An investment in our H Shares involves risks. Before deciding to invest in the Offer Shares, you should carefully consider all of the information in this prospectus, including the following risk factors, in light of the circumstances and your own investment objectives. The occurrence of any of the following events could materially and adversely affect our business, financial condition or results of operations, in which case the trading price of the Offer Shares could also decline, and you could lose part or all of your investment. You should note that our Company is a PRC company and is governed by a legal and regulatory environment that may differ significantly from what prevails in other countries. For more information concerning the PRC and certain related matters discussed below, see "Regulatory Overview" and "Appendix VII—Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions".

The risks described below are those that we believe are material, but these may not be the only risks and uncertainties that we face. Additional risks we have not identified or which we currently deem immaterial may nevertheless materially and adversely affect our business, financial condition or results of operations, or result in other events that could lead to a decline in the value of the Offer Shares.

RISKS RELATING TO OUR GAS-FIRED POWER AND HEAT ENERGY GENERATION BUSINESS

Increases in natural gas costs may materially and adversely affect our operating results if we are unable to pass on such increases to our customers in a timely manner.

We use natural gas to fuel our gas-fired cogeneration plants. Therefore, our results of operations depend substantially on our gas consumption costs, which represented approximately 63.2%, 58.1% and 60.8% of our total Adjusted Operating Expenses for the years ended December 31, 2008, 2009 and 2010, respectively. Please see the section headed "Financial Information—Basis of Presentation—Supplemental measures for the Group" for the definition of Adjusted Operating Expenses. The price of natural gas is determined by the NDRC based on a number of factors, including but not limited to well-head price, cost of transportation, general market conditions and applicable VAT and taxes. The weighted average on-grid tariff (including VAT) applicable to our gas-fired cogeneration plants increased from RMB0.4202 per kWh for the year ended December 31, 2008 to RMB0.4825 per kWh for the year ended December 31, 2009 and further to RMB0.5211 per kWh for the year ended December 31, 2010, while the weighted average natural gas price applicable to our gas-fired cogeneration plants (including VAT) increased from RMB1.82 per m^3 for the year ended December 31, 2008 to RMB1.87 per m^3 for the year ended December 31, 2009 and further to RMB1.97 per m^3 for the year ended December 31, 2010. If the PRC government increases the price of natural gas without providing a corresponding increase in subsidies, and/or without making corresponding adjustments to the on-grid tariffs for gas-fired power plants so that we would be able to pass on the increase in the cost of natural gas to our customers, our business, financial condition and results of operations may be materially and adversely affected.

Our natural gas is currently provided by only one supplier and our operations may be materially and adversely affected by shortages or interruptions in the supply of qualified natural gas in Beijing.

Our gas-fired power and heat plants rely exclusively on natural gas as a fuel source. During the Track Record Period, we purchased all of the natural gas we used from Beijing Gas Group, the major supplier of natural gas to Beijing and its surrounding area. The natural gas we use is transported to Beijing mainly through the Shaanxi-Beijing Gas Pipeline. The Shaanxi-Beijing Gas Pipeline was connected to the West-East Gas Pipeline in 2009, and this has further improved the stability of the gas supply to Beijing by introducing other gas sources. However, the supply of natural gas to Beijing may not be sufficient in the future. Furthermore, we cannot assure you that the natural gas supplied by our supplier will meet the quality standards specified in our natural gas supply agreements. If we are unable to obtain sufficient supply of qualified natural gas to satisfy our production requirements, our financial performance may be adversely affected. In addition, the Shaanxi-Beijing Gas Pipeline, which transmits natural gas to our power plants, may experience construction delays or breakdowns due to natural disasters, accidents, unforeseen engineering, environmental or geological problems. Beijing Gas Group may also conduct unexpected repairs and maintenance and/or major inspections on gas pipelines, which may interrupt our supply of qualified natural gas and materially and adversely affect our business, financial condition and results of operations.

Our gas-fired power and heat energy generation business is concentrated in Beijing.

During the Track Record Period, all of our gas-fired power and heat energy generation plants were located in Beijing and all of our revenue from our gas-fired power and heat energy generation business was derived from sales in Beijing. As such, the operations of our gas-fired power and heat energy generation business are subject to risks specific to the Beijing municipal region, including, but not limited to, decreases in transmission capacity, changes to on-grid tariffs for electricity or sales prices for heat energy, climate change and change in overall governmental policies. The occurrence of any of these events could materially and adversely affect our gas-fired power and heat energy generation business.

If government policies or the gas-fired power on-grid tariff pricing mechanism change in the future, resulting in a reduction or discontinuance of the government grants and subsidies we receive for our gas-fired power business or there occurs any unfavorable change to the current tax refund policy for our heat energy supply business, our results of operations could be materially and adversely affected.

The pricing mechanism for the on-grid tariff of gas-fired power is subject to change in China. Our gas-fired power business is entitled to loss-based government subsidies pursuant to the Notice of Temporary Measures on Management of Subsidy Funding to Beijing Urban Public Use Enterprises (《關於印發北京市城市公用企業補貼資金使用管理暫行辦法的通知》) and the Notice on Improving the Management on Subsidy to Power Enterprises (《北京市財政局關於加強電力企業補貼資金管理的通知》) issued by the Finance Bureau of Beijing. Under the current regulatory framework, the actual amount of subsidies relating to electricity generation that we are entitled to is subject to annual review by the Finance Bureau of Beijing based on the approved generation amount or actual generation amount (whichever is lower) in that year and taking into consideration various factors including the on-grid tariffs for gas-fired power plants; and the actual amount of subsidies relating to gas price increases is calculated by reference to the amount of gas consumption and the actual gas price increase as confirmed by government authorities. The PRC Government provides relevant financial subsidies through feed-in tariffs, which are higher than the temporary on-grid tariff for electricity generated by gas-fired power plants. Please refer to the section headed "Regulatory Overview—III. Regulatory Requirements Relating to Renewable Energies" for details of subsidies that we received from the Beijing government. In addition, in accordance with Circular of the Ministry of Finance and State Administration of Taxation on Continuously Enforcing Preferential Policies on Value-Added Tax, Real Estate Tax and Urban Land Use Tax for Heat-supply Enterprises (《財政部、國家稅務總局關於繼續執行供熱企業增值稅、房產稅、城鎮土地使用稅優惠政策的通知》), our gas-fired power and heat plants enjoy VAT exemptions for revenue generated from sales of heat energy to residential end users in Beijing. See the section headed "Regulatory Overview—VII. Taxation—2. Value Added Tax" for further details. However, government grants and subsidies may not recur and may not be sustainable due to changes in government policy. If the current favorable government policies and incentives that we enjoy are reduced or eliminated due to any change in government policies or the gas-fired power on-grid tariff pricing mechanism, our results of operations may be materially and adversely affected. Please also see the section headed "Financial Information—Significant factors affecting our results of operations and financial condition—Government grants and subsidies" for details.

RISKS RELATING TO OUR WIND POWER BUSINESS

The commercial viability and profitability of our wind power business depend on PRC government policies that support renewable energy.

The development and profitability of wind power projects in the PRC, including our wind farms, significantly depend on favorable government policies and regulatory framework. The PRC government has adopted policies and established a regulatory framework to encourage the development of renewable energy power projects. For example, the Renewable Energy Law and other regulations provide economic incentives to companies like us that are engaged in the development of power generation projects utilizing renewable sources. Such incentives include mandatory grid connection, purchase of 100% of electricity generated from renewable sources, and various tax benefits.

For the years ended December 31, 2008, 2009 and 2010, we received government grants and subsidies of nil, RMB7.5 million and RMB11.8 million, respectively, for our wind-power business. The PRC government has publicly stated its intention to continue to encourage the development of renewable energy power projects and, as of the Latest Practicable Date, our Directors were not aware of any indication to the contrary. However, the PRC government may in the future change or abolish the present incentives and favorable policies that are currently available to us, which could materially and adversely affect our business, financial condition, results of operations and growth prospects.

The commercial viability and profitability of our wind farms depend on wind and weather conditions as well as our ability to assess such conditions when selecting new wind farm sites.

Our wind power business generates revenue primarily from the sale of electricity from our wind farms. The amount of electricity generated by, and the profitability of, our wind farms depend on weather conditions, particularly wind conditions, which vary across seasons and locations. Wind turbines can only operate within certain wind speed ranges that vary by turbine model and manufacturer. If the wind speed falls outside of the operational range, electricity output from our wind farms could either decrease or cease altogether.

During the project development phase and before construction of any wind farm, we conduct wind tests to evaluate the site's potential electricity output, and we base our core operational and investment decisions on the results of these tests. We cannot assure you that the actual climatic conditions at any project site will conform to the assumptions that we made during the project development and testing phase. As a result, we cannot guarantee that our wind farms will be able to meet their anticipated electricity output. Historically, our revenue has experienced seasonal fluctuations as our wind farms usually reach peak electricity output from October to April, and lowest electricity output from July to August. If the seasonal variations and fluctuations in wind conditions differ from our historical observations or our assumptions, we could experience unexpected fluctuations in the electricity output of our wind farms and consequently, fluctuations in our results of operations. For instance, the electricity generated by our Changtu Taiyangshan Wind Farm was lower than targeted generation, because the wind speed during its operational period was lower than the long-term average wind speed as estimated in the feasibility study report. Similarly, extreme wind or weather conditions, particularly those affecting Inner Mongolia, where a majority of our operating wind farms are located, could lead to downtime of our wind turbines and therefore reduce our operational efficiency and electricity generation, which could materially and adversely affect our business, financial condition and results of operations. Please see "Appendix V—Technical Report" for details.

We rely on local grid companies for grid connection and electricity transmission and dispatch.

We rely on local grid companies to construct and maintain grid and related infrastructure. For our wind power projects, prior to obtaining project approval from the NDRC or its local counterparts, we need to obtain consent from the relevant local grid company to connect our wind farms to its grid. According to the Renewable Energy Law and the relevant implementation rules, grid companies are required to provide grid connection support to renewable energy producers within their coverage. In practice, however, local grid companies may consider a number of factors when granting consents, including the availability and stability of the existing grids, progress of construction and upgrade of local grids and the cost of grid connections. Many of these factors are beyond our control. We cannot assure you that we will be able to obtain the necessary consents from local grid companies in a timely manner, or at all. Failure or delays in obtaining such consents may prevent us from developing our wind power projects as planned, which may materially and adversely affect our business, financial condition and results of operations.

We also rely on local grid companies for electricity transmission and dispatch services. Our revenue and profitability depend, to a large extent, upon the sale of electricity which is subject to dispatch to power grids. The dispatch of electricity generated by our wind farms is controlled by the dispatch centers of the relevant local grid companies pursuant to dispatch agreements between local grid companies and us as well as applicable laws and regulations. Pursuant to the Renewable Energy Law related regulations, grid companies in China are required to purchase the full amount of on-grid electricity generated by wind power projects that meet the grid connection technical standards in the areas covered by their power grids. Furthermore, wind power projects are entitled to the highest dispatch priority pursuant to the Provisional Measures on the Dispatch of Energy Saving Power Generation (《節能發電調度辦法(試行)》) enacted by the State Council in August 2007. Notwithstanding these favorable laws and regulations, dispatch centers consider a variety of factors when dispatching electricity, including, among others, local demand for electricity, interconnection agreements between power grids and the actual conditions of the grid such as equipment capacity and safety reserve margins. Moreover, the applicable laws and regulations require wind power producers to co-operate with grid companies to ensure the safety of power grids. As a result, the transmission and dispatch of the full output of our wind farms may be curtailed as a result of various grid constraints, such as grid congestion, restrictions on the transmission capacity of the grid and restrictions on electricity dispatch during certain periods.

In recent years, primarily due to the rapid growth of wind power installed capacity outpacing the development of local grids, the local grid companies in northern China, especially in West Inner Mongolia, have imposed restrictions on wind power generation companies like us, especially during the winter season, to give priority to heat-electricity cogeneration companies and to secure the voltage stability and safety of local grids. This restriction was particularly severe in Inner Mongolia in the winter of 2009 to early 2010. As electricity generated from our wind farms cannot be stored and must be transmitted or used once generated, a number of our wind farms, especially in West Inner Mongolia, temporarily shut down some of their wind turbines in 2009 and 2010. Grid curtailment affected the performance of some of our wind farms in terms of potential power output loss. The PPAs we entered into with local grid companies do not specifically provide for any compensation by local grid companies for any financial loss caused by grid congestion or any failure to purchase full amount of electricity generated by our wind farms. During the Track Record Period, we did not receive any compensation from grid companies for the loss of actual power generation due to grid congestion. Please see “Appendix V—Technical Report” for details.

Depending on the progress of construction and upgrades to the grid infrastructure in West Inner Mongolia, we expect that some of our wind farms in the area will continue to occasionally experience limited output due to grid congestion. Such limited output could reduce the actual net power generation of our wind farms and thus may materially and adversely affect our business, financial condition and results of operations.

Our electricity generation, financial condition and results of operations depend on the operating performance of our wind turbines.

The profitability of our wind power business depends substantially on the operating performance of our wind turbines. Non-performance or under-performance of a wind turbine will negatively affect a wind farm’s results of operations and financial condition.

Our contracts with turbine suppliers typically provide for the production, transportation, installation and commissioning of wind turbines and include performance warranties ranging from two to four years. The standard performance warranties provide performance levels for our wind turbines under which the suppliers shall indemnify us for losses based on (1) the turbine purchase price, or (2) the loss in electricity sales, usually up to a percentage of the total purchase price. Although our wind turbine supply agreements provide us with limited indemnities for defects and availability shortfalls, we cannot assure you that such indemnities will be sufficient to cover our losses due to non-performance or under-performance of our wind turbines. Furthermore, we cannot assure you that when we negotiate new turbine supply agreements, we will be able to secure any warranty and other terms comparable to those in our existing supply agreements. As a result, our project costs could increase due to shorter warranty periods or more restrictive warranties, any of which could increase our operational risks.

As at December 31, 2010, a majority of our wind turbines were within the warranty periods provided by our wind turbine suppliers. We believe most of the defects and quality problems of our wind turbines can be discovered and addressed by our wind turbine suppliers within the warranty period. However, after the expiration of their warranties, we are no longer entitled to free repair and parts replacement. As a result, our repair and maintenance cost may increase once the warranties of our wind turbines expire.

Price fluctuations of wind turbines could adversely affect our results of operations.

During the Track Record Period, the cost of purchasing wind turbines represented approximately 55-65% of the upfront construction cost for a wind power project. In line with the development of the wind power industry in China, an increasing number of wind turbine manufacturers have entered the Chinese market. In addition, prices of wind turbines have declined in recent years due to what is believed to be an over-supply of wind turbines as a result of rapid expansion of production capacity coupled with the global economic downturn. However, prices of wind turbines may increase in the future. We are exposed to changes in the market prices of wind turbines when we negotiate new supply agreements, and the price trend of wind turbines directly affects on our results of operations by influencing our level of capital expenditures and increasing depreciation expenses. See the section headed "Financial Information—Significant Factors Affecting Our Results of Operations And Financial Condition—Price of Wind Turbines" for further information. If the prices of wind turbines increase significantly or if we are unable to manage our purchases of wind turbines at prices commercially acceptable to us, our expansion plans could be adversely affected, the profit margins of our wind power business may decrease and our results of operations would be materially and adversely affected.

Our wind power business relies on the sufficient supply of qualified wind turbines.

Our wind turbine suppliers have been relatively concentrated in recent years. As of December 31, 2010, our four largest wind turbine suppliers, Xinjiang Goldwind, Suzlon, Sinovel and Nordex, supplied 53.3%, 9.4% 9.4% and 9.4%, respectively, of the total installed capacity of our wind farms. We cannot assure you that we will continue to be able to purchase a sufficient quantity of wind turbines or other necessary equipment that meet our quality requirements on commercially acceptable terms, or in a timely manner. Furthermore, our wind turbine suppliers may delay delivery to us or prioritize delivery to other market participants, including our competitors. Any significant delay by our major wind turbine suppliers in performing their contractual obligations, or inability of our major suppliers to meet their own quantity commitments or our quality requirements, could interrupt our operations and hinder the execution of our business plan, which in turn could materially and adversely affect our business, financial condition and results of operations. Even though we would expect our suppliers to compensate us for delays in delivery or other failures to perform their contractual obligations, we cannot assure you that such compensation would be adequate to cover the shortfall in our revenue as a result of such delays or failures.

Any reduction in the on-grid tariffs of our wind farms could materially and adversely affect our results of operations.

The NDRC issued 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》) on July 20, 2009, which applies to all onshore wind power projects approved after August 1, 2009 and according to which, the previous on-grid tariff as determined by "government guided price" has been replaced by the geographically unified tariff, a form of government fixed price. Specifically, the PRC is categorized into four wind resource zones, and the same standard on-grid tariff (including VAT) applies to all wind power projects in the same zone. For wind farms spanning across areas with different fixed on-grid tariffs, the higher tariff applies. Although we believe that the new on-grid tariffs are generally more favorable than the previously approved tariffs for wind farms in similar locations, government mandated on-grid tariffs for wind farms may decrease in the future due to currently unforeseeable reasons including any decrease in the cost of wind power. Any future reductions in the on-grid tariffs of our existing and future wind farms, or our failure to mitigate the possible decrease in on-grid tariffs by increasing installed capacity and/or improving operational efficiency, could materially and adversely affect our business, financial condition and results of operations.

If we are unable to obtain rights to develop wind power projects at locations suitable for the development of wind farms, the expansion plan for our wind power business could be materially and adversely affected.

There are a limited number of geographic locations that provide suitable conditions for developing and operating wind farms. Factors affecting the suitability of these locations include local wind resources, topographic constraints and the proximity to and availability of grid connections and capacity. In addition, our ability to obtain rights to develop wind power projects at suitable sites is subject to growing competition from existing and new wind power producers.

If we are unable to find, or obtain rights to develop wind power projects at, suitable new sites, we may be unable to expand in a timely manner or at all, which could materially and adversely affect our growth.

The wind farms that we operate under service concession arrangements are for a period of 25 years and may not be renewed upon expiry.

We currently operate four wind farms through service concession arrangements, with a total installed capacity of 498.75 MW, accounting for 47.1% of the consolidated installed capacity of our wind power business and 22.1% of the consolidated installed capacity of the Group as at December 31, 2010. Revenue from sales of electricity from these wind farms accounted for 4%, 4% and 13% of our total revenue for the years ended December 31, 2008, 2009 and 2010, respectively. Our service concession arrangements for these four wind farms were entered into with the provincial DRC of Inner Mongolia. Under the arrangements, we have a right to operate these wind farms for a period of 25 years, at the end of which we will need to dismantle the wind farms unless the concession period is extended. Also, the concession agreements may be terminated for reasons including abandoning the wind farm construction or operation, bankruptcy of our project companies, and material breach. There is no guarantee that we can successfully renew any service concession arrangements when they expire. Should we lose the right to operate these wind farms, our financial condition and operating results may be adversely affected. For more details about the concession projects, please see the section headed "Business—Our Wind Power Business—Our Concession Projects".

We may need to purchase and install additional equipment to comply with grid safety and stability requirements.

According to relevant power grid safety regulations, wind power companies are required to assist grid companies in ensuring grid safety and stability. As such, local power grids may require us to purchase, install and maintain, at our cost, additional equipment for our wind farms even after they are constructed and connected to the grid. We may be subject to stricter grid safety and stability requirements, the occurrence of which could cause us to incur additional expenses and materially and adversely affect our business, financial condition and results of operations.

The basis and underlying assumptions we adopt to classify our wind power projects are internally developed, and have not been audited or verified by any third party.

The development stages of our wind power projects disclosed in this prospectus are only used for our internal planning purposes, may materially differ from those used by other companies in the same industry, and have not been verified or audited by any third party. Our project classification system divides our wind power projects into three categories based on their development stages: projects in operation, projects under construction and pipeline projects. We further divide our pipeline projects into three tiers using objective milestones we have set based on our development experience. See the section headed "Business—Our Wind Power Business—Our Pipeline Wind Power Projects". No single project classification methodology is generally accepted in our industry. As such, our project descriptions and our historical or projected operating results may not be comparable with those of other companies in the industry.

Nearby objects may interfere with the operation of our wind farms.

The operational performance of our wind farms depends on wind speeds and other climatic conditions. However, objects such as buildings, trees or other wind turbines near our wind farms may reduce our wind resources due to the disruption of wind flows, known as "wake effects." Although we select our wind farm sites after conducting analyses and tests, we typically only acquire land use rights for the land immediately underlying our wind turbine pylons and adjacent infrastructure. The PRC government could grant land use rights for nearby land which, when developed, would have a wake effect on our wind farms. Furthermore, the holders of the land use rights for land near our wind farm sites may lease or transfer their land use rights to other developers that may construct wind turbines or other structures which could produce wake effects. In addition, in some cases there were either further extensions to some of our wind farms or other wind farms in the vicinity, and our feasibility studies may not have considered their presence at the time it was prepared, which may cause us to underestimate the extent of wake losses. Such developments may reduce the performance of our wind farms, which could interfere with the power generation of our wind farms. Please see “Appendix V—Technical Report” for details.

RISKS RELATING TO OUR OVERALL BUSINESS

Any subsidy currently or previously available to our subsidiaries in the PRC could be reduced or discontinued.

Pursuant to the New EIT Law and its implementing regulations, which came into effect on January 1, 2008, an enterprise will be exempted from the PRC income tax for three years starting from the tax year it first generates revenue and will receive a 50% reduction in such tax for the subsequent three years, provided that the enterprise engages in public infrastructure projects that is supported by the government and provided in relevant government documents. Most of our operating wind power companies currently satisfy this requirement and consequently are eligible to enjoy this tax exemption. In addition, our gas-fired power companies are entitled to 100% refund of the VAT levied on heat generation for residential end users.

Moreover, during the Track Record Period, our wind power and gas-fired power projects were granted subsidies by the PRC government as a financial incentive to encourage our development and investment in China’s clean energy industry. For the years ended December 31, 2008, 2009 and 2010, the Group recorded other net income, representing the government grants related to clean energy production of about RMB471.3 million, RMB434.3 million and RMB420.5 million, respectively.

We cannot assure you that the PRC government will continue its favorable tax treatment and subsidies indefinitely. Government grants and subsidies may not recur and may not be sustainable due to changes in government policy, and when the PRC government discontinues the preferential tax treatment and subsidy programs that our companies currently enjoy, we may be subject to the standard EIT rate of 25% in the PRC. Any increase in the EIT rate applicable to us or discontinuation or reduction of any preferential tax treatment or financial incentives we enjoy could materially and adversely affect our business, results of operations or financial condition. Please see the section headed “Financial Information—Significant Factors Affecting Our Results of Operations And Financial Condition—Government grants and subsidies” for details.

We rely heavily on a limited number of local grid companies and one heat energy distributor.

Each of our operating power plants and wind farms has entered into a power purchase agreement with relevant local grid company. Our power plants and wind farms sell substantially all the electricity that they generate to the grid companies to which they are connected, and do not sell electricity directly to any industrial or residential end users. During the Track Record Period, our electricity sales to local grid companies accounted for substantially all of our revenue from sales of electricity, representing 91.2%, 81.8% and 89.8% of our total revenue (excluding revenue generated from concession construction agreements) for each respective period.

In addition, both our Taiyanggong Power Plant and our Jingqiao Power Plant have entered into heat energy supply agreements, or HESAs, with BDHG. During the Track Record Period, the Taiyanggong Power Plant and the Jingqiao Power Plant sold all of the heat energy that they generated to BDHG, which then distributed the heat directly to industrial or residential end users in Beijing. The Jingfeng Power Plant entered into HESAs with two major heat end users. During the Track Record Period, our heat energy sales to BDHG and those two major heat end users accounted for substantially all of our revenue from sales of heat energy, representing 5.1%, 14.2% and 10.0% of our total revenue for the years ended December 31, 2008, 2009 and 2010, respectively.

We cannot assure you that the grid companies or heat energy customers will purchase all of the electricity or heat generated by us and make full and timely payments. In addition, we cannot assure you that these grid companies or our heat energy customers will comply with their other contractual obligations under the relevant power purchase or heat energy supply agreements or avoid insolvency or liquidation proceedings during the terms of the relevant power purchase or heat energy supply agreements. Any significant non-purchase, non-payment, non-compliance, insolvency or liquidation of our grid company customers or heat energy customers could materially and adversely affect our business, financial condition and results of operations.

We may not be able to execute our business strategy successfully or manage our growth effectively.

We are experiencing a period of rapid growth and expansion that has placed significant demands on our management resources, financial and human capital. We plan to strengthen our position in the PRC gas-fired power industry and wind power industry by completing projects under development, increasing consolidated installed capacity and maximizing operational efficiency, while developing other clean energy sources, such as hydropower and waste-to-energy. We have also commenced our efforts in developing offshore wind power projects. However, our ability to successfully execute our business strategy depends on a variety of factors, including our ability to develop and expand our existing portfolio of projects (including obtaining the necessary financing for projects under construction and pipeline projects), our ability to manage our administrative and human resources to meet the expansion of our business, our capability to operate our existing and future assets, and certain factors that are beyond our control, such as the ability of our suppliers and contractors to supply and install turbines and other equipment on schedule and changes to the government policy promoting the utilization of clean and renewable energy. If we are unable to execute our business strategy fully or successfully, or we are unable to adjust our project portfolio in response to changes in certain important elements such as government policy, our development may be hindered and our business, financial condition or results of operations may be materially and adversely affected. Furthermore, we must address risks frequently encountered by companies that experience significant growth within a short period of time, including our ability to effectively manage large-scale projects, maintain adequate control over our expenses and obtain sufficient financing on favorable terms. Therefore, we cannot assure you that we will be able to execute our business plan successfully within the expected timetable or at all, or that we will be able to manage our growth effectively, and our failure to do so could materially and adversely affect our business, financial condition, results of operations and prospects.

Sales of CERs depend on the CDM arrangements under the Kyoto Protocol, and any change of or expiration of these arrangements could limit our income from the sales of CERs and VERs.

Pursuant to the Kyoto Protocol, which the PRC government ratified in August 2002, public or private entities can purchase the CERs that we generate from our CDM projects and use these CERs to comply with their domestic emission reduction targets or sell them in the open market. VERs are voluntary and are not mandated by any law or regulation but originate from a purchaser's desire to take an active part in climate change mitigation efforts. The VERs market is an emerging market for carbon credits outside the Kyoto Protocol regime. We sell VERs attributable to electricity output from our projects before these projects are registered as CDM projects with the CDM EB and from other projects which are not eligible to be registered as CDM projects. Our proceeds from the sales of CERs and VERs help improve the economic viability of these projects. For the years ended December 31, 2008, 2009 and 2010, we derived other net income from the sale of these CERs and VERs of RMB12.7 million, RMB120.6 million and RMB156.3 million, respectively, representing 5.2%, 25.3% and 15.5% of our profit from operations, respectively.

If the Kyoto Protocol is not renewed before its expiration on December 31, 2012 or if the PRC government discontinues its support for these CDM arrangements, our income from sales of CERs and VERs could be negatively impacted. It is uncertain whether the Kyoto Protocol will be renewed prior to its expiration on December 31, 2012 particularly given the failure of countries participating in the 2009 United Nations Climate Change Conference, commonly known as the "Copenhagen Summit", to reach a legally binding agreement and to commit countries to agree to a binding successor to the Kyoto Protocol.

In addition, the process to register CDM projects with the CDM EB is relatively complicated and the CDM EB has historically declined to register certain projects of other power companies as CDM projects. Although the CDM EB had not historically declined to register any of our projects, the timing and outcome of our registration applications are uncertain. We cannot assure you that the CDM EB will approve all of our pending applications for CDM project registration in a timely manner, or at all. Furthermore, should the verification standards in the registration progress or the registration policy materially change, we may be unable to register our wind and gas-fired power projects and other clean energy projects as CDM projects, which in turn could materially and adversely affect our income from the sales of CERs and VERs. Furthermore, given that substantially all of our income derived from sales of sale of CERs and VERs is denominated in Euro or U.S. dollar, appreciation of the RMB may adversely affect such income.

We operate in a capital-intensive business, and our business, financial condition and results of operations are subject to the availability of external financing as well as fluctuations in the costs of external financing.

The operation and development of our businesses require significant capital expenditures. The capital investment for developing and constructing power plants varies based on the cost of fixed assets and the cost of construction works. A significant increase in the costs of developing and constructing our wind farms or other clean energy facilities could materially and adversely affect our business, financial condition and results of operations.

Other factors affecting capital investment include, among other things, finance expenses. We are exposed to fluctuations in interest rates affecting our finance expenses and, ultimately, our results of operations. As we rely heavily on external financing to secure investment capital to finance the expansion of our business, we are sensitive to the cost of capital in securing these loans. Our finance expenses amounted to RMB214.3 million, RMB299.2 million and RMB500.3 million, for the years ended December 31, 2008, 2009 and 2010, respectively. Since the beginning of 2010, the PRC government started to tighten its monetary policy. In 2010 and early 2011, the PBOC increased several times the reserve requirement ratio for PRC financial institutions. Furthermore, in 2010 and early 2011, the PBOC raised the benchmark lending rates for several times. The lending interest rates may be further increased in the future if the PRC government decides to further tighten its monetary policy. If the PBOC were to significantly tighten lending or raise benchmark lending rates, our business, financial condition or results of operations may be materially and adversely affected.

We require external financing to support the growth and expansion of our business. Our ability to obtain external financing in the future is subject to a variety of factors, including (i) obtaining the necessary PRC government approvals to raise capital for projects; (ii) our future financial condition, operating results and cash flows; and (iii) the general condition of the global and domestic financial markets, changes in the monetary policy, bank interest rates and lending policies. In the event that our current resources are not sufficient for our needs, we may have to seek additional financing, including equity or debt financing. If we decide to raise additional funds through the issuance of equity or equity-linked instruments, our Shareholders may experience dilution in their shareholding. If we use debt financing, we may be subject to covenants or other restrictions. We cannot assure you that we will be able to raise the necessary capital to finance our planned capital expenditures on acceptable terms or at all. If we are unable to secure such funding, we may have to reduce our planned capital expenditures and delay or abandon our expansion plan, which in turn could materially and adversely affect our business and results of operations.

We may be unable to complete the construction of our projects within our estimated budget and time frame, which could materially and adversely affect our business, financial condition, results of operations and prospects.

The construction of our power plants, including ancillary facilities such as transmission lines or substations, may be adversely affected by many factors commonly associated with the construction of infrastructure projects that are beyond our control, including but not limited to:

- adverse trends in the construction industry;
- adverse general economic and financial conditions in the PRC;
- delays in receiving requisite approvals, licenses or permits;
- shortage of equipment, material or labor;
- adverse weather conditions or other acts of nature;

- work stoppages and labor disputes;
- unforeseen engineering, design, delivery, environmental or geological problems; or
- unanticipated cost increases.

The occurrence of any of these events could give rise to delays or cost overruns, which could in turn result in loss or delayed receipt of revenue, increase in financing costs, or failure to meet profit and earnings projections, and consequently, materially and adversely affect our business, financial condition or results of operations.

We recorded net current liabilities during the Track Record Period.

The expansion of our business has been capital intensive. We recorded net current liabilities of RMB3,182.2 million, RMB3,278.9 million and RMB2,400.5 million as of December 31, 2008, 2009 and 2010, respectively. The net current liabilities were mainly due to our high levels of current bank borrowings to finance the expansion of our gas-fired power business and wind power business and trade and other payables mainly related to the purchase of wind turbines in connection with the expansion of our wind farms. For further information about the net current liabilities position, see the section headed "Financial Information—Liquidity and Capital Resources—Net Current Liabilities". We may continue to have net current liabilities in the future as our business expands. In the future, if we are unable to obtain sufficient funds to meet our needs or refinance our loans on commercially acceptable terms, or if at all, then we may not be able to repay our borrowings, particularly our short-term borrowings, upon maturity. This could materially and adversely affect our expansion plans, financial condition and results of operations.

We rely on external parties for the construction of our power plants and external equipment suppliers and our in-house technical team to maintain our key equipment.

We generally contract with third-party contractors, suppliers and civil engineering firms with established track records for the construction of our power plants. The successful completion of our projects depends on the ability of these suppliers, contractors and engineers to perform their contractual obligations, and is subject to factors beyond our control, including actions or omissions by these suppliers, contractors and engineers. Any setbacks, delays in construction or the delivery of supplies, or any problems relating to the work performed by contractors and engineers that we engage, may result in delays in the completion of a project and other unforeseen construction costs or budget overruns. This could materially and adversely affect our business, financial condition, results of operations and prospects. In addition, failure to complete construction according to specifications can result in reduced plant efficiency, higher operating costs and reduced or delayed earnings.

We rely on suppliers of gas-fired power generators and wind turbines to provide part of the operational and maintenance services after each turbine commences operation. According to our equipment purchase agreements, the suppliers generally undertake to conduct (i) inspection and maintenance services and/or instructions, and (ii) component repair or replacement during the warranty period. Our in-house technical team will continue to perform part of the operational and maintenance activities following the expiration of such terms. If our external equipment suppliers or our in-house technical team fails to provide inspection, maintenance or repair works for our key equipment and systems in a timely manner or at all, our power generation and business operation could be interrupted or delayed, possibly without warning. The occurrence of any of these events could materially and adversely affect our business, financial condition and results of operations.

Our current hydropower plant and future hydropower and solar power plants are or will be dependent upon natural conditions.

Our current hydropower plant and future hydropower and solar power plants rely on natural conditions, such as rainfall or sunlight conditions, for the production of electricity. In selecting sites for the development of our hydropower or solar power projects, we base our decisions in part on the meteorological and topographical data of the proposed area as well as the on-site exploration conducted by our technicians. We cannot assure you that the actual natural conditions will conform to the historical measured data or that the assumptions we make during our assessment are correct. Moreover, even if actual natural conditions are consistent with our assessment, such conditions may be affected by variations in weather patterns which may change over time to the detriment of our projects. As a result, the electricity generated by our hydropower and solar power projects may fall below our expectations, which could in turn materially and adversely affect our business, financial condition and results of operations.

Future acquisitions may be expensive or unsuccessful.

In addition to organic growth, we may also acquire complementary technologies, businesses and services, and enter into strategic alliances when there are opportunities we deem appropriate. Any potential acquisitions or alliances may result in material transaction expenses, increased interest and amortization expenses, increased depreciation expenses and increased operating expenses, any of which could materially and adversely affect our operating results. Acquisitions may entail integration and management of the new businesses to realize economies of scale and cost control, as well as other risks, including diversion of management resources otherwise available for ongoing development of our business and risks associated with entering new markets. We may be unable to identify suitable acquisition targets, obtain financing on acceptable terms or complete any future acquisitions. Further, any acquisitions or alliances may expose us to the risk of unanticipated business uncertainties or legal liabilities relating to those acquired businesses or alliances for which the sellers of the acquired business or alliance partners may not indemnify us. Future acquisitions may also cause us to issue securities that could dilute the investment of our shareholders. Any of these events could materially and adversely affect our business, financial condition and results of operations.

We depend on our senior management team and key employees.

Our historical success is substantially attributable to the contributions of our senior management and key employees, including those personnel listed in the section headed "Directors, Supervisors, Senior Management and Employees". We have strengthened our team by recruiting several senior executives and employees who have years of business and administrative experience and clean energy industry expertise. Our future success depends significantly on the continued services of these key executives and employees and our ability to continue to retain and recruit senior personnel. Furthermore, competition for qualified personnel with relevant expertise is intense due to the scarcity of qualified individuals in the rapidly growing clean energy industry. We may need to offer higher levels of compensation and other benefits to attract and retain key personnel. Our inability to retain such key executives and employees or hire qualified new executives and employees as our business grows, could adversely affect our ability to achieve our objectives and business strategy, and materially and adversely affect our business, financial condition and results of operations.

We do not possess title certificates in respect of some of the properties we own, and some of the landlords lack relevant title certificates for properties leased to us, which may materially and adversely affect our right to use such properties.

Title defects to land and building ownership in the PRC is not uncommon, partly due to the on-going application process necessary to obtain land use right and building ownership certificates where obtaining such certificates involves government approvals at different levels of government. As of March 31, 2011, we did not hold the necessary land use right certificates in relation to approximately 10.78% of the aggregate area of the land we used for our operating projects including Saihan Wind Farm Phase I and Changtu Taiyangshan Wind Farm, and 88.38% of the land we used for projects under construction including our Xinganmeng Keyouzhongqi Wind Farm Phase I, Balinyou Wind Farm Phase I, Ningxia Taiyangshan Wind Farm Phase I, Huitengxile Wind Farm Phase II, Shangdu Wind Farm Phase II, Huolinhe Wind Farm Phase II, Chifeng Qigan Wind Farm Phase I, Ningxia Taiyangshan Wind Farm Phase II, Jingqiao Power Plant Phase II, Heishuisanlian-Zhawo Grade II Hydropower Plant, Heishuisanlian-Dengpeng Grade I and Grade II Hydropower Plants and Yunnan Tengchong Yongxinghe Hydropower Plants. In addition, as of March 31, 2011, we or our landlords did not hold the necessary building ownership certificates to 12.90% of the total gross floor area of the buildings we owned or leased, as the case may be. See the section headed "Business—Properties" for further details, including the potential penalties. As a result, our rights to use such land or buildings may be challenged and we may have to vacate the relevant premises should any challenge succeed. To our Directors' knowledge, as at December 31, 2010, we had not received any notice from the relevant authority for any penalties.

Although we believe it is unlikely that third-parties could successfully challenge our use of these premises, there remains a risk that such can occur. Should third parties successfully challenge our use of these premises (including those we leased from landlords for which they do not hold the necessary building ownership certificates) and we are forced to relocate, our operations or construction on the affected premises could be interrupted, which in turn could materially and adversely affect our business, financial condition and results of operations.

In addition, we may not transfer, lease, mortgage or otherwise dispose of properties that we own until we obtain the relevant land use right certificates and/or building ownership certificates. We will also need to pay transfer fees and incur other relevant expenses in order to obtain the full title certificates to such properties. Although we are applying for title certificates for the land and buildings that we own, we cannot assure you that we will be able to obtain all the land use right or building ownership certificates in a timely manner, or at all.

The regulatory framework in the PRC for clean energy projects is relatively new and evolving.

As the regulatory framework in the PRC for clean energy projects is relatively new and evolving, the implementation and enforcement of these policies, laws and regulations involve uncertainties and may differ from region to region in the PRC. Any reduction, discontinuation or unfavorable application of policies and economic incentives for companies that operate clean energy power plants could materially and adversely affect our business, financial condition, results of operations and prospects. Furthermore, if these favorable policies and incentives were changed or discontinued to our detriment before our wind farms or gas-fired cogeneration plants become cost-effective in a non-subsidized market environment, we could be forced to compete directly against companies that produce electricity from fossil fuel energy sources and other more established clean power companies, which may enjoy sizable cost advantages over us. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Regulatory changes and the uncertainties associated with the reform of the PRC power industry may adversely affect our business and results of operations.

Our power plants are subject to PRC government and power grid regulations, which include elements such as quantity and timing of electricity generation, on-grid tariffs, performance of scheduled maintenance, and compliance with power grid control and dispatch directives. Our operations and profitability will be affected by any material changes in PRC laws and regulations relating to the power industry. In addition, the PRC power industry has experienced and may continue to experience regulatory reforms. For instance, in July 2003, the State Council issued the Tariff Reform Scheme (《電價改革方案》) which sets forth the target, principle and main reform measures for the electricity tariff, and three of its corresponding implementation regulations were issued in March 2005. In January 2006, the NDRC issued The Trial Measure for the Renewable Resources Tariff and Cost Sharing (《可再生能源發電價格和費用分攤管理試行辦法》) which provided for the reasonable distribution of on-grid tariff for power generated utilizing renewable energy. In July 2009, the NDRC issued 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》) which changed the pricing mechanism from government guided price to government fixed price and divided China into four wind resource zones to apply a fixed benchmark tariff in each respective zone for all onshore wind power projects approved after August 1, 2009. Further in December 2009, China revised the Renewable Energy Law and further specified the mechanism for purchasing 100% of the power generated using renewable energy, which became effective in April 2010. Since these regulatory reforms have been promulgated only recently, we cannot accurately predict their impact on our businesses. The uncertainties associated with these reforms and any corresponding regulatory changes resulting in the loss of any currently available favorable treatment may adversely affect our business performance. In addition, the PRC government may adopt more stringent laws and regulations to regulate the power industry, compliance with which may be expensive, and may adversely affect our financial condition or results of operations.

Potential competition from BEIH may adversely affect the Group's business.

BEIH is our controlling shareholder and will through its subsidiaries or associates retain certain clean energy businesses after the Global Offering. Currently we face little competition from BEIH. Furthermore, BEIH has given a non-competition undertaking in favor of the Group and has granted the Company, subject to certain conditions and exclusions, options for new business opportunities, options for acquisitions and pre-emptive rights in connection with BEIH's clean energy business. Please see the section headed "Relationship with Our Controlling Shareholder" for details. However, if the Company fails or chooses not to exercise such options or rights for whatever reasons including but not limited to that the Company considers the exercise of such options or rights is not financially viable or commercially justifiable, the Company may face intensified competition with BEIH. In addition, in the event of grid congestion or other situations that limit the local grid's dispatch or transmission capacity, we may need to compete with other power generation companies in the affected areas, which may include BEIH. Moreover, if the PRC government changes the currently favorable policies and regulations toward the clean energy industry, we may need to compete with non-clean power generators, including BEIH. If the competition with BEIH is intensified, the business of the Group may be adversely affected.

We will continue to be controlled by BEIH, whose interests may differ from yours or those of our other shareholders.

Upon completion of the Global Offering, BEIH, our principal shareholder, directly and through BIEE, will own an aggregate of approximately 57.57% of our Shares assuming no exercise of the Over-allotment Option (or approximately 54.69% if the Over-allotment Option is exercised in full). Subject to the Articles of Association and applicable laws and regulations, BEIH will, through its representatives on our Board, be able to influence our major policy decisions, including our management, business strategies and policies, the timing and amount of dividend distributions, any plans relating to material property transactions, major investments, mergers and acquisitions, issuances of securities and adjustments to our capital structure, amendment of our Articles of Association and other actions that require the approval of our directors and shareholders. Differences in opinion may arise between BEIH and any of our remaining shareholders. We cannot guarantee that BEIH will influence the Company to pursue actions in the best interests of our remaining shareholders.

We face competition from companies utilizing other clean energy as well as companies utilizing conventional energy sources.

During the Track Record Period, we derived substantially all of our revenue from our gas-fired power business and wind power business. We may encounter competition from producers of electricity from other clean energy sources. In particular, other clean energy technologies may become more competitive and attractive. Competition from such producers may increase if the technology used to generate electricity from these other clean energy sources becomes more sophisticated, or if the PRC government elects to strengthen its support of such clean energy sources. While we are actively exploring opportunities in other clean energy sectors, such as hydro, solar power and waste-to-energy, we cannot assure you that we will successfully develop projects utilizing such other clean energy sources and successfully adjust our project portfolio. If we were unable to maintain and increase our competitiveness in the future, or our efforts to incorporate more competitive clean energy projects into our portfolio or compete against other clean power companies are unsuccessful, our business, financial condition, or results of operations could be adversely affected.

In addition, clean energy resources, such as gas-fired power, and renewable energy resources, such as wind power, compete with conventional energy resources, including nuclear power, petroleum and coal. Recent volatility in the price of conventional energy resources, in particular, oil and coal, have enhanced the price competitiveness of electricity generated from clean energy resources compared to conventional energy resources. However, technological progress in the exploitation of other energy resources or discovery of large new deposits of oil or coal could decrease the price of those fuels, which could render the price of clean energy resources less attractive. As a result, demand for clean energy could decline, which would materially and adversely affect our business, financial condition and results of operations.

Our assets and operations are subject to hazards customary to the electricity generation industry, and we may not have adequate insurance to cover all these hazards.

Our assets, including, among other things, gas-fired generators, wind turbines, blades, transformers and interconnection infrastructure, could be damaged by fire, earthquake, flood, acts of terrorism and other hazards. These and other hazards can cause personal injury or death, severe damage to and destruction of property, plant and equipment, contamination of, or damage to, the environment and suspension of operations. We may also face civil liabilities or fines in the ordinary course of business as a result of damages suffered by third parties, which may require us to make indemnification payments in accordance with applicable laws.

In addition, the operation of our power plants may be interrupted upon the occurrence of any of the following events:

- inaccuracy of our assumptions with respect to the timing and amount of anticipated revenue;
- supply interruptions;
- breakdown or failure of equipment or processes;
- difficulty or inability to find suitable replacement parts for equipment;
- unplanned outages or disruption in the transmission of electricity generated due to system failures;
- permit and other regulatory issues, license revocation and changes in legal requirements;
- unforeseen engineering and environmental problems;
- unanticipated cost overruns;

- adverse weather conditions and catastrophic events such as fires, earthquakes, droughts and floods; and
- performance that is below expected levels of output or efficiency.

We cannot assure you that we will be able to adequately control the impact of these events.

In accordance with industry practice in the PRC, we do not carry business interruption insurance. We have entered into insurance policies to cover certain other risks associated with our business. While we believe this insurance coverage is commensurate with our business structure and risk profile, we cannot assure you that our current insurance policies will insure us fully against all risks and losses that may arise. In addition, our insurers review our insurance policies annually, and we cannot assure you that we will be able to renew these policies on similar or otherwise acceptable terms, if at all. If we were to incur a serious uninsured loss or a loss that significantly exceeded the limits of our insurance policies, our business, financial condition and results of operations could be materially and adversely affected.

We are subject to stringent environmental laws and regulations. Failure to comply with these laws and regulations could materially and adversely affect our business, results of operations and financial condition.

Our operations are subject to numerous environmental laws and regulations promulgated by the PRC government. Please see the section headed “Regulatory Overview” for a description of the laws and regulations to which we are subject. Given the magnitude, complexity and frequency of amendments to these laws and regulations, compliance may be onerous or it may take substantial financial and other resources to establish efficient compliance and monitoring systems. The liabilities, costs, obligations and requirements associated with these laws and regulations may therefore be substantial and may delay the commencement of, or cause interruptions to, our operations. Noncompliance with relevant industry regulations as well as the environmental laws and regulations applicable to our operations may result in substantial penalties or fines, suspension or revocation of our licenses or permits, stoppage of plant constructions or suspension of our operations. Such events could materially and adversely impact our operating results, financial condition and reputation. In addition, the PRC government may impose laws or regulations which impose higher standards or implement the relevant laws and regulation more stringently, which may cause us to incur significant expenses. Any changes or amendments to such laws or regulations may cause us to incur additional capital expenditures or other obligations or liabilities.

We may incur additional costs or capital investments should the PRC government adopt stricter or additional environmental laws or requirements.

The existing Environmental Protection Law and related regulations require us to establish an environmental protection and management system, which includes adopting effective measures to prevent and control exhaust gas, sewage, waste residues, dust or other waste materials, to discharge waste properly and payment of certain discharge fees. If the

PRC government introduces more stringent environmental laws or requirements, we may need to incur additional cost and/or capital investment in order comply with such new laws and regulations, which could materially and adversely affect our financial condition and results of operations.

We must comply with laws and regulations in the PRC relating to the development, construction and operation of power plants.

Our wind farms, gas-fired cogeneration plants and other clean energy projects are subject to strict PRC laws and regulations relating to their development, construction, licensing and operation. These laws and regulations relate to, among other things, project approval and other government approval and licensing requirement for power companies, building and construction of new projects, environment conservation and power dispatch and transmission. In particular, before we construct and operate our gas-fired cogeneration plants or wind farms, we must first obtain operational and construction permits from various authorities. Procedures for granting operational and construction permits vary among different local areas, and certain provinces may reject our applications for permits. Furthermore, third parties may challenge a decision to grant us operational and construction permits in some provinces even after we have obtained the permits. We cannot assure you that we will be able to obtain all the approvals and permits necessary for the development and operation of new projects in a timely manner, or at all. Finally, we must comply with laws, regulations and the conditions contained in the operational and construction permits, and failure to do so may result in fines, sanctions, criminal penalties and/or the suspension, revocation or non-renewal of approvals, licenses or permits. These factors could materially and adversely affect our business, financial condition and results of operations.

We may experience a shortage of labor or labor dispute or an increase in labor costs which would materially and adversely affect our business and results of operations.

While we believe we have a satisfactory working relationship with our employees, we remain subject to the risk of labor disputes and adverse employee relations. These potential disputes and adverse relations could result in work stoppage or other events that could disrupt our business operations, which could materially and adversely affect our business, financial condition and results of operations.

Our special distribution is not an indication of our future dividend policy.

We agreed to declare a special distribution to BEIH, BIEE, BSAMAC, BDHG, Shenghui, BEETI and Barclays in an amount equal to our Group's net profit attributable to equity owner of the Company derived from the period from April 30, 2010, the date on which our assets were valued for establishment as a joint stock limited company, to the end of the quarter immediately prior to the Listing (the "Special Distribution"). The actual amount of the Special Distribution will be determined based on a special audit of our consolidated financial statements of the Group for the period from April 30, 2010 to the end of the quarter immediately prior to the Listing. See the section headed "Financial Information—Special Distribution" for details. The Special Distribution was not determined in accordance with our dividend policy as described in the section headed "Financial Information—Dividend Policy." Investors of H Shares in the Global Offering will not be entitled to participate in the Special

Distribution. The amount of the Special Distribution is not indicative of the dividends that our Company may declare or pay in the future.

RISKS RELATING TO THE PRC

Changes in the political and economic policies of the PRC government may materially and adversely affect our business, results of operations and business development plan.

As of the Latest Practicable Date, all of our business assets were located in, and all of our revenue was derived from, the PRC. Accordingly, our business, financial condition or results of operations are subject to economic and political developments in the PRC. Political and economic policies of the PRC government could affect our business and results of operations and may result in our being unable to sustain our growth.

The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign currency exchange and allocation of resources. Before the adoption of its reform and opening-up policies beginning in 1978, the PRC was primarily a planned economy. Since that time, the PRC government has implemented a series of economic and, to a lesser extent, political reforms. Although in recent years the PRC government has focused on the use of market forces to reform its economic system, reduce state ownership of productive assets and establish sound corporate governance in business enterprises, the PRC government still owns a substantial portion of productive assets in the PRC. In addition, the PRC government continues to play a significant role in regulating industrial development. It also exercises significant control over the economy's growth trajectory through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth in the past 30 years, growth has been uneven across regions and economic sectors. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Changes in the PRC's political, economic and social conditions may negatively impact our ability to execute our expansion plans and materially and adversely affect our business, results of operations and financial condition.

An adverse change in the PRC's economic conditions may adversely affect us and the future growth of our business and operations.

Although the PRC's economy continues to grow more quickly than most developed economies, its real GDP growth rate declined from 13.0% in 2007 to 9.6% in 2008, to 9.2% in 2009, while it increased to 10.3% in 2010. A number of factors have contributed to this slowdown, including the appreciation of the Renminbi, which has adversely affected China's exports, and the PRC government's tightening macroeconomic measures and monetary policies aimed at preventing overheating of the PRC's economy, calming inflation fears and addressing the risk of a property bubble in major cities. The slowdown has been further exacerbated by challenging global economic conditions in the financial services and credit markets, which in recent years have experienced extreme volatility.

It is uncertain whether the challenging global economic conditions in the financial services and credit markets will reoccur and how much of an adverse effect this will have on the global economy in general, and the PRC economy in particular. In response to challenging global financial conditions, in September 2008 the PRC government began to loosen economic measures and monetary policies by reducing interest rates and decreasing the statutory reserve ratio for banks. On November 5, 2008, the State Council announced an economic stimulus plan in the amount of USD585 billion to stimulate economic growth and bolster domestic demand. The economic stimulus plan includes, among others, increased spending on basic infrastructure construction projects for water, electricity, gas and heat to improve the standard of living in China and protect the environment. However, it also raised the risk of inflation and the PRC government, since 2010, has decreased liquidity in the market through raising interest rates and the statutory reserve ratio for banks several times which may lead to difficulties in borrowing and a significant slowdown in the PRC economy.

The legal system of the PRC is still evolving, and inherent uncertainties may affect the protection afforded to our business and our shareholders.

We and all of our subsidiaries through which we conduct our operations, are organized under PRC laws. The PRC legal system is based on written statutes. Since the late 1970s, the PRC has promulgated laws and regulations dealing with economic matters, such as the issuance and trading of securities, shareholder rights, foreign investment, corporate organization and governance, commerce, taxation and trade. However, many of these laws and regulations, in particular, the regulatory regime relating to clean energy projects, are relatively new and are likely to continue to evolve, are subject to different interpretations and may be inconsistently implemented and enforced. In addition, only limited volumes of published court decisions may be cited for reference, and such cases have limited precedential value, as they are not binding on subsequent decisions. The uncertainties relating to the interpretation, implementation and enforcement of PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections that are available to you, and can adversely affect the value of your investment. In particular, the PRC power industry, including the clean energy sector, remains highly regulated. Many aspects of our business, such as the amount and timing of electricity generation and the setting of tariffs, depend upon the receipt of the relevant government authority's approval. As the PRC legal system and the PRC power industry develop, changes in such laws and regulations, or in their interpretation or enforcement, may materially and adversely affect our business, financial condition and results of operations.

Fluctuations in exchange rates and government control of currency conversion may adversely affect our business and results of operations.

We receive our revenue in Renminbi, which is currently not a freely convertible currency. A portion of these revenue must be converted into other currencies in order to meet our foreign currency obligations. For example, we may need foreign currency to purchase and import certain equipment and parts, and make payments of declared dividends, if any, on our H shares. The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in domestic and international political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2.1% against the U.S. dollar. In August 2008, China revised the PRC Foreign Exchange Administration Regulations (中華人民共和國外匯管理條例) to promote the reform of its exchange rate regime. From July 21, 2005 to December 31, 2009, the value of the Renminbi appreciated by approximately 15.8% against the U.S. dollar. On June 19, 2010, the PBOC announced that it would allow Renminbi to further appreciate against the U.S. dollar, though the subsequent appreciation has been modest.

It is likely that the exchange rates of the U.S. dollar and Hong Kong dollar against the Renminbi will continue to fluctuate. Accordingly, our financial condition and results of operations could also be adversely affected. In addition, any dividends in respect of our H Shares will be declared in Renminbi and paid in Hong Kong dollars. Accordingly, holders of H Shares in countries other than the PRC are subject to risks arising from adverse movements in the value of the Renminbi against the Hong Kong dollar, which may reduce any dividends paid in respect of the H Shares. PRC authorities may lift restrictions on fluctuations in the Renminbi exchange rate and lessen intervention in the foreign exchange market. To date, we have not entered into any hedging transactions to reduce our exposure to foreign currency exchange risk.

Additionally, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. The Renminbi generally cannot be freely converted into any other foreign currency. Pursuant to the PRC's current foreign currency exchange control system, there may not be sufficient foreign exchange activity to meet our foreign exchange requirements. Under the PRC's current foreign currency exchange control system, foreign currency exchange transactions under the current account, including the payment of dividends, do not require advance approval from SAFE. However, foreign exchange transactions on a capital account must be approved in advance by SAFE. We may be unable to secure sufficient foreign currency to pay dividends to shareholders or satisfy any other foreign exchange requirements. If we were to fail to obtain the approval from SAFE to convert Renminbi into any foreign currency for any of the above purposes, our capital expenditure plans and our business may be materially and adversely affected.

Our business and results of operations may, directly or indirectly, be materially and adversely affected by natural disasters, social disruptions or the occurrence of epidemics in China.

Any future occurrence of natural disasters, acts of war or civil unrest, or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, or SARS, or H1N1 flu, may materially and adversely affect our business and results of operations. In 2009, there were reports on the occurrences of H1N1 flu in certain regions of the world, including the PRC, where we operate our principal business. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect our business. Moreover, China has experienced natural disasters such as earthquakes, floods and droughts in recent years. For example, in May 2008 and April 2010, China experienced earthquakes with reported magnitudes of 8.0 and 7.1 on the Richter scale in Sichuan Province and Qinghai Province, respectively. In March 2011, China also experienced earthquakes with a reported magnitude of 5.8 on the Richter scale in Yunnan Province. As at December 31, 2010, we had a hydropower plant in operation with an installed capacity of 6.40 MW and three hydropower plants under construction with a consolidated capacity under construction of 44.40 MW in Sichuan Province, as well as a hydropower plant under construction with a capacity under construction of 180.00 MW in Yunnan Province. These regions may experience earthquakes again in the future which may affect our hydropower plants. In addition, during the year 2010, severe droughts and floods occurred in some provinces, resulting in significant economic losses in these areas. Any future occurrence of severe natural disasters in China may adversely affect its economy and our business. China has also experienced occasional episodes of civil unrest, including rioting in the city of Urumqi, the capital city of the Xinjiang Uyghur Autonomous Region in north-western China. Similar incidents may occur in areas where we operate and our business may be materially and adversely affected. Our operations or the communities we serve may be interrupted by any future occurrence of acts of war and civil unrest, natural disasters or outbreak of avian influenza, SARS, H1N1 flu or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of avian influenza, SARS, H1N1 flu or other epidemics. Under such circumstances, our results of operations could be materially and adversely affected.

It may be difficult to effect service of process upon, or to enforce judgments obtained outside the PRC against us, our Directors or our senior management members who reside in the PRC.

Most of our Directors, Supervisors and executive officers reside within the PRC. Substantially all of our assets and those of our Directors, Supervisors and executive officers are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. As a result, it may not be possible for investors to effect service of process upon us or those persons in the PRC, or to enforce against us or them in the PRC, any judgments obtained from non-PRC courts. In addition, judgments of a court of any other jurisdiction in relation to any matter not subject to a binding arbitration provision may be difficult or impossible to enforce. Our Articles of Association and the Hong Kong Listing Rules provide that most disputes between holders of H Shares and our Company, our Directors, Supervisors or executive officers arising out of the Articles of Association or the Company Law and related regulations concerning our Company's affairs, are to be resolved through arbitration. Under the current arrangement for reciprocal enforcement of arbitral awards between the PRC and Hong Kong, awards made by the PRC arbitral authorities that are recognized under the Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in the PRC. On July 14, 2006, the Supreme People's Court of the PRC and the Hong Kong Government signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters. Under this arrangement, where any designated People's Court or

Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court or Hong Kong court for recognition and enforcement of the judgment. Although this arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

Foreign individual holders of our H Shares may become subject to PRC income tax and there are uncertainties as to the PRC tax obligations of foreign enterprises that are holders of our H Shares.

Under applicable PRC tax laws, dividends paid by us to foreign individual shareholders of our H Shares are generally subject to PRC individual income tax at a rate of 20%, although such taxes have historically been exempted under the Circular of the SAT on Issues Concerning the Taxation of Profits from the Transfer of Stocks (Stock Rights) and Dividend Income of Foreign-invested Enterprises, Foreign Enterprises and Foreign Individuals (《國家稅務總局關於外商投資企業、外國企業和外籍個人取得股票（股權）轉讓收益和股息所得稅收問題的通知》, Guo.Shui.Fa [1993] No. 045) as promulgated by the SAT on July 21, 1993, and the Letter of the SAT on Taxation Issues regarding Dividends Received by Foreign Individuals Holding Shares of China-based Listed Companies (《國家稅務總局關於外籍個人持有中國境內上市公司股票所取得的股息有關稅收問題的函》, Guo.Shui.Han.Fa ([1994] No. 440) as promulgated by the SAT on July 26, 1994. However, because the Circular of the SAT on Issues Concerning the Taxation of Profits from the Transfer of Stocks (Stock Rights) and Dividend Income of Foreign-invested Enterprises, Foreign Enterprises and Foreign Individuals (Guo.Shui.Fa [1993] No. 045) was repealed by Public Notice 2011 No. 2, issued by the SAT on January 4, 2011, it is now unclear whether this exemption remains applicable and therefore, there is a risk that dividends paid by us to our foreign individual shareholders may be subject to an income tax of 20%, which may be reduced pursuant to an applicable tax treaty. In addition, it is unclear whether capital gains realized by individual shareholders of our H Shares upon their disposition of our H Shares would be considered as income sourced from within China, and thus subject to individual income tax in China of 20% on such gains, although such tax has not been collected by the PRC tax authorities in practice. Please see "Appendix VI—Taxation and Foreign Exchange—2. Taxes Applicable to Shareholders of Companies" for further details.

Under the New EIT Law, foreign enterprises that do not have establishments or places in the PRC, or have establishments or places in the PRC but their income is not connected to such establishments or places ("Non-resident Enterprises") are subject to the PRC enterprise income tax at a rate of 20% on their PRC-sourced income. The Implementation Regulations of the New EIT Law (《中華人民共和國企業所得稅法實施條例》) reduces such tax rate to 10%. Further, pursuant to the Notice Concerning Withholding of Enterprise Income Tax for Dividends Paid by Chinese Resident Enterprises to H Share Non-resident Enterprises Shareholders Outside the Mainland Territory (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》, Guoshuihan (2008) No. 897) issued by the SAT on November 6, 2008, and the Response to Questions on Tax over Dividend of B-Shares Received by Non-resident Enterprises on (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》, Guoshuihan 2009 No. 394) issued by the SAT on July 24 2009, from 2008 onwards, the enterprise income tax on dividends paid by PRC enterprises to holders of H Shares that are Non-resident Enterprises shall be withheld at a rate of 10%, subject to reduction pursuant to applicable treaties on avoidance of double taxation. As such, dividends paid by us to the holders of our H Shares that are Non-resident Enterprises are generally subject to the PRC enterprise income tax at the rate of 10%, subject to reduction pursuant to applicable treaties on avoidance of double taxation. Furthermore, capital gains realized by Non-resident enterprise shareholders of our H Shares are generally subject to PRC enterprise income tax at a rate of 10%, unless stipulated otherwise in an applicable tax treaty. Please see “Appendix VI—Taxation and Foreign Exchange—2. Taxes Applicable to Shareholders of Companies” for further details.

The above risks relating to uncertainties as to the interpretation and application of applicable PRC tax laws result from several factors, including the relatively short history of some of these laws. These uncertainties include, among others, how enterprise income tax on gains realized by foreign enterprises upon the sale or other disposition of H Shares has been and will be collected by the PRC tax authorities and how PRC individual income tax will be collected from foreign individual shareholders. Considering the uncertainties in the practice and/or the interpretation of such laws, holders of our H Shares should be aware that they may be obligated to pay PRC income tax on dividends paid by us and gains realized upon sale or other dispositions of our H Shares.

Payment of dividends is subject to restrictions under PRC laws.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under PRC GAAP or IFRSs, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our shareholders, including in periods during which our financial statements indicate that our operations have been profitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRSs in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRSs, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay dividends to us could negatively impact our cash flow and our ability to make dividend distributions to our shareholders, including in periods during which our financial statements indicate that our operations have been profitable.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares; the liquidity and market price of our H Shares may be volatile.

Prior to the Global Offering, there was no public market for our H Shares. The Offer Price for our H Shares will be determined by us and the Underwriters based on, among other things, market and economic conditions on the date the Offer Price is determined, our results of operations, market valuations of other companies engaged in similar activities, the present state of our business operations, our management, indications of interest from potential investors in the H Shares and other factors deemed relevant, and may differ from the market prices for the H Shares after the Global Offering. We have applied to list and deal in our H Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active and liquid public trading market for our H Shares. In addition, the price and trading volume of our H Shares may be volatile. Factors such as variations in our revenue, earnings and cash flows may affect the volume and price at which our H Shares will be traded.

Investors will experience an immediate dilution to their attributable net tangible book value as the Offer Price of our Shares is higher than our net tangible book value per Share.

Because the Offer Price of our Offer Shares is higher than the net tangible book value per Share immediately prior to the Global Offering, purchasers of our Offer Shares in the Global Offering will experience an immediate dilution to their attributable net tangible book value of HK$0.95 per Share (assuming an Offer Price of HK$1.63 per Share), or HK$1.08 per Share (assuming an Offer Price of HK$2.08 per Share). If we issue additional Shares in the future, purchasers of our Shares may experience further dilution in their ownership percentage.

Future sales, or market perception of sales, of substantial amounts of our H Shares or other securities relating to our H Shares in the public market could materially and adversely affect the prevailing market price of our H Shares.

Future sales by our shareholders of substantial amounts of our H Shares or other securities relating to our H Shares in the public markets after the Global Offering, or the perception that these sales may occur, could adversely affect market prices prevailing from time to time. In addition, Domestic Shares can be converted into H Shares after Listing subject to relevant laws and regulations and approvals. Please see the section headed “Information about this Prospectus and the Global Offering—Restrictions on Sale of Offer Shares” for a more detailed discussion of restrictions that may apply to future sales of our Shares. After these restrictions lapse, the market price of our H Shares may decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, the issuance of new H Shares or other securities relating to our H Shares, the conversion of substantial amounts of Domestic Shares into H Shares or the perception that such sales, conversion or issuances may occur. This could also materially and adversely affect our ability to raise capital at a time and at a price we deem appropriate.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain forward-looking statements and information relating to us that are based on our management’s beliefs and assumptions. The words “anticipate,” “believe,” “estimate,” “expect,” “going forward” and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect our management’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described herein. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected.

Certain facts and statistics in this prospectus relating to the PRC, the Chinese economy and the PRC power industry derived from official government background publications may not be reliable.

We have derived certain facts and other statistics in this prospectus relating to the PRC, the PRC economy and the PRC power industry from various government background publications or communications with various PRC government agencies that we believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials. While our Directors have taken reasonable care in the reproduction of the information, the information has not been prepared or independently verified by us, the underwriters or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or without the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and you should not place undue reliance on them. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering which may or may not include certain financial projections and other information about us and the Global Offering that does not appear in our prospectus. We have not authorized the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or consistent with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.