we have already incurred RMB1.7 billion as of February 28, 2011 and therefore the total outstanding capital expenditure is estimated to be RMB14.3 billion. The sources of funding include bank borrowings, a portion of the net proceeds from the Global Offering, contributions from minority shareholders of our non-wholly owned subsidiaries, cash at bank and on hand and operating cash flow. We expect that bank borrowings will account for approximately 80% of the above-mentioned total estimated capital expenditure.

### **Our Project Development Process**

We focus on the development and operation of wind power projects. Development of our wind power projects typically involves three key stages: (1) siting, entering into development agreement and wind resource assessment; (2) internal evaluation and governmental approval; and (3) design, construction and commissioning.

#### ***Siting, Entering into Development Agreement and Wind Resource Assessment***

Selection of suitable locations for our wind power project is the first stage of our development process, which includes six key activities: (i) carrying out general research to identify potential sites as well as on-site exploration, (ii) determining the location of the wind farm within the site, (iii) initially estimating the capacity and the type of wind turbines to be used in the wind farm, (iv) entering into a development agreement with the local government, (v) drafting the development scheme and (vi) conducting wind resource assessment.

We make our initial site selection based on a couple of key considerations, including wind resources and other weather conditions, constructability, transportation, size and location of the site, on-grid tariffs, grid connection, capacity of grid systems and environmental features. Our technicians select a potential site based on their initial review and analysis of accessible information, including meteorological reports published by local meteorological stations, topographical reports and maps. Once a potential site is identified, our technicians conduct on-site exploration to determine the suitability and geographical scope of the site as well as formulate the wind resource assessment scheme.

When a site passes the initial review, we enter into a development agreement with the local government which typically provides that we will enjoy an exclusive right or priority to develop our wind power projects on the selected site within a specified period of time, during which we are required to commence wind test or other preliminary work. The local government usually also agrees in such development agreement to facilitate the construction and development of the wind power projects, including coordinating among various governmental agencies for us to obtain the necessary approvals. During the Track Record Period, we have commenced wind test or other preliminary work for our wind power projects within the time limit set forth in the development agreements. In the future, we plan to further enhance our communication with the local meteorological observatories to enhance the efficiency in the construction of the anemometer towers or other preliminary work.

Afterwards, we start our wind resource assessment process by establishing meteorological tower to collect wind data on the specific site. Our wind-data collection process typically lasts for at least 12 months in order for us to obtain sufficient data to assess the quality of the wind resources and the suitability of a specific site for the development of our wind power projects.

#### ***Internal Evaluation and Governmental Approval***

The second stage of our development process is internal evaluation and application for governmental approvals.

Based on the data collected during the one-year wind test period, our development team assesses and determines the feasibility of constructing and operating a wind farm on a specific site. A feasibility report is prepared at this stage taking into consideration various factors, including the suitability of wind resources for our wind farms, the proposed installed capacity, the potential construction cost (including the cost for land use rights), the estimated financial performance and project return and the potential impact on the environment and local community.

If we are satisfied that the wind resources, together with other conditions, meet our internal requirements for developing a high-quality wind farm, we will seek relevant approvals from various local governmental agencies, including the environmental protection agency, the land and resources agency, construction and planning agency and other governmental authorities responsible for the protection of forest, water, wild life and historical relics and for the mine reservation when applicable. In addition to the governmental approvals, we also need to obtain permits from the local grid companies for grid connection. It generally takes three to six months for us to complete the internal evaluation and prepare the application documents for the NDRC or Provincial DRC approval.

Once we have finished the internal evaluation and obtained all the relevant approvals from local governmental agencies, we file an application for final approval to the Provincial DRC, or if the installed capacity of the proposed project reaches 50 MW or above, to the NDRC. The application package usually consists of the application for a specific project, feasibility report, approvals from local governments and other supporting documents. It generally takes one to three months for Provincial DRC and three to six months for the NDRC to grant the approval.

### ***Design, Construction and Commissioning***

With the NDRC or Provincial DRC's approval, we move on to the design and construction stage. We supervise the overall design and construction of our projects while outsourcing the work to independent third parties that have relevant qualifications. In addition to the national and industry standards, we have compiled a set of guidelines and standards for the design, construction and evaluation of our wind farms, which is the first set of guidelines and standards of such type compiled by an enterprise in China. Before the construction of a wind farm, we engage qualified third party institutions to design the wind farms in accordance with the national, industry and our own standards. During this stage, our technicians, together with third party designers, also conduct micro-site selection within the wind farm to determine the specific locations for the wind turbines.

The construction of a wind farm mainly consists of road paving, infrastructure construction, substation construction and installation, interconnection work and wind turbine installation. We outsource substantially all of the construction work, including the installation of wind turbines, to qualified third-party contractors. Under our overall supervision and management, the contractors provide management, labor, certain materials and engineering services required to construct the project. We oversee and manage all aspects of the construction and use our best efforts to control the construction cost and increase efficiency. For example, we conduct integrated planning for all the wind power projects within a certain region and share roads and facilities such as substations among various wind farms to avoid unnecessary duplicate investments. In addition, certain key members of our operating team for a specific wind power project also participate in the construction of the project, which enhances both the construction quality and operational ability.

Commissioning occurs immediately prior to the commercial operation of a wind power project, which involves testing the operation of each wind turbine and substation, connection to the transmission system and integration within the project. In particular, our wind power projects need to go through off-grid commissioning, on-grid testing and at least 240-hour continuous operation testing prior to commercial operations.

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The time required for design, construction and commissioning depends on the capacity of the project. For a wind power project with an installed capacity of 50 MW, it normally takes us eight to ten months to complete the construction, which we believe is shorter than the industry average in China. We usually begin the construction in April and September, respectively, for projects locating in northern China and southern China after taking into consideration various factors such as the weather.

### Pipeline Projects

As part of our strategy to expand our wind power business, we have been actively seeking and reserving sites with good wind resources for future development, which we refer to as pipeline projects. As of December 31, 2010, we had a portfolio of wind power pipeline projects with an estimated capacity of approximately 73,463.5 MW. We have entered into investment and development agreements with local governments in different counties, pursuant to which we acquired the exclusive rights or priority to develop wind power projects within a specific area during a specified period of time.

We classify our wind power pipeline projects into three categories — Advanced-stage Projects, Developing-stage Projects and Early-stage Projects, based on their maturity. We use these categories to manage the pipelines and for planning purposes, including allocating capital and committing resources. Although we believe our classification methodology provides an objective and reasonable indication of the maturity of our wind power pipeline projects, such methodology has never been verified by an independent third party expert. See “Risk Factors — Risks Relating to Our Business and Industry — The standards we use to categorize our projects and the underlying assumptions are internally developed and may not be comparable to classifications used by other companies.” We believe the wind power pipeline projects are of strategic importance to the growth of our business and expect to expand our wind power business by converting these pipeline projects into operating projects at an appropriate pace. However, we may determine not to proceed with certain pipeline projects which are considered to be less profitable after assessment and evaluation and choose to develop some projects which are not included in the current pipeline projects. See “Risk Factors — Risks Relating to Our Business and Industry — If we are not successful in converting our wind power pipeline projects into operating projects in accordance with our development plan and specifications, our expansion plan may be adversely affected and our revenue may fall below our expectations.”

The table below sets forth the milestones we used to categorize our wind power pipeline projects.

| <u>Milestones Achieved</u>                                                   | <u>Advanced-stage<br/>Projects</u> | <u>Developing-stage<br/>Projects</u> | <u>Early-stage<br/>Projects</u> |
|------------------------------------------------------------------------------|------------------------------------|--------------------------------------|---------------------------------|
| Development agreement .....                                                  | √                                  | √                                    | √                               |
| Wind resource assessment, or feasibility study, or internal evaluation ..... | √                                  | √                                    |                                 |
| NDRC/DRC approvals .....                                                     | √                                  |                                      |                                 |
| Estimated capacity as of December 31, 2010 (MW) .....                        | <u>633.0</u>                       | <u>3,346.7</u>                       | <u>69,483.8</u>                 |

### *Advanced-stage Projects*

Advanced-stage Projects are the wind power pipeline projects that have completed all the key development processes prior to construction and commissioning. As of December 31, 2010, we had 14 Advanced-stage Projects with an estimated capacity of 633.0 MW, representing approximately 0.9% of the total capacity of our wind power pipeline projects. In order for a project to be classified as Advanced-stage Projects, all or substantially all of the following milestones must have been achieved:

- Development Agreement — we have entered into binding development agreements with local governments;

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- Wind Resource Assessment — we have collected sufficient amount of wind meteorological data and completed the wind test, which usually lasts for at least one year;
- Feasibility Study — we have conducted feasibility study and prepared feasibility report for the proposed project;
- Internal Evaluation — we have completed internal evaluation based on the feasibility report and have obtained all the necessary supporting documents; and
- NDRC/DRC Approvals — we have obtained the approvals from the NDRC or Provincial DRC, depending on the size of the project.

### *Developing-stage Projects*

Developing-stage Projects are the wind power pipeline projects which have been included in our annual plan and achieved certain milestones in the development but have not obtained the approvals from the NDRC or Provincial DRC. In order for a project to be included into our annual plan, we usually require that such project have secured the development agreement with the local government and completed the wind test which should last for at least one year.

As of December 31, 2010, we had 53 Developing-stage Projects listed in our annual plan with an estimated capacity of approximately 3,346.7 MW, including 15 projects with an estimated capacity of approximately 1,302.0 MW which have completed internal evaluation and another 11 projects with an estimated capacity of approximately 716.5 MW which have completed feasibility study but yet to obtain the internal approvals. Developing-stage Projects accounted for approximately 4.6% of the total capacity of our wind power pipeline projects as of December 31, 2010.

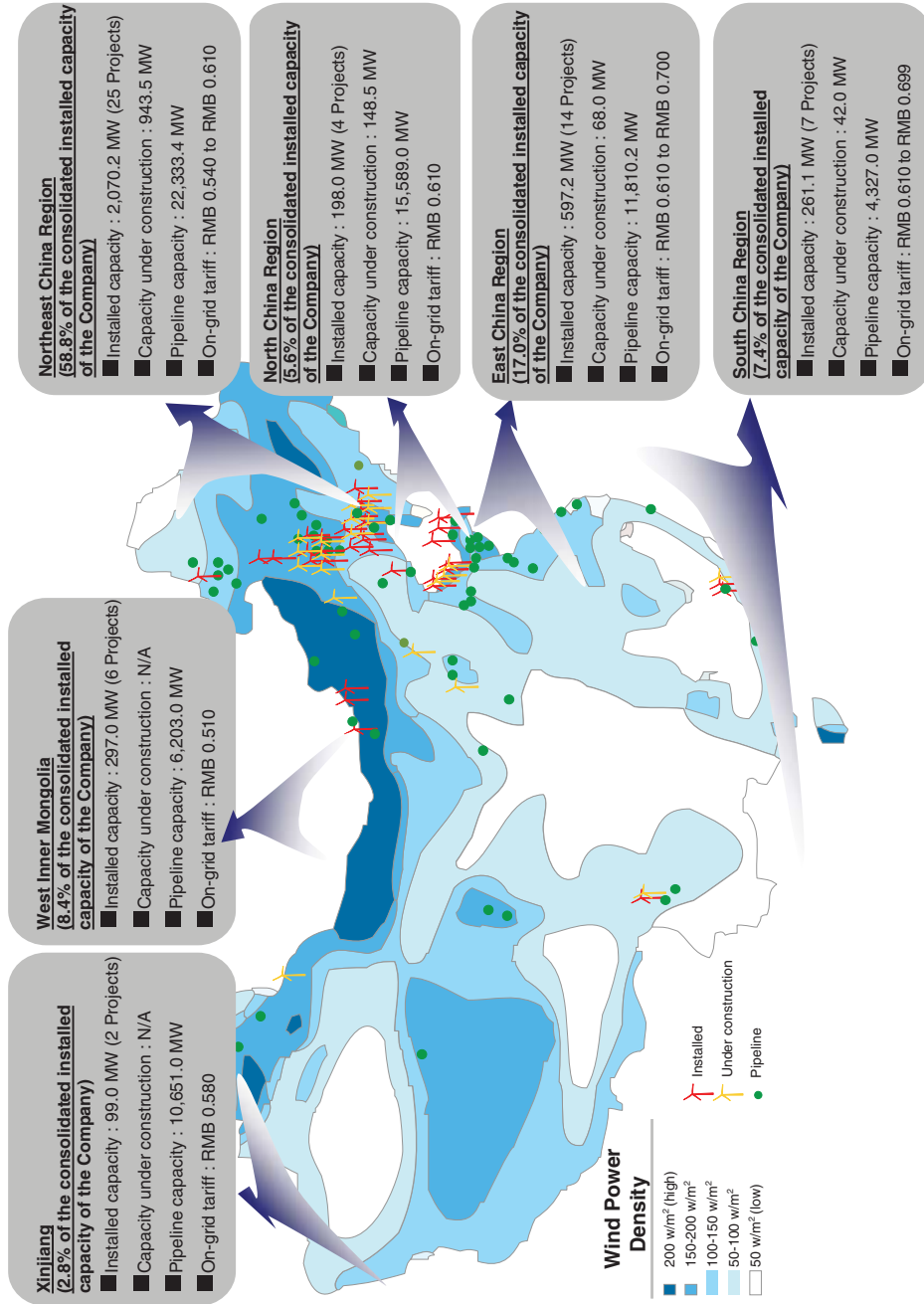
### *Early-stage Projects*

Early-stage Projects are the wind power pipeline projects in their early stage of development. We add a project into this category once we have identified a site and secured our exclusive rights or priority to develop wind power projects through development agreements with the local governments. We will plan the development schedule of these projects by taking into account the wind resources, local grid connections, on-grid tariff, local transportation network and potential impact on the environment. As of December 31, 2010, our Early-stage Projects had an estimated capacity of 69,483.8 MW, representing approximately 94.6% of the total capacity of our wind power pipeline projects.

### **Our Wind Farms**

Our wind farms are mainly located in six geographic regions in China, namely, the Northeast China Region, the East China Region, West Inner Mongolia, the North China Region, Xinjiang and the South China Region. We categorize these six regions mainly based on geographical proximity, grid connection and wind resources.

The following map sets forth the wind resources of the six strategic regions where our wind power projects are primarily located and the on-grid tariffs (including VAT and in RMB per kWh) for our operating projects as of December 31, 2010<sup>(1)</sup>:



Note:

(1) Information on the on-grid tariffs is based on the approved on-grid tariffs of our wind power projects in each area. For our wind power projects approved on or after August 1, 2009, government fixed unified on-grid tariffs (excluding supplementary on-grid tariffs provided by local governments, if any) apply to our wind power projects depending on the location of the respective projects. See “— On-grid Tariffs.”



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The table below sets forth the installed capacity of our wind power projects in each of the six geographic regions and their respective percentage of our consolidated installed capacity as of the dates indicated.

|                                    | As of December 31, |            |                |            |                |            |
|------------------------------------|--------------------|------------|----------------|------------|----------------|------------|
|                                    | 2008               |            | 2009           |            | 2010           |            |
|                                    | (MW)               | (%)        | (MW)           | (%)        | (MW)           | (%)        |
| Northeast China Region .....       | 100.5              | 25.0       | 945.0          | 61.0       | 2,070.2        | 58.8       |
| East China Region .....            | 145.7              | 36.2       | 300.2          | 19.4       | 597.2          | 17.0       |
| West Inner Mongolia .....          | —                  | —          | 148.5          | 9.6        | 297.0          | 8.4        |
| South China Region .....           | 106.6              | 26.5       | 106.6          | 6.9        | 261.1          | 7.4        |
| North China Region .....           | 49.5               | 12.3       | 49.5           | 3.2        | 198.0          | 5.6        |
| Xinjiang .....                     | —                  | —          | —              | —          | 99.0           | 2.8        |
| Other regions <sup>(1)</sup> ..... | —                  | —          | —              | —          | —              | —          |
| <b>Total</b> .....                 | <b>402.3</b>       | <b>100</b> | <b>1,549.8</b> | <b>100</b> | <b>3,522.4</b> | <b>100</b> |

*Note:*

- (1) Other regions include Shaanxi Province, Gansu Province, Anhui Province and Qinghai Province. None of our projects in these regions had completed construction as of December 31, 2010.

For details of our wind power projects in operation or under construction, see “Appendix V — Project Portfolio Overview.” As of the Latest Practicable Date, we had 25, 15, 6, 8, 4 and 2 wind power projects with a consolidated installed capacity of 2,170.7 MW, 645.2 MW, 297.0 MW, 303.1 MW, 198.0 MW and 99.0 MW in Northeast China Region, East China Region, West Inner Mongolia, South China Region, North China Region, and Xinjiang, respectively.

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The table below sets forth the details of our projects under construction and wind power pipeline projects categorized as Advanced-stage Projects and Developing-stage Projects as of December 31, 2010.

| As of December 31, 2010                  |                                               |                                               |                                                   |
|------------------------------------------|-----------------------------------------------|-----------------------------------------------|---------------------------------------------------|
| Project type                             | Location                                      | Project number                                | Estimated consolidated installed capacity<br>(MW) |
| <b>Projects under construction</b> ..... | Northeast China Region                        | 15                                            | 943.5                                             |
|                                          | East China Region                             | 2                                             | 68.0                                              |
|                                          | West Inner Mongolia                           | 0                                             | 0.0                                               |
|                                          | South China Region                            | 1                                             | 42.0                                              |
|                                          | North China Region                            | 3                                             | 148.5                                             |
|                                          | Xinjiang                                      | 0                                             | 0.0                                               |
|                                          | Other regions <sup>(1)</sup>                  | 0                                             | 0.0                                               |
|                                          | <b>Subtotal</b> .....                         | Six main regions and other regions in the PRC | <u>21</u>                                         |
| <b>Advanced-stage Projects</b> .....     | Northeast China Region                        | 1                                             | 49.5                                              |
|                                          | East China Region                             | 2                                             | 79.5                                              |
|                                          | West Inner Mongolia                           | 0                                             | 0.0                                               |
|                                          | South China Region                            | 10                                            | 495.0                                             |
|                                          | North China Region                            | 0                                             | 0.0                                               |
|                                          | Xinjiang                                      | 0                                             | 0.0                                               |
|                                          | Other regions <sup>(1)</sup>                  | 1                                             | 9.0                                               |
|                                          | <b>Subtotal</b> .....                         | Six main regions and other regions in the PRC | <u>14</u>                                         |
| <b>Developing-stage Projects</b> .....   | Northeast China Region                        | 17                                            | 1,052.5                                           |
|                                          | East China Region                             | 13                                            | 679.0                                             |
|                                          | West Inner Mongolia                           | 3                                             | 449.5                                             |
|                                          | South China Region                            | 6                                             | 328.2                                             |
|                                          | North China Region                            | 9                                             | 590.0                                             |
|                                          | Xinjiang                                      | 3                                             | 148.5                                             |
|                                          | Other regions <sup>(1)</sup>                  | 2                                             | 99.0                                              |
|                                          | <b>Subtotal</b> .....                         | Six main regions and other regions in the PRC | <u>53</u>                                         |
| <b>Total</b> .....                       | Six main regions and other regions in the PRC | <u>88</u>                                     | <u>5,181.7</u>                                    |

*Note:*

(1) Other regions include Shaanxi Province, Gansu Province, Anhui Province and Qinghai Province.

### ***Wind Farms in Northeast China Region***

The Northeast China Region includes areas in the three provinces of Heilongjiang, Jilin and Liaoning as well as the eastern part of Inner Mongolia. This region is featured with quality wind resources and stable wind direction. Moreover, as a traditional industrial area, the Northeast China Region has well-established infrastructure and transportation network, which facilitate the construction of wind power projects.

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The table below sets forth the operational data of our wind power projects in the Northeast China Region as of the dates or for the periods indicated:

|                                                                    | As of or for the year ended<br>December 31, |             |             |
|--------------------------------------------------------------------|---------------------------------------------|-------------|-------------|
|                                                                    | 2008                                        | 2009        | 2010        |
| Consolidated installed capacity (MW) . . . . .                     | 100.5                                       | 945.0       | 2,070.2     |
| Consolidated operational capacity (MW) . . . . .                   | 100.5                                       | 795.0       | 1,422.2     |
| Weighted average consolidated operational capacity (MW) . . . . .  | 50.3                                        | 358.0       | 907.1       |
| Consolidated gross power generation (MWh) . . . . .                | 123,701.0                                   | 1,007,195.0 | 2,154,445.9 |
| Consolidated net power generation (MWh) . . . . .                  | 117,728.9                                   | 891,375.4   | 1,969,756.2 |
| Weighted average utilization hours . . . . .                       | 2,386.7                                     | 2,535.6     | 2,219.6     |
| Weighted average on-grid tariff, including VAT (RMB/kWh) . . . . . | 0.610                                       | 0.596       | 0.578       |

### *Projects in operation and under construction*

As of December 31, 2010, our projects in the Northeast China Region had an aggregate installed capacity of 2,070.2 MW, representing approximately 58.8% of our consolidated installed capacity. In addition, we had 15 projects under construction with an aggregate capacity of 943.5 MW, representing approximately 78.5% of our consolidated capacity under construction. We target to complete construction of five of these projects by the end of 2011.

### *Pipeline Projects*

As of December 31, 2010, we had approximately 23,333.4 MW of wind power pipeline projects in the Northeast China Region, including one 49.5 MW of Advanced-Stage Project, approximately 1,052.5 MW of Developing-stage Projects and approximately 22,231.4 MW of Early-stage Projects.

### *Regional Highlights*

Our five projects in Fuxin, Liaoning Province had an aggregate installed capacity of 750.0 MW. The utilization hours of Phase I of Fuxin Project, which was in operation for the full year of 2009 and 2010, reached 2,584.7 in 2009 and 2,430.5 in 2010, as compared with the average utilization hours of approximately 2,027 in 2009 and 2,034 in 2010 in Liaoning Province. In order to take advantage of the abundant wind resources and further enhance the economies of scale, we plan to increase our installed capacity in Fuxin to 1,000 MW.

Our 13 projects in Tongliao in east Inner Mongolia had an aggregate installed capacity of 973.7 MW as of December 31, 2010, which provides us with significant economies of scale.

### *Wind Farms in East China Region*

The East China Region includes the three provinces of Shandong, Jiangsu and Zhejiang as well as Shanghai. This region consists of more economically developed areas in China, which provide some advantages, including grid connections which we consider to be satisfactory and high on-grid tariffs.

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The table below sets forth the operational data of our wind power projects in the East China Region as of the dates or for the periods indicated:

|                                                                    | As of or for the year ended<br>December 31, |           |           |
|--------------------------------------------------------------------|---------------------------------------------|-----------|-----------|
|                                                                    | 2008                                        | 2009      | 2010      |
| Consolidated installed capacity (MW) . . . . .                     | 145.7                                       | 300.2     | 597.2     |
| Consolidated operational capacity (MW) . . . . .                   | 96.2                                        | 195.2     | 349.7     |
| Weighted average consolidated operational capacity (MW) . . . . .  | 71.5                                        | 187.3     | 305.5     |
| Consolidated gross power generation (MWh) . . . . .                | 169,544.0                                   | 494,621.9 | 761,344.4 |
| Consolidated net power generation (MWh) . . . . .                  | 145,393.7                                   | 391,526.7 | 681,499.5 |
| Weighted average utilization hours . . . . .                       | 2,060.3                                     | 2,125.7   | 2,299.4   |
| Weighted average on-grid tariff, including VAT (RMB/kWh) . . . . . | 0.724                                       | 0.642     | 0.700     |

### *Projects in operation and under construction*

As of December 31, 2010, our projects in the East China Region had an aggregate installed capacity of 597.2 MW, representing approximately 17.0% of our consolidated installed capacity. In addition, we had two projects under construction with an aggregate capacity of 68.0 MW, representing approximately 5.7% of our consolidated capacity under construction. We target to complete construction of both of these projects by the end of 2011.

### *Pipeline Projects*

As of December 31, 2010, we had approximately 11,810.2 MW of wind power pipeline projects in the East China Region, including 79.5 MW of Advanced-stage Projects, approximately 679.0 MW of Developing-stage Projects and approximately 11,051.7 MW of Early-stage Projects.

### *Regional Highlights*

We are the largest wind power generation company in Shandong Province in terms of installed capacity as of December 31, 2010. As of December 31, 2010, all of our wind power projects in operation in the East China Region were located in Shandong Province, where the on-grid tariff is as high as RMB0.700/kWh (including VAT) as a result of beneficial local policy in Shandong Province. The relatively high on-grid tariff, combined with our significant utilization hours, have generated high returns for our operations in this area.

The East China Region is also the first region where we have commenced the development of offshore wind power projects. In July 2010, Rongcheng Project in Shandong Province, our first offshore wind power project, commenced commercial operation. Rongcheng Project currently has an installed capacity of 6 MW and an approved on-grid tariff (including VAT) of RMB0.700/kWh. We plan to further increase its installed capacity, subject to relevant government approvals.

We are also developing tidal-flat wind power projects in Jiangsu Province. We have received preliminary NDRC approval to construct a model tidal-flat wind farm in Yancheng, Jiangsu Province with an estimated installed capacity of 300 MW, which we believe is one of the largest tidal-flat wind farms in Jiangsu Province as of December 31, 2010.

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### *Wind Farms in West Inner Mongolia*

West Inner Mongolia refers to the western part of Inner Mongolia, a region with good wind resources, high wind power density and vast space suitable for large-scale development.

The table below sets forth the operational data of our wind power projects in West Inner Mongolia as of the dates or for the periods indicated:

|                                                                | As of or for the year ended<br>December 31, |          |           |
|----------------------------------------------------------------|---------------------------------------------|----------|-----------|
|                                                                | 2008                                        | 2009     | 2010      |
| Consolidated installed capacity (MW) .....                     | —                                           | 148.5    | 297.0     |
| Consolidated operational capacity (MW) .....                   | —                                           | —        | 148.5     |
| Weighted average consolidated operational capacity (MW) .....  | —                                           | —        | 119.6     |
| Consolidated gross power generation (MWh) .....                | —                                           | 37,621.4 | 367,803.8 |
| Consolidated net power generation (MWh) .....                  | —                                           | —        | 285,685.6 |
| Weighted average utilization hours .....                       | NA                                          | NA       | 2,433.6   |
| Weighted average on-grid tariff, including VAT (RMB/kWh) ..... | NA                                          | NA       | 0.510     |

### *Projects in operation and under construction*

As of December 31, 2010, our projects in West Inner Mongolia had an aggregate installed capacity of 297.0 MW, representing approximately 8.4% of our consolidated installed capacity. We had no projects under construction in this region as of December 31, 2010.

### *Pipeline Projects*

As of December 31, 2010, we had approximately 6,203.0 MW of wind power pipeline projects in West Inner Mongolia, including approximately 449.5 MW of Developing-stage Projects and approximately 5,753.5 MW of Early-stage Projects.

### *Regional Highlights*

We have a sizable reserve of pipeline projects in West Inner Mongolia. Our largest pipeline project in this area is located in Urad Middle Banner, with an estimated installed capacity of 1,600 MW, including 49.5 MW Developing-stage Projects, as of December 31, 2010. Inner Mongolia is one of the eight proposed national strategic wind power bases with a minimum capacity of 10 GW in China, with Urad Middle Banner being one of the key areas within the base.

### *Wind Farms in South China Region*

The South China Region includes the four provinces of Guangdong, Yunnan, Guizhou and Guangxi, a region with relatively high on-grid tariffs and grid connections which we consider to be satisfactory. In particular, Guangdong Province is a well developed industrial region with relatively high demand for electricity. Our wind power projects in Guangdong Province approved prior to the establishment of the standard on-grid tariff regime currently have on-grid tariffs of RMB0.699/kWh (including VAT), including a supplementary on-grid tariff in the amount of RMB0.01 per kWh provided by the local government of Guangdong Province.

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The table below sets forth operational data of our wind power projects in the South China Region as of the dates or for the periods indicated:

|                                                                | As of or for the year ended<br>December 31, |           |           |
|----------------------------------------------------------------|---------------------------------------------|-----------|-----------|
|                                                                | 2008                                        | 2009      | 2010      |
| Consolidated installed capacity (MW) .....                     | 106.6                                       | 106.6     | 261.1     |
| Consolidated operational capacity (MW) .....                   | 106.6                                       | 106.6     | 171.1     |
| Weighted average consolidated operational capacity (MW) .....  | 62.6                                        | 106.6     | 122.7     |
| Consolidated gross power generation (MWh) .....                | 183,453.2                                   | 254,315.7 | 310,957.2 |
| Consolidated net power generation (MWh) .....                  | 164,292.5                                   | 245,997.9 | 292,184.6 |
| Weighted average utilization hours .....                       | 2,740.9                                     | 2,386.8   | 2,450.9   |
| Weighted average on-grid tariff, including VAT (RMB/kWh) ..... | 0.689                                       | 0.654     | 0.619     |

### *Projects in operation and under construction*

As of December 31, 2010, our projects in South China Region had an aggregate installed capacity of 261.1 MW, representing approximately 7.4% of our consolidated installed capacity. In addition, we had one project under construction with a capacity of 42.0 MW, representing approximately 3.5% of our consolidated capacity under construction. We target to complete construction of this project by the end of 2011. Our weighted average on-grid tariff (including VAT) was higher than the highest standard on-grid tariff throughout the Track Record Period, primarily due to the fact that certain of our early wind power projects enjoyed relatively high on-grid tariffs prior to the establishment of the standard on-grid tariff regime and that the standard on-grid tariffs only apply to wind power projects approved on or after its effectiveness on August 1, 2009.

### *Pipeline Projects*

As of December 31, 2010, we had approximately 4,327.0 MW of wind power pipeline projects in South China Region, including 495.0 MW of Advanced-stage Projects, approximately 328.2 MW of Developing-stage Projects and approximately 3,503.8 MW of Early-stage Projects.

### *Regional Highlights*

Our Yunnan Dali Dafengba Project is the first wind power project at altitude as high as 2,800 meters in China. In 2009 and 2010, the Yunnan Dali Dafengba Project had 2,613.1 and 2,481.5 utilization hours. In September 2010, our Yunnan Eryuan Project commenced operation. Yunnan Eryuan Project is the first wind power project in China successfully developed at altitudes exceeding 3,000 meters.

### *Wind Farms in North China Region*

The North China Region includes Hebei Province, Shanxi Province and the central part of Inner Mongolia. Hebei Province, in particular, has good wind resources and is close to the Beijing-Tianjin-Tangshan metropolitan area with relatively high electricity demand.

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The table below sets forth operational data of our wind power projects in the North China Region as of the dates or for the periods indicated:

|                                                                | As of or for the year ended<br>December 31, |          |          |
|----------------------------------------------------------------|---------------------------------------------|----------|----------|
|                                                                | 2008                                        | 2009     | 2010     |
| Consolidated installed capacity (MW) .....                     | 49.5                                        | 49.5     | 198.0    |
| Consolidated operational capacity (MW) .....                   | —                                           | 49.5     | 49.5     |
| Weighted average consolidated operational capacity (MW) .....  | —                                           | 41.3     | 49.5     |
| Consolidated gross power generation (MWh) .....                | 790.0                                       | 90,775.0 | 93,859.6 |
| Consolidated net power generation (MWh) .....                  | —                                           | 77,686.5 | 88,456.9 |
| Weighted average utilization hours .....                       | NA                                          | 1,918.1  | 1,890.7  |
| Weighted average on-grid tariff, including VAT (RMB/kWh) ..... | NA                                          | 0.610    | 0.610    |

### *Projects in operation and under construction*

As of December 31, 2010, our projects in North China Region had an aggregate installed capacity of 198.0 MW, representing 5.6% of our consolidated installed capacity. We had three projects with an aggregate capacity of 148.5 MW under construction, representing approximately 12.4% of our consolidated capacity under construction. We target to complete construction of two of these projects by the end of 2011.

### *Pipeline Projects*

As of December 31, 2010, we had approximately 15,589.0 MW of wind power pipeline projects in North China Region, including approximately 590.0 MW of Developing-stage Projects and approximately 14,999.0 MW of Early-stage Projects.

### *Regional Highlights*

We had a reserve of 2,238.5 MW wind power pipeline projects in Shanxi Province as of December 31, 2010, among which 1,100 MW had been included in the provincial government's relevant plans. As a result, we expect to experience minimal difficulty in obtaining government approvals for converting the pipeline projects into operating projects. In addition, the sound grid connections and transmission in Shanxi Province will facilitate the sale of electricity to be generated by our wind power projects. We expect to construct wind farms with over 1,000 MW installed capacity in Shanxi Province.

Hebei Province is one of the eight proposed national strategic wind power bases with a minimum capacity of 10 GW in the PRC, with Chengde and Zhangjiakou areas being two of the key areas within the base. As of December 31, 2010, we had an operating project with an installed capacity of 49.5 MW and pipeline capacity of more than 1,000 MW wind power pipeline projects in aggregate in these two areas. We intend to continue to develop wind power projects in these two areas.

### *Wind Farms in Xinjiang*

Xinjiang refers to Xinjiang Uyghur Autonomous Region, a region with high quality wind resources.

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The table below sets forth operational data of our wind power projects in Xinjiang as of the dates or for the periods indicated:

|                                                                | As of or for the<br>year ended<br>December 31, |      |           |
|----------------------------------------------------------------|------------------------------------------------|------|-----------|
|                                                                | 2008                                           | 2009 | 2010      |
| Consolidated installed capacity (MW) .....                     | —                                              | —    | 99.0      |
| Consolidated operational capacity (MW) .....                   | —                                              | —    | 99.0      |
| Weighted average consolidated operational capacity (MW) .....  | —                                              | —    | 37.1      |
| Consolidated gross power generation (MWh) .....                | —                                              | —    | 100,464.5 |
| Consolidated net power generation (MWh) .....                  | —                                              | —    | 87,272.3  |
| Weighted average utilization hours .....                       | —                                              | —    | 2,443.2   |
| Weighted average on-grid tariff, including VAT (RMB/kWh) ..... | —                                              | —    | 0.580     |

### *Projects in operation and under construction*

As of December 31, 2010, we had two projects in operation in Xinjiang with an aggregate installed capacity of 99.0 MW, representing 2.8% of our consolidated installed capacity. We had no projects under construction in Xinjiang as of December 31, 2010.

### *Pipeline Projects*

As of December 31, 2010, we had approximately 10,651.0 MW of wind power pipeline projects in Xinjiang, including approximately 148.5 MW of Developing-stage Projects and approximately 10,502.5 MW of Early-stage Projects.

### *Regional Highlights*

Xinjiang is one of the eight proposed national strategic wind power bases with a minimum capacity of 10 GW in the PRC, with Kumul area being one of the key areas within the base. Kumul area is featured with abundant wind resources and high wind power density. In November 2010, State Grid completed the construction of a 750 kV extra high voltage transmission line that passes through Kumul area, connecting the grid in Xinjiang to the rest of the country's grid network via the Northwest Grid. We believe such transmission line will provide what we consider to be satisfactory grid connections for our wind power projects to be developed in Kumul area. As of December 31, 2010, we had approximately 6,401.0 MW of wind power pipeline projects in Kumul area, representing 8.9% of our total wind power pipeline projects. We expect to increase the installed capacity in Kumul area to 1,000 MW within five years.

### *Wind Farms in Other Regions*

In addition to the six regions mentioned above, we also had a reserve of wind power pipeline projects in the provinces of Shaanxi, Gansu, Anhui and Qinghai with an estimated capacity of approximately 1,550.0 MW as of December 31, 2010, including one Advanced-stage project of 9.0 MW, approximately 99.0 MW of Developing-stage Projects and approximately 1,442.0 MW of Early-stage Projects.

### **Sales and Distribution**

#### *Mandatory Connection to the Grid and Purchase of Electricity*

Under the current PRC regulatory framework, grid companies are obligated to provide wind power projects within its coverage with grid connection, together with all the related technical support, and to purchase all the



electricity generated by such wind power projects. Furthermore, as renewable energy projects, wind power projects also enjoy dispatch priorities over traditional power plants according to applicable PRC regulations.

Despite all these laws and regulations in our favor, the actual sale of the electricity generated by our wind power projects may be limited by a number of factors, including the maximum transmission capacity, the stability of the grid and the local demand for electricity. In certain areas of northern China, the local grid companies may also give priority to steam-electricity cogeneration companies to ensure heat supply in winter. In recent years, the local grid companies in Inner Mongolia and Liaoning Province imposed restrictions on wind power generation companies, especially during winter season, to give priority to heat supply provided by steam-electricity cogeneration companies and to ensure the stability and safety of the local grids. Furthermore, local grid companies in West Inner Mongolia imposed additional restrictions on wind power generation companies due to the fact that the rapid construction of wind farms resulting from high quality wind resources in West Inner Mongolia outpaced the development of local grids during recent years. As a result, a few of our wind farms in Inner Mongolia and Liaoning Province temporarily shut down one or more of their wind turbines in 2009 and 2010. Given that wind power generation is affected by a number of interrelated and concurrent factors such as the wind speed, wind directions and wake effects, we are not able to estimate reliably the financial impact attributable to such output limitations alone. However, such output limitations will negatively affect our net power generation and thus reduce our revenue. In addition, the PPAs we entered into with local grid companies do not specifically provide any compensation or damages from local grid companies for any financial loss caused by grid congestion or grid company's otherwise failure in purchasing full amount of electricity generated by our wind farms. Based on the transmission capacity of the existing local grids, we expect that some of our wind farms may continue to experience electricity output constraints in the near future. As of December 31, 2010, we had 1,567.7 MW of installed capacity in Inner Mongolia and 799.5 MW of installed capacity in Liaoning Province, which accounted for 44.5% and 22.7% of our consolidated installed capacity. See "Risk Factors — Risks Relating to Our Business and Industry — We rely on local grid companies for grid connection and electricity transmission and dispatch." However, such negative impact was mitigated by the strategically diversified locations of our wind farms. Given that the electricity output limitations primarily occur in West Inner Mongolia and that only a small portion of our wind farms are located in West Inner Mongolia, we believe grid constraints do not have a material adverse effect on our business or results of operations.

In addition, we believe the grid connection condition will be improved over time with the development of grid both locally and nationwide in China. As part of its policy to support the development of clean energy, the PRC government has increased capital investments in grid construction and upgrade in recent years. In 2010, State Grid and Southern Grid invested approximately RMB264 billion and RMB99 billion respectively for power grid development. According to the National Twelfth Five-Year Plan, the PRC will build transmission lines with rated voltage of 330 kV or above, covering a distance of 200,000 km, during the Twelfth Five-Year plan period, as part of the country's efforts to strengthen its grid infrastructure and further encourage the development of wind power. According to news release by State Grid on March 3, 2011, State Grid will complete the construction of most of the smart grid network, and reach the target of connecting 100 GW of wind installed capacity and 5 GW of solar installed capacity by 2015. Southern Grid also announced that it will invest over RMB400 billion for grid infrastructure development during the Twelfth Five-Year period. Southern Grid expects the total transmission capacity of West-East power transmission project to reach 43 GW by 2015. In regions with grid congestion issues, including Inner Mongolia, the PRC government has significant investment plan to develop and upgrade the power grid infrastructure in the next five years. In West Inner Mongolia, the power grid transmission capacity will reach 85 GW by 2015. Taking into consideration the government support and our geographically diversified operations, we believe the grid constraints will be mitigated as more grid capacity is developed.

Wind power producers in China are required by laws and regulations to cooperate with grid companies to ensure the safety and stability of grids. In 2009, State Grid published a revised Technical Code for Wind Farm Grid Connection (the "Revised Code"). Pursuant to the Revised Code, certain local grid companies have required wind power generation companies within the coverage of the respective grid to upgrade the wind turbines to meet

certain technical standards in relation to low voltage ride through. As of the Latest Practicable Date, nine of our project companies had been requested by the local grid companies to upgrade the wind turbines. Among these nine project companies, two project companies have completed all the upgrade in 2010, and the remaining project company is liaising with the wind turbine supplier in respect of the upgrade and expects to complete the upgrade by the end of 2011. Other than these three project companies, none of our project companies had been requested by the local grid companies to upgrade the wind turbines as of the Latest Practicable Date. We are liaising with the wind turbine suppliers and formulating upgrade plans for the project companies which have not been requested to upgrade the wind turbines so that the upgrade can be done as soon as so requested by the local grid companies. We do not expect to incur significant costs for these upgrades because (i) all the wind turbines purchased in 2009 and 2010 have satisfied the technical standards relating to low voltage ride through and thus require no upgrade; and (ii) for those wind turbines purchased prior to 2009, we have obtained consent from most of our suppliers to upgrade the wind turbines at no additional cost to us.

### *On-grid Tariffs*

The on-grid tariffs for wind power projects in China are determined by governmental authorities. According to the Circular Regarding the Furtherance of On-grid Pricing Policy of Wind Power (《關於完善風力發電上網電價政策的通知》) (the “On-grid Tariff Circular”) issued by the NDRC in 2009, for onshore wind power projects approved on or after August 1, 2009, the on-grid tariff is determined based on the location of such wind power projects. The PRC government has categorized the onshore wind resources of China into four wind resource zones and applies a universal on-grid tariff to all the wind power projects in the same wind resource zone. The standard on-grid tariffs (including VAT) for the first, second, third and fourth wind resource zones are RMB0.51/kWh, RMB0.54/kWh, RMB0.58/kWh and RMB0.61/kWh, respectively. For wind power projects approved prior to August 1, 2009 but on or after January 1, 2006, the on-grid tariff was determined by referring to either a “government guided price” or a “government fixed price.” For wind power projects approved on or prior to December 31, 2005, the on-grid tariff was determined by the government on a project-by-project basis.

We believe the on-grid tariff is one of the most important factors affecting the profitability of wind power producers. Through strategic site selection for our wind farms and prioritizing the development in high on-grid tariff areas, we have achieved high weighted average on-grid tariffs during the Track Record Period. Our weighted average on-grid tariffs (excluding VAT) was RMB0.581/kWh, RMB0.527/kWh and RMB0.516/kWh in 2008, 2009 and 2010, respectively.

We attribute our high on-grid tariffs, in part, to the local governments’ support for developing wind power energy in the respective regions. For instance, our wind power projects in Shandong Province have benefited from local government subsidies. In order to encourage the development of wind power, the provincial government of Shandong Province has granted all the wind power generation companies within Shandong Province a supplementary on-grid tariff, which is RMB0.09/kWh, for an initial period from 2010 to 2012, on top of the standard on-grid tariff, increasing the local on-grid tariff (including VAT) from RMB0.61/kWh to RMB0.70/kWh.

In addition, the local government of Guangdong Province used to apply a RMB0.689/kWh on-grid tariff (including VAT) to all the wind power generation companies within its territory prior to the issuance of the On-grid Tariff Circular. Because two of our wind power projects in operation in Guangdong Province were approved before August 1, 2009 when the On-grid Tariff Circular came into effect, these wind power projects are able to continue to enjoy the high on-grid tariff of RMB0.689/kWh (including VAT). Moreover, the local government of Guangdong Province implements a policy of granting the local wind power projects certain supplementary on-grid tariffs, increasing the on-grid tariffs of these two operating wind power projects in Guangdong Province to RMB0.699/kWh (including VAT).

### ***Customers and PPA***

We sell all of the electricity generated by our wind power projects to local grid companies where the wind farms are located, pursuant to the terms and conditions of the PPAs we enter into with the local grid companies. Other than the grid companies in West Inner Mongolia, which are owned by the government of Inner Mongolia, all the other grid companies which are our customers are ultimately owned by either State Grid or Southern Grid. Currently we do not sell electricity to any corporate or individual end-users.

During the Track Record Period, we sold all of the electricity generated by our wind farms to four, seven and eight customers in 2008, 2009 and 2010, respectively. The five largest customers of our wind power business accounted for 100%, 90.1% and 90.6% of our total revenue from sales of electricity generated by our wind farms in 2008, 2009 and 2010, respectively. During the same periods, sales to the single largest customer accounted for 36.2%, 44.0% and 31.9% of our total revenue from sales of electricity generated by our wind farms. None of our Directors, Supervisors, executive officers, associates or shareholders holding more than 5% of our issued share capitals had any interest in any of our customers during the Track Record Period.

As required by the Renewable Energy Law, the PPA typically provides that the local grid company shall purchase all the electricity generated by our wind power projects at a price fixed or approved by the PRC governmental authorities as long as our wind power projects have met all the national and industry technical specifications. However, the PPAs do not specifically provide any compensation for any financial loss caused by grid congestion or grid company's otherwise failure in purchasing full amount of electricity generated by our wind farms, which we believe is consistent with the industry practice in China. In addition, we are usually required under the PPAs to generate power in accordance with the dispatch orders of the local grid companies, and may be disconnected from the grids should we fail to comply with the dispatch orders. The PPAs also include other standard terms such as on-grid tariffs, dispatch, metering and payment. According to the PPAs, the payments are usually settled in two installments. Generally the PPAs have a term of one year and will renew automatically unless terminated by either party by giving a 30-day written notice.

During the Track Record Period, we have not experienced any material loss due to local grid company's breach of their contractual obligations under the PPAs. We intend to further strengthen our business relationships with local grid companies.

### ***Sales of Electricity***

As soon as the construction and commissioning are completed, we commence commercial operation and sell electricity in accordance with the terms and conditions of the PPAs we entered into with the local grid companies. During the Track Record Period, we generated revenues of RMB248.1 million, RMB847.1 million and RMB1,758.6 million in 2008, 2009 and 2010, respectively, from sale of electricity generated by our wind power projects. The payments are calculated based on the net power generation as measured at the grid meter. In calculating the net power generation, we deduct from the gross power generation (i) the auxiliary electricity, which comprises electricity consumed by our power plant during generation and lost during the transmission from the wind farms to the grid meter measuring the net power generation sold to the grid companies, and (ii) the electricity generated during the construction and testing period. Sales of electricity generated during the construction and testing period are not included in our revenues but accounted for as deduction to our construction costs. During the Track Record Period, the auxiliary electricity accounted for approximately 2.5%, 2.0% and 2.5% of our gross power generation less the electricity generated during the construction and testing period in 2008, 2009 and 2010, respectively.

**Project Financing**

We have historically funded the development of our wind power projects primarily through borrowings and finance leases as well as cash flows from operations and capital contributions from our shareholders and the non-controlling equity owners of the non wholly-owned subsidiaries. In the future, we expect to finance our projects with the proceeds of this Global Offering and bank borrowings, supplemented by equity financing and other existing financing resources.

Encouraged by the PRC government's favorable policy of supporting renewable energy industries, an increasing number of domestic banks are willing to provide renewable energy companies with borrowings on favorable terms as long as these companies satisfy certain requirements. As a renewable energy developer with a profitable track record and strong creditability, we are able to obtain both short-term and long-term loans at relatively low interest rates and with favorable terms. We have established long-term cooperation relationships with certain state-owned commercial banks such as China Development Bank Corporation, China Construction Bank Corporation and Industrial and Commercial Bank of China Limited. In order to obtain favorable financing terms, we negotiate and enter into loan agreements with banks and then provide financing to our subsidiaries through intra-group loans on back-to-back terms. In addition to the debt financing, we also manage a portfolio of financial instruments such as discount notes and finance leases for the procurement of our equipment. As of December 31, 2010, our gearing ratio (which is calculated by dividing (i) the long-term and short-term borrowings and obligations under finance leases minus cash and cash equivalents (the "Net Debt") by (ii) Net Debt plus total equity (including non-controlling interests)) was 75.4%.

**Operation and Maintenance**

We operate all the wind farms by ourselves and have accumulated extensive operational experience in the wind power sector, which has led to outstanding performance of our wind farms in various aspects. For example, we have achieved high weighted average utilization hours during the Track Record Period. Our weighted average utilization hours were 2,380.4, 2,365.2 hours and 2,265.3 hours in 2008, 2009 and 2010, respectively. We believe our success in operating wind power projects is attributable to several factors, including our strategy of procuring the majority of our equipment from domestic-brand suppliers, systematic management of the spare parts storage, emphasis on the commissioning period and strong technical support from our professional technicians.

In respect of maintenance, the suppliers provide us with maintenance services at no additional cost for equipments within the warranty period pursuant to the equipment purchase agreements. We maintain all equipments that are no longer covered by warranties at our own cost.

Compared to overseas suppliers, it generally takes shorter lead time for our domestic suppliers to respond to our requests and resolve problems that our wind farms encounter. Furthermore, as a result of our strategy of supporting the development of China's wind power equipment manufacturing industry, we maintain strong relationships with our domestic-brand equipment suppliers and are able to receive comprehensive services from them on favorable terms. With the joint efforts of our dedicated employees and suppliers, we are able to solve technical problems quickly. For instance, even technical problems with major equipment such as wind turbines can normally be fixed within one or two weeks.

In an effort to maximize utilization of wind resources, we leverage on the low prices of domestic components and store sufficient amount of small-size consumptive spare parts in the warehouse of each individual wind farm. If a system breakdown occurs due to the malfunction of a specific small-size consumptive component, we replace with spare parts rather than trying to fix it. On the other hand, in order to minimize the working capital occupied by large-size spare parts inventory, we integrated the management of large-size spare parts and centralized the storage of such components at our regional headquarters with well-developed transportation linkage to our individual wind farms. If a large-size component malfunctions, we promptly arrange

delivery of such large-size spare parts from our regional headquarters to the respective wind farm and replace the malfunctioning component. Normally such delivery takes three to five days, which ensures the timely restoration of wind farm operation. We then deliver the replaced large-size component to our suppliers for repair and store the repaired component as a back-up spare part. By doing so we ensure the maximum utilization of the non-storable wind resources and increase our profitability.

Another factor contributing to the strong performance of our wind farms is our emphasis on the commissioning of a project. We have established a set of internal standards in this regard which are stricter and more detailed than the national standards. We require all of our wind power projects to satisfy the specifications set out in our internal standards before the commencement of commercial operations. We conduct various detailed tests during the commissioning period, which help us accumulate more accurate wind data as well as operational statistics. We emphasize resolving most of the potential problems during the commissioning period. In addition, the extensive wind data and statistics collected during commissioning enable us to better plan the micro-site selection for wind turbines for the following phases of the same projects or projects in the neighboring areas, which in turn improves our utilization hours.

In addition, our strong technical support team plays an important role in the operation and maintenance of our projects. We have designated three levels of technical support staff: the technical support center, the regional technical support team and the on-site technicians. The technical support center is responsible for overseeing all the technical issues of the Group, conducting research and providing solutions to all of the technical difficulties arising during the operation of our wind power projects. The regional technical support team provides technical support to all the project companies within a certain region and serves as a communication channel for the on-site technicians and the technical support center. The on-site technicians are responsible for the day-to-day operation and maintenance of the wind farms. Generally the on-site technicians are able to resolve the technical issues within 36 hours and when they encounter a difficult problem beyond their capacity, they report such problems to the regional technical support team and cooperate with the regional team to resolve such technical problem. Our operation and maintenance organizational structure guarantees a permanent on-site presence and minimizes the reaction time for small maintenance tasks. The managers of each wind power project in operation submit reports and discuss the operations of each wind power project with our management weekly.

### **Wind Turbine Suppliers**

Wind turbine is the primary equipment of our wind power projects and costs of wind turbines generally constitute approximately 50% to 60% of our construction costs. As part of our business strategies, we have purchased most of our wind turbines from domestic-brand suppliers such as Sinovel. In 2008, 2009 and 2010, capacity of domestic-brand wind turbines accounted for approximately 100.0%, 91.4% and 97.5% of the total capacity installed during the respective period or 78.7%, 88.1%, and 93.3% of the total installed capacity by the end of the year. During the same periods, capacity of wind turbines supplied by Sinovel, our largest wind turbine supplier, accounted for approximately 82.4%, 48.4% and 45.4% of the total capacity installed during the respective period. In limited circumstances, we have also purchased wind turbines from foreign suppliers. For example, we obtained a foreign government loan funded by the Spanish government in November 1999. Pursuant to the terms of the loan agreement, we used the loan to purchase wind turbines and related services from certain Spanish suppliers for our Nan'ao Project. The delivery was completed in three batches within six months from the execution of the agreement in 1999.

Due to our strong relationships with the suppliers, we are able to purchase wind turbines at relatively low prices and on more favorable terms. We purchase wind turbines through a bidding process based on our needs at appropriate time rather than entering into commitments to purchase wind turbines in advance so as to lower our financing costs and storage costs. The bidding process is managed by our bidding committee. When we decide to purchase wind turbines, we invite at least four wind turbine suppliers to submit their bids. The formal bidding

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process will not begin until we have received at least three effective bids. Upon receipt of sufficient number of effective bids, the working group under our bidding committee reviews the bids and makes recommendations to the bidding committee. Based on the working group's recommendations, the bidding committee further reviews the bids and makes the final decision after taking into consideration a variety of factors, including but not limited to the bid price, quality of the wind turbines, technical support and reputation and expertise of the supplier.

According to the current sales and purchase agreements with our suppliers, we are generally required to make advancements in the amount of 10% of the purchase price after the execution of the agreement but no earlier than three months prior to delivery, 50% of the purchase price after receipt of the wind turbine and 30% of the purchase price after inspection and commissioning and being satisfied that all wind turbines supplied under a sales and purchase agreement are in compliance with the agreed specifications. We usually keep 10% of the purchase price as warranty deposit until the expiration of the warranty period. Other than information disclosed in this paragraph, we are not granted any other credit terms by our suppliers.

When we purchase wind turbines, we require the suppliers to provide us with warranties and stipulate such warranties in the sales and purchase agreements. Warranty period ranges from two to six years in duration starting from the completion of the commissioning and inspection. These warranties typically include (i) a power curve warranty, which entitles us to liquidated damages or deductions from warranty deposits if the power output falls below a specified level; and (ii) an availability warranty, which entitles us to liquidated damages or deductions from warranty deposits and sometimes extension of warranty period if the annual availability factor fails to reach a specified rate. In particular, the supplier is obligated to pay us liquidated damages equal to 1% of the total contract price for each 1% below the specified annual availability factor. In the event that the annual availability factor falls below the specified rate by 5% or more, we are entitled to replacement or refund of the defective wind turbine. During the Track Record Period, none of the annual availability factor of our wind turbines had fallen below the specified rate by 5%. Under the sales and purchase agreements, we also have the right to terminate the agreement by written notice if (i) the supplier delayed delivery for two months; (ii) the supplier failed to perform its contractual obligations and failed to make remedies within 30 days upon our request; or (iii) there are material defects in the wind turbines, which affect the progress of our wind power project development.

Historically we have maintained good relationships with our wind turbine suppliers and have not suffered any substantial loss due to default by suppliers. During the Track Record Period, we have only experienced one major dispute with one of our suppliers. The dispute was related to two offshore wind turbines with a total capacity of 6 MW used in Rongcheng Project. The performance of these two offshore wind turbines initially failed to meet the design value and caused delay in commissioning. The delay in commissioning did not have a material impact on our operations or financial condition given that the delay only affected two wind turbines with an aggregate capacity of 6 MW. Considering our long-term relationship with the supplier, we have not requested for any compensation for the delay although the purchase agreement included specific provisions providing damage for delays. We completed commissioning of these two wind turbines and put them into operation in July 2010. In addition, we reserve the rights to claim appropriate compensation for the delay from our supplier at any time. We intend to further strengthen our relationships with our wind turbine suppliers to secure a reliable supply of wind turbines on favorable terms.

During the Track Record Period, purchases from our five largest wind turbine suppliers in aggregate accounted for approximately 100.0%, 83.4% and 95.5%, respectively, of our total purchases of wind turbines in 2008, 2009 and 2010 in terms of contract value. Our largest wind turbine supplier contributed approximately 53.8%, 29.0% and 33.7% to our total purchases of wind turbines during the respective period in terms of contract value. All of our five largest wind turbine suppliers during the Track Record Period are independent third party suppliers primarily engaged in the manufacturing of wind turbines in the PRC.

### **Other Suppliers**

For our wind power generation operations, the raw material is wind which we obtain at no cost. We therefore do not have suppliers of raw materials. Besides the wind turbine suppliers, our other suppliers mainly include (i) third-party contractors that provide us with construction and installation services and (ii) services providers and suppliers of spare parts in relation to our repairs and maintenance. The cost of wind turbines and cost relating to construction and installation are capitalized as property, plant and equipment. During the Track Record Period, we engaged a total of 48, 90 and 123 third party contractors in 2008, 2009 and 2010, respectively. Fees paid to these third party contractors amounted to approximately RMB620.3 million, RMB943.8 million and RMB1,722.1 million, respectively, during the same periods. During the Track Record Period, we recorded operating expenses in relation to repairs and maintenance in the amount of RMB3.8 million, RMB15.2 million and RMB27.7 million in 2008, 2009 and 2010, respectively, representing approximately 2.9%, 3.8% and 3.1% of our operating expenses (excluding service concession construction costs) during the respective periods.

Among the suppliers who provided us with goods and services the cost of which are not capitalized, purchases from our five largest suppliers in aggregate accounted for approximately 87.5%, 59.4% and 47.0%, respectively, of our total purchases in 2008, 2009 and 2010. Our largest supplier contributed approximately 39.2%, 23.4% and 14.5% to our total purchases during the respective periods. All of our five largest suppliers during the Track Record Period are independent third party suppliers primarily engaged in the manufacturing of components or power supply in the PRC. We normally settle the payments with the electricity suppliers on a monthly or quarterly basis. As for the components, we usually make payments to our suppliers upon delivery of components or within fifteen business days after receipt of invoices.

We have maintained good relationships with our other suppliers and have not suffered any substantial loss due to default by other suppliers.

### **Competition**

We believe our primary competitors are those power generation companies focusing on renewable energies, in particular, those developers and operators of wind power projects. Currently we mainly compete with wind power developers in China, including both national and local wind power generation companies. Along with our expansion into the overseas markets, we may also compete with international wind power generation companies in the future.

Under the current regulatory framework, local grid companies are required to provide mandatory grid connection and purchase all the power generated by wind power projects within its coverage at a price fixed by the PRC government. As a result, there is no substantial competition among wind power projects in operation in China. However, as determined by the nature of the industry, the development of wind power projects is limited by natural conditions, especially the wind resources that are found in limited geographic areas and at particular sites. Accordingly, the competition among wind power operators occurs mainly during the development stage, especially in selecting the suitable sites and obtaining the rights to develop wind power projects on a specific site, rather than during a project's operation stage.

During the development stage, we compete with other national or local wind power developers in a number of areas, including securing sites with quality wind resources, obtaining relevant government approvals, getting our projected capacity into the local grid planning and obtaining bank borrowings. With our reputable brand and excellent execution capabilities, we compete with other wind power developers for desirable sites through entering into development agreements with local governments which provide us with exclusive rights or priority to develop wind power projects within a specific area during a specified period of time. As of December 31, 2010, we had successfully reserved wind power pipeline projects with an estimated capacity of approximately 73,463.5 MW. We believe the large amount and diversified geographical locations of our pipelines provide us

with competitive advantage over our competitors with less pipelines. However, we cannot assure you that all of these pipelines can be converted into operating projects. See “Risk Factors — Risks Relating to Our Business and Industry — If we are not successful in converting our wind power pipeline projects into operating projects in accordance with our development plan and specifications, our expansion plan will be adversely affected and our revenue will fall below our expectations.” In addition, the preferential government policies, regulations and incentives for wind power industry may attract new entrants into the market despite the relatively high barrier caused by the substantial capital requirement. Some of our existing or future competitors may have better access to local governmental support, financial and other resources than we do, providing them with competitive advantages in certain areas. Our business and results of operations may be adversely affected by the competition. Although currently we do not face intense competition due to the preferential government regulations and policies such as mandatory grid connection and mandatory power off-take, the competition may intensify in the event that such regulations and policies are amended or abolished. See “Risk Factors — Risks Relating to Our Business and Industry — We face competition from other renewable energy companies, in particular, other wind power developers. We may also face competition from non-renewable power developers.”

### **Carbon Credit Transactions**

In addition to the sale of electricity, we also generate income from the sales of CERs. We registered our first CDM project in August 2006. In 2008, 2009 and 2010, sales of CERs contributed RMB16.2 million, RMB28.7 million and RMB164.8 million to our profit before taxation, respectively.

### ***Clean Development Mechanism and Sales of CERs***

CDM is an arrangement under the Kyoto Protocol allowing industrialized countries with a greenhouse gas reduction commitment (the “Annex 1 Countries”) to purchase CER credits from developing countries as an alternative to more expensive emission reductions in their own countries. The Kyoto Protocol requires the Annex 1 Countries to ensure that their aggregate emissions of the greenhouse gases do not exceed their assigned amounts, with a view to reducing their overall emissions of such gases by at least 5% below 1990 levels in the commitment period from 2008 to 2012. The aim of the CDM is to stimulate sustainable development and emission reductions while providing industrialized countries with some flexibility in achieving compliance with their quantified emission reduction targets. This mechanism has achieved significant progress since 2001, which was the first year the CDM projects could be registered. According to United Nations Framework Convention on Climate Change (“UNFCCC”), as of the Latest Practicable Date, there were over 3,000 registered CDM projects, producing an average of approximately 475.2 million tons of carbon dioxide equivalent emission reductions every year. The UNFCCC expects that by the end of 2012 when the commitment period expires, the registered CDM projects will lead to over 2 billion tons of carbon dioxide equivalent emission reductions.

Under this mechanism, qualified emission-reduction projects in developing countries may earn CER credits which could be sold to Annex 1 Countries. For a project to be recognized as a qualified project, it must satisfy certain requirements, including establishing that reductions in emissions are additional to any that would occur in the absence of the project activity, a concept known as “additionality.” Moreover, a project can only qualify through a rigorous and public registration process designed to ensure real, measurable and verifiable emission reductions. The mechanism is overseen by the CDM EB. In order to be considered for registration, a project must first be approved by the Designated National Authorities (the “DNA”) and validated by a third party agency, known as a Designated Operational Entity (the “DOE”). The CDM EB then decides whether or not to register the project and issues CER credits based on the monitored emission reductions verified by the DOE. A CDM project activity cycle typically includes the following:

- *Identification of a CDM project and potential buyer.* CDM project participants shall decide the type of a CDM project and secure a potential buyer of the CERs from the Annex I Countries.



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- *CDM project design.* CDM project participants shall design their proposed CDM project using the project design documents (“CDM-PDD”) developed by the CDM EB. Once completed, the participants shall submit the CDM-PDD to the DOE.
- *Use of an approved methodology or proposal of a new methodology.* CDM project participants can either use a methodology previously approved and made publicly available by the CDM EB or propose a new baseline methodology. If the participant elects to propose a new methodology, such new methodology, together with the draft CDM-PDD, shall be submitted by the DOE to the CDM EB for review and approval.
- *DNA approval.* CDM project participants shall submit the CDM application and CDM-PDD to relevant national CDM authorities for approval. Both the CDM project participant and the potential buyer shall obtain a letter of approval from their respective DNA.
- *Validation of the CDM project.* Prior to registration of the project, DOE conducts an independent evaluation of the proposed project against the relevant requirements based on the CDM-PDD, a process known as “validation.” If a DOE determines the proposed project to be valid, it shall submit a CDM Project Activity Registration Form, together with the CDM-PDD and the written approval issued by the DNA of the host country, to the CDM EB.
- *Registration of the CDM project.* Registration is the formal acceptance by the CDM EB of a validated project as a CDM project activity, a prerequisite for the verification, certification and issuance of CERs. If a proposed project is rejected, it may be reconsidered for validation and subsequent registration after appropriate revisions.
- *Certification and verification of the CDM project.* Verification is the periodic independent review and ex-post determination by the DOE of the monitored reductions in greenhouse gases emissions that have occurred as a result of a registered CDM project activity during the verification period. Certification is the written assurance by the DOE that, during a specified time period, a project activity achieved the reductions in greenhouse gases emissions as verified. Both the monitoring report and the certification report shall be made publicly available by the DOE.
- *Issuance and Transfer.* Upon successful completion of all of the above procedures, the CDM EB issues CER credits to the CDM participants’ account, after deducting a 2% share of proceeds. The CERs are then transferred by the CDM participants to the buyer from Annex I countries at prices specified in the CER sales agreements.

As a developing country, China ratified the Kyoto Protocol in 2002, with the NDRC designated as the DNA of China. In 2005, the NDRC and other ministries jointly issued the Measures for Operation and Management of Clean Development Mechanism Projects (《清潔發展機制項目運行管理辦法》, the “CDM Measures”). According to the CDM Measures, only companies wholly-owned or controlled by Chinese parties may carry out CDM projects in the PRC. In addition, for CDM projects approved on or after October 12, 2005, the PRC government imposes a levy on the proceeds from the sale of CERs at various levels depending on the type of the project. For wind power and other renewable energy projects, 2% of the proceeds from the sale of CERs shall be paid to the PRC government.

As a pioneer of the PRC wind power sector, we have successfully registered three out of China’s first 10 registered wind power CDM projects. Once registered with the CDM EB, the registered CDM projects are not subject to annual examination by the relevant authorities. All of our wind power project companies are wholly-owned or controlled by Chinese parties and are thus eligible to carry out CDM projects in China according to the CDM Measures. As of December 31, 2010, we had applied for registration of 65 CDM projects, of which 46 had

obtained NDRC approvals and 23 had been registered with the CDM EB. Among the 23 registered CDM projects, Phase II of our Fuxin Project was the second largest wind power CDM project in China in terms of installed capacity as of December 31, 2010, based on the data available on the website of UNFCCC.

Leveraging on our experience accumulated from previous registrations, we made substantial progress in 2011. From January 1, 2011 to the Latest Practicable Date, we successfully registered 11 CDM projects with the CDM EB and obtained NDRC approvals for another nine CDM projects, increasing our aggregate number of registered CDM projects and projects with NDRC approvals to 34 and 55, respectively.

The first CERs of our registered CDM projects were issued by the CDM EB in 2008. As of the Latest Practicable Date, we had secured buyers for 151 CDM projects by entering into CER sales agreements with seven independent international buyers, including four power companies from Spain, Japan, Belgium and Russia, respectively, a financial institution from France and two professional CDM management companies, one from the United Kingdom and the other one from Switzerland. Pursuant to the CER sales agreements, the international buyers agreed to purchase all of our CER credits issued by the CDM EB from the execution of the agreements until December 31, 2012 at a unit price ranging from EUR7 to EUR17 per ton. The international buyers are required to make payments to us within a certain period of time ranging from 5 to 30 days upon receipt of the invoice after the transfer of the CERs.

### *Sales of VERs*

VERs are carbon credits produced outside the legal framework or compliance regime. Entities or individuals who are not subject to mandate greenhouse gas emission regulations but having a desire to mitigate global warming and climate change may purchase VER credits through an over the counter, voluntary carbon offset market, which operates alongside the regulated markets such as Kyoto Protocol.

As of December 31, 2010, we have accumulated approximately 3,482,238 tons of VERs. Though we had not entered into any binding sales agreements for our VERs, we are actively seeking potential buyers in the VER market.

### *Service Concession Project*

Since 2003, the PRC government has invited domestic and international investors to develop wind farms on government-selected sites through a competitive bidding process. While we have developed most of our wind power projects through entering into development agreements with local governments, we have also been awarded one service concession project in September 2008. During the Track Record Period, pursuant to our service concession agreement with the provincial DRC of Inner Mongolia, we constructed and operated Phase I of Tongliao Baolongshan Project with an installed capacity of 49.5 MW and a concession period of 25 years. According to the service concession agreement, we are granted by the provincial DRC of Inner Mongolia the exclusive right to develop and operate a wind farm with an installed capacity of 49.5 MW in a designated area of Inner Mongolia and enjoy all the economic benefits derived from the operation of such wind farm during the concession period. Meanwhile, we are responsible for the design, construction, commissioning, operation and maintenance of the service concession project during the concession period. The applicable on-grid tariff for the service concession project is RMB0.54 per kWh (including VAT) during the first 30,000 hours of power generation at full load. Afterwards, the average prevailing market price shall apply. At the end of the concession period, we need to dismantle the wind farms or negotiate with the provincial DRC of Inner Mongolia for an extension of the service concession period. We commenced the construction of the service concession project in 2007 and started to generate profit when we put the project into commercial operation in 2009.

Because substantially all construction activities of the wind power service concession project are sub-contracted, the total construction costs represented the fair value of the construction services provided. As a result, the service concession revenue is equal to the service concession cost during the construction period, and thus have no net effect on our operating profit or profit for the relevant period. Under the new on-grid tariff regime effective from August 1, 2009, a universal on-grid tariff is applicable to all the wind power projects in the same wind resource zone, which makes the competitive bidding process in a concession project unnecessary. As a result, we expect that fewer onshore wind power concession projects will be awarded by the PRC government in the future. In addition, the PRC government may award wind power generation companies with offshore wind power service concession projects in the future. Although we do not expect more onshore wind power service concession projects will be awarded, we may participate in offshore wind power service concession projects if our management and Directors are of the view that such projects may generate attractive return and are of the best interests of our Shareholders.

### **Our Other Businesses**

In addition to the wind power business, we are also in the process of developing our solar power business and acquiring resources. As of December 31, 2010, we had entered into 20 investment and development agreements with the local governments to develop our solar power projects with an estimated capacity of 1,740 MW. The capacity is mainly located in Inner Mongolia, Shaanxi Province and Hebei Province. Under these investment and development agreements, we are granted with the exclusive right to develop solar power projects within a specific area. The local governments typically agree in such agreements to provide coordination and assistance to include our proposed solar power projects into the provincial or municipal governments' solar power development plans and to obtain approvals from various governmental authorities. Our obligations under these investment and development agreements normally include collecting and analyzing data, conducting feasibility study, testing solar resources and constructing and operating solar power plants to the extent feasible.

As of December 31, 2010, we had also been awarded by the PRC government two solar power concession projects with a total capacity of 50.4 MW through bidding process. We plan to set up separate project companies to manage the solar power projects, and we are in the process of selecting third-party contractors and equipment suppliers. We believe we are well positioned to commence in large-scale the development of solar power projects as soon as the economic feasibility is established.

### **ENVIRONMENTAL REGULATION**

As a renewable energy generation company, we endeavor to protect the environment and are committed to conduct our operations in full compliance with the applicable environmental laws and regulations. As of the Latest Practicable Date, we had not been subject to any material environmental claims, lawsuits, penalties or disciplinary actions. However, the PRC government may adopt stricter environmental laws, which may have an adverse impact on our results of operations and financial condition. See “Risk Factors — Risks Relating to Our Business and Industry — Our development and operation of wind farms are subject to various environmental, health and safety laws and regulations.”

Due to the nature of our operations, environmental laws and regulations relating to emissions, waste management and hazardous substances do not have material impact on our business. The construction and operations of our wind farms, however, are subject to certain PRC environmental laws and regulations. According to the Interim Administrative Measures on Utilization of Construction Land of Wind Farm and Environmental Protection (《風電場工程建設用地和環境保護管理暫行辦法》), our wind farms should be designed and constructed in accordance with the requirements of environmental regulations and subject to the supervision of environmental protection authorities. In particular, we are required to prepare and submit an environmental impact assessment to the relevant environmental protection authorities for approval before we can start the

construction of a wind power project. When the construction is completed, the wind power project also needs to go through certain inspection processes to ensure that it satisfies all environmental requirements prior to commercial operation. See “Regulatory Environment — Environment Protection.” The cost of compliance with applicable environmental rules and regulations depends on the capacity of the wind power project. For example, for a wind power project with an installed capacity of 50 MW, the cost associated with meeting environmental compliance requirements and obtaining the relevant environmental approvals for the construction and operations of the project is approximately RMB100,000.

## **HEALTH AND SAFETY COMPLIANCE**

We are subject to various PRC laws and regulations in relation to safety and labor protection, including Safe Production Law of the PRC (《中華人民共和國安全生產法》), Measures on Supervision and Administration of the Work Safety of Electric Industry (《電力安全生產監督管理辦法》) and implementation rules on safe production issued by various local governments. All of our wind farms have adopted internal procedures to ensure safe production and minimize risks that may lead to personal injury or property damage. As of the Latest Practicable Date, we had not violated in any material aspect of any applicable PRC laws or regulations in respect of health and labor protection.

## **PROPERTY**

### **Land**

#### *Land for Operating Projects*

As of February 28, 2011, we owned, held or occupied 1,745 parcels of land with a total site area of 5,828,241.24 m<sup>2</sup> for our operating wind power projects, among which 760 parcels of land with a total site area of 2,210,590.23 m<sup>2</sup> or 37% of the total site area underlying our wind farms for operating projects, had not obtained land use right certificate. Other than these 760 parcels of land, we have proper land use rights to all the land underlying our operating wind farms.

#### *Land for Projects under Construction*

As of February 28, 2011, we owned, held or occupied 219 parcels of land with a total site area of 372,325.22 m<sup>2</sup> for our projects under construction, among which 196 parcels of land with a total site area of 189,272.22 m<sup>2</sup>, or 50.8% of the total site area underlying our wind farms under construction, had not obtained land use right certificates.

#### *Land without Land Use Right Certificates*

We owned, held or occupied in aggregate 956 parcels of land with a total site area of 2,399,862.45 m<sup>2</sup> which had not obtained land use right certificates as of February 28, 2011, among which 944 parcels of land with a total site area of 2,197,342.8 m<sup>2</sup> are used as foundation land for wind turbines and 12 parcels of land with a total site area of 202,519.66 m<sup>2</sup> are used for self-constructed buildings. The title defects are primarily caused by the on-going application process for relevant land use right certificates which normally takes six to twelve months as it involves governmental approvals at different levels. Moreover, due to the special characteristics of wind farm construction such as the topographical and geological requirements, we may have to adjust the locations of the wind turbines originally determined in the feasibility study reports based on the actual conditions in order to get access to better wind resources. As a result, we may not be able to initiate the application process

until the boundaries of the land for our wind power projects have been finalized after the completion of the adjustment.

For 807 out of the 956 parcels of land without land use right certificates, we have obtained written confirmations from relevant governmental authorities confirming that (i) the governmental authorities will not impose any penalties or initiate any administrative actions on us for lack of land use right certificates; (ii) we may continue to occupy and use the land and (iii) there is no legal obstacle for us to obtain the land use right certificates once the relevant procedures have been completed. Based on such confirmations, our PRC legal advisers are of the view that we may continue to use the land without being subject to any penalties and that we will not encounter legal obstacles in obtaining the land use right certificates. For the other 149 parcels of land with an aggregate site area of 344,202.79 m<sup>2</sup>, we have been advised by our PRC legal advisers that the maximum penalty we may be subject to is approximately RMB10.3 million. Our PRC legal advisers have also confirmed that there is no legal obstacle for us to obtain the land use right certificates for these 149 parcels of land once the relevant procedures have been completed. The maximum potential losses we may be exposed to is approximately RMB65 million, including approximately RMB19 million relocation cost, in the event that we are forced to relocate due to title defects of land and buildings. Generally such relocation could be completed within two months. We expect to obtain land use right certificates for these 956 parcels of land by December 31, 2011. For details of our owned land for projects and risks involved in these title defects, see “Appendix IV — Property Valuation Report,” and “Risk Factors — Risks Relating to Our Business and Industry — Title defects in relation to certain lands and buildings may adversely affect our operations.”

According to the Reorganization Agreement we entered into with Huaneng Group on August 5, 2010, Huaneng Group, as our controlling shareholder, has undertaken that it will indemnify us against all losses, claims, charges or expenses arising from our failure to obtain the outstanding land use right certificates. Our PRC legal advisers have confirmed that the above undertakings given by Huaneng Group are legal, valid and enforceable. For further details of the Reorganization Agreement, see “History, Reorganization and Corporate Structure — Reorganization.” Given the immaterial amount of potential penalties and the indemnities undertaken by Huaneng Group, our Directors are of the view that the lack of proper land use right certificates will not have a material adverse impact on our business and results of operations.

## **Buildings**

### ***Owned Buildings***

As of February 28, 2011, we owned, held or occupied 220 buildings with a total gross floor area of 98,215.78 m<sup>2</sup>, among which 33 units of office buildings with an aggregate gross floor area of 5,925.06 m<sup>2</sup> and 30 units of industrial and ancillary buildings with an aggregate gross floor area of 20,562.92 m<sup>2</sup>, or 6.1% and 20.9% of the total gross floor area, had title defects. Other than these 33 units of office buildings and 30 units of industrial and ancillary buildings, we have proper title certificates to all the building and units currently owned, held or occupied by us. As for the 33 units of office buildings with title defects, our PRC legal advisers have advised us that we may continue to occupy and use these properties and will not be subject to any penalties under relevant PRC laws and regulations given that all these 33 units were commercial properties purchased from independent property developers with considerations fully paid. As for the 30 units of industrial and ancillary buildings, we are in the process of applying for title certificates as the construction of these buildings were completed recently. Our PRC legal advisers have confirmed that there is no legal obstacle for us to obtain the title certificates for the building once the relevant procedures have been completed. We expect to obtain title certificates to the 63 units by December 31, 2011. For details of our owned buildings and risks involved in these title defects, see “Appendix IV — Property Valuation Report,” and “Risk Factors — Risks Relating to Our Business and Industry — Title defects in relation to certain lands and buildings may adversely affect our operations.” In addition, our controlling shareholder Huaneng Group has undertaken in the Reorganization

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Agreement dated August 5, 2010 that it will assist us in obtaining property ownership certificates and will indemnify us against any losses, claims, charges or expenses arising from such title defects. Given our PRC legal advisers' opinion and Huaneng Group's undertakings, our Directors are of the view that the title defects in relation to these 63 units will not have a material adverse impact on our results of operations.

### *Leased Buildings*

As of February 28, 2011, we leased 43 buildings in the PRC with a total gross floor area of 13,464.01 m<sup>2</sup>. Among the 43 buildings in the PRC, the landlords of 13 buildings, with a total gross floor area of 2,596.7 m<sup>2</sup>, had not obtained building ownership certificates. Our Directors are of the view that the lack of building ownership certificates will not have a material adverse impact on our results of operations given that these leased properties are primarily used as office buildings and we may easily find replacements at insignificant costs.

## INTELLECTUAL PROPERTY

Our intellectual property consists primarily of industry know-how and trade secrets. We do not have any registered patents. We have registered one trademark in the PRC and entered into a trademark license agreement with Huaneng Group, pursuant to which Huaneng Group granted us with the rights to use its trademarks, including the name of "Huaneng". See "Connected Transactions — Continuing Connected Transactions" for further details.

We have not engaged in any litigation or legal proceedings for violation of intellectual property rights of third parties, nor have we suffered from any infringement of our intellectual property. For further details of our intellectual property, see "Appendix X — Statutory and General Information."

## INSURANCE

We purchased insurance policies covering substantially all of our operating assets. We purchase erection all risks insurance for our projects under construction as well as property all risks insurance and machinery breakdown insurance for our operating projects.

We believe our insurance coverage is adequate and consistent with and on terms generally carried by companies engaged in similar businesses and owning similar properties in the PRC. We do not maintain insurance for disruption of operations or environmental contamination, which we believe to be the customary practice in the PRC wind power sector.

## LEGAL COMPLIANCE AND PROCEEDINGS

As of the Latest Practicable Date, there were no material actual, pending or threatened litigation or other proceedings against us or any of our Directors or Supervisors. Moreover, as of the Latest Practicable Date, our Directors confirmed that we had complied with all applicable PRC laws and regulations in all material aspects.

According to relevant laws and regulations, development of wind power projects is subject to various governmental approvals and permits. Some application process of such approvals and permits may be prolonged due to various reasons. We had experienced delays in the approval process during the Track Record Period but had not been subject to any administrative penalties or compulsory measures. As of the Latest Practicable Date, we had obtained all material permits, certificates and licenses necessary for our wind power operations in accordance with relevant laws and regulations.

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We have adopted a number of internal control measures to ensure full compliance with relevant laws and regulations, including, among others:

- setting up specialized departments responsible for liaising with regulatory authorities with respect to obtaining necessary government approvals, permits, licenses and property certificates prior to the commencement of construction;
- setting up commercial departments to organize bidding processes and procurement for wind power equipment and selection of contractors for project construction;
- setting up safety departments to periodically monitor safety in our subsidiaries' project construction and operations; and
- setting up auditing departments which report their findings directly to our management based on their periodical review of our financial management and the development, construction and operations of wind farms.

We also plan to further enhance our training programs in order to help our employees better understand the development of regulations, to strengthen our human resources for a better communication with relevant regulatory authorities and to reduce the potential negative impact caused by non-compliance during our operations.

Our PRC legal advisers confirm that during the Track Record Period and up to the Latest Practicable Date, we had complied with all relevant laws and regulations in all material aspects.