GOLDWIND

新疆金风科技股份有限公司
XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.*

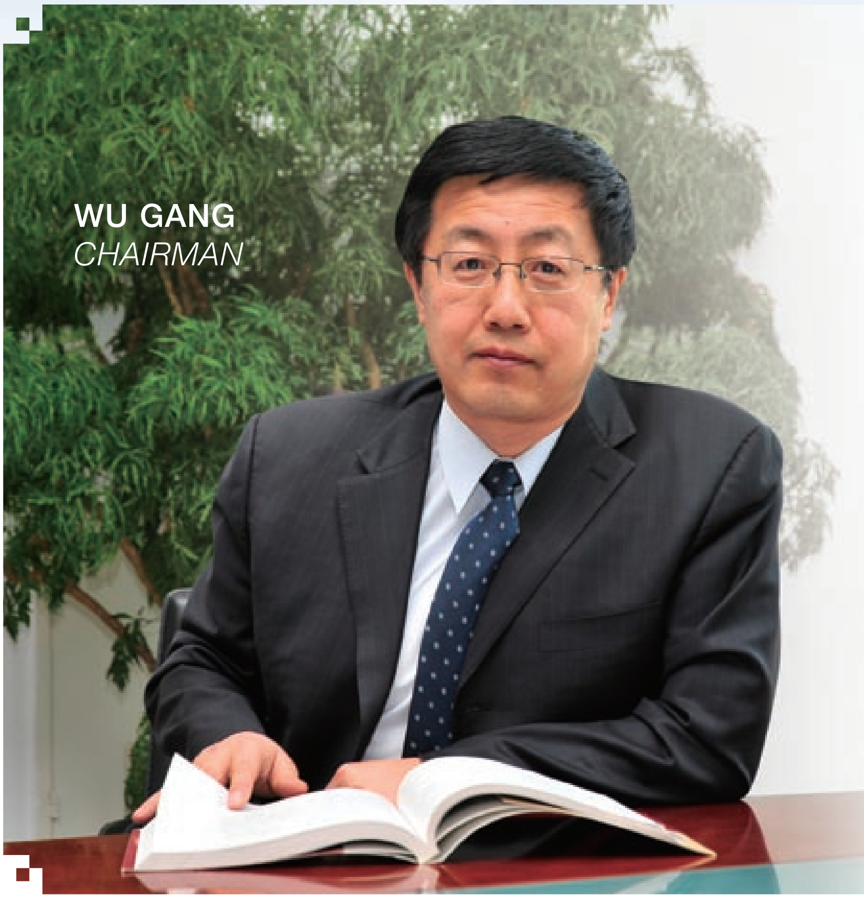
(A joint stock limited liability company incorporated in the People's Republic of China)
Stock Code: 2208

Annual Report 2011

* For identification purpose only

Contents

Chairman's Statement



To Our Shareholders:

On behalf of the board of directors (the "**Board**"), I present to you the 2011 Annual Report of Xinjiang Goldwind Science & Technology Co., Ltd. (the "**Company**" or "**Goldwind**", together with its subsidiaries, the "**Group**").

During 2011, the global economy and the economy of the People's Republic of China (the "**PRC**" or "**China**") experienced volatility and change. In addition, after several years of rapid growth, China's wind power industry entered a period of adjustment and faced new challenges. Approvals for new wind farms slowed, grid constraints delayed wind farm connections, competition grew fiercer, raw materials prices increased, and financing was more difficult to secure than in past years. Due to these challenges, China's newly installed wind capacity decreased to 17,631MW in 2011, down 6.9% compared to 2010. Our sales revenue and profit decreased for the first time in the history of the Company. During the reporting period, the Company achieved operating revenues of RMB12.76 billion and profit attributable to owners of the Group of RMB607 million, decreases of 27.01% and 73.50%, respectively, compared to 2010.

Faced with difficult market conditions, the Company's employees rose to the challenge. They worked hard to achieve last year's operating performance and laid the foundation for the Company's future development by demonstrating team spirit, creativity, and discipline in controlling costs. Although our operating results decreased, we achieved positive results in many other areas.

Because our products are valued by our clients and the market, our backlog has remained strong, and our market share has increased. In 2011, we increased the pace of research and development ("**R&D**"). We made breakthroughs in terms of the permanent magnet design for our 1.5MW direct-drive permanent magnet ("**DDPM**") wind turbine generators ("**WTGs**"), finished the development of our 2.5MW and 3.0MW DDPM WTGs, and commenced commercial production of our specialised 2.5MW DDPM WTGs. Our 1.5MW WTG passed Germanischer Lloyd's ("**GL**") zero voltage ride-through field test, demonstrating the superior grid connectivity of our DDPM WTGs. As a result of our continuous pursuit of quality, the Company has achieved a strong reputation in the market. In September 2011, we were the only company within the wind power industry to be awarded the "National Quality Award" by China's General Administration of Quality Supervision, Inspection and Quarantine.

In accordance with our strategic plan, the Company's wind farm development, wind power services, and international divisions made significant contributions during the reporting period, and helped us to make progress towards our goal of becoming a leading provider of comprehensive wind power solutions. Our wind farm development segment achieved strong operating results, our wind power services segment revenues increased significantly, and our international operations made groundbreaking progress.

After more than ten years of development, Goldwind has established an excellent reputation for our superior technology, product performance, and service capabilities both in the domestic and international markets. Our superior technology, product performance, and service capabilities have been recognised by the market. Goldwind is an industry leader in China's wind power industry due to an excellent track record in our major business segments, a diversified business model, our products' technological advantages, distinctive competitive advantages, an effective corporate structure, and strong development potential. Looking ahead, the Company will continue to provide leadership in technology and product quality, maximise the value that we deliver to our clients, and serve as a premier provider of comprehensive wind power solutions.

Looking towards 2012, we believe China's wind power industry will face further challenges and adjustments. However, we are also pleased to see that, despite fierce competition, the market is shifting its focus towards long-term value and product quality, and the industry is returning to rational competition. The various policies and industry standards that were introduced in 2011 will play a major role in placing the wind industry on a sustainable, well-regulated growth trajectory and supporting further advances in wind power technology.

We are confident about the future development of the wind power industry. As the most mature and commercially-viable new energy, wind power is a pillar of China's strategic emerging industries and essential to the restructuring of China's energy mix. We are currently experiencing an industry downturn, a phase that every industry experiences periodically. However, we are encouraged that China's current regulatory framework will not only guide the industry towards a more sustainable path of development, but also serve as a challenge for wind power manufacturers to prove their core capabilities.

In 2012, Goldwind will make a fresh start by more aggressively pursuing opportunities in China's strategic emerging industries. Guided by the Company's long-term strategy, we will seek to improve and strengthen our primary wind power equipment business, enhance existing sources of profitability, explore new sources of profitability, strengthen our independent R&D capabilities, deploy our resources effectively, and improve our corporate management standards in order to advance our core competitive advantages and provide leadership in the global wind power industry.

Finally, on behalf of the Board, I would like to thank all of our stakeholders for their continued support over the last year, and express my sincere gratitude to all our employees for their hard work and achievements.

Yours Sincerely,
Wu Gang
Chairman
Xinjiang Goldwind Science & Technology Co., Ltd.

Company Profile

Xinjiang Goldwind Science & Technology Co., Ltd. (the "**Company**" or "**Goldwind**"; A Share code: 002202, H Share code: 2208) was established in Urumqi City, Xinjiang Uyghur Autonomous Region, the People's Republic of China (the "**PRC**" or "**China**") in 1998, became a joint-stock limited liability company in 2001, was successfully listed on the Shenzhen Stock Exchange in December 2007, and was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited in October 2010. The Company has a total of 2,694,588,000 issued shares, of which A Shares and H Shares account for 2,194,541,200 and 500,046,800, respectively.

The Company is one of the earliest Chinese manufacturers in the wind power industry. Our core group of technical and management personnel have more than 20 years of experience in this industry. The Company has established itself as a global leader in wind turbine generator ("**WTG**") manufacturing and providing comprehensive wind power solutions. A key element of our success was the establishment of an independent research and development ("**R&D**") system that develops tailored comprehensive solutions to provide the best value to our customers. The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in the following business segments: (1) WTG R&D, manufacturing and sales; (2) wind power services; and (3) wind farm investment, development and sales. Drawing from our extensive experience in the R&D and manufacture of WTGs and wind farm development, the Company is not only able to provide customers with high quality WTGs, but also comprehensive wind power services and wind farm development solutions, allowing us to meet our customers' needs in multiple segments of the wind power industry's value chain.

The Group's main products are the 1.5MW and 2.5MW WTGs. Over 6,000 of our MW-level WTGs are operating under diverse environmental conditions in 20 different provinces of China, and in several countries and regions throughout the world. Our longest serving WTGs have been in service for over seven years. The Company has also developed several specialised WTG series that are adapted to diverse environmental conditions, including low wind speed, high altitude, high and low temperature, and coastal conditions. The prototype for the newly developed 3.0MW direct-drive permanent magnet ("**DDPM**") WTG was completed in 2011. During the reporting period, the Company successfully won the bid for the national Wind and Solar Power Storage and Transmission (風光儲輸) demonstration project including 15 units of 2.5MW and 2 units of 3.0MW DDPM WTGs. This project was connected to the grid in November 2011. The R&D of our 6.0MW offshore WTGs is also progressing as scheduled. By the end of the reporting period, prototypes of key components had been produced, and a complete prototype of our 6.0MW model is expected within 2012. The Company's DDPM technology possesses four significant advantages, which are high efficiency, high reliability, superior grid connectivity, and lower spare parts and consumable materials requirements. After years of testing and analysis, these advantages of DDPM technology have been widely recognised by the wind power industry. In addition, along with the continuous innovation of our DDPM technology, the Company is proactively exploring new technological and cost innovations, and has completed its grid-friendly 3.0MW hybrid WTG, that uses a full power converter. During the reporting period, the Company assembled four prototypes of the 3.0MW hybrid WTGs.

The accumulated installed capacity of the Company reached 12,806.05MW, and had 10,722 units of installed WTGs by the end of 2011. In 2011, Goldwind's newly installed capacity ranked first in the PRC and second globally.

As the industry-leading provider of comprehensive wind power solutions, the Company seeks to strengthen our market position for WTG R&D, manufacturing and sales, and further expand into the international markets. We seek to provide high quality and reliable products and services, maximise customer value, and maximise returns for our shareholders.

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Wu Gang (Chairman)

Non-executive Directors
Mr. Li Ying (Vice Chairman)
Mr. Gao Zhong
Mr. Lv Houjun
Ms. Hu Yang

Independent Non-executive Directors
Mr. Wang Yousan
Mr. Shi Pengfei
Dr. Tin Yau Kelvin Wong

SUPERVISORS

Mr. Wang Mengqiu
(President of Supervisory Committee)
Mr. Wang Shiwei
Mr. Luo Jun
Mr. Zheng Chengjiang
Mr. Xiao Zhiping

COMPANY SECRETARY

Ms. Ma Jinru

AUTHORISED REPRESENTATIVES

Mr. Wu Gang
Ms. Ma Jinru

AUDIT COMMITTEE

Dr. Tin Yau Kelvin Wong
Mr. Wang Yousan
Mr. Gao Zhong

REMUNERATION AND ASSESSMENT COMMITTEE

Mr. Shi Pengfei
Mr. Wang Yousan
Mr. Li Ying

NOMINATION COMMITTEE

Mr. Wang Yousan
Mr. Shi Pengfei
Mr. Wu Gang

STRATEGIC COMMITTEE

Mr. Wu Gang
Mr. Shi Pengfei
Mr. Gao Zhong
Ms. Hu Yang

PLACE OF BUSINESS

In the PRC
No. 107
Shanghai Road
Economic & Technological Development District
Urumqi
Xinjiang

In Hong Kong
33/F Edinburgh Tower
The Landmark
15 Queen's Road, Central
Hong Kong

LEGAL COUNSEL

Morrison & Foerster

AUDITORS

International Auditor
Ernst & Young

PRC Auditor
Ernst & Young Hua Ming

COMPLIANCE ADVISER

Haitong International Capital Limited

LISTING PLACES

H Shares: The Stock Exchange of Hong Kong Limited
Stock name: Goldwind
Stock code: 2208

A Shares: Shenzhen Stock Exchange
Stock name: Goldwind
Stock code: 002202

SHARE REGISTRARS

H Shares:
ComputerShare Hong Kong Investor Services Limited

A Shares:
China Securities Depository and Clearing Corporation Limited, Shenzhen Branch

PRINCIPAL BANKERS

China Construction Bank Corporation
China Development Bank
Bank of China Limited, Xinjiang Branch
Citibank (China) Co., Ltd., Beijing Branch
Deutsche Bank (China) Co., Ltd., Beijing Branch
Bank of Communications Co., Ltd., Xinjiang Branch
China Merchants Bank, Urumqi Branch, Jiefang North Road Sub-Branch

COMPANY WEBSITE

www.goldwindglobal.com

Financial Highlights

(Except share data, all amounts in RMB thousands)

SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

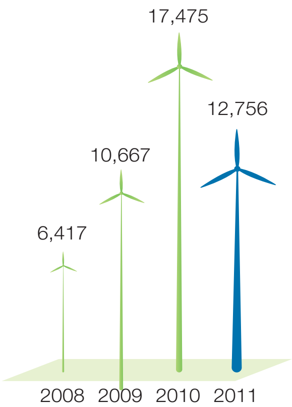
	Year ended 31 December		
	2011	2010	Change (%)
REVENUE	**12,755,970**	17,475,172	(27.01%)
PROFIT BEFORE TAX	**864,434**	2,799,715	(69.12%)
Income tax expense	**(146,448)**	(415,878)	(64.79%)
PROFIT FOR THE YEAR	**717,986**	2,383,837	(69.88%)
Profit attributable to:			
Owners of the Company	**606,707**	2,289,520	(73.50%)
Non-controlling interests	**111,279**	94,317	17.98%
OTHER COMPREHENSIVE INCOME	**(105,460)**	(27,475)	(283.84%)
TOTAL COMPREHENSIVE INCOME	**612,526**	2,356,362	(74.01%)
EARNINGS PER SHARE:			
Basic and diluted (RMB/share)	**0.23**	0.99	(76.77%)

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2011	2010	Change (%)
Total assets	**32,430,186**	28,397,616	14.20%
Total liabilities	**(19,161,677)**	(14,766,716)	29.76%
NET ASSETS	**13,268,509**	13,630,900	(2.66%)
Equity attributable to owners of the Company	**12,874,059**	13,288,988	(3.12%)
Non-controlling interests	**394,450**	341,912	15.37%

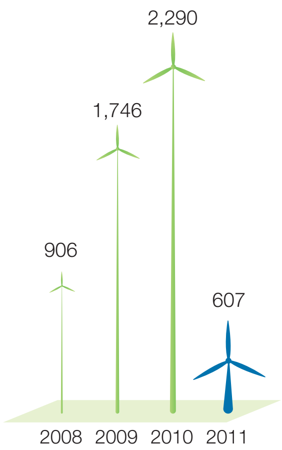
Revenue

(RMB Million)



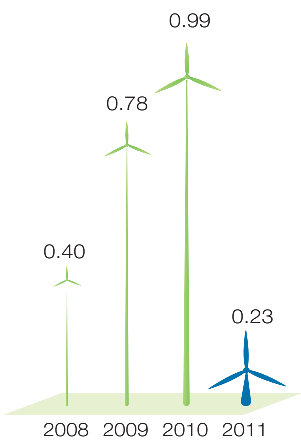
Profit Attributable to Owners of the Company

(RMB Million)



Earnings Per Share

(RMB)



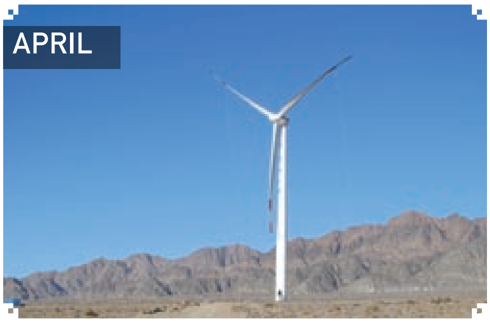
Milestones of 2011

JANUARY

- Goldwind signed an agreement with HydroChina International Engineering Co., Ltd. to provide 34 units of 1.5MW direct-drive permanent magnet ("**DDPM**") wind turbine generators ("**WTGs**") to their wind farm project in Adama, Ethiopia. This is Goldwind's first project in Africa.

FEBRUARY

- Goldwind was selected as one of the "2011 50 Most Innovative Companies" by the Massachusetts Institute of Technology's *Technology Review* magazine.



APRIL

- Goldwind's first 1.5MW DDPM high altitude WTG (GW87/1500 series) was successfully connected to the grid.

MAY

- Goldwind won the bid for Phase I of the national Wind and Solar Power Storage and Transmission (風光儲輸) demonstration project in Hebei province's Zhangbei and Shangyi counties, supplying 15 units of 2.5MW and 2 units of 3.0MW DDPM WTGs to the project.

JULY

- Goldwind began mass production of its 1.5MW DDPM low wind speed WTGs.
- Goldwind's 1.5MW DDPM WTG passed the zero voltage ride-through field test of Germanischer Lloyd ("**GL**").

AUGUST

- Goldwind signed an agreement with the Ecuador Electricity Corporation to provide comprehensive wind power services that include 11 units of 1.5MW DDPM high altitude WTGs to the Villonaco Project, the country's first large wind power project.
- Intertek awarded Goldwind's 1.5MW DDPM WTG with ETL certification, demonstrating that the design, quality, and performance of this product meet all legal safety requirements in the United States and Canada.

SEPTEMBER

- Goldwind was awarded the "National Quality Award" by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (the "**PRC**" or "**China**"). Goldwind was the only WTG manufacturer in China's wind power industry to be honoured with this award.
- Goldwind officially established the first corporate university within China's WTG manufacturing industry – Goldwind University.

Milestones of 2011

OCTOBER

- Goldwind began mass production of its 1.5MW DDPM high altitude WTGs.
- The Shady Oaks Project in Illinois, USA – Goldwind's largest overseas project so far – officially began construction.

NOVEMBER

- Goldwind successfully installed and connected 15 units of 2.5MW and 2 units of 3.0MW DDPM WTGs to the grid for Phase I of the Wind and Solar Power Storage and Transmission (風光儲輸) demonstration project.
- Goldwind received the grid connection approval and signed an agreement with the local Australian power grid company to connect 13 units of 1.5MW DDPM WTGs to the grid at Mortons Lane wind farm.
- Goldwind and the Industrial and Commercial Bank of China signed a *Strategic Cooperation Agreement* with regards to RMB10 billion in financing for its domestic development and daily operations.

DECEMBER

- Goldwind agreed to provide 33 units of 1.5MW DDPM high temperature WTGs for China Three Gorges Corporation's first wind power project in Pakistan. The agreement also includes a two-year contract for operations and maintenance services.
- Goldwind entered into an agreement with Mainstream Renewable Power to provide 23 units of 1.5MW DDPM low wind speed WTGs for Phase I of Mainstream's Negrete project in Chile.

Management Discussion and Analysis

I. INDUSTRY REVIEW

In 2011, the People's Republic of China (the "**PRC**" or "**China**") commenced its *Twelfth Five-Year Plan* in the midst of global economic turmoil. Despite debt crises in both Europe and the United States and a weaker global economy, China maintained strong economic growth and successfully managed inflation with a proactive fiscal policy and prudent monetary policy. However, liquidity in the domestic capital markets was tight, financing became more difficult to secure, and financial costs increased. During the reporting period, growth in domestic power demand remained strong and supported investment in power infrastructure. In addition, after five consecutive years of rapid growth during the *Eleventh Five-Year Plan*, China's wind power industry entered a period of adjustment. Newly installed capacity decreased modestly in 2011 as compared with 2010, representing the first decrease since the domestic wind power industry entered into rapid development.

i. Global Wind Power Industry

According to the statistics from the Global Wind Energy Council ("**GWEC**"), the global accumulated installed capacity reached 238.4GW in 2011, an increase of 20.6% compared to 2010. Global newly installed wind power capacity during the year was 41.2GW, an increase of 6.2% compared to 2010. The global wind power industry has also shifted its focus from Europe to Asia. In 2011, Europe and Asia accounted for 24.9% and 51.6% of the global newly installed wind power capacity, respectively. China represented 43.7% of global newly installed capacity in 2011, making it the largest wind power market in the world.

ii. China's Wind Power Industry

After a recent period of rapid development, China's wind power industry entered a period of adjustment in 2011. The grid connection bottleneck, frequent quality and safety issues, and fierce competition prompted the government to introduce a number of wind farm management policies and industry standards. Despite the stricter regulatory environment, wind power, an environmentally friendly renewable energy, remains one of China's key strategic emerging industries and still enjoys a strong outlook. With continuing industry consolidation, improving industry technological standards, and better comprehensive technological capabilities, China's wind power industry is expected to develop in a more sustainable fashion as China seeks to transition from the largest wind power market to the most advanced wind power market.

1. Changes in China's Wind Power Policies

In 2011, regulations were established for systematic wind power management in China. With mounting competition in the domestic wind power market, the industry called for a sustainable form of competition. To facilitate orderly development and raise the comprehensive technological standards of the wind power industry, a series of policies and industry standards were introduced during the reporting period.

1) Tighter Grid Connection Approvals, Enhanced Management of Grid Connection Technology

The rapid increase of installed wind power capacity has affected the safety and stability of China's power grid. In response to the large-scale wind farm outages in the first half of 2011, the State Grid Corporation of China (the "**State Grid**") issued the *Urgent Notice of Related Issues Regarding the Management of Wind Farm Grid Connections System* (關於風電場接入系統管理有關問題的緊急通知) in May 2011, stating that "all approvals for wind farm grid connection designs, grid connection applications and other preliminary works are suspended until conclusions are made by the relevant authorities". A nationwide review was also initiated to assess the potential hazards and safety issues of existing wind power equipment. In November 2011, the National Energy Administration (the "**NEA**") issued the *Notice Regarding Enhancing the Management of Wind Farm Grid Connection and Operations* (關於加強風電場併網運行管理的通知) and established new requirements regarding wind farm management, grid connection management, operating stability of wind turbine generators ("**WTGs**"), and low voltage ride-through ("**LVRT**") capabilities. The implementation of these policies will facilitate better coordination of grid construction and wind power projects, thus accelerating wind farm connections and improving wind power utilisation.

Management Discussion and Analysis

2) ***Centralisation of Government Approvals for Wind Power Projects***

In July 2011, the NEA issued the *Notice of the Schedule for the First Batch of Wind Farm Project Planned for Approval under the Twelfth Five-Year Plan* (關於"十二五"第一批擬核准風電項目計劃安排的通知). Based upon a review of all project applications submitted in different provinces, the NEA announced the first batch of approved wind farm projects under the *Twelfth Five-Year Plan*. Projects that were not listed in this notice were not granted approval. Prior to this notice, local provincial governments had the power to grant approvals for wind power projects with capacities below 50MW.

In August 2011, the NEA issued the *Interim Measures for the Management of Wind Power Development and Construction* (風電開發建設管理暫行辦法) to optimise the coordination of regional wind farm construction projects with national development. Under this measure, projects approved by the investment administration department of provincial governments must proceed in accordance with wind farm construction and annual development plans submitted to the energy administration department of the State Council. Projects constructed without approval will not receive energy price subsidies. As a result, the wind power industry will be required to conduct careful planning and pursue coordinated development.

Since the central government assumed responsibility for the approval process, the approval and development of wind power projects has become more systematic. This should facilitate coordination so that a greater number of wind farms can be connected to the grid and support the sustainable development of the industry.

3) ***Improved Wind Power Industry Standards and Technological Requirements***

In August 2011, the NEA issued 18 wind power industry standards, addressing issues including grid connection technology, WTGs and related equipments, wind farm planning and design, and the management of wind farm operations and maintenance. This represents a significant step by the government to promote the healthy development of the industry, enforce standards, and set a higher technological barrier to the wind power industry.

In order to guarantee the reliability of wind farm grid connections and the safety and stability of the power grid, the Standardisation Administration of the PRC issued the *Technological Regulations Regarding the Electrical System Connections of Wind Farms* (風電場接入電力系統技術規定) in the 2011 National Standard Announcement No.23 on 30 December 2011. These regulations, which will come into effect on 1 June 2012, combined with the *Technological Standards Regarding the Connection Design of Large-scale Wind Farms* (大型風電場併網設計技術規範) jointly lay out the technological requirements for wind farm connections.

4) *Development of Distributed Wind Power*

In order to make optimal use of China's wind energy resources and power grid, and based on lessons learned from the experiences of other countries, China's wind power industry has begun to develop small-scale, distributed wind power suited to local environments, simultaneously with the continuing development of systematic large-scale wind farms. This is essential for the sustainable development of the wind power industry in China. In November 2011, the NEA issued the *Directives and Opinions Regarding the Development and Construction of Distributed Wind Power Connection Projects* (分散式接入風電項目開發建設指導意見), aiming at simplifying and expediting the development of distributed wind power projects. Distributed wind power will become an increasingly important source of wind power in the future.

5) *Increased Supplementary Feed-in Tariffs for Renewable Energy*

In order to facilitate the development and utilisation of renewable energy, the Ministry of Finance along with the National Development and Reform Commission (the "**NDRC**") and the NEA jointly formulated the *Interim Measures for the Administration of Collection and Use of the Renewable Energy Development Fund* (可再生能源發展基金徵收使用管理暫行辦法), increasing the supplementary feed-in tariffs for renewable energy from RMB0.004 per kilowatt-hour to RMB0.008 per kilowatt-hour. The increase in the supplementary feed-in tariff is clearly favourable to the development of the wind energy industry. The policy also guarantees a source of capital for renewable energy.

2. Changes in Macroeconomic Environment

In 2011, in accordance with China's economic goals of maintaining growth, adjusting the country's economic structure, and managing inflation, the People's Bank of China adopted a steady monetary policy, controlling inflation through various measures including interest rate adjustments and the availability of loans. The wind power industry was affected by tighter credit conditions as the borrowing capability of project developers was reduced and wind farm construction slowed, leading to lower profitability. Wind power equipment manufacturers also faced greater difficulty in collecting accounts receivable and experienced higher financing costs.

Management Discussion and Analysis

3. WTG Manufacturing

In 2011, China's newly installed wind power capacity was 17,631MW, a modest decrease of 6.9% compared to 2010. China remains the global leader for newly installed wind power capacity, accounting for 42.7% of global installations during the year. China's accumulated installed capacity of 62,364MW is also the largest in the world.

1) Higher Barriers to Enter the Wind Power Industry

In recent years, the domestic wind power industry has developed rapidly as China became the largest wind power market in the world. However, the accelerated growth of the wind power industry and size of wind power projects has resulted in certain problems, such as inadequate wind farm construction planning, unsatisfactory WTG technology and quality, inadequate standards for the grid connection of wind power, and delayed wind farm inspections.

The 18 wind power industry standards and *Technological Regulations Regarding the Electrical System Connections of Wind Farms* (風電場接入電力系統技術規定) issued by the NEA not only provided a systematic framework for the industry, but also increased the barriers to enter the industry, and will shift the industry's focus from rapid growth to product quality.

2) Changes in Competitive Environment

During the first half of 2011, the industry average selling price ("**ASP**") for WTGs continued to decrease. However, prices decreased at a much slower pace than in 2010. Since July, the ASP has fluctuated and on average increased. After experiencing fierce price competition, the industry will gradually return to more rational competition. In the next round of competition, the focus will be shifted towards quality, technology, services, profit models, and differentiation strategies. Customers will be more orientated towards the cost per kilowatt-hour and power generation efficiency during the lifetime of WTGs.

3) *A Shift towards Sustainable Development*

In August 2011, the NEA proposed the "Five Changes" of wind power development and issued the 18 wind power technology standards, and began to restructure the development of wind power through strategic planning and technological standards that drew strong reactions within the industry. During the *Twelfth Five-Year Plan*, wind power in China will enter a phase of stable development. Better equipment manufacturing, research and development ("**R&D**"), and better management of wind farm operation and maintenance will strengthen China's leadership in the global wind power industry. After a period of rapid growth, China's wind power industry will become increasingly focused on maximising quality and capacity utilisation. Distributed and offshore wind power can address the existing problems of inadequate grid capacity and low capacity utilisation, and will also supplement large-scale, onshore wind farm development.

4) *Development of Large Capacity and Offshore WTGs*

The Ministry of Science and Technology of the PRC ("**MOST**") issued the *National Science and Technology Development Plan during the "Twelfth Five-Year Plan"* (國家"十二五"科學技術發展規劃) in July 2011, prioritising the development of large capacity WTGs, the design and operation of large-scale onshore and offshore wind farms, the manufacture of core equipment and components, grid connections, and the adjustment and management of power grids. MOST announced the first batch of supported projects in the second half of 2011 that included the R&D of blade designs, large capacity WTGs, and offshore wind power projects. Also, the renewable energy section of the *Twelfth Five-Year Plan* targets 5GW of offshore installed capacity by the end of 2015. The domestic wind power industry structure of "prioritising onshore wind power whilst developing offshore wind power" has been set. Major manufacturers have begun to accelerate the R&D of large capacity WTGs in order to compete in the offshore market.

5) *Increase in Price of Raw Materials*

During the reporting period, rare earths spot market prices increased dramatically. Although rare earths prices dropped sharply in the second half of the year, 2011 prices remained relatively high compared to 2010, and negatively impacted the profitability of WTG manufacturers that purchases rare earths as a raw material. In addition, the prices of other raw materials such as copper and steel also increased, putting manufacturers under further cost pressures.

Management Discussion and Analysis

II. BUSINESS REVIEW

During the reporting period, the Company prepared for changes in the industry and market by focusing on innovation, R&D, accelerating product development and upgrade, expanding into the global market, strengthening comprehensive solutions capabilities, and increasing the operations scale and profitability of the wind farm investment, development and sales and wind power services segments. Although our financial performance was negatively impacted by slower market conditions, the Company achieved success in areas that are essential to our long-term sustainable development, including R&D, quality control, order intake, services, and international growth.

i. WTG R&D, Manufacturing and Sales

During the reporting period, revenue from the sale of WTGs and components was RMB12,254.48 million, representing a 27.93% decrease compared to the corresponding period of the preceding year. The Company sold WTGs with a combined total capacity of 3,105.75MW, representing a decrease of 22.49% compared to the corresponding period of the preceding year. The following table provides the details of our WTG sales volumes in 2011 and 2010:

	2011		2010		Change in
Model	**Unit sold**	**MW sold (MW)**	Unit sold	MW sold (MW)	MW sold (%)
3.0MW	**2**	**6**	–	–	–
2.5MW	**87**	**217.5**	1	2.5	8,600
1.5MW	**1,921**	**2,881.5**	2,567	3,850.5	(25.17)
750kW	**1**	**0.75**	205	153.75	(99.51)
Total	**2,011**	**3,105.75**	2,773	4,006.75	(22.49)

The Company installed 3,600MW in China during 2011. This represents a domestic market share of 20.4%, ranked first in China. The Company installed a further 111MW in the international market in 2011. As at the end of 2011, the Company's total installed capacity in China was 12,678.85MW, including 6,217 units of 1.5MW WTGs and 46 units of 2.5MW WTGs. The technical availability rate of our 1.5MW WTGs reached 98.9% in 2011. Our 2.5MW WTGs, which entered its first year of commercial production, achieved a technical availability rate of 95%. During the reporting period, in recognition of our products' consistent quality and reliability, we were awarded the only "National Quality Award" (全國質量工作先進單位) in the wind power industry. This is the highest recognition of our product quality.

Intellectual property rights are essential to support innovation and facilitate the shift from "Made in China" to "Created in China". In response to fierce competition, Goldwind continued to pursue technological breakthroughs related to our direct-drive permanent magnet ("**DDPM**") technology, for which we have independent intellectual property rights. We continued to develop specialised WTG models adapted to market demand and technological trends. As a result, we have maintained DDPM's leading position in various market segments.

In 2011, Goldwind began commercial production of its high altitude and low wind speed 1.5MW DDPM WTG series, enriching our product line and helping our clients to explore the high altitude and low wind speed wind power markets. As at the end of 2011, the Company had installed 870MW of low wind speed WTGs and 50MW of high altitude WTGs. Our specialised WTGs have been received well by the market and established a process for the future development of WTGs suited for special conditions. In recognition of Goldwind's ability to customise its WTGs to suit challenging operating environments, the Company was selected, for the second consecutive year, as one of the "2012 50 Most Innovative Companies" by the Massachusetts Institute of Technology's *Technology Review* magazine.

In addition to the development of new products, the Company has continuously upgraded and optimised its 1.5MW DDPM WTGs. In response to the increasing cost of raw materials, we have improved our technologies to relieve some of our cost pressures.

During the reporting period, the Company's 1.5MW DDPM WTGs successfully passed the most stringent LVRT test, Germanischer Lloyd's ("**GL**") zero voltage ride-through test, demonstrating the superior grid connectivity of the Company's DDPM WTGs.

In 2011, Goldwind commenced commercial production of the 2.5MW WTGs, and the R&D of specialised 2.5MW WTG models is progressing as scheduled. During the reporting period, the 103/2.5MW and the low wind speed 106/2.5MW WTG models, which are both designed for onshore installation, were installed and put into operation. A prototype of the 109/2.5MW unit, which is designed for offshore installation, was assembled. Two prototypes of the new 110/3.0MW DDPM WTG were also installed and put into operation. Four prototypes of the 3.0MW hybrid PM WTG were installed during the reporting period and are expected to commence operation in the first quarter of 2012.

The Goldwind Renewable Energy Smart Micro-grid Demonstration Project (金風科技可再生能源智能微網示範工程) (2.5MW WTG), a national demonstration project, was installed during 2011. The WTG will be connected to the smart micro-grid on the grounds of the Company's offices. This will become an important source of power and play a major role in the R&D and testing of our smart micro-grid technologies, providing the Company with primary data that is essential to the development of comprehensive new energy solutions for the future.

Management Discussion and Analysis

In addition, the Company won the bid for Phase I of the Wind and Solar Power Storage and Transmission (風光儲輸) demonstration project with a capacity of nearly 50MW, providing 15 units of 2.5MW and 2 units of 3.0MW DDPM WTGs. As of November 2011, the project was connected to the power grid and is operational. This project demonstrated the superior grid connectivity of Goldwind's DDPM WTGs, and is another major milestone in the Company's development of large capacity WTGs.

The R&D of the Company's 6.0MW offshore WTG unit has been progressing as scheduled. The trial production of key components was completed during the reporting period. A prototype is expected in the first half of 2012.

As at 31 December 2011, the backlog of orders under contract was 3,930.5MW, which included 3,268.5MW of 1.5MW WTGs, 650.0MW of 2.5MW WTGs, and 12.0MW of 3.0MW WTGs. In addition, we also have orders of 2,396.5MW of successful bids that are awaiting final contracts, including 1,716.0MW of 1.5MW WTGs, 677.5MW of 2.5MW WTGs, and 3.0MW of 3.0MW WTGs. The combined backlog was 6,327.0MW.

ii. Wind Power Services

Goldwind is not only a wind power equipment manufacturer, but also a provider of comprehensive wind power solutions. The Group seeks to expand our service operations in order to enhance our competitiveness through differentiation, and provide new sources of profitability.

As at 31 December 2011, the Group had completed the maintenance on over 6,000 cumulative units of WTGs. Since 2008, the cumulative sales of the SCADA system and our energy management platform, leading wind farm information technology products, exceeded 80 and 50 units, respectively.

In an effort to establish a benchmark for wind power services in China, the Company has strived to provide professional wind power technology services to clients and maximise the value for our clients by maintaining an optimal generating capacity during the product's 20-year lifespan. During the reporting period, the Company enhanced its comprehensive wind power services' business and continued to strengthen the competitiveness of its service segment. The Group's wind power services segment generated revenues of RMB362.66 million in 2011, an increase of 23.91% compared to 2010. In 2012, the Group will continue to pursue its comprehensive services sales model, to maximise wind power investment returns and strengthen the competitiveness of our service system through ensuring a high technical availability rate and capacity utilisation of our WTGs, and minimising the cost per kilowatt-hour. In addition, the Company will support the development and operations of distributed wind power projects and explore new service market segments.

iii. Wind Farm Investment, Development and Sales

The wind farm investment, development and sales segment represented a key source of profitability for the Company in 2011, partially offsetting weaker manufacturing margins evident throughout the industry. Beijing Tianrun New Energy Investment Co., Ltd., a wholly-owned subsidiary of the Company engaged in wind farm investment, development and sales, has become a significant and nationally recognised wind power developer.

During the reporting period, the Company sold all or part of the equity interests of 7 wind farm subsidiaries (including 9 wind power projects), with a combined attributable installed capacity of approximately 244.8MW. As at the end of the reporting period, the total installed capacity of completed wind farms was 1,338.0MW and the attributable installed capacity was 572.2MW. As at the end of the reporting period, the Company also had wind farms under construction with a total capacity of 622.5MW and an attributable capacity of 558.3MW.

During the reporting period, the revenue from power generated by wind farms operated by the Group was RMB138.83 million, a decrease of 21.93% compared to the corresponding period of the preceding year. Investment gains from the sale of wind farms totalled RMB386.80 million, a decrease of 12.84% compared to 2010.

iv. International Business

The Company has leveraged its competitive advantages of resources and technology to successfully expand and compete in the international market, making substantial progress in terms of the internationalisation of our technology, market footprint, staff, and capital resources in 2011. During the reporting period, through a combination of WTG sales and wind farm development, the Company exceeded expectations in the United States and a number of emerging wind power markets. The Company achieved international sales revenues of RMB1,208.92 million in 2011. In addition to selling WTGs directly to global customers, the Company also invested in and constructed wind power projects abroad, in locations throughout North America, South America, Australia, Europe, Asia, and Africa.

During the reporting period, Goldwind entered into a contract with the Ecuador Electricity Corporation ("**CELEC EP**"). The Company will provide Ecuador's Villonaco wind power project with comprehensive services and WTGs, demonstrating the Company's comprehensive wind power solutions capabilities. Also, the Company signed an agreement with the globally recognised renewable energy developer, Mainstream Renewable Power, to supply 23 units of 1.5MW low wind speed DDPM WTGs for Phase I of its Negrete wind farm project in Chile. This marked Goldwind's first project in Chile and the overseas debut of our low wind speed DDPM WTG.

Management Discussion and Analysis

During the reporting period, Goldwind's 1.5MW DDPM WTG passed Intertek's ETL certification, demonstrating that the design, quality, and performance of this product comply with the safety standards of the United States and Canada. Goldwind was the first Chinese WTG manufacturer to receive this certification and it represented another key step into the US and Canadian markets.

v. Issue of Corporate Bonds

The board meeting and 2010 Annual General Meeting of the Company, on 19 April 2011 and 24 June 2011, respectively, approved an issue of corporate bonds with an aggregate principal amount of not more than RMB5 billion ("**Corporate Bonds**"). On 6 September 2011, the Company received the *Approval for Public Issuance of Corporate Bonds by Xinjiang Goldwind Science & Technology Co., Ltd.* (《關於核准新疆金風科技股份有限公司公開發行公司債券的批復》Zheng Jian Xu Ke [2011] No.1397) from the China Securities Regulatory Commission (the "**CSRC**"). On 22 February 2012, the coupon rate for 3-year Corporate Bonds (the first tranche) of the Company was set at 6.63%. The Company issued its first tranche of Corporate Bonds with an aggregate principal amount of RMB3 billion on 27 February 2012. The Corporate Bonds were issued at par with a face value of RMB100. The issuance was an offline offering to institutional investors in the PRC only. The Corporate Bonds were listed on the Shenzhen Stock Exchange on 16 March 2012.

vi. Major Subsidiaries

The Company has 81 subsidiaries, among which 18 are directly controlled subsidiaries and 63 are indirectly controlled subsidiaries. In addition, we have nine jointly-controlled entities, seven associate companies, and seven joint ventures. The following table sets out the financial details of the principal subsidiaries of the Company (in accordance with the accounting principles of the PRC (the "**PRC GAAP**")):

As at 31 December 2011
Unit: RMB ten thousand

No.	Company Name	Registered Capital	Total Assets	Net Assets	Revenue of Principal Businesses	Net Profits Attributable to the Parent Company
WTG R&D and Manufacturing						
1	Beijing Goldwind Science & Creation Wind Power Equipment Co., Ltd.	99,000	511,029.23	133,010.20	411,041.67	(3,308.89)
2	Inner Mongolia Goldwind Science & Technology Co., Ltd.	15,000	78,621.87	33,557.52	88,985.04	5,696.25
3	Vensys Energy AG	Euro5 million	104,500.92	61,329.14	166,170.88	30,987.73
4	Gansu Goldwind Wind Power Equipment Manufacture Co., Ltd.	8,860	37,606.75	23,069.13	53,131.85	4,578.72
5	Xi'an Goldwind Wind Power Equipment Manufacture Co., Ltd.	6,000	83,554.16	30,272.60	126,754.75	9,266.98
6	Jiangsu Goldwind Wind Power Equipment Manufacture Co., Ltd.	67,000	99,960.09	71,827.24	67,639.79	4,402.34
Components R&D and Manufacturing						
1	Beijing Techwin Electric Co., Ltd.	6,919.68	54,721.26	13,034.17	69,047.57	3,403.94
Wind Power Investment						
1	Beijing Tianrun New Energy Investment Co., Ltd.	48,160	521,870.16	105,725.75	8,812.55	14,522.84
2	Goldwind Investment Holding Co., Ltd.	100,000	133,698.34	103,236.08	19,886.38	965.05
Wind Power Service						
1	Beijing Tianyuan Science & Creation Wind Power Technology Co., Ltd.	4,500	88,638.78	19,912.59	92,947.75	6,593.15
2	Tianyun Wind Power (Beijing) Logistics Co., Ltd.	1,450	8,220.61	5,902.67	10,147.90	1,424.47

Management Discussion and Analysis

vii. Use of Proceeds

1. Use of H Share Proceeds

The Company was listed on the Stock Exchange of Hong Kong Limited in October 2010. According to the *Capital Verification Report* issued by Ernst & Young Hua Ming, the net H Share proceeds were the equivalent of RMB6.754 billion in Hong Kong Dollars ("**HKD**"). According to the Company's proceeds investment plan, approximately 64.8% of the proceeds shall be used in the domestic market, and approximately 35.2% shall be used in the international market. As at 31 December 2011, the accumulated used proceeds were the equivalent of RMB3.615 billion in HKD, and the unused proceeds were the equivalent of RMB3.139 billion in HKD. The use of H Share proceeds is as follows:

(Unit: RMB million)

Proceed Projects	Planned Investment	Actual Investment	Unused Amount
Construction of production base and optimisation of business operations	2,715	1,933	782
R&D of WTGs and components	986	151	835
International business	1,972	450	1,522
Bank loan repayment	411	411	–
General working capital	670	670	–
Total	6,754	3,615	3,139

2. Use of A Share Proceeds

The Company was listed on the Shenzhen Stock Exchange in December 2007. According to the *Capital Verification Report* issued by WUZHOU SONGDE Accountants Firm on 19 December 2007, the actual net proceeds were RMB1.745 billion. As at 31 December 2011, the accumulated used proceeds were RMB1.547 billion, and the unused proceeds were RMB198 million. The use of A Share proceeds is as follows:

(Unit: RMB million)

Proceed Projects	Planned Investment	Actual Investment	Unused Amount
Capacity Expansion			
Beijing MW-level WTG high technology industrialisation project	150	150	–
Xinjiang MW-level WTG capacity expansion project	461	461	–
Inner Mongolia MW-level DDPM WTG industrialisation project	127	127	–
Nanjing MW-level WTG industrialisation project	25.45	25.45	–
Jiangsu Dafeng Offshore WTG R&D and manufacturing base	89.61	–	89.61
R&D Projects			
1.5MW WTG series	128	128	–
2.5MW DDPM WTG	160	160	–
3MW hybrid PM WTG	232	148.13	83.87
6MW DDPM WTG	50	25.55	24.45
Testing laboratory	40	40	–
Wind Farm Development and Sales			
Capital increase to FUHUI wind power for WULATE project	81.60	81.60	–
Tacheng Mayitasi 49.5MW Trial Demonstration Wind Farm	100	100	–
Goldwind Damao National Demonstration Wind Farm	100	100	–
Total	1,744.66	1,546.73	197.93

Management Discussion and Analysis

viii. Human Resource Management

As at 31 December 2011, the Group had a total of 4,665 employees, categorised as follows:

Item	Category	Number of Staff	(%) of Total
Profession	Technology	853	18.28%
	Production	1,539	32.99%
	Sales	177	3.79%
	Service	1,168	25.04%
	Management	805	17.26%
	Finance	123	2.64%
	Total	4,665	100%
Education Level	Master and above	493	10.57%
	Bachelor	1,870	40.09%
	College	1,429	30.63%
	Below College	873	18.71%
	Total	4,665	100%

The Group provides management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. We sign individual employment contracts with our employees, covering, among other items, salaries, benefits, training, workplace health and safety, confidentiality obligations relating to trade secrets, and grounds for termination. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration the Group's performance and performance of individual employees. The Group provides pension to our employees as a certain percentage of their applicable salary in accordance with relevant laws and regulations of the PRC and abroad, as well as other benefits such as medical insurance and rent discounts.

III. OPERATIONS PERFORMANCE AND ANALYSIS

The contents of this section should be read in conjunction with the audited consolidated financial statements of the Group set out in this report (including the relevant notes).

Summary

For the financial year ended 31 December 2011, revenue for the Group was RMB12,755.97 million, representing a decrease of 27.01% compared to RMB17,475.17 million for the financial year ended 31 December 2010. Profit attributable to owners of the Company amounted to RMB606.71 million, representing a decrease of 73.50% compared to the preceding year. Basic earnings per share of the Company were RMB0.23.

Revenue

Revenue for the Group is generated from three business segments: (i) WTG R&D, manufacturing and sales; (ii) wind power services, and; (iii) wind farm investment, development and sales. Revenue from segment (i) is mainly generated through sales of WTGs and components. Revenue from segment (ii) is mainly generated through services such as wind farm EPC, transportation, and maintenance. Revenue from segment (iii) is generated from the sale of power produced by our operating wind farms.

For the financial year ended 31 December 2011, the Group's total revenue amounted to RMB12,755.97 million, representing a decrease of 27.01% compared to RMB17,475.17 million for the corresponding period of the preceding year. Details are set out below.

Unit: RMB thousand

	Year ended 31 December		Amount	
	2011	2010	Change	Change
Sales of WTGs and components	**12,254,476**	17,004,649	(4,750,173)	(27.93%)
Wind power services	**362,661**	292,685	69,976	23.91%
Wind power generation	**138,833**	177,838	(39,005)	(21.93%)
Total	**12,755,970**	17,475,172	(4,719,202)	(27.01%)

Management Discussion and Analysis

The decrease of total revenue is mainly due to the decrease of revenue from sales of WTGs and components and reduced power generation from our wind farms compared to the preceding year. The decrease of revenue generated by our sales of WTGs and components is mainly due to the delay of WTG deliveries as requested by clients, resulting in a decrease in sales volume compared to the preceding year. Meanwhile, fierce competition in the market resulted in a lower ASP, which also negatively affected our revenue in that segment. The primary reason for the decrease of revenue from wind power generation is that the number of our wind farms decreased after some were sold.

Cost of Sales

The Group's cost of sales consists primarily of raw materials and components, labour, depreciation and amortisation, other production costs and inventory changes, as well as transferred fixed assets. The cost of raw materials and components mainly include blades, generators, structural parts, and electric control systems. Labour costs primarily consist of salaries and wages for employees directly involved in production and wind power services. Depreciation and amortisation expenses are calculated for the usage of fixed assets and intangible assets, respectively, during operations of the Group. Inventory changes represent the changes in unfinished and finished goods, and transferred fixed assets represent the use of our WTGs as fixed assets in wind farms developed by our Group.

The following table provides a breakdown of our cost of sales:

Unit: RMB thousand

	Year ended 31 December		Amount	
	2011	2010	Change	Change
Raw materials and components	**10,759,132**	14,688,005	(3,928,873)	(26.75%)
Labour	**120,527**	112,602	7,925	7.04%
Depreciation and amortisation	**120,561**	121,565	(1,004)	(0.83%)
Other production cost	**544,488**	315,533	228,955	72.56%
Changes in inventories and transferred fixed assets	**(845,530)**	(1,783,951)	938,421	(52.60%)
Total	**10,699,178**	13,453,754	(2,754,576)	(20.47%)

The following table provides a breakdown of our cost of sales by business segments:

Unit: RMB thousand

	Year ended 31 December		Amount	
	2011	2010	Change	Change
Sales of WTGs and components	**10,370,493**	13,152,606	(2,782,113)	(21.15%)
Wind power services	**274,293**	237,984	36,309	15.26%
Wind power generation	**54,392**	63,164	(8,772)	(13.89%)
Total	**10,699,178**	13,453,754	(2,754,576)	(20.47%)

Cost of sales decreased mainly due to the decrease in the Group's total sales volume and the reduction in cost per unit of WTG manufacturing.

Gross Profit

Unit: RMB thousand

	Year ended 31 December		Amount	
	2011	2010	Change	Change
Sales of WTGs and components	**1,883,983**	3,852,043	(1,968,060)	(51.09%)
Wind power services	**88,368**	54,701	33,667	61.55%
Wind power generation	**84,441**	114,674	(30,233)	(26.36%)
Total	**2,056,792**	4,021,418	(1,964,626)	(48.85%)

Management Discussion and Analysis

The Group's gross profit is derived primarily from the WTG R&D, manufacturing and sales segment. For the two years ended 31 December 2010 and 2011, our overall gross margins were 23.01% and 16.13%, respectively, and the gross margins for the WTG R&D, manufacturing and sales segment were 22.65% and 15.37%, respectively. The following table sets out the gross margins for our 750kW, 1.5MW, 2.5MW, and 3MW WTGs (prepared in accordance with PRC GAAP):

Gross Profit Margin

	Year ended 31 December		
	2011	2010	Change
750kW	**32.93%**	27.69%	5.24%
1.5MW	**14.60%**	22.92%	(8.32%)
2.5MW	**2.95%**	8.47%	(5.52%)
3MW	**(15.28%)**	N/A	N/A

As compared with the previous year, the 1.5MW unit remains as the main product among our WTG sales, representing 92.56% of revenue for sales of whole WTGs. In addition, our sales mix of whole WTGs is gradually shifting towards larger capacity WTGs, and the sales of 2.5MW WTGs steadily increased.

During the reporting period, the gross profit margin for our 1.5MW WTGs decreased by 8.32% compared to the corresponding period of the preceding year, mainly due to the decrease in ASP caused by fierce market competition. The Company has not yet reached mass production of 2.5MW WTGs and thus the benefits of economies of scale are not yet apparent, whilst its ASP was also below expectations due to fierce market competition.

The Company sold two prototypes of 3.0MW DDPM WTGs during the reporting period. These two prototypes were used in the national Wind and Solar Power Storage and Transmission project.

Other Income and Gains

The Group's other income and gains primarily consist of gains from the sale of wind farms from the wind farm investment, development and sales segment (including gains realised from the sale of wind power equipment installed in these wind farms), interest income, insurance compensation for product warranty expenditures, total rental income, and government subsidies received for our R&D projects and upgrades of our production facilities.

For the financial year ended 31 December 2011, the Group's total other income and gains amounted to RMB770.15 million, representing a 15.69% increase from RMB665.73 million for the financial year ended 31 December 2010. The increase is mainly due to wind farm disposal gains and increased government subsidies.

Selling and Distribution Costs

Our selling and distribution costs primarily consist of product warranty provisions, transportation costs, insurance expenses, bidding service fees, labour costs, loading and unloading fees, travel expenses, and other expenses.

Selling and distribution costs of the Group for the financial year ended 31 December 2011 amounted to approximately RMB990.32 million, a 9.67% decrease compared to RMB1,096.36 million for the corresponding period of the preceding year. The decrease is mainly attributed to a decrease in the provisions for warranty expenses and transportation costs due to a decrease in sales of the Company.

Administrative Expenses

Administrative expenses primarily consist of R&D expenses, labour costs, taxes, depreciation, consultation fees, travel expenses, and other expenses. Administrative expenses increased from RMB417.62 million for the financial year ended 31 December 2010 to RMB738.69 million for the financial year ended 31 December 2011. The increase is mainly due to increases in R&D expenditure, the number of employees, and the corresponding increase in salary expenditure.

Other Expenses

Other expenses mainly consist of banking administration fees, foreign exchange losses, and the impairment provisions accrued in connection with our trade and bills receivables. Other expenses of the Group for the financial year ended 31 December 2011 amounted to approximately RMB78.79 million, representing a decrease of 71.06% compared to RMB272.21 million for the corresponding period of the preceding year. Decreased expenses are mainly due to decreases in foreign exchange losses and bad debt provisions.

Finance Costs

Finance costs of the Group for the financial year ended 31 December 2011 amounted to RMB257.95 million, an increase of 120.51% from RMB116.98 million for the financial year ended 31 December 2010. The increase is mainly due to an increase in the Group's working capital requirements leading to a significant increase in interest-bearing borrowings, whilst expensed interests also increased resulting from the completion and subsequent operations of wind farm projects.

Management Discussion and Analysis

Income Tax Expenses

For the financial year ended 31 December 2011, the Group incurred income tax expenses of RMB146.45 million, a decrease of 64.79% compared to RMB415.88 million for the financial year ended 31 December 2010. The decrease is primarily attributed to the decrease of the Group's profits resulting from fierce market competition.

Financial Position

As at 31 December 2011 and 31 December 2010, total assets of the Group amounted to RMB32,430.19 million and RMB28,397.62 million, respectively. Current assets of the Group as at 31 December 2011 totalled RMB25,366.78 million, while current assets as at 31 December 2010 totalled RMB22,836.08 million. The percentage of current assets to total assets of the Group as at 31 December 2011 was 78.22% (31 December 2010: 80.42%). Non-current assets of the Group as at 31 December 2011 and 31 December 2010 were RMB7,063.41 million and RMB5,561.54 million, respectively.

Total liabilities of the Group as at 31 December 2011 and 31 December 2010 amounted to RMB19,161.68 million and RMB14,766.72 million, respectively. As at 31 December 2011 and 31 December 2010, current liabilities of the Group totalled RMB15,712.90 million and RMB12,456.20 million, respectively. Non-current liabilities of the Group as at 31 December 2011 and 31 December 2010 were RMB3,448.78 million and RMB2,310.52 million, respectively.

Net current assets and net assets of the Group as at 31 December 2011 amounted to RMB9,653.88 million and RMB13,268.51 million, respectively, compared to RMB10,379.88 million and RMB13,630.90 million, respectively, as at 31 December 2010.

Cash and cash equivalents of the Group as at 31 December 2011 and 31 December 2010 were RMB7,596.92 million and RMB9,323.60 million, respectively. As of 31 December 2011 and 31 December 2010, interest-bearing bank loans of the Group amounted to RMB8,042.23 million and RMB2,966.84 million, respectively.

Financial Resources and Liquidity

Cash Flow Statement

Unit: RMB thousand

	Year ended 31 December	
	2011	2010
Net cash flows (for)/from operating activities	**(4,133,442)**	186,411
Net cash flows for investment activities	**(3,356,277)**	(2,495,377)
Net cash flows from financing activities	**5,904,796**	7,278,812
Net increase/(decrease) in cash and cash equivalents	**(1,584,923)**	4,969,846
Cash and cash equivalents at beginning of year	**9,242,400**	4,378,950
Net effect of foreign exchange rate changes	**(102,847)**	(106,396)
Cash and cash equivalents at end of year	**7,554,630**	9,242,400

1. Cash flows (for)/from operating activities

Net cash flows of the Group from operating activities primarily consist of profit before tax adjusted for non-cash items, movements in working capital, and other income and gains.

For the financial year ended 31 December 2011, the Group reported net cash flows for operating activities of RMB4,133.44 million, principally comprised of profit before tax of RMB864.43 million, adjusted for a RMB16.56 million impairment of trade and other receivables and a RMB257.95 million increase in financial costs. These cash inflows were offset by a RMB780.09 million increase in inventories as a result of the increases in our raw materials and semi-finished goods in order to prevent increases in the price of components and to meet orders of delivery, a RMB2,816.03 million increase in trade and bills receivables as a result of increased sales on which payment had not yet become due under sales contracts, and a RMB792.13 million decrease in other payables and accruals as a result of covering for future deductions for increases in the input tax of value-added tax and payment of purchases in shares of subsidiaries during the preceding year.

Management Discussion and Analysis

For the financial year ended 31 December 2010, the Group reported net cash flows from operating activities of RMB186.41 million, principally comprised of profit before tax of RMB2,799.72 million, adjusted for a RMB186.80 million impairment of trade and other receivables and a RMB3,638.50 million increase in trade and bill payables. These cash inflows were offset by a RMB1,442.97 million increase in inventories as a result of the increases in our raw materials and semi-finished goods in order to prevent increases in the price of components and to meet orders of delivery and a RMB4,415.85 million increase in trade and bills receivables as a result of increased sales on which payment had not yet become due under sales contracts.

2. Cash flows for investment activities

Net cash flows of the Group used in investment activities has principally been used for purchases of property, plant and equipment, acquisition of subsidiaries, pledged deposits, non-pledged time deposits with original maturity of three months or more, and the acquisition of investment properties.

For the financial year ended 31 December 2011, the Group's net cash flows for investment activities was RMB3,356.28 million, principally due to purchases of property, plant and equipment in the amount of RMB3,006.15 million, RMB205.70 million for other intangible assets, and RMB325.37 million for acquisition of subsidiaries, offset partly by a RMB318.27 million decrease in pledged deposits and a RMB199.24 million inflow from the disposal of subsidiaries (net of cash disposed of).

For the financial year ended 31 December 2010, the Group's net cash flows for investment activities was RMB2,495.38 million, principally due to purchases of property, plant and equipment in the amount of RMB2,551.90 million and a RMB116.06 million increase in pledged deposits, offset partly by a RMB213.04 million inflow from the disposal of subsidiaries (net of cash disposed of).

3. Cash flows from financing activities

The Group's cash flows for financing activities were primarily used for repayment our bank and other borrowings and dividend payments to our shareholders. The Group's cash flows from financing activities were generally derived from new bank loans.

For the financial year ended 31 December 2011, the Group reported net cash flows from financing activities of RMB5,904.80 million, principally contributed by new bank loans in the amount of RMB11,882.92 million, offset by RMB4,949.54 million used to repay bank loans, RMB916.16 million in dividends paid to shareholders of the Company, and RMB251.76 million in interest payments.

For the financial year ended 31 December 2010, the Group reported net cash flows from financing activities of RMB7,278.81 million, principally contributed by proceeds from an issuance of new shares in the amount of RMB7,038.79 million and new bank loans in the amount of RMB3,659.29 million, offset by RMB2,023.05 million used to repay bank loans, RMB924.00 million in dividends paid to shareholders of the Company, RMB269.29 million in administrative expenses for the new share issue, and RMB152.71 million in interest payments.

Capital Expenditures

Capital expenditures of the Group for the financial year ended 31 December 2011 was RMB3,326.58 million, a decrease of 2.02% compared to RMB3,395.01 million for the financial year ended 31 December 2010. Our primary sources of capital included the proceeds from a previous issue of new shares, bank loans, and cash flows from operations.

IV. POTENTIAL RISK FACTORS

i. Slower Industry Growth

Since the end of 2010, China's wind power industry has undergone a series of adjustments, such as centralised management of approvals by the NDRC, more stringent approval for grid connections by the State Grid and enhanced management of grid connection technologies by the NEA. The implementation of these policies had a short-term impact on the entire industry, leading to a slower rate of growth.

China's newly installed capacity decreased in 2011 when compared to 2010. According to the *Twelfth Five-Year Plan*, the future development of wind power in China will maintain a steady pace, which will be relatively slower when compared to the rapid growth experienced during the *Eleventh Five-Year Plan*.

ii. Fierce Market Competition

China has become the fastest growing wind power market in the world, attracting a large number of investors, and as a result, competition has increased. Although the Company has strengthened its competitiveness through our leading technologies, developing internationally recognised high quality WTGs, and providing high quality products and comprehensive wind power solutions to our clients, any unfavourable or unpredictable changes in the market may affect the Company's businesses, operating results, and future prospects.

Management Discussion and Analysis

iii. Lower WTG ASP

Fierce competition in China's wind power market has caused the WTG ASP to decrease, putting WTG manufacturers' profit margin under pressure. Going forward, the Company will continue to improve cost-cutting initiatives, increase the proportion of in-house production of WTG components, and improve the efficiency of mass production in order to offset the risks associated with further decreases in ASP.

iv. Fluctuations in Raw Material Prices

During the reporting period, rare earths prices increased dramatically due to the influence of national policies. The price will remain unpredictable in the short-term. In addition, the prices of other raw materials remain unpredictable. With WTG manufacturers currently locked in a price war, the rise in prices of raw materials will exacerbate cost pressures on WTG manufacturers.

V. OUTLOOK FOR 2012 AND BEYOND

i. Industry Overview and the Competitive Environment

1. Industry Overview

The global wind power industry will continue to grow in the future. According to the latest forecast by the GWEC in 2011, global wind power capacity will increase to 449GW by 2015, representing an annual average growth rate of 18.2% for the next five years. Asia, North America and Europe are expected to be the key drivers of growth within that period. Growth of Asia's wind power industry will be the fastest in the world, and China will continue to lead the market.

With rapid economic growth and increasing power demand, the rapid growth of China's wind power industry could play a major role in addressing a number of issues, such as diversification of China's energy mix, environmental protection, and emissions reductions. Wind power has been established as, and will continue to be, one of the key strategies as China seeks to reduce carbon emissions.

2. Competitive Environment

China's wind power industry shifted from rapid development to a period of adjustment in 2011. Market competition continues to be fierce as compared with 2010, and planning, policies and regulations became major factors in the growth of the industry. The *Twelfth Five-Year Plan* identified a number of goals for industry development. The introduction of new policies, regulations and standards regarding wind power development, wind power management, and quality control will expedite the consolidation and restructure of the industry, facilitating a more orderly and sustainable phase of development.

ii. Corporate Strategy

Goldwind strives to serve as a global leader in discovering and creating value for the development and utilisation of clean energy. Facing the opportunities and challenges presented by the wind power industry, we will continue to be innovative in terms of our technology, operations, and management. The Company will continue to strengthen our competitiveness in WTG R&D, manufacturing, sales, and services, whilst also accelerating expansion into sectors along the wind power value chain, providing comprehensive wind power solutions and WTGs, wind power services, and wind farm development to our clients. We will also continue to expand in the international market, further globalising our technology, market footprint, staff, and capital resources in an effort to become a global leader in the industry.

Building upon our strong foundation in the wind power industry, the Company will explore the potential to combine wind power with other forms of renewable energy, actively pursue the development of wind and solar power generation, wind and solar powered products (through methods such as nitrogen production, hydrogen production, and desalination), smart micro-grids, and other technical and operational areas. We will seek to create new opportunities in the wind and solar energy industries and facilitate the sustainable development of the Company.

Management Discussion and Analysis

iii. Operations Plan and Major Goals for 2012

Market Expansion: While ensuring the reliable performance of our WTGs, we will develop markets for our high altitude, high and low temperature, and low wind speed units. While maintaining our leading position in the domestic market, we will also pursue further international expansions, gradually establishing our international capabilities in terms of R&D, project investment, sales, and services, providing comprehensive solutions to our international clients. We will continue to enhance our overall competitiveness by offering a diverse selection of WTGs customised to suit challenging operating environments and wind power services.

R&D: We will continue to optimise our DDPM technology. While ensuring the quality and performance of our products, we will seek to optimise various designs in order to lower our costs. We will speed up the commercialisation of our hybrid WTGs and optimise our permanent magnet products. We will complete the prototype of our 6.0MW DDPM WTG and continue to pursue the R&D of our 10.0MW WTG.

Manufacturing and Operations: We seek to achieve the sustainable development of the Company by improving our corporate structure, centrally coordinating the utilisation of our resources, increasing the ratio of in-house production of components, increasing the pace of product optimisation, developing new business lines and sources of profit, and controlling costs.

Technology and Services: We will continue to maintain our clients' interests and develop innovative technologies and products, improve our technical and service quality, and maximise value for our clients.

Management Model: We will continue to improve our management structure and corporate culture, increase our corporate competitiveness, maintain our business model along functional and strategic lines, and pursue the development of all business lines. We will develop our existing business lines into a foundation for the Company's future growth, and continue to expand into international markets.

Corporate Governance: We will continue to improve our corporate structure, internal control system, corporate governance, and risk management.

iv. Capital Requirements and Planned Capital Expenditures

According to the Company's 2012 annual operations plan, the operating capital of the Company will mainly come from retained capital, bank loans, and the issuance of corporate bonds. Given the Company's strong credit rating, excellent reputation, and diversified sources of financing, the Company has ample access to capital.

The Board of Directors' Report

The board of directors (the "**Board**") hereby presents to our shareholders its report and the audited consolidated financial statements of the Group (the "**financial statements**") for the year ended 31 December 2011.

PRIMARY BUSINESS

The primary business segments of the Group include: (1) wind turbine generator ("**WTG**") research and development ("**R&D**"), manufacturing and sales; (2) wind power services; and (3) wind farm investment, development and sales. The WTG R&D, manufacturing and sales segment is our core business. The Company is one of the largest WTG manufacturers in the world and is also a leading provider of comprehensive wind power solutions. In terms of newly installed wind power capacity in 2011, the Company ranked first in China and second internationally.

RESULTS AND PROFIT DISTRIBUTION

The operating results of the Group for the financial year ended 31 December 2011 are set out in the financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**"). The Board recommends the payment of a final dividend of RMB0.05 per share (including tax) in cash from the Company's retained distributable profit for the financial year ended 31 December 2011. This recommendation is subject to approval in the forthcoming Annual General Meeting ("**AGM**").

According to the provisions of the *Articles of Association* (the "**Articles**") of the Company, the proposed dividend distribution plan of the Company is subject to approval of the shareholders at the AGM. Accordingly, the aforementioned dividend distribution proposal will be implemented following approval by the Company's shareholders at the forthcoming AGM.

Details of subsidiaries of the Company are set out in note 18 to the financial statements prepared in accordance with IFRSs.

FINANCIAL HIGHLIGHTS FOR THE PAST FIVE FINANCIAL YEARS

Financial highlights of the Group's results and balance sheets prepared in accordance with IFRSs for the past five financial years are set out in the section headed "Financial Highlights for the Past Five Financial Years" on page 208 of this annual report.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2011, the total amount of outstanding bank loans of the Group was RMB8,042.23 million, including bank loans repayable within one year of RMB5,467.48 million, in the second year of RMB823.22 million, in the third to fifth year of RMB499.76 million and above five years of RMB1,251.77 million. Details of the relevant loans are set out in note 32 to the financial statements prepared in accordance with IFRSs.

The Board of Directors' Report

CAPITALISATION OF INTEREST

As at 31 December 2011, the total amount of interest expenditures capitalised to projects under construction and the property, plant and equipment of the Group in accordance with IFRSs was RMB69.55 million.

PROPERTY, PLANT AND EQUIPMENT

Details of adjustments made to the property, plant and equipment of the Group during the financial year ended 31 December 2011 are set out in note 13 to the financial statements prepared in accordance with IFRSs.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year ended 31 December 2011, approximately 35.12% of the Group's total procurement expenditure was attributed to our five largest suppliers, whilst approximately 10.35% of the Group's total procurement expenditure was attributed to our largest supplier. During the same period, revenue attributed to our five largest customers amounted to 21.03% of the Group's total revenue. None of the directors, their associates, or any shareholders that (as far as is known to the directors of the Company) own more than 5% of the issued shares in the Company, hold any interest in our five largest suppliers or customers.

During the reporting period, revenue from any single customer did not exceed 30% of the Company's total sales revenue.

RESERVES

Details of the Group's changes in reserves during this financial year are set out in note 36 to the financial statements prepared in accordance with IFRSs.

As at 31 December 2011, reserves of the Company distributable to shareholders amounted to RMB370.51 million. This is the lower figure calculated in accordance with the PRC GAAP and IFRSs.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, cash and cash equivalents of the Group were approximately RMB7,596,918,000 (2010: RMB9,323,600,000). The major sources of the Group's capital are cash inflows from operations, borrowings from banks and other financial institutions, and project financing.

GEARING RATIO

As at 31 December 2012, the gearing ratio of the net debt divided by total capital was 42.29% (2010: 20.40%). Details of the gearing ratio are set out in note 46 (e) to the financial statements prepared in accordance with IFRSs.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The majority of the Group's assets and liabilities and business transactions were denominated in RMB, HK dollars, US dollars, Euros, and Australian dollars. During the year ended 31 December 2011, the Group entered into forward currency agreements with Bank of China to manage its exchange rate risks. These forward currency agreements are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of these non-hedging currency derivatives amounting to RMB7,009,000 were credited to profit or loss for the year (2010: RMB1,467,000).

CONTINGENT LIABILITIES

The contingent liabilities of the Group mainly included issued letters of credit, letters of guarantee, and guarantees provided to third parties. As at 31 December 2011, contingent liabilities of the Group were RMB7,354,418,000 (2010: RMB5,780,730,000). Details are set out in note 40 to the financial statements.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group acquired and disposed subsidiaries and associates in accordance with the development strategies of the Company based on changes of the industry and market environments. Details of the acquisitions and disposals of subsidiaries and associates in 2011 are set out in note 37, 38 and 39 to the financial statements.

SHARE CAPITAL

As at 31 December 2011, the particulars of the issued share capital of the Company are set out as follows:

Share Category	Number of Shares	Percentage of the Total (%)
A Shares	2,194,541,200	81.44
H Shares	500,046,800	18.56
Total	2,694,588,000	100.00

The Board of Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, as far as known to the directors and supervisors of the Company, the following persons had an interest or short position in the shares of the Company that must be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the *Securities and Futures Ordinance* ("**SFO**"):

H Shares:

Name of Shareholder	Share Category	Number of Shares	As a (%) of H Shares	As a (%) of Total Shares
Citigroup Global Markets Hong Kong Holdings Limited	H Shares	59,294,000	11.86	2.20
NSSF	H Shares	40,463,200	8.09	1.50
International Finance Corporation	H Shares	32,044,600	6.41	1.19

A Shares:

Name of Shareholder	Share Category	Number of Shares	As a (%) of A Shares	As a (%) of Total Shares
Xinjiang Wind Power Co., Ltd.	A Shares	375,920,386	17.13	13.95
China Three Gorges New Energy Corporation	A Shares	677,516,947	30.87	25.14
China Three Gorges Corporation	A Shares	677,516,947	30.87	25.14

Notes:

1. China Three Gorges New Energy Corporation ("**China Three Gorges New Energy**", a wholly-owned subsidiary of China Three Gorges Corporation) directly holds 301,596,561 A Shares. China Three Gorges New Energy and its subsidiary hold 43.3% of the issued share capital of Xinjiang Wind Power Co., Ltd.. Under the SFO, besides directly holding interests in our Company, China Three Gorges New Energy is deemed to be interested in the 375,920,386 A Shares held by Xinjiang Wind Power Co., Ltd..

2. China Three Gorges Corporation is the holding company of China Three Gorges New Energy. Under the SFO, the 375,920,386 A Shares held by Xinjiang Wind Power Co., Ltd., in which China Three Gorges New Energy is deemed to be interested, and the 301,596,561 A Shares directly held by China Three Gorges New Energy are deemed to be the interests of China Three Gorges Corporation in our Company.

Other than as disclosed above, as at 31 December 2011, as far as is known to the directors and supervisors of the Company, no other persons (excluding directors and supervisors) had an interest or short position in the shares of the Company which would require disclosure under the provisions of Divisions 2 and 3 of Part XV of the SFO.

INFORMATION ON SHAREHOLDERS

As at 31 December 2011, the total number of shareholders of the Company was 311,414, among which the number of A Share and H Share shareholders were 309,365 and 2,049, respectively.

PRE-EMPTIVE RIGHTS

No regulations of pre-emptive rights exist in the Articles of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the financial year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company.

SUFFICIENCY OF PUBLIC FLOAT

According to the information publicly available to the Company, and to the best knowledge of the directors, the Company had maintained sufficient public float as required under the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* (the "**Listing Rules**") as at the latest practicable date prior to the issue of this report, being the date of the Board of Directors' Report, that is 23 March 2012 (the "**date of Directors' Report**").

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company in office during the year of 2011 and/or up to the date of Directors' Report are:

Name	Title	Gender	Term starting Date (Term Ending Date)
Wu Gang	Executive Director, Chairman	M	25 March 2010
Li Ying	Non-executive Director, Vice Chairman	M	25 March 2010
Guo Jian	Executive Director	M	25 March 2010 (23 March 2012)
Gao Zhong	Non-executive Director	M	25 March 2010
Hu Yang	Non-executive Director	F	28 September 2011
Wei Hongliang	Executive Director	M	25 March 2010 (15 July 2011)
Lv Houjun	Non-executive Director	M	25 March 2010
Wang Yousan	Independent Non-executive Director	M	25 March 2010
Shi Pengfei	Independent Non-executive Director	M	25 March 2010
Tin Yau Kelvin Wong	Independent Non-executive Director	M	25 June 2011
Li Man Bun, Brian David	Independent Non-executive Director	M	25 March 2010 (24 June 2011)
Wang Mengqiu	Chairman of Supervisory Committee	M	25 March 2010
Wang Shiwei	Supervisor	M	25 March 2010
Luo Jun	Supervisor	M	25 March 2010
Zheng Chengjiang	Supervisor (Employee Representative)	M	25 March 2010
Xiao Zhiping	Supervisor (Employee Representative)	M	25 March 2010

Other than as disclosed above, there were no changes to the Company's directors and supervisors during the year of 2011 and/or up to the date of Directors' Report.

The Board of Directors' Report

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received from each of the independent non-executive directors annual confirmation of his independence according to Rule 3.13 of the Listing Rules, and considers all the independent non-executive directors to be independent.

PERSONAL PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The profiles of the directors, supervisors and senior management as at 31 December 2011 set out on page 64 of this annual report.

INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS BY DIRECTORS AND SUPERVISORS

As at 31 December 2011, the directors', supervisors' and chief executive's interests and short positions in shares of the Company and its associated corporations are as follows:

Name of Directors	Type of Equity Interests	Number of Shares	As a (%) of A Shares	As a (%) of Total Shares
Wu Gang	beneficial owner	40,167,040 (A)	1.83	1.49
Guo Jian	beneficial owner	29,119,744 (A)	1.33	1.08

Other than as disclosed above, as at 31 December 2011, none of the directors, supervisors or the chief executive had any interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than as disclosed in the paragraph headed "Interests and Short Positions in Shares of the Company and its Associated Corporations by Directors and Supervisors" in this report, at no time, during the financial year ended 31 December 2011 or the period following 31 December 2011 up to the date of Directors' Report, was the Company, or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company, a party to any arrangement to enable the directors or supervisors of the Company or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporate body, and none of the directors, the supervisors and chief executive, or their spouses and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during such period.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the directors and supervisors of the Company has a service contract with the Company. If a director or supervisor is dismissed from the position of director or supervisor by the shareholders' general meeting of the Company, or the activities of the director or supervisor are not in accordance with the relevant regulations of the Company's code or its Articles, the contract will be terminated automatically.

Other than as disclosed above, the Company did not enter into a service contract with any director or supervisor that is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Other than the service contract, there were no contracts of significance to the Group in which the Company or any of its subsidiaries was a party and in which a director or supervisor had a material interest, whether directly or indirectly, at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors of the Company had interests in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the business of the Company.

The Board of Directors' Report

DIRECTORS' AND SUPERVISORS' REMUNERATION

The directors and supervisors who were members of the Company's senior management or employees received salaries from the Company in the year 2011. The amount of executive directors' and supervisors' remuneration is determined on the basis of the relevant executive director or supervisor's official position, experience, responsibility, and workload. The directors and supervisors who were not members of the Company's senior management, employees, or independent non-executive directors did not receive payment from the Company during the year. Director allowances were paid to the independent non-executive directors except for Mr. Wang Yousan.

Details of the directors', supervisors' and the chief executive's remuneration are set out in note 8 to the financial statements.

TOP FIVE HIGHEST PAID INDIVIDUALS

For the year ended 31 December 2011, information regarding the five highest paid individuals including the chief executive of the Group is set out in note 8 to the financial statements.

MANAGEMENT CONTRACTS

The Company did not enter into any contract in respect of the management and administration of the entire or any significant part of the business of the Company, nor did any such contract subsisted at any time during the year.

CONNECTED TRANSACTIONS

Non-exempt continuing connected transactions under Listing Rules 14A.33

The Company had several non-exempt continuing connected transactions during the financial year 2011, for which the Company was granted a waiver from the Hong Kong Stock Exchange from strict compliance with the requirements of announcement and independent shareholders' approvals. The following table sets out a summary of such non-exempt continuing connected transactions:

Connected Transactions	Connected Persons	Caps for 2011 (RMB million)	Actual Amount for 2011 (RMB million)
Purchase of Components of the Group	China Three Gorges Corporation (note 1)	2,245	254
Product Sales of the Group	China Three Gorges Corporation	1,900	550

Note 1: China Three Gorges New Energy holds more than 10% of the issued share capital of the Company and is, therefore, a substantial shareholder of the Company. China Three Gorges New Energy is a wholly-owned subsidiary of China Three Gorges Corporation. According to the Listing Rules, China Three Gorges Corporation and its associates are the connected persons of the Company.

PURCHASE OF COMPONENTS

The Group has purchased, and will continue to purchase, components from the associates of China Three Gorges Corporation for the manufacture of WTGs in the ordinary and usual course of business.

The purchase of products from China Three Gorges Corporation and their associates for the manufacture of WTGs has been, and will continue to be, made in accordance with our internal purchasing procedures. We have put in place a purchase monitoring process in the procurement department and have also formed a dedicated team to implement the purchasing procedures.

Under the relevant written agreements, the prices payable in connection with the products of the subsidiaries and associates of China Three Gorges Corporation have always been determined based on the market price. Such market price is defined by reference to the price at which the Group is able to be provided with identical or similar products by an independent third party in the ordinary and usual course of business.

PRODUCT SALES

The Group has sold, and will continue to sell, WTGs to the subsidiaries or associates of China Three Gorges Corporation in the ordinary and usual course of business.

Such sales of WTGs by the Group to the subsidiaries or associates of China Three Gorges Corporation is usually carried out pursuant to public tenders in accordance with the applicable laws and regulations of the PRC, i.e. the relevant subsidiary of China Three Gorges Corporation will invite bids for the WTGs they intend to purchase, and the Group, as the bidder, shall submit bid documents in response to the tender invitation. As most of our sales of WTGs are usually awarded through the tendering process, which is subject to the relevant PRC laws and regulations, the Group enters into written agreements with the subsidiaries or associates of China Three Gorges Corporation in respect of each individual connected transaction of sales of WTGs after winning a tender, or on normal commercial terms following arm's length negotiations where no tendering process is required to be adopted.

The independent non-executive directors have reviewed the Group's continuing connected transactions mentioned above, and confirmed that the transactions:

1. were carried out during the ordinary business of the Group;

2. were conducted according to normal business terms, or if there were insufficient number of comparable transactions to determine whether or not they can be determined as normal business terms, then as far as the Group is concerned, the conditions of such transactions were no less favourable than those received from or offered to an independent third party;

3. were conducted according to the terms of agreement of the relevant transactions, where the terms of agreement were fair and reasonable, and in the general interests of the Company and its shareholders.

The Board of Directors' Report

The Company's auditors have confirmed that the respective counterparties to the aforementioned continuing connected transactions have allowed them sufficient access to their records for the purpose of reporting on the transactions as set out in this report, and the aforementioned continuing connected transactions carried out during the financial year ended 31 December 2011:

1. have been approved by the Board of the Company;

2. are in accordance with the requirements of pricing policies established in the relevant agreements;

3. have been entered into in accordance with the relevant agreements governing the transactions;

4. have not exceeded the caps disclosed in the prospectus of the Company dated 27 September 2010.

AUDIT COMMITTEE

The Audit Committee of the Group has reviewed and approved the annual report of 2011. Information on works performed by the Audit Committee and its composition are set out on page 54 in the Corporate Governance Report.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICES

The Group has always acted in accordance to the rules and regulations stated in Appendix 14 of the Listing Rules titled "*Corporate Governance Code and Corporate Governance Report*".

AUDITOR

The Board of the Company has decided to propose to the forthcoming AGM to consider and, if thought fit, re-appoint Ernst & Young Hua Ming as the Company's PRC auditor, and Ernst & Young as the Company's international auditor for 2012.

Yours Sincerely,
Wu Gang
Chairman
Xinjiang Goldwind Science & Technology Co., Ltd.

Corporate Governance Report

As a company publicly listed on the Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), the Company has remained in strict compliance with the *Company Law of the People's Republic of China* (the "**PRC**" or "**China**"), the *Securities Law of the PRC*, the *Code of Corporate Governance for Listed Companies*, other relevant laws and regulations, and the listing rules of both the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. The Company seeks to continually improve its corporate governance structure, optimise its internal management, internal controls and operations to improve the Company's corporate governance.

The board of directors (the "**Board**") of the Company believes that, throughout the financial year ended 31 December 2011, the Company complied with all requirements under the *Corporate Governance Code and Corporate Governance* Report (the "**Code**") in Appendix 14 to the *Rules Governing the Listing of Securities on the Hong Kong Stock Exchange* (the "**Listing Rules**").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has strictly complied with the relevant binding clauses on securities transactions by directors imposed by the regulatory authorities of Hong Kong and the PRC, and we adhere to the principle of complying with the stricter regulations between the two jurisdictions. All directors of the Company have confirmed that they had complied with the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 to the Listing Rules during the financial year of 2011.

THE BOARD

In accordance with the best interests of the Company and its shareholders, the Board continued to pursue the sustainable development of the Company by directing and supervising the Company's affairs.

Board Composition

The Board composition during the year of 2011 and up to the latest practicable date prior to the issue of this report, being the date of the Board of Directors' Report, that is 23 March 2012 (the "**date of Directors' Report**"), is set out below:

Executive directors
Mr. Wu Gang (Chairman)
Mr. Guo Jian (resigned on 23 March 2012)
Mr. Wei Hongliang (resigned on 15 July 2011)

Non-executive directors
Mr. Li Ying (Vice Chairman)
Mr. Gao Zhong
Ms. Hu Yang (appointed on 28 September 2011)
Mr. Lv Houjun

Independent non-executive directors
Mr. Wang Yousan
Mr. Shi Pengfei
Dr. Tin Yau Kelvin Wong (appointed on 25 June 2011)
Mr. Li Man Bun, Brian David (resigned on 24 June 2011)

Corporate Governance Report

The current Board is the fourth Board of the Company. All members of the Board, except for Dr. Tin Yau Kelvin Wong ("**Dr. Wong**") and Ms. Hu Yang ("**Ms. Hu**"), were elected or re-elected at the Annual General Meeting of the Company for 2009 (the "**2009 AGM**") held on 25 March 2010 for a term of three years. Dr. Wong was elected at the Annual General Meeting of the Company for 2010 (the "**2010 AGM**") held on 24 June 2011. Ms. Hu was elected at the 2011 First Extraordinary General Meeting of the Company held on 27 September 2011. Both Dr. Wong's and Ms. Hu's terms of office shall end on the same date as the other members of the current Board.

The profiles of the directors are set out in the section headed "Profiles of Directors, Supervisors, and Senior Management" of this annual report. The executive and non-executive directors of the Company have extensive expertise, experience, and skills in the wind power industry and other professional areas, and thus will provide a knowledgeable resource on strategic decisions. The three independent non-executive directors of the Company have extensive experience in the industry, and in areas such as finance and corporate management.

During the reporting period, other than their interest as a director of the Company, there were no financial, business, family or other major/relevant interests related to the members of the Board.

Operations of the Board

Pursuant to the *Articles of Association* (the "**Articles**") of the Company, the Board is required to hold at least four board meetings each year, to be convened by the chairman of the Board (the "**Chairman**"). In order for the directors to have the opportunity to attend board meetings, a notice period of at least 10 days shall be given to every director and supervisor for a board meeting. In the event of an emergency, special board meetings may be convened upon a proposal made by the Chairman or at least one third of the directors or the president. The notice shall state the time, place, reason, issues and means by which the board meeting will be conducted.

A board meeting must have at least half of the Board in attendance. The directors may attend the board meeting in person, or appoint another director in writing to attend the board meeting by proxy. The Board must take minutes for meetings, record the matters discussed at meetings, and ensure that such minutes are available for inspection by any director.

During the reporting period, the Board held a total of sixteen board meetings. The attendance record of the directors at those board meetings during the reporting period are as follows:

Name	Attendance in Meetings	Attendance in Person	Attendance by Proxy	Absence	Personal Absence for Two or More Consecutive Meetings
Wu Gang	16	16	0	0	No
Li Ying	16	15	1	0	No
Gao Zhong	16	16	0	0	No
Hu Yang[1]	5	5	0	0	No
Wei Hongliang[2]	8	8	0	0	No
Lv Houjun	16	16	0	0	No
Guo Jian	16	15	1	0	No
Wang Yousan	16	16	0	0	No
Shi Pengfei	16	15	1	0	No
Li Man Bun, Brian David[3]	7	4	2	1	No
Tin Yau Kelvin Wong[4]	9	7	2	0	No

Notes:

1. Ms. Hu Yang was appointed as director on 28 September 2011.

2. Mr. Wei Hongliang resigned on 15 July 2011.

3. Mr. Li Man Bun, Brian David resigned on 24 June 2011.

4. Dr. Tin Yau Kelvin Wong was appointed as director on 25 June 2011.

Assignment of Responsibility

The Board is responsible for decisions on the Company's operations and investment plan, dividend plan, the basic management system, the internal management structure, other major business and administrative matters, and monitoring the performance of senior management.

The Board is also responsible for the preparation of the accounts for each financial period to present a truthful and transparent view of the Company's financial status, operating results, and cash flow for that period. During the course of preparing the accounts for the financial year ended 31 December 2011, the directors selected and implemented appropriate accounting policies, made prudent and reasonable decisions and estimates, and prepared the accounts on an on-going basis.

The Company's management, under the leadership of the president (who is also an executive director), is responsible for the management of business operations, implementing decisions by the Board, and submitting company operations reports to the Board.

Corporate Governance Report

Chairman and President

The Company's Chairman and President are Mr. Wu Gang and Mr. Guo Jian, respectively. The Company has established a clear division of responsibilities for those roles. The Chairman is responsible for establishing the Company's development strategies, ensuring the proper functioning of the Board, and monitoring the Company's corporate governance practices and procedures. The President is responsible for the day-to-day management of the Company's operations, including the implementation of strategies set out by the Board, making day-to-day decisions, and coordinating overall business operations.

Director Nominations

The Board has established a Nomination Committee. The Nomination Committee will examine the relevant qualifications of director candidates and recommendations will then be submitted to the Board. All newly nominated directors are subject to approval by the shareholders at the Company's shareholders' general meeting and will have a term of not more than three years.

Board Committees

The Board has established an Audit Committee, a Remuneration and Assessment Committee, a Nomination Committee and a Strategic Committee in accordance with the requirements of the Listing Rules.

1. Audit Committee

The Audit Committee currently consists of two independent non-executive directors and one non-executive director, namely Dr. Tin Yau Kelvin Wong, Mr. Wang Yousan and Mr. Gao Zhong. The Committee Chairman is Dr. Tin Yau Kelvin Wong.

The primary duties of the Audit Committee are to review and supervise the financial reporting procedures and internal controls of the Company.

The work performed by the Audit Committee during the year in discharging its responsibilities included the review of annual, interim and quarterly results, significant transactions, provision of guarantees by the Company, and internal control.

During the reporting period, the Audit Committee held six meetings. The attendance of the Audit Committee members was 100%.

2. *Remuneration and Assessment Committee*

The Remuneration and Assessment Committee consists of two independent non-executive directors and one non-executive director, namely Mr. Wang Yousan, Mr. Shi Pengfei and Mr. Li Ying. The Committee Chairman is Mr. Shi Pengfei.

The primary duties of the Remuneration and Assessment Committee are to determine the human resource management strategy, review the remuneration policy of the Company, and determine the compensation package for the directors.

The work performed by the Remuneration and Assessment Committee during the year in discharging its responsibilities included revising the Company's remuneration policy, and assessing the performance of senior management.

During the reporting period, the Remuneration and Assessment Committee held one meeting. The attendance of the Remuneration and Assessment Committee members was 100%.

3. *Nomination Committee*

The Nomination Committee consists of two independent non-executive directors and one executive director, namely Mr. Wang Yousan, Mr. Shi Pengfei and Mr. Wu Gang. The Committee Chairman is Mr. Wang Yousan.

The primary duties of the Nomination Committee are set out as follows:

(i) to propose recommendations to the Board with regard to the replacement candidates for directors and suitable persons for senior management personnel; and

(ii) to analyse the nomination qualifications and procedures for directors and senior management personnel, and propose recommendations to the Board.

The work performed by the Nomination Committee during the year in discharging its responsibilities included nominating the directors, including independent non-executive directors, for the fourth Board and senior management.

During the reporting period, the Nomination Committee held four meetings. The attendance of the Nomination Committee members was 100%.

Corporate Governance Report

4. *Strategic Committee*

The Strategic Committee consists of two executive directors, one independent non-executive director and two non-executive directors, namely Mr. Wu Gang, Mr. Guo Jian, Mr. Shi Pengfei, Mr. Gao Zhong and Ms. Hu Yang. The Committee Chairman is Mr. Wu Gang.

The primary duties of the Strategic Committee are to research and propose recommendations for the Company's medium and long-term development strategies and major investment decisions, review the Company's annual operations and investment plans, and analyse the major investment and financing options, and capital operations.

During the reporting period, the Strategic Committee held a total of five meetings. The attendance of the Strategic Committee members was 100%.

AUDITORS

During the reporting period, Ernst & Young and Ernst & Young Hua Ming was appointed as the Company's auditors.

During the reporting period, the fees payable to the auditors for the Company's audit services totalled RMB6.06 million.

SENIOR MANAGEMENT'S INTERESTS IN SHARES (BY THE END OF THE REPORTING PERIOD)

Name	Positions	Tenure	Number of A Shares Held	Number of H Shares Held
Mr. Wu Gang	Chairman and Chief Executive Officer	25.3.2010-24.3.2013	40,167,040	–
Mr. Guo Jian	Director and President	25.3.2010-23.3.2012	29,119,744	–
Mr. Cao Zhigang	Executive Vice President	25.3.2010-24.3.2013	9,368,024	–
Mr. Jürgen Rinck	Vice President and Chief Technology Officer	25.3.2010-24.3.2013	–	–
Mr. Wang Haibo	Vice President	25.3.2010-24.3.2013	–	–
Mr. Wang Xiangming	Vice President	25.3.2010-24.3.2013	18,850,400	–
Mr. Cui Xinwei	Chief Engineer	25.3.2010-24.3.2013	–	–
Mr. Wu Kai	Vice President	24.1.2011-24.3.2013	–	–
Mr. Yang Hua	Vice President	24.1.2011-24.3.2013	–	–
Ms. Ma Jinru	Vice President and Secretary of the Board	25.3.2010-24.3.2013	–	–

SUPERVISORY SYSTEM

Supervisory Committee

The Supervisory Committee is the Company's long-standing supervisory system. The Supervisory Committee is responsible for the supervision of the members of the Board and senior management in order to prevent the abuse of authority or violation of the interests of the shareholders, the Company and employees. The Supervisory Committee consists of five supervisors and one chairman. During the reporting period, the Supervisory Committee held four meetings. The attendance of the Supervisory Committee members was 100% (including attendance by proxy).

Internal Control

The Board has established an Audit Committee as part of the Company's internal control system. Details regarding the Audit Committee are set out in the paragraph headed "Audit Committee" within the "Board Committees" section of this report.

The Company has established an Internal Audit Department as a designated internal audit system, and drafted the *Internal Auditing Code*. It is responsible for audit supervision and risk control of the Company and its subsidiaries, the establishment, supervision, review and assessment of the internal control system, the evaluation of the transparency and completeness of financial information, the efficiency and effectiveness of the Company's business operations.

The Company has also formulated the *Administration Rules on Information Disclosure*, providing the proper procedures for the disclosure of materials and price sensitive information regarding the Company, to ensure that the disclosures are in compliance with the Listing Rules.

SHAREHOLDERS' RIGHTS

The shareholders of the Company have the right to obtain information and documents from the Company in accordance with the provisions of the Articles. They also have the right to request, convene, and preside over shareholders' general meetings, as well as the right to vote on matters put before the meetings in accordance with their respective voting rights and within the boundaries of the law.

As the highest authority of the Company, the shareholders' general meeting is responsible for the decision-making of all major Company issues in accordance with the relevant laws and regulations. The Company has remained in strict compliance with the *Rules on Shareholders' General Meetings of Listed Companies*, the Articles, *Rules on Procedures of Shareholders' General Meetings*, and other relevant laws, regulations and systems. The Company shall convene shareholders' general meetings and standardise the meeting procedures in accordance with relevant laws to ensure fair treatment toward all shareholders, especially minority shareholders, and enable them to fully execute their rights. During the reporting period, the Company held the 2010 AGM and one Extraordinary General Meeting. The Company encourages all shareholders to attend shareholders' general meetings and express their opinions.

Corporate Governance Report

The Articles sets out the rights of the Company's shareholders, including those mentioned above. The Company has taken all necessary steps to comply with all provisions of the relevant laws, regulations and the Listing Rules to ensure the protection of shareholders' rights.

INVESTOR RELATIONS MANAGEMENT

The Company's Office of Secretary of the Board is responsible for the management of investor relations, including the day-to-day operations of investor relations management. The Company provided investors with shareholders' general meetings, the corporate website, an interactive investors' platform, periodic conference calls, telephone and email contact information, and other forms of communication. In addition, the Company participates in events in support of research on the Company and the industry, performance presentations, investor receptions, investment strategy events with intermediaries, and thus provides opportunities for the Company's investors to communicate with its management and further understand the Company and the industry.

Supervisory Committee Report

During the reporting period, the Supervisory Committee of the Company acted in strict compliance with the relevant regulations of the *Company Law of the People's Republic of China* (the "**PRC**" or "**China**"), the *Articles of Association* (the "**Articles**") of the Company, and the *Supervisory Committee Regulations*. The members of the Supervisory Committee assumed responsibility towards all shareholders and acted with integrity, performed our supervisory duties to the best of our abilities, actively participated in procedural supervisions, carefully deliberated on key decisions, strived to protect the interests of the shareholders and the Company, and provided strong support for the management and sustainable development of the Company.

SUPERVISORY COMMITTEE MEETINGS

During the reporting period, a total of four Supervisory Committee meetings took place and 19 proposals were approved. All Supervisory Committee members attended all the meetings (including attendance by proxy).

FINDINGS OF THE SUPERVISORY COMMITTEE

The Supervisory Committee made the following review findings regarding relevant aspects of the Company during 2011:

1. Legal Compliance

During the reporting period, in accordance with relevant provisions of national laws, regulations, and corporate governance compliance documents of listed companies issued by the China Securities Regulatory Commission (the "**CSRC**"), the Supervisory Committee attended all board meetings and the Annual General Meeting for 2010 (the "**2010 AGM**"), and conducted supervision and inspection on the organisation and resolutions of board meetings and the 2010 AGM of the Company, the implementation of the 2010 AGM resolutions by the board of directors (the "**Board**"), the compliance with laws and regulations during the performance of duties by the senior management of the Company, the implementation of various management policies of the Company, and the operational performance of the Company.

The Supervisory Committee believes the Company has acted in accordance with the *Company Law of the PRC, the Securities Law of the PRC*, and other relevant laws and regulations, and operated in accordance with the standard procedures of listed companies; the Company has gradually improved the corporate governance structure, strengthened internal controls, streamlined the management system; the Board of the Company has standardised operations in accordance with national laws and the Articles, made rational and lawful decisions; and in order to achieve the sustainable development of the Company and maximise the interests of shareholders, the directors and senior management of the Company performed their duties with integrity and diligence, responsibility, acted in the best interests of the Company, and strictly implemented the various decisions of the 2010 AGM. No activities that violated laws, regulations, or the Articles, or damaged the interests of the Company or shareholders were found.

Supervisory Committee Report

2. Financial Position

The Supervisory Committee carefully inspected the periodic financial reports of the Company during the reporting period.

The Supervisory Committee believes that the financial management of the Company is well-aligned with standard practices, the internal control policy is complete, and is continuously being improved; all policies were strictly implemented and effectively safeguarded the Company's operations. During 2011, the consolidated financial statements were complete, objective, and truthfully reflected the financial position and operational performance of the Company; the 2011 audit report with unqualified opinion issued by Ernst & Young was objective and fair.

3. Share Proceeds Usage

The Supervisory Committee inspected the use of A Share offering proceeds by the Company in accordance with the *Regulations for the Use and Management of Share Offering Proceeds*, requirements of the CSRC, and commitments made in the prospectus in connection with the initial public offering (the "**IPO**") of the Company. Upon inspection, the Supervisory Committee found that the Company did not use share proceeds during 2011 for pledges, entrusted loans, or other prohibited purposes. All proceeds were used in accordance with project plans, and there were no violations of regulatory requirements with regards to the use of share offering proceeds. Any change of the use of proceeds has been approved and made public through the Company's announcements in accordance with the required procedures, and confirmed by the independent non-executive directors and the Company's sponsors that the usage was in compliance with relevant regulations. The Supervisory Committee believes that the relevant information disclosed by the Company was on time, truthful, accurate and complete.

4. External Guarantees

The Supervisory Committee inspected the external guarantees provided by the Company. The Company acted in strict compliance with the relevant regulations of external guarantees stipulated in the Articles and the *External Funds Supporting Management Policy*. The Supervisory Committee believes that the Company has fulfilled the approval procedures for external guarantees and public disclosure obligations, and no regulatory violations occurred during the reporting period.

5. Connected Transactions

The Supervisory Committee inspected the connected transactions of the Company. Upon inspection, the Supervisory Committee found that the decision-making procedures of the Company relating to connected transactions during the reporting period were in compliance with national laws and regulations, as well as the Articles. The pricing method and contents of the connected transaction agreements were in accordance with accepted business practices and relevant policies and regulations, demonstrating the principles of fairness, equality and objectivity. Directors who have interests in the relevant transactions abstained from voting on such connected transactions. The Supervisory Committee believes that during the year 2011 there were no connected transactions that harmed the interests of the Company or its shareholders, especially the interests of minority shareholders.

6. Evaluation of Internal Controls

Goldwind has further standardised and improved its internal controls in accordance with regulations, basic standards and associated guidelines. The Company designed and implemented standardised internal controls based on operational needs of the Company. The Company has tested, evaluated, analysed, optimised, and improved its internal controls, resulting in stronger execution of internal controls, a more efficient internal controls system, and more efficient operations of the Company. Upon inspection, the internal controls of the Company in 2011 was found to be operational and effective. The Supervisory Committee has reviewed the *2011 Annual Internal Controls Evaluation Report* and believes that the evaluation of internal controls in 2011 by the Board is truthful and objective.

7. Establishment and Implementation of Insiders Management System

During the reporting period, the Company established the *Insiders Registration System*, and complied strictly with the system. The Company compiled and filed substantially complete insiders lists in connection with the periodic financial reports and other significant events.

8. Other Major Issues

During the reporting period, the Board discussed proposals and approved the resolutions relating to major investments and sales of assets. The Supervisory Committee believes that during the planning of the aforementioned proposals, there were no evidence of insider trading, nor any actions that might result in harm to the interests of the shareholders, or loss of assets and interests of the Company. All acquisitions and sales of assets by the Company were fair and the transaction prices were reasonable.

Corporate Social Responsibility Report

As a company engaged in the development of renewable energy, the Company is committed to bearing its social responsibilities and being a good corporate citizen. Goldwind makes every effort to reduce costs and protect the environment so that it will be deserving of respect from its clients and loyalty from its employees. As a result, the Company can maximise the values of stakeholders such as shareholders, creditors, employee, clients and suppliers.

PROTECTION OF THE INTERESTS OF SHAREHOLDERS AND CREDITORS

A corporation's first duty is to its shareholders. By aligning the Company's interests with that of its shareholders, we can ensure that the Company will develop in a sound and sustainable fashion. The Company is responsible for protecting the interests of shareholders and treating every shareholder fairly. As a company publicly listed on the Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited, Goldwind complied with the policies and rules of both markets and optimised its corporate governance practices to ensure the Company complied with both sets of relevant laws, regulations and policies, and also to protect the interests of the shareholders and creditors of the Company.

PROTECTION OF THE INTERESTS OF EMPLOYEES

The Company promotes a "people-oriented" culture, creating a good working environment to support career development, health and well-being. The Company established clear and transparent human resource policies and work flow processes to protect the employees' access to information and to participate in decisions and supervision. Furthermore, because the Company places great importance on employees' health and safety during work, Goldwind has reinforced the occupational health and safety management of the Company.

In order to improve the Company's core competitiveness and the employees' comprehensive capabilities, and in order to encourage professional development in wind power industry for the good of the nation and the world, Goldwind University was established on 28 September 2011. It is the first corporate university in China's wind power industry.

PROTECTION OF THE INTERESTS OF CLIENTS AND SUPPLIERS

Goldwind seeks every opportunity to maximise value for its clients. The Company pursues technological innovation, conducts product optimisation, and leverages its resources and experience to produce high-quality, highly-reliable products in an effort to maximise value for its customers.

Suppliers have always been important partners of the Company. The Company has created a fair, just, and open environment for its suppliers. Goldwind has established a standardised procurement system, and promoted best practices in sourcing.

PROTECTION OF ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

As the Company pursues innovation and development, it also seeks to protect the environment and follow a sustainable, green development strategy, promoting energy conservation and emissions reductions.

As at 31 December 2011, the cumulative installed capacity of Goldwind's wind turbine generators was 12,678.85MW, which can reduce coal demand by 10.14 million tons, reduce CO_2 emissions by 25.28 million tons, SO_2 emissions by 760,000 tons, and NO_2 emissions by 380,000 tons every year, and which is equivalent to planting 13.86 million cubic meters of forest.

PUBLIC RELATIONS AND SOCIAL SERVICES

Goldwind carefully considers its corporate social responsibilities, seeking to give back to society, pay taxes in accordance with laws, create jobs, boost the local economy and promote social services.

The Company financially supports 100 poor students in middle and primary schools every year to enable them to finish their compulsory education. The Company also set up RMB200,000 of funds to help in poor areas where the Company or its subsidiaries have operations. Those funds are used to construct canals, roads, power infrastructure and environmental protection systems. In 2011, the Company also donated funds to underprivileged schools, schools for the blind and deaf, and charitable organisations.

Profiles of Directors, Supervisors and Senior Management

Below are profiles of directors, supervisors, and senior management of the Company that were in office as at 31 December 2011.

EXECUTIVE DIRECTORS

Mr. Wu Gang (武鋼先生), aged 54, is the Chairman of the Board and Chief Executive Officer of the Company. He graduated from Dalian University of Technology with a master's degree. Mr. Wu is a professor-level senior engineer and he is the deputy director of the Chinese Renewable Energy Industries Association. Mr. Wu is an expert entitled to a special allowance granted by the State Council and a member of the expert consultants' group for the government of Xinjiang. Mr. Wu was the Chairman and general manager of the Company from 2002 to 2006 and became the Chairman and Chief Executive Officer in March 2006.

Mr. Guo Jian (郭健先生), aged 49, is a director and the President of the Company. He graduated from Dalian University of Technology with a master's degree. He is a senior engineer and an expert entitled to a special allowance granted by the State Council. Mr. Guo was the deputy general manager from 2001 and subsequently, the general manager and the President of the Company. He was appointed as a director of the Company in May 2004.

NON-EXECUTIVE DIRECTORS

Mr. Li Ying (李熒先生), aged 77, is the Vice Chairman of the Company. He graduated from Wuhan College of Hydraulics. He is a professor-level senior engineer and an expert entitled to a special allowance granted by the State Council. Mr. Li was the deputy director of the Rural Hydropower Department of the Ministry of Water Resources. He is currently the chairman of Ningde City Dagang Hydropower Station Development Co., Ltd.. Mr. Li has been a Vice Chairman of the Company since March 2001.

Mr. Gao Zhong (高忠先生), aged 54, is a director of the Company. He graduated from Northwest Institute of Textile Science and Technology with a bachelor's degree. He is an engineer and a senior political officer. Mr. Gao was the director, deputy general manager and the Party Committee secretary of Xinjiang Jinfang Textile Co., Ltd., the vice chairman and supervisor of the trade union of Xinjiang Bagang (Group) Co., Ltd. and the chairman and the Party Committee secretary of Xinjiang Beizheng Industrial Co., Ltd. Mr. Gao is currently the chairman and the Party Committee secretary of Xinjiang Wind Power and has been a director of the Company since August 2008.

Ms. Hu Yang (胡陽女士), aged 45, is a director of the Company. She graduated from Minzu University of China with a master's degree in economics. From 2006, she acted as, among other positions, the vice general manager of Assets Operation and Management of China Water Resources Investment Group Company and the general manager of China Water Resources Investment Group Company. Currently she is the chief economist of China Three Gorges New Energy Corporation and the director of the corporate governance and legal affairs department of China Three Gorges New Energy Corporation. She was appointed the director of the Company in September 2011.

Mr. Lv Houjun (呂厚軍先生), aged 49, is a director of the Company. Mr. Lv graduated from Nanjing University with a doctorate degree in economics. He is a senior economist. Mr. Lv was the deputy general manager of the International Department of Hai Tong Securities Co., Ltd. from May 2001 to October 2004 and a general manager and director of Hai Tong-Fortis Private Equity Fund Management Co. Ltd. from October 2004 to July 2010. He is currently the general manager of GP Capital Co., Ltd. and was appointed the director of the Company in March 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Yousan (王友三先生), aged 77, is an independent director of the Company. He is a senior economist. Mr. Wang was the deputy vice chairman of the government of Xinjiang from 1991 to 1996, the vice chairman of the Xinjiang Chinese People's Political Consultative Conference from 1996 to 2001, and retired in February 2001. Mr. Wang is currently an independent director of Xinjiang Joinworld Co., Ltd., Xinjiang Tianfu Thermoelectric Co., Ltd. and Xinjiang Hops Co., Ltd., and was appointed the director of the Company in March 2007.

Mr. Shi Pengfei (施鵬飛先生), aged 72, is an independent director of the Company. He graduated from Beijing Institute of Machinery with a bachelor's degree. Mr. Shi is a professor-level senior engineer. Currently, he is a member of the expert committee of China Hydropower Engineering Consulting Group Co. and the vice chairman of the Chinese Wind Energy Association. He was appointed the director of the Company in March 2007.

Dr. Tin Yau Kelvin Wong (黃天祐博士), aged 52, is an independent director of the Company. He obtained his Master of Business Administration degree from Andrews University in Michigan, USA, and his Doctorate of Business Administration from The Hong Kong Polytechnic University. He is the Chairman of The Hong Kong Institute of Directors, the council advisor and past Chairman of the Hong Kong Chinese Orchestra Limited, a member of the OECD/World Bank Asian Corporate Governance Roundtable, a member of the Main Board and GEM Listing Committee of The Stock Exchange of Hong Kong Limited, a member of the SFC (HKEC Listing) Committee of the Securities and Futures Commission, a member of the Appeal Board Panel (Town Planning), a council member of The Hong Kong Management Association, a member of The Board of Review (Inland Revenue Ordinance), a Board Director of Business Environment Council and was appointed by the Hong Kong Special Administrative Region as a member of the Standing Committee on Company Law Reform and the Corruption Prevention Advisory Committee of Independent Commission Against Corruption. Dr. Wong is currently an executive director, deputy managing director, the chairman of the Corporate Governance Committee and member of the Executive Committee of COSCO Pacific Limited, an Independent Non-executive Director and Chairman of the Audit Committee of China Metal International Holdings Inc. and China ZhengTong Auto Services Holdings Limited, an Independent Non-executive Director of CIG Yangtze Ports PLC and I.T Limited. All the aforementioned companies are listed on The Stock Exchange of Hong Kong Limited. He was appointed the director of the Company in June 2011.

Profiles of Directors, Supervisors and Senior Management

SUPERVISORS

Mr. Wang Mengqiu (王孟秋先生), aged 48, is the chairman of the Supervisory Committee of the Company. He graduated from Shenzhen University. From 2002 to 2006, Mr. Wang served as a director of the Finance Center of China Three Gorges Corporation, and is now a director of its Audit Department. Mr. Wang was appointed as a Supervisor of the Company in August 2008.

Mr. Wang Shiwei (王世偉先生), aged 55, is a supervisor of the Company. Mr. Wang is an engineer and has been a deputy manager in Xinjiang Wind Power since 2005. Mr. Wang was appointed as a supervisor of the Company from September 2009.

Mr. Luo Jun (洛軍先生), aged 45, is a supervisor of the Company. Mr. Luo graduated from Southwest University of Science and Technology and is an accountant. From 2002 to 2008, Mr. Luo held positions in the Finance Department, Reform Office and Equity Management Office of Xinjiang Wind Power, and is currently serving as a director of its Equity Management Office. Mr. Luo was appointed as a supervisor of the Company in May 2004.

Mr. Zheng Chengjiang (鄭成江先生), aged 38, is an employee representative supervisor of the Company. Mr. Zheng graduated from Xinjiang Finance and Economics Institute with a college degree. Mr. Zheng was the assistant to the general manager, director of our Planning and Management Department, assistant to the President, director of our Systems Management Department, and the director of Information Systems. Currently, he serves as the director of the Corporate Business Management Center of the Company. Mr. Zheng was appointed as an employee representative supervisor of the Company in March 2007.

Mr. Xiao Zhiping (肖治平先生), aged 35, is an employee representative supervisor of the Company. Mr. Xiao graduated from Xinjiang University with a bachelor's degree. Mr. Xiao held positions as the manager of the Leasing Department II and the deputy general manager of the Leasing Department of Xinjiang Financial Leasing Co., Ltd. from 2002 to 2006. Mr. Xiao joined the Company in 2006 and now he is the director of the Investment and Equity Management Department. Mr. Xiao was appointed as an employee representative supervisor of the Company in March 2010.

SENIOR MANAGEMENT

Mr. Cao Zhigang (曹志剛先生), aged 37, is an executive vice president of the Company. Mr. Cao graduated from Xinjiang Engineering Institute with a bachelor's degree. Mr. Cao is a qualified engineer and was the director of the Electronic Control Affairs department, director of the Chief Engineer Office and the deputy chief engineer of the Company. Mr. Cao was appointed as a vice president of the Company in March 2007.

Mr. Jürgen Rinck, aged 49, is a vice president and the Chief Technology Officer of the Company. Mr. Rinck graduated from Saarland University of Applied Sciences (Hochschule für Technik und Wirtschaft des Saarlandes) with a master's degree in constructive mechanical engineering. He was responsible for the R&D of the GenesYs 600 WTG project from 1995 to 1998 as the chief engineer of the Wind Power R&D Center. Mr. Rinck has been the general manager of VENSYS Energiesysteme GmbH & Co. KG, and has been the chief executive officer of Vensys AG since May 2007. Mr. Rinck was appointed as vice president and the Chief Technology Officer of the Company in March 2010.

Mr. Wang Haibo (王海波先生), aged 38, is a vice president of the Company. Mr. Wang graduated from Xinjiang Finance and Economics Institute with a bachelor's degree. He was director of our Marketing Center and Investment Development Department from 2001. He has been the deputy general manager, general manager and the chairman of Beijing Tianrun New Energy Investment Co., Ltd. since 2007. Since January 2011, he concurrently held the general manager's position in Goldwind International Holdings (HK) Limited. Mr. Wang was appointed as an employee representative supervisor of the Company from 2005 to March 2010. He was appointed as vice president of the Company in March 2010.

Mr. Wang Xiangming (王相明先生), aged 43, is a vice president of our Company. Mr. Wang graduated from Northwestern Polytechnical University with a bachelor's degree. Mr. Wang is a qualified professor-level senior engineer and he served as production director, vice general engineer and general engineer of the Company. He was appointed as vice president of the Company in March 2007.

Mr. Wu Kai (吳凱先生), aged 43, is the vice president of the Company. Mr. Wu graduated from Harbin Institute of Technology with a bachelor's degree. He was senior regional manager of SKF China from 2006 to 2008. He has served as the vice general manager and general manager of supply chain management and general manager of R&D since September 2008. He was appointed as vice president of the Company in January 2011.

Mr. Yang Hua (楊華先生), aged 45, is the vice president of the Company. He graduated from the Party School of the Central Committee of C.P.C. with a bachelor's degree. From March 2004 to February 2010, he served as director of the electronic-control system business department and vice general manager of the customer service center of the Company. Currently he is the general manager of domestic marketing of the Company from February 2010. Mr. Yang was appointed as vice president of the Company in January 2011.

Mr. Cui Xinwei (崔新維先生), aged 51, is the chief engineer of the Company. Mr. Cui obtained a master's degree in mechanical engineering from Zhejiang University. Mr. Cui served as dean of the Engineering and Communication Institute of Xinjiang Agricultural University, a director of our general design office and our vice chief engineer. He was appointed as vice president of the Company in March 2009.

Ms. Ma Jinru (馬金儒女士), aged 46, is a vice president, the Secretary of the Board, and the Company Secretary of the Company. Ms. Ma graduated from Jilin University of Technology with a master's degree in transportation management engineering. She is a senior economist and an affiliated person of The Hong Kong Institute of Chartered Secretaries. She was an economist with the Dalian Port Design Institute, head of the Foreign Trade and Economic Cooperation Department of the Dalian Port Authority and a manager of the Financial Management Department of the Dalian Port Container Integrated Development Company from 1990 to 2002. Ms. Ma served as Secretary of the Board of Dalian Port Container Co., Ltd. from 2002 to 2005, Secretary of the Board and Company Secretary of Dalian Port (PDA) Co., Ltd. from 2005 to 2010. Ms. Ma was appointed as vice president, the Secretary of the Board and the Company Secretary of the Company in March 2010.

Independent Auditors' Report

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安 永

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To the shareholders of Xinjiang Goldwind Science & Technology Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Xinjiang Goldwind Science & Technology Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 70 to 207, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

To the shareholders of Xinjiang Goldwind Science & Technology Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

AUDITORS' RESPONSIBILITY (continued)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
23 March 2012

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
REVENUE	5	**12,755,970**	17,475,172
Cost of sales		**(10,699,178)**	(13,453,754)
Gross profit		**2,056,792**	4,021,418
Other income and gains	5	**770,150**	665,732
Selling and distribution costs		**(990,317)**	(1,096,360)
Administrative expenses		**(738,691)**	(417,616)
Other expenses		**(78,794)**	(272,208)
Finance costs	7	**(257,954)**	(116,977)
Share of profits and losses of:			
Jointly-controlled entities	19	**2,286**	5,162
Associates		**100,962**	10,564
PROFIT BEFORE TAX	6	**864,434**	2,799,715
Income tax expense	9	**(146,448)**	(415,878)
PROFIT FOR THE YEAR		**717,986**	2,383,837
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**(119,074)**	(34,553)
Available-for-sale investments:			
Changes in fair value		**1,135**	–
Income tax effect		**(187)**	–
		948	–
Share of other comprehensive income of associates		**12,666**	7,078
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(105,460)**	(27,475)

continued/...

	Notes	2011 RMB'000	2010 RMB'000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		612,526	2,356,362
Profit attributable to:			
Owners of the Company		606,707	2,289,520
Non-controlling interests		111,279	94,317
		717,986	2,383,837
Total comprehensive income attributable to:			
Owners of the Company		501,247	2,262,045
Non-controlling interests		111,279	94,317
		612,526	2,356,362
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic and diluted	12	RMB0.23	RMB0.99

Consolidated Statement of Financial Position

31 December 2011

	Notes	As at 31 December 2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	4,579,887	3,782,767
Investment properties	14	85,281	88,177
Prepaid land lease payments	15	214,788	260,413
Goodwill	16	326,225	256,823
Other intangible assets	17	389,918	353,239
Investments in jointly-controlled entities	19	392,625	172,502
Investments in associates	20	253,138	89,980
Available-for-sale investments	21	257,644	60,460
Deferred tax assets	22	465,368	399,169
Prepayments	25	65,332	88,032
Derivative financial instruments	31	33,203	9,975
Total non-current assets		7,063,409	5,561,537
CURRENT ASSETS			
Inventories	23	5,148,235	4,390,716
Trade and bills receivables	24	10,299,392	7,583,129
Prepayments, deposits and other receivables	25	1,623,728	1,204,035
Equity investment at fair value through profit or loss	26	94,035	–
Pledged deposits	27	16,325	334,599
Cash and cash equivalents	27	7,596,918	9,323,600
		24,778,633	22,836,079
Assets of a disposal group classified as held for sale	28	588,144	–
Total current assets		25,366,777	22,836,079
CURRENT LIABILITIES			
Trade and bills payables	29	7,580,875	8,130,173
Other payables and accruals	30	1,426,167	1,952,241
Derivative financial instruments	31	537	7,546
Interest-bearing bank loans	32	5,467,483	1,501,526
Tax payable		119,454	422,918
Provision	33	592,562	441,793
		15,187,078	12,456,197
Liabilities directly associated with the assets classified as held for sale	28	525,819	–
Total current liabilities		15,712,897	12,456,197
NET CURRENT ASSETS		9,653,880	10,379,882
TOTAL ASSETS LESS CURRENT LIABILITIES		16,717,289	15,941,419

continued/...

	Notes	As at 31 December 2011 RMB'000	2010 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,717,289**	15,941,419
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	32	**2,574,745**	1,465,314
Deferred tax liabilities	22	**44,413**	68,967
Provision	33	**677,121**	574,366
Government grants	34	**152,501**	187,359
Other long-term liabilities		**–**	14,513
Total non-current liabilities		**3,448,780**	2,310,519
Net assets		**13,268,509**	13,630,900
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	35	**2,694,588**	2,694,588
Reserves	36(a)	**10,044,742**	9,678,240
Proposed final dividend	11	**134,729**	916,160
		12,874,059	13,288,988
Non-controlling interests		**394,450**	341,912
Total equity		**13,268,509**	13,630,900

Wu Gang
Director

Guo Jian
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Attributable to owners of the Company									
	Issued share capital (note 35) RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Proposed dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
1 January 2010	1,400,000	1,670,115	267,416	1,730,985	–	(7,459)	140,000	5,201,057	326,200	5,527,257
Profit for the year	–	–	–	2,289,520	–	–	–	2,289,520	94,317	2,383,837
Other comprehensive income for the year:										
Share of other comprehensive income of an associate	–	7,078	–	–	–	–	–	7,078	–	7,078
Exchange difference on translation of foreign operation	–	–	–	–	–	(34,553)	–	(34,553)	–	(34,553)
Total comprehensive income for the year	–	7,078	–	2,289,520	–	(34,553)	–	2,262,045	94,317	2,356,362
Final 2009 dividend declared	–	–	–	–	–	–	(140,000)	(140,000)	–	(140,000)
Profit appropriation to reserves	–	–	213,765	(213,765)	–	–	–	–	–	–
Dividend declared to non-controlling shareholders	–	–	–	–	–	–	–	–	(32,565)	(32,565)
Issue of bonus shares (note 35(a))	840,000	–	–	(840,000)	–	–	–	–	–	–
Issue of H shares (note 35(b))	454,588	6,584,200	–	–	–	–	–	7,038,788	–	7,038,788
Share issue expenses	–	(284,394)	–	–	–	–	–	(284,394)	–	(284,394)
Capital withdrawal by non-controlling shareholders	–	–	–	–	–	–	–	–	(41,440)	(41,440)
Acquisition of subsidiaries (note 37)	–	–	–	–	–	–	–	–	46,283	46,283
Disposal of subsidiaries (note 38)	–	–	–	–	–	–	–	–	(31,360)	(31,360)
Derecognition of a subsidiary (note 39)	–	–	–	–	–	–	–	–	(19,523)	(19,523)
Proposed dividend	–	–	–	(784,000)	–	–	784,000	–	–	–
Proposed final 2010 dividend	–	–	–	(916,160)	–	–	916,160	–	–	–
Dividend declared	–	–	–	–	–	–	(784,000)	(784,000)	–	(784,000)
Others	–	–	–	(4,508)	–	–	–	(4,508)	–	(4,508)
As at 31 December 2010 and 1 January 2011	2,694,588	*7,976,999	*481,181	*1,262,072	* –	*(42,012)	916,160	13,288,988	341,912	13,630,900
Profit for the year	–	–	–	606,707	–	–	–	606,707	111,279	717,986
Other comprehensive income for the year:										
Changes in fair value of available-for-sale investment, net of tax	–	–	–	–	948	–	–	948	–	948
Share of other comprehensive income of associates	–	12,666	–	–	–	–	–	12,666	–	12,666
Exchange difference on translation of foreign operation	–	–	–	–	–	(119,074)	–	(119,074)	–	(119,074)
Total comprehensive income for the year	–	12,666	–	606,707	948	(119,074)	–	501,247	111,279	612,526
Final 2010 dividend declared	–	–	–	–	–	–	(916,160)	(916,160)	–	(916,160)
Profit appropriation to reserves	–	–	14,208	(14,208)	–	–	–	–	–	–
Dividend declared to non-controlling shareholders	–	–	–	–	–	–	–	–	(22,033)	(22,033)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	105,480	105,480
Acquisition of shares from non-controlling shareholders	–	(16)	–	–	–	–	–	(16)	(42,547)	(42,563)
Acquisition of subsidiaries (note 37)	–	–	–	–	–	–	–	–	8,299	8,299
Disposal of subsidiaries (note 38)	–	–	–	–	–	–	–	–	(10,274)	(10,274)
Derecognition of subsidiaries (note 39)	–	–	–	–	–	–	–	–	(97,666)	(97,666)
Proposed final 2011 dividend	–	–	–	(134,729)	–	–	134,729	–	–	–
As at 31 December 2011	2,694,588	*7,989,649	*495,389	*1,719,842	*948	*(161,086)	134,729	12,874,059	394,450	13,268,509

* As at 31 December 2011, these reserve accounts comprised the consolidated reserves of RMB10,044,742,000 (31 December 2010: RMB9,678,240,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		864,434	2,799,715
Adjustments for:			
Finance costs	7	257,954	116,977
Foreign exchange differences, net	6	11,021	40,430
Bank interest income		(24,705)	(8,021)
Share of profits and losses of jointly-controlled entities	19	(2,286)	(5,162)
Share of profits and losses of associates		(100,962)	(10,564)
Depreciation	6	138,185	112,808
Amortisation of prepaid land lease payments	6	4,564	3,653
Amortisation of other intangible assets	6	53,832	50,748
Loss on disposals of items of property, plant and equipment and other intangible assets, net	6	4,714	136
Gain on disposals of subsidiaries	5	(294,111)	(414,724)
Gain on derecognitions of subsidiaries	5	(92,809)	(29,040)
Gain on disposal of a jointly-controlled entity	5	(24,854)	–
Dividend income from available-for-sale investments	5	(1,522)	(15,239)
Realised gain on derivative financial instruments	5	(533)	(1,474)
Net fair value gain on derivative financial instruments	5	(31,262)	(8,508)
Impairment of trade and other receivables	6	16,555	186,804
Write-down of inventories to net realisable value	6	–	1,130
Government grants		–	(25,191)
		778,215	2,794,478
Increase in inventories		(780,089)	(1,442,972)
Increase in trade and bills receivables		(2,816,029)	(4,415,853)
Increase in prepayments, deposits and other receivables		(357,289)	(339,934)
Increase in equity investment at fair value through profit or loss		(94,035)	–
(Decrease)/increase in trade and bills payables		(88,407)	3,638,495
Decrease in other payables and accruals		(792,133)	(209,697)
Increase in provision		253,524	583,537
Cash generated from operations		(3,896,243)	608,054
Income tax paid		(237,199)	(421,643)
Net cash flows from operating activities		(4,133,442)	186,411

continued/...

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(3,006,150)	(2,551,897)
Additions of prepaid land lease payments		(11,191)	(30,764)
Additions of other intangible assets		(205,702)	(84,060)
Acquisitions of subsidiaries, net of cash acquired	37	(325,365)	63,851
Purchases of shareholding in jointly-controlled entities		(146,661)	(24,875)
Purchases of shareholding in associates		(35,450)	–
Purchases of available-for-sale investments		(197,696)	(3,100)
Acquisitions of non-controlling interests in subsidiaries		(1,243)	(23,000)
Proceeds from disposals of items of property, plant and equipment		985	419
Disposals of subsidiaries, net of cash disposed of	38	199,235	213,036
Derecognitions of subsidiaries, net of cash disposed of	39	(276,292)	(1,087)
Disposal of a jointly-controlled entity		–	17,500
Cash and cash equivalents included in assets held for sale	28	(87,396)	–
Repayments of loans from jointly-controlled entities		302,745	–
Repayments of loans from associates		36,211	–
Repayments of loans to jointly-controlled entities		(24,648)	–
Decrease/(Increase) in pledged deposits		318,274	(116,061)
Decrease/(Increase) in non-pledged time deposits with original maturity of three months or more when acquired		38,912	(1,200)
Government grants received		–	22,480
Interest received		24,706	8,319
Dividend received		40,449	13,588
Proceeds from derivative financial instruments		–	1,474
Net cash flows used in investing activities		(3,356,277)	(2,495,377)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		11,882,923	3,659,293
Repayment of bank loans		(4,949,538)	(2,023,053)
Increase in amounts due to the non-controlling shareholders of subsidiaries		43,860	–
Interest paid		(251,764)	(152,707)
Proceeds from issue of new shares		–	7,038,788
Share issue expenses		–	(269,293)
Capital withdrawal by non-controlling shareholders		–	(24,388)
Capital contributions from non-controlling shareholders		105,420	–
Dividend paid to owners of the Company		(916,160)	(924,000)
Dividend paid to non-controlling shareholders		(9,945)	(25,828)
Net cash flows from financing activities		5,904,796	7,278,812
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,584,923)	4,969,846
Cash and cash equivalents at beginning of year		9,242,400	4,378,950
Effect of foreign exchange rate changes, net		(102,847)	(106,396)
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	7,554,630	9,242,400

Statement of Financial Position

31 December 2011

	Notes	As at 31 December 2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**205,489**	206,824
Investment properties	14	**73,493**	75,630
Prepaid land lease payments	15	**22,991**	43,808
Other intangible assets	17	**66,081**	47,693
Investments in subsidiaries	18	**5,565,109**	4,298,588
Deferred tax assets	22	**239,674**	206,064
Total non-current assets		**6,172,837**	4,878,607
CURRENT ASSETS			
Inventories	23	**2,779,070**	2,408,125
Trade and bills receivables	24	**8,673,980**	6,454,679
Prepayments, deposits and other receivables	25	**2,553,851**	1,252,368
Pledged deposits	27	**–**	196,307
Cash and cash equivalents	27	**4,163,697**	5,371,583
Total current assets		**18,170,598**	15,683,062
CURRENT LIABILITIES			
Trade and bills payables	29	**5,910,803**	5,648,685
Other payables and accruals	30	**1,503,182**	1,271,521
Derivative financial instruments	31	**537**	7,546
Interest-bearing bank loans	32	**3,700,785**	187,953
Tax payable		**–**	241,155
Provision	33	**456,991**	321,036
Total current liabilities		**11,572,298**	7,677,896
NET CURRENT ASSETS		**6,598,300**	8,005,166
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,771,137**	12,883,773

continued/...

Statement of Financial Position

31 December 2011

		As at 31 December	
		2011	2010
	Notes	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,771,137**	12,883,773
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	32	**600,000**	–
Deferred tax liabilities	22	**82**	–
Provision	33	**591,798**	469,825
Government grants	34	**49,422**	110,031
Total non-current liabilities		**1,241,302**	579,856
Net assets		**11,529,835**	12,303,917
EQUITY			
Issued share capital	35	**2,694,588**	2,694,588
Reserves	36(b)	**8,700,518**	8,693,169
Proposed final dividend	11	**134,729**	916,160
Total equity		**11,529,835**	12,303,917

Wu Gang	**Guo Jian**
Director	*Director*

Notes to Financial Statements

31 December 2011

1. CORPORATE INFORMATION

Xinjiang Goldwind Science & Technology Co., Ltd. (the "Company") was established as a joint stock company with limited liability on 26 March 2001 in the People's Republic of China (the "PRC"). The Company's A shares have been listed on The Shenzhen Stock Exchange from 26 December 2007, and the Company's H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") from 8 October 2010. The registered office of the Company is located at 107 Shanghai Road, Economic & Technology Development District, Urumqi, Xinjiang, the PRC.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- Manufacture and sale of wind turbine generators and wind power components
- Development and operation of wind farms, consisting of wind power generation service provided by the Group's wind farms as well as the sale of wind farms, if appropriate
- Provision of wind power related consultancy, wind farm construction, maintenance and transportation services

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

2.1. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations ("IFRICs") approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance (the "Companies Ordinance"). They have been prepared under the historical cost convention, except for certain financial assets as further explained in note 2.4 to the financial statements. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Notes to Financial Statements

31 December 2011

2.1. BASIS OF PRESENTATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
IFRIC-14 Amendments	Amendments to IFRIC-14 *Prepayments of a Minimum Funding Requirement*
IFRIC-19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010

Other than as further explained below regarding the impact of IAS 24 (Revised), and amendments to IFRS 3, IAS 1 and IAS 27 included in *Improvements* to IFRSs 2010, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The principal effects of adopting these IFRSs are as follows:

(a) IAS 24 (Revised) *Related Party Disclosures*

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 43 to the consolidated financial statements.

(b) *Improvements to IFRSs 2010* issued in May 2010 sets out amendments to a number of IFRSs.

There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- IFRS 3 *Business Combinations*: The amendment clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

Notes to Financial Statements

31 December 2011

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(b) *Improvements to IFRSs 2010* issued in May 2010 sets out amendments to a number of IFRSs. (continued)

- IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- IAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
IFRS 9	*Financial Instruments*[6]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 Amendments	Amendments to IAS19 *Employee Benefits*[4]
IAS 27 (Revised)	*Separate Financial Statements*[4]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[4]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial liabilities*[5]
IFRIC-20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

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

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12.

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2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, and the consequential amendments to IAS 27 and IAS 28 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

Amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

IAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in SIC-21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. The Group expects to adopt IAS 12 Amendments from 1 January 2012.

IAS 19 Amendments include a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt IAS 19 Amendments from 1 January 2013.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entities

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

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in profit or loss and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

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

When an investment in a jointly-controlled entity is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Associates

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

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

The Group's share of the post-acquisition results and reserves of associates is included in profit or loss and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

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

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party, is a person or a close member of that person's family and that person,

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

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

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is charged so as to write off the cost of investment properties using the straight-line method over the estimated useful lives of 20 to 50 years. Owner-occupied property is transferred to investment property when there is a change in use evidenced by the end of owner occupation.

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

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Patents, licences and office software

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

Research and development costs

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

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

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

Operating leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under IAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

Loans and receivables

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

Held-to-maturity investments

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

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

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

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

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

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of IAS 39 are satisfied.

Loans and borrowings

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

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

Financial guarantee contracts

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Fair value of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and power price swaps, to hedge its foreign currency risk and power price risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which such derivative contracts are entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary asset and released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

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

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

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

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

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

Construction contracts

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts (continued)

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

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

Borrowing costs

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

Dividends

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and jointly-controlled entities are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of comprehensive income are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Defined contribution plans

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

Short-term employee benefits

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Operating lease commitments – Group as lessor

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

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

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

The carrying amount of property, plant and equipment as at 31 December 2011 was approximately RMB4,579,887,000 (31 December 2010: RMB3,782,767,000). More details are given in note 13.

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31 December 2011

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2011 was approximately RMB326,225,000 (31 December 2010: RMB256,823,000). More details are given in note 16.

Current income tax

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

The carrying amount of tax payable as at 31 December 2011 was RMB119,454,000 (31 December 2010: RMB422,918,000).

Deferred income tax

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

The carrying amount of deferred tax assets as at 31 December 2011 was RMB465,368,000 (31 December 2010: RMB399,169,000). More details are given in note 22.

The carrying amount of deferred tax liabilities as at 31 December 2011 was RMB44,413,000 (31 December 2010: RMB68,967,000). More details are given in note 22.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of trade and bills receivables

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

The carrying amount of trade and bills receivables as at 31 December 2011 was RMB10,299,392,000 (31 December 2010: RMB7,583,129,000). More details are given in note 24.

Warranty provision

Provision for product warranties given by the Group for certain products are recognised based on sales volume and past experience of the level of repairs, discounted to their present values as appropriate. At 31 December 2011, the best estimate of the carrying amount of warranty provision was RMB1,269,683,000 (31 December 2010: RMB1,016,159,000). More details are given in note 33.

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4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2011

	Wind turbine generator manufacturing and sale RMB'000	Wind power services RMB'000	Wind farm development RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	12,254,476	362,661	138,833	–	12,755,970
Intersegment sales	2,016,806	158,532	–	(2,175,338)	–
Total revenue	14,271,282	521,193	138,833	(2,175,338)	12,755,970
Segment results:	768,832	51,727	176,403	71,714	1,068,676
Interest income	50,204	696	2,812	–	53,712
Finance costs	(213,001)	(3,519)	(41,434)	–	(257,954)
Profit before tax	606,035	48,904	137,781	71,714	864,434
Segment assets	28,669,633	934,630	9.076,324	(6,250,401)	32,430,186
Segment liabilities	15,669,598	712,845	6,909,821	(4,130,587)	19,161,677
Other segment information:					
Share of profits and losses of:					
Jointly-controlled entities	–	–	2,286	–	2,286
Associates	81,504	–	19,458	–	100,962
Depreciation and amortisation	158,068	2,888	41,506	(5,881)	196,581
Impairment/(reversal of impairment) of trade and other receivables	19,682	(3,127)	–	–	16,555
Product warranty provision	570,572	–	–	(58,603)	511,969
Investments in jointly-controlled entities	15,182	–	507,902	(130,459)	392,625
Investments in associates	174,380	3,200	122,811	(47,253)	253,138
Capital expenditure[1]	631,330	5,031	3,298,529	(608,314)	3,326,576

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4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2010

	Wind turbine generator manufacturing and sale RMB'000	Wind power services RMB'000	Wind farm development RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	17,004,649	292,685	177,838	–	17,475,172
Intersegment sales	1,711,109	157,500	–	(1,868,609)	–
Total revenue	18,715,758	450,185	177,838	(1,868,609)	17,475,172
Segment results:	2,646,984	62,554	329,642	(151,297)	2,887,883
Interest income	43,625	985	1,480	(17,281)	28,809
Finance costs	(56,378)	–	(77,880)	17,281	(116,977)
Profit before tax	2,634,231	63,539	253,242	(151,297)	2,799,715
Segment assets	25,842,523	409,666	4,824,090	(2,678,663)	28,397,616
Segment liabilities	12,409,179	242,998	3,858,403	(1,743,864)	14,766,716
Other segment information:					
Share of profits and losses of:					
Jointly-controlled entities	–	–	5,162	–	5,162
Associates	6,180	–	4,384	–	10,564
Depreciation and amortisation	110,154	2,395	60,710	(6,050)	167,209
Write-down of inventories to net realisable value	1,130	–	–	–	1,130
Impairment/(reversal of impairment) of trade and other receivables	134,710	(2,137)	(2,502)	56,733	186,804
Product warranty provision	780,062	–	–	(23,888)	756,174
Investments in jointly-controlled entities	–	–	298,948	(126,446)	172,502
Investments in associates	60,627	–	40,584	(11,231)	89,980
Capital expenditure(1)	891,828	7,729	2,799,392	(303,942)	3,395,007

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2011 RMB'000	2010 RMB'000
Mainland China	**11,547,051**	17,101,062
Overseas	**1,208,919**	374,110
	12,755,970	17,475,172

The revenue information from continuing operations above is based on the location of the customers.

(b) Non-current assets

	2011 RMB'000	2010 RMB'000
Mainland China	**4,464,991**	4,301,108
United States of America	**1,196,652**	186,875
Germany	**559,758**	592,020
Other countries	**85,793**	11,930
	6,307,194	5,091,933

The non-current asset information from continuing operations above is based on the location of assets and excludes financial instruments and deferred tax assets.

Information about major customers

For the year ended 31 December 2011 and 31 December 2010 respectively, no revenue generated from any of the Group's customers individually accounted for 10% or more of the Group's total revenue.

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5. REVENUE, OTHER INCOME AND GAINS

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

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

	Notes	2011 RMB'000	2010 RMB'000
Revenue			
Sale of wind turbine generators and wind power components		12,254,476	17,004,649
Wind power services		362,661	292,685
Wind power generation		138,833	177,838
		12,755,970	17,475,172
Other income			
Bank interest income		53,712	28,809
Dividend income from available-for-sale investments		1,522	15,239
Gross rental income		20,632	16,023
Government grants		165,706	100,670
Value-added tax refund		3,646	7,022
Insurance compensation on product warranty expenditures		46,854	34,749
Others		27,347	3,356
		319,419	205,868
Gains			
Gain on disposals of subsidiaries, including wind farm project companies	38	294,111	414,724
Gain on derecognitions of subsidiaries, the wind farm project companies	39	92,809	29,040
Gain on disposal of an investment in a jointly-controlled entity		24,854	–
Gain on disposals of items of property, plant and equipment		1,293	377
Net fair value gain on derivative financial instruments – transaction not qualifying as hedges	31	31,262	8,508
Realised gain on derivative financial instruments		533	1,474
Others		5,869	5,741
		450,731	459,864
		770,150	665,732

6. PROFIT BEFORE TAX

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

	Notes	2011 RMB'000	2010 RMB'000
Cost of inventories sold		**10,418,588**	13,172,640
Write-down of inventories to net realisable value		**–**	1,130
Depreciation (note (a)) provided for:			
Property, plant and equipment	13	**135,289**	110,156
Investment properties	14	**2,896**	2,652
		138,185	112,808
Amortisation of prepaid land lease payments	15	**4,564**	3,653
Amortisation of other intangible assets	17	**53,832**	50,748
		58,396	54,401
Impairment of trade and bills receivables	24	**16,807**	185,298
(reversal of impairment)/Impairment of prepayments, deposits and other receivables	25	**(252)**	1,506
		16,555	186,804
Loss on disposals of items of property, plant and equipment and other intangible assets, net		**4,714**	136
Minimum lease payments under operating leases of land and buildings		**16,947**	15,597
Auditors' remuneration		**6,063**	6,900
Employee benefit expenses (including directors' and supervisors' remuneration):			
Wages and salaries		**362,204**	298,047
Pension scheme contributions (defined contribution scheme) (note (b))		**32,342**	17,577
Welfare and other expenses		**77,873**	40,930
		472,419	356,554
Foreign exchange differences, net		**11,021**	40,430
Research and development costs:			
Staff costs		**75,913**	43,100
Amortisation and depreciation		**6,435**	3,489
Materials expenditure and others		**201,506**	51,790
		283,854	98,379

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6. PROFIT BEFORE TAX (continued)

	Notes	2011 RMB'000	2010 RMB'000
Product warranty provision	33	511,969	756,174
Insurance compensation on product warranty expenditures		(46,854)	(34,749)
Government grants		(165,706)	(100,670)
Net fair value gain on derivative financial instruments-transaction not qualifying as hedges		(31,262)	(8,508)
Rental income on investment properties less direct operating expenses of RMB6,061,000 (2010: RMB5,795,000)		(9,670)	(9,407)
Dividend income from available-for-sale investments		(1,522)	(15,239)
Bank interest income		(53,712)	(28,809)
Gain on disposals of subsidiaries, including wind farm project companies	38	(294,111)	(414,724)
Gain on derecognition of a subsidiary, a wind farm project company	39	(92,809)	(29,040)
Gain on disposal of an investment in a jointly-controlled entity, a wind farm project company		(24,854)	–
Gain on disposals of items of property, plant and equipment		(1,293)	(377)
Realised gain on derivative financial instruments		(533)	(1,474)

Notes:

(a) Depreciation of approximately RMB74,374,000 is included in the cost of sales on the face of the consolidated statement of comprehensive income for the year ended 31 December 2011 (2010: RMB79,335,000).

(b) As at 31 December 2011, the Group had no forfeited contributions amounting available to reduce its contributions to the pension scheme in future years (31 December 2010: RMB7,000).

7. FINANCE COSTS

	2011 RMB'000	2010 RMB'000
Interest on bank loans wholly repayable:		
Within five years	299,980	144,214
Above five years	27,526	33,081
	327,506	177,295
Less: Interest capitalised (note 13)	(69,552)	(60,318)
	257,954	116,977

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and supervisors' remuneration

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

	2011 RMB'000	2010 RMB'000
Fees	357	275
Other emoluments:		
– Salaries, allowances and benefits in kind	4,882	5,136
– Performance related bonuses	127	6,034
– Pension scheme contributions (defined contribution scheme)	210	214
	5,576	11,659

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8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

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

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

Year ended 31 December 2011

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors					
Wu Gang	–	1,834	–	55	1,889
Guo Jian	–	1,856	–	64	1,920
Wei Hongliang*	–	505	53	40	598
	–	4,195	53	159	4,407
Non-executive directors					
Li Ying	–	–	–	–	–
Gao Zhong	–	–	–	–	–
Hu Yang**	–	–	–	–	–
Lv Houjun	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Wang Yousan	–	–	–	–	–
Shi Pengfei	185	–	–	–	185
Li Man Bun, Brian David*	85	–	–	–	85
Tin Yau Kelvin Wong**	87	–	–	–	87
	357	–	–	–	357
Supervisors					
Wang Mengqiu	–	–	–	–	–
Luo Jun	–	–	–	–	–
Wang Shiwei	–	–	–	–	–
Zheng Chengjiang	–	334	39	21	394
Xiao Zhiping	–	353	35	30	418
	–	687	74	51	812
	357	4,882	127	210	5,576

* Wei Hongliang and Li Man Bun, Brian David resigned as a Director and an independent non-executive Director of the Company, respectively, with effect from 15 July 2011 and 24 June 2011.

** Hu Yang and Tin Yau Kelvin Wong were appointed as a Non-executive Director and an independent non-executive Director of the Company, respectively, with effect from 28 September 2011 and 25 June 2011.

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

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

Year ended 31 December 2010

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors					
Wu Gang	–	1,865	2,058	64	3,987
Guo Jian	–	1,863	2,065	64	3,992
Wei Hongliang**	–	748	1,348	45	2,141
	–	4,476	5,471	173	10,120
Non-executive directors					
Li Ying	–	–	–	–	–
Gao Zhong	–	–	–	–	–
Liu Tongliang*	–	–	–	–	–
Lv Houjun	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Wang Yousan	–	–	–	–	–
Shi Pengfei	142	–	–	–	142
Song Chang*	20	–	–	–	20
Li Man Bun, Brian David**	113	–	–	–	113
	275	–	–	–	275
Supervisors					
Wang Mengqiu	–	–	–	–	–
Luo Jun	–	–	–	–	–
Wang Shiwei	–	–	–	–	–
Wang Haibo*	–	–	–	–	–
Zheng Chengjiang	–	252	268	21	541
Xiao Zhiping**	–	408	295	20	723
	–	660	563	41	1,264
	275	5,136	6,034	214	11,659

* Liu Tongliang, Song Chang and Wang Haibo resigned as a Director, an independent non-executive Director and a Supervisor of the Company, respectively, with effect from 25 March 2010.

** Wei Hongliang, Li Man Bun, Brian David and Xiao Zhiping were appointed as a Director, an independent non-executive Director and a Supervisor of the Company, respectively, with effect from 25 March 2010.

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8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(b) Five highest paid employees

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

	2011	2010
Directors	2	2
Non-director and non-supervisor employees	3	3
	5	5

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

	2011 RMB'000	2010 RMB'000
Salaries, allowances and benefits in kind	4,134	2,736
Performance related bonuses	1,198	6,643
Pension scheme contributions	73	70
	5,405	9,449

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

	2011	2010
HK$1,000,001 to HK$2,000,000	2	–
HK$2,000,001 to HK$3,000,000	1	–
HK$3,000,001 to HK$3,500,000	–	2
HK$4,000,001 to HK$4,500,000	–	1
	3	3

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

9. INCOME TAX EXPENSE

Under the relevant PRC Corporate Income Tax Law and the respective regulations, except for the Company and the Company's certain subsidiaries in Mainland China, which were exempted from income tax or taxed at a preferential rate of 15% primarily due to their status as entities engaging in technology development or their involvement in the important public infrastructure investment projects that were supported by the government and development projects in the western region of the PRC, the entities within the Group were subject to corporate income tax at a rate of 25% during the year.

Profits tax for Hong Kong has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

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

The Company has been identified as a "high and new technology enterprise" and was entitled to a preferential income tax at a rate of 15% for the three years ended 31 December 2011 in accordance with the PRC Corporate Income Tax Law.

	2011 RMB'000	2010 RMB'000
Current		
– Hong Kong	10,181	–
– Mainland China	86,413	541,462
– Elsewhere	140,794	96,626
	237,388	638,088
Deferred (note 22)	(90,940)	(222,210)
Tax charge for the year	146,448	415,878

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9. INCOME TAX EXPENSE (continued)

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate applicable to the Company to the income tax expense at the Group's effective income tax rate is as follows:

	2011 RMB'000	2010 RMB'000
Profit before tax	**864,434**	2,799,715
Income tax charge at the statutory income tax rate of 25%	**216,109**	699,929
Effect of different income tax rates for overseas entities	**13,236**	9,799
Tax exemption	**(24,291)**	(266,312)
Tax losses not recognised	**29,023**	15,245
Income not subject to tax	**(380)**	(3,810)
Expenses not deductible for tax purposes	**10,192**	9,117
Additional tax deduction for research and development expenditure	**(50,289)**	(13,221)
Profits and losses attributable to jointly-controlled entities	**(571)**	(1,291)
Profits and losses attributable to associates	**(25,241)**	(2,641)
Others	**(21,340)**	(30,937)
Tax charge for the year at the effective rate	**146,448**	415,878

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year includes a profit of approximately RMB142,078,000 (2010: RMB2,140,883,000), which has been dealt with in the financial statements of the Company (note 36(b)).

11. DIVIDENDS

	2011 RMB'000	2010 RMB'000
Dividend per ordinary share	**–**	784,000
Proposed final dividend of RMB0.05 (2010: RMB0.34) per ordinary share	**134,729**	916,160
	134,729	1,700,160

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount for the year is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,694,588,000 (2010: 2,315,764,667) in issue during the year.

	2011 RMB'000	2010 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**606,707**	2,289,520

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,694,588,000**	2,315,764,667

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

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13. PROPERTY, PLANT AND EQUIPMENT

Group

	Year ended 31 December 2011					
	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2011	661,988	1,064,711	45,134	112,520	2,080,243	3,964,596
Additions	10,976	71,032	19,588	60,949	2,803,446	2,965,991
Acquisitions of subsidiaries (note 37)	–	33,797	–	1,162	11,842	46,801
Disposals	(17)	(4,890)	(4,858)	(4,077)	–	(13,842)
Disposals of subsidiaries (note 38)	–	(1,041,371)	(1,917)	(500)	–	(1,043,788)
Derecognition of subsidiaries (note 39)	–	(296,852)	(1,568)	(226)	(306,378)	(605,024)
Transfers	306,861	1,334,602	–	842	(1,642,305)	–
Transferred to assets of a disposal group classified as held for sale (note 28)	–	–	(380)	(65)	(431,470)	(431,915)
Exchange realignment	(6,613)	(9,883)	(342)	(2,759)	56	(19,541)
At 31 December 2011	973,195	1,151,146	55,657	167,846	2,515,434	4,863,278
Accumulated depreciation and impairment:						
At 1 January 2011	(39,722)	(99,528)	(7,585)	(34,994)	–	(181,829)
Depreciation charge for the year (note 6)	(21,926)	(81,031)	(6,302)	(26,030)	–	(135,289)
Disposals	18	676	1,117	549	–	2,360
Acquisitions of subsidiaries (note 37)	–	(5,471)	–	(171)	–	(5,642)
Disposals of subsidiaries (note 38)	–	22,175	409	187	–	22,771
Derecognition of subsidiaries (note 39)	–	10,531	129	35	–	10,695
Transferred to assets of a disposal group classified as held for sale (note 28)	–	–	43	7	–	50
Exchange realignment	891	1,723	157	722	–	3,493
At 31 December 2011	(60,739)	(150,925)	(12,032)	(59,695)	–	(283,391)
Net carrying amount:						
At 31 December 2011	912,456	1,000,221	43,625	108,151	2,515,434	4,579,887
At 1 January 2011	622,266	965,183	37,549	77,526	2,080,243	3,782,767

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Year ended 31 December 2010					
	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2010	372,801	696,513	24,049	67,564	1,359,748	2,520,675
Additions	8,013	95,989	13,126	32,890	2,495,895	2,645,913
Acquisitions of subsidiaries (note 37)	191,093	108,202	4,509	6,760	199,109	509,673
Disposals	(16)	(181)	(2,122)	(1,861)	–	(4,180)
Disposals of subsidiaries (note 38)	–	(1,103,863)	(1,538)	(478)	(282,085)	(1,387,964)
Derecognition of a subsidiary (note 39)	–	–	–	(888)	(289,581)	(290,469)
Transfers	111,347	1,273,281	7,494	10,721	(1,402,843)	–
Transferred to investment properties (note 14)	(12,002)	–	–	–	–	(12,002)
Exchange realignment	(9,248)	(5,230)	(384)	(2,188)	–	(17,050)
At 31 December 2010	661,988	1,064,711	45,134	112,520	2,080,243	3,964,596
Accumulated depreciation and impairment:						
At 1 January 2010	(18,098)	(38,980)	(4,312)	(18,630)	–	(80,020)
Depreciation charge for the year (note 6)	(13,240)	(76,923)	(3,727)	(16,266)	–	(110,156)
Disposals	–	33	726	763	–	1,522
Acquisitions of subsidiaries (note 37)	(10,966)	(27,059)	(673)	(1,661)	–	(40,359)
Disposals of subsidiaries (note 38)	–	42,789	263	108	–	43,160
Derecognition of a subsidiary (note 39)	–	–	–	91	–	91
Transferred to investment properties (note 14)	2,127	–	–	–	–	2,127
Exchange realignment	455	612	138	601	–	1,806
At 31 December 2010	(39,722)	(99,528)	(7,585)	(34,994)	–	(181,829)
Net carrying amount:						
At 31 December 2010	622,266	965,183	37,549	77,526	2,080,243	3,782,767
At 1 January 2010	354,703	657,533	19,737	48,934	1,359,748	2,440,655

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Year ended 31 December 2011					
	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2011	91,082	144,915	6,311	21,894	228	264,430
Additions	1,837	10,221	2,402	6,434	1,591	22,485
Disposals	–	(173)	–	(16)	–	(189)
Transfers	–	1,610	–	–	(1,610)	–
At 31 December 2011	92,919	156,573	8,713	28,312	209	286,726
Accumulated depreciation:						
At 1 January 2011	(8,365)	(36,614)	(2,054)	(10,573)	–	(57,606)
Depreciation charge for the year	(2,512)	(16,512)	(817)	(3,904)	–	(23,745)
Disposals	–	101	–	13	–	114
At 31 December 2011	(10,877)	(53,025)	(2,871)	(14,464)	–	(81,237)
Net carrying amount:						
At 31 December 2011	82,042	103,548	5,842	13,848	209	205,489
At 1 January 2011	82,717	108,301	4,257	11,321	228	206,824

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Year ended 31 December 2010					
	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2010	91,082	98,756	6,063	16,683	29,654	242,238
Additions	–	12,623	248	5,229	4,117	22,217
Disposals	–	(7)	–	(18)	–	(25)
Transfers	–	33,543	–	–	(33,543)	–
At 31 December 2010	91,082	144,915	6,311	21,894	228	264,430
Accumulated depreciation:						
At 1 January 2010	(5,831)	(21,797)	(1,468)	(7,336)	–	(36,432)
Depreciation charge for the year	(2,534)	(14,822)	(586)	(3,243)	–	(21,185)
Disposals	–	5	–	6	–	11
At 31 December 2010	(8,365)	(36,614)	(2,054)	(10,573)	–	(57,606)
Net carrying amount:						
At 31 December 2010	82,717	108,301	4,257	11,321	228	206,824
At 1 January 2010	85,251	76,959	4,595	9,347	29,654	205,806

The carrying amounts of machinery and construction in progress of the Group included capitalised interest of approximately RMB69,552,000 (2010: RMB60,318,000) charged for the year ended 2011 prior to being transferred to machinery (note 7).

As at 31 December 2011, the Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB14,031,000. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter does not have any significant impact on the Group's financial position as at 31 December 2011.

As at 31 December 2011, certain of the Group's property, plant and equipment with a carrying value of approximately RMB1,543,181,000 (31 December 2010: RMB1,997,866,000) were pledged to secure certain of the Group's bank loans (note 32).

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14. INVESTMENT PROPERTIES

Group

	2011 RMB'000	2010 RMB'000
Cost:		
At beginning of the year	97,997	85,995
Transfer from property, plant and equipment (note 13)	–	12,002
At end of the year	97,997	97,997
Accumulated depreciation:		
At beginning of the year	(9,820)	(5,041)
Depreciation charge for the year (note 6)	(2,896)	(2,652)
Transfer from property, plant and equipment (note 13)	–	(2,127)
At end of the year	(12,716)	(9,820)
Net carrying amount:		
At end of the year	85,281	88,177
At beginning of the year	88,177	80,954

14. INVESTMENT PROPERTIES (continued)

Company

	2011 RMB'000	2010 RMB'000
Cost:		
At beginning of the year	82,041	82,041
At end of the year	82,041	82,041
Accumulated depreciation:		
At beginning of the year	(6,411)	(4,279)
Depreciation charge for the year	(2,137)	(2,132)
At end of the year	(8,548)	(6,411)
Net carrying amount:		
At end of the year	73,493	75,630
At beginning of the year	75,630	77,762

The Group's investment properties were valued on 31 December 2011 by Jones Lang LaSalle Sallmanns, an independent professionally qualified valuer, at approximately RMB180,710,000 (31 December 2010: RMB175,811,000), on an open market, existing use basis.

The Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 41(a).

As at 31 December 2010, certain of the Group's investment property with an aggregate carrying values of approximately RMB32,663,000 was pledged to secure certain of the Group's letter of guarantees.

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15. PREPAID LAND LEASE PAYMENTS

Group

	2011 RMB'000	2010 RMB'000
Carrying amount at beginning of the year	**260,413**	160,637
Additions	**11,190**	30,764
Acquisitions of subsidiaries (note 37)	**2,269**	85,645
Disposals	**(43,973)**	–
Disposals of subsidiaries (note 38)	**(7,508)**	(12,980)
Derecognitions of subsidiaries (note 39)	**(3,039)**	–
Amortisation for the year (note 6)	**(4,564)**	(3,653)
Carrying amount at end of the year	**214,788**	260,413

Company

	2011 RMB'000	2010 RMB'000
Carrying amount at beginning of the year	**43,808**	44,159
Additions	**–**	623
Disposals	**(20,085)**	–
Amortisation for the year	**(732)**	(974)
Carrying amount at end of the year	**22,991**	43,808

As at 31 December 2011, certain of the Group's land use rights with a carrying value of approximately RMB15,244,000 (31 December 2010: RMB60,220,000) were pledged to secure certain of the Group's bank loans (note 32).

16. GOODWILL

Group

	2011 RMB'000	2010 RMB'000
Cost and carrying amount at beginning of the year	256,823	249,882
Acquisitions of subsidiaries (note 37)	84,589	31,596
Disposal of a subsidiary (note 38)	(470)	–
Exchange realignment	(14,717)	(24,655)
Cost and carrying amount at end of the year	326,225	256,823

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

The recoverable amount of the wind turbine generator manufacturing and sale cash-generating unit has been determined based on a value in use calculation using cash flow projections based on a financial budget covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 10.57% (2010: 11.10%).

Key assumptions were used in the value in use calculation of the wind turbine generator manufacturing and sale cash-generating unit for 31 December 2011 and 2010. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins are the average gross margin achieved in the year immediately before the budget year and expected market development.

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

The values assigned to the key assumptions on market development of the wind turbine generation manufacturing and sales and discount rate are consistent with external information sources.

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17. OTHER INTANGIBLE ASSETS

Group

	Year ended 31 December 2011			
	Technology licence RMB'000	Office software RMB'000	Patent RMB'000	Total RMB'000
Cost:				
At 1 January 2011	8,165	26,821	404,756	439,742
Additions	8,561	10,518	74,723	93,802
Acquisition of subsidiaries (note 37)	–	–	15,328	15,328
Disposals	–	(127)	–	(127)
Exchange realignment	–	(333)	(23,973)	(24,306)
At 31 December 2011	16,726	36,879	470,834	524,439
Accumulated amortisation:				
At 1 January 2011	(3,467)	(7,371)	(75,665)	(86,503)
Amortisation for the year (note 6)	(1,546)	(4,277)	(48,009)	(53,832)
Disposals	–	75	–	75
Exchange realignment	–	241	5,498	5,739
At 31 December 2011	(5,013)	(11,332)	(118,176)	(134,521)
Net carrying amount:				
At 31 December 2011	11,713	25,547	352,658	389,918
At 1 January 2011	4,698	19,450	329,091	353,239

17. OTHER INTANGIBLE ASSETS (continued)

Group

	Year ended 31 December 2010			
	Technology licence RMB'000	Office software RMB'000	Patent RMB'000	Total RMB'000
Cost:				
At 1 January 2010	8,165	13,977	363,292	385,434
Additions	–	11,372	72,688	84,060
Acquisitions of subsidiaries (note 37)	–	1,656	1,543	3,199
Exchange realignment	–	(184)	(32,767)	(32,951)
At 31 December 2010	8,165	26,821	404,756	439,742
Accumulated amortisation:				
At 1 January 2010	(2,755)	(3,856)	(32,273)	(38,884)
Amortisation for the year (note 6)	(712)	(3,395)	(46,641)	(50,748)
Acquisitions of subsidiaries (note 37)	–	(222)	–	(222)
Exchange realignment	–	102	3,249	3,351
At 31 December 2010	(3,467)	(7,371)	(75,665)	(86,503)
Net carrying amount:				
At 31 December 2010	4,698	19,450	329,091	353,239
At 1 January 2010	5,410	10,121	331,019	346,550

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17. OTHER INTANGIBLE ASSETS (continued)

Company

	Year ended 31 December 2011			
	Technology licence RMB'000	Office software RMB'000	Patent RMB'000	Total RMB'000
Cost:				
At 1 January 2011	8,165	16,803	31,138	56,106
Additions	8,561	6,354	7,575	22,490
At 31 December 2011	16,726	23,157	38,713	78,596
Accumulated amortisation:				
At 1 January 2011	(3,469)	(4,452)	(492)	(8,413)
Amortisation for the year	(1,546)	(2,064)	(492)	(4,102)
At 31 December 2011	(5,015)	(6,516)	(984)	(12,515)
Net carrying amount:				
At 31 December 2011	11,711	16,641	37,729	66,081
At 1 January 2011	4,696	12,351	30,646	47,693

17. OTHER INTANGIBLE ASSETS (continued)

Company

	Year ended 31 December 2010			
	Technology licence RMB'000	Office software RMB'000	Patent RMB'000	Total RMB'000
Cost:				
At 1 January 2010	8,165	7,417	12,844	28,426
Additions	–	9,386	18,294	27,680
At 31 December 2010	8,165	16,803	31,138	56,106
Accumulated amortisation:				
At 1 January 2010	(2,756)	(2,600)	(141)	(5,497)
Amortisation for the year	(713)	(1,852)	(351)	(2,916)
At 31 December 2010	(3,469)	(4,452)	(492)	(8,413)
Net carrying amount:				
At 31 December 2010	4,696	12,351	30,646	47,693
At 1 January 2010	5,409	4,817	12,703	22,929

18. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Unlisted investments, at cost	**5,565,109**	4,298,588

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB2,833,940,000 (31 December 2010: RMB1,388,330,000) and RMB2,533,643,000 (31 December 2010: RMB1,312,326,000), respectively, are unsecured, non-interest-bearing and are repayable on demand or within one year.

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18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company are as follows:

Company name*	Place and date of incorporation/place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Goldwind Science & Creation Wind Power Equipment Co., Ltd. (北京金風科創風電設備有限公司)	The PRC/Mainland China 13 February 2006	RMB990,000,000	100	–	Manufacture and sale of wind power equipment and accessories
Inner Mongolia Goldwind Science & Technology Co., Ltd. (內蒙古金風科技有限公司)	The PRC/Mainland China 28 April 2006	RMB150,000,000	100	–	Manufacture and sale of wind power equipment and accessories
Goldwind Windenergy GmbH ("Goldwind Windenergy")	Germany 18 May 2006	EUR350,000	100	–	Investment holding
Vensys Energy AG	Germany 14 February 2000	EUR5,000,000	–	70	Provision of technical services and manufacture and sale of wind power equipment and accessories
Vensys Elektrotechnik GmbH	Germany 13 November 1998	EUR100,000	–	63	Provision of technical services and manufacture and sale of wind power equipment and accessories
Beijing Tianrun New Energy Investment Co., Ltd. ("Beijing Tianrun") (北京天潤新能投資有限公司)	The PRC/Mainland China 11 April 2007	RMB481,600,000	100	–	Investment holding
Beijing Tianyuan Science & Creation Wind Power Technology Co., Ltd. (北京天源科創風電技術有限責任公司)	The PRC/Mainland China 29 September 2005	RMB45,000,000	83.33	–	Provision of wind farm construction and technical services and sale of wind power accessories
Gansu Goldwind Wind Power Equipment Manufacture Co., Ltd. (甘肅金風風電設備製造有限公司)	The PRC/ Mainland China 26 March 2008	RMB88,600,000	100	–	Manufacture and sale of wind power equipment and accessories

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18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company are as follows: (continued)

Company name*	Place and date of incorporation/place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Xi'an Goldwind Science & Technology Co., Ltd. (西安金風科技有限公司)	The PRC/Mainland China 8 May 2008	RMB60,000,000	100	–	Manufacture and sale of wind power equipment and accessories
Beijing Techwin Electric Co., Ltd. (北京天誠同創電氣有限公司)	The PRC/Mainland China 16 December 2008	RMB69,196,800	97.5	–	Manufacture and sale of wind power equipment and accessories
Urumchi Goldwind Tianyi Wind Power Co., Ltd. (烏魯木齊金風天翼風電有限公司)	The PRC/Mainland China 27 October 2009	RMB426,060,126	100	–	Construction and operation of wind farms
Beijing Goldwind Tiantong Import and Export Trading Co., Ltd. (北京金風天通進出口貿易有限公司)	The PRC/Mainland China 30 November 2009	RMB3,000,000	100	–	Machinery and technology trader
Jiangsu Goldwind Wind Power Equipment Manufacture Co., Ltd. (江蘇金風風電設備製造有限公司)	The PRC/Mainland China 13 November 2009	RMB670,000,000	100	–	Manufacture and sale of wind power equipment and accessories
Tianyun Wind Power (Beijing) Logistics Co., Ltd. (天運風電(北京)物流有限公司)	The PRC/Mainland China 22 December 2009	RMB14,500,000	100	–	Transportation agent
Hami Tianrun New Energy Co., Ltd. (哈密天潤新能源有限公司)	The PRC/Mainland China 12 November 2008	RMB3,000,000	–	100	Construction and operation of wind power and solar power generation projects
Tacheng Tianrun New Energy Co., Ltd. (塔城天潤新能源有限公司)	The PRC/Mainland China 2 March 2009	RMB67,000,000	–	100	Construction and operation of wind power and solar power generation projects
TianRun USA, Inc.	United States of America 10 June 2009	US$1,500,000	–	100	Investment holding

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Notes to Financial Statements

31 December 2011

18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company are as follows: (continued)

Company name*	Note	Place and date of incorporation/place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
TianRun Shady Oaks, LLC		United States of America 23 September 2010	–	–	100	Construction and operation of wind farms
GSG6, LLC		United States of America 24 June 2005	–	–	100	Construction and operation of wind farms
TianRun Australia Pty. Ltd.		Australia 4 March 2010	AUD19,120,000	–	100	Investment holding and provision of wind farm technical services and maintenance services
Chifeng Shenghua New Energy Co., Ltd. (赤峰市盛華新能源有限公司)		The PRC/Mainland China 2 April 2010	RMB45,500,000	–	96.15	Construction and operation of wind farms
Tongyu Fuhui Wind Energy Co., Ltd. ("Tongyu Fuhui") (通榆富匯風能有限公司)	(i)	The PRC/Mainland China 15 July 2009	RMB200,000,000	–	51	Construction and operation of wind farms
Goldwind Investment Holding Co.,Ltd. ("Goldwind Investment") (金風投資控股有限公司)		The PRC/Mainland China 2 August 2010	RMB1,000,000,000	100	–	Investment holding
Tellhow Wind Power Blade Jiangsu Co., Ltd. ("Tellhow jiangsu") (天和風電葉片江蘇有限公司)		The PRC/Mainland China 26 December 2007	RMB318,606,674	–	100	Manufacture and sale of wind power equipment and accessories
Inner Mongolia Jieyuan Wind Energy Electricity Co., Ltd. ("Inner Mongolia Jieyuan") (內蒙古潔源風能發電有限責任公司)		The PRC/Mainland China 16 October 2007	RMB75,000,000	–	93.6	Construction and operation of wind farms
Jinzhou Quanyi New Energy Wind Power Co., Ltd. ("Jinzhou Quanyi") (錦州市全一新能源風能有限公司)		The PRC/Mainland China 11 June 2007	RMB50,000,000	–	51	Construction and operation of wind farms

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18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company are as follows: (continued)

Company name*	Place and date of incorporation/place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Goldwind New Energy (HK) Investment Limited	The PRC/Hong Kong 22 September 2010	HK$1,000,000	100	–	Wind power project investment, development, construction
Goldwind International Holdings (HK) Limited	The PRC/Hong Kong 6 October 2010	HK$20,000,000	100	–	Wind turbine manufacturing and sales and wind farm development

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

(i) The Company indirectly owned more than half of equity interests in Tongyu Fuhui, but the voting power attached to the equity interest did not allow the Company to have the power to govern the financial and operating activities of Tongyu Fuhui according to the article of association of Tongyu Fuhui. However, according to the article of association of Tongyu Fuhui, one of the Company's subsidiaries, Beijing Tianrun, is the biggest equity owner of Tongyu Fuhui and no other equity owner had the power to control Tongyu Fuhui. Beijing Tianrun had signed the voting right agreement with the other equity owner of Tongyu Fuhui, whereby such equity owner has agreed to vote unanimously with Beijing Tianrun regarding the financial and operating activities of Tongyu Fuhui. Such equity owner has also confirmed that the unanimous voting with Beijing Tianrun existed since Tongyu Fuhui was incorporated. The PRC lawyer of the Company confirmed that the voting right agreement is valid under the relevant PRC laws. Considering the above-mentioned factors, the Directors are of the opinion that Beijing Tianrun controlled Tongyu Fuhui during the period from the date of its establishment by the Group to 31 December 2011. Therefore, the financial statement of Tongyu Fuhui is consolidated by the Company during the period from the date of its establishment by the Group to 31 December 2011.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at 31 December 2011. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to Financial Statements

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19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Share of net assets	377,489	172,502
Goodwill on acquisition	15,136	–
	392,625	172,502

The Group's balance of trade receivables, prepayment, deposit and other receivables and other payables with the jointly-controlled entities are disclosed in notes 24, 25 and 30 to the financial statements, respectively.

Particulars of the jointly-controlled entities of the Group are as follows:

Company name*	Note	Place and date of incorporation/place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Gannan Town Fuhui Wind Energy Co., Ltd. (甘南縣富匯風能有限公司)		The PRC/Mainland China 3 July 2009	RMB2,000,000	–	51	Construction and operation of wind farms
Jilin Tongli Wind Power Co., Ltd. (吉林同力風力發電有限公司)		The PRC/Mainland China 1 June 2006	RMB156,000,000	–	51	Construction and operation of wind farms
Shanghai Yicheng Electric Power Engineering Co., Ltd. (上海頤成電力工程有限公司)		The PRC/Mainland China 18 May 2009	RMB5,000,000	–	51	Construction and operation of wind farm and other industrial architecture
Damao Qi Tianrun Wind Power Co., Ltd. ("Damao Qi Tianrun") (達茂旗天潤風電有限公司)		The PRC/Mainland China 26 July 2007	RMB101,510,000	–	51	Construction and operation of wind farms
Shanxi Yulong Group Youyu Niuxinbao Wind Power Co., Ltd. ("Shanxi Youyu") (山西玉龍集團右玉牛心堡風力發電有限公司)	(i)	The PRC/Mainland China 25 November 2008	RMB72,000,000	–	51	Construction and operation of wind farms

19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the jointly-controlled entities of the Group are as follows: (continued)

Company name*	Notes	Place and date of incorporation/place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Shangdu Tianrun Wind Power Co., Ltd. ("Shangdu Tianrun") (商都縣天潤風電有限公司)	(ii)	The PRC/Mainland China 28 September 2007	RMB85,000,000	–	50	Construction and operation of wind farms
Yantai Longjun Wind Power Development Co., Ltd. (煙台龍駿風能開發有限公司)		The PRC/Mainland China 14 January 2011	RMB80,000,000	–	51	Construction and operation of wind farms
Qingdao Runlai Wind Power Co., Ltd. ("Qingdao Runlai") (青島潤萊風力發電有限公司)	(iii)	The PRC/Mainland China 28 December 2010	RMB78,000,000	–	50	Construction and operation of wind farms
Håb Vindkraft 9 AB		Sweden 9 November 2009	SEK100,000	–	50	Construction and operation of wind farms

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

(i) On 30 June 2011, Beijing Tianrun signed a letter with the other equity owner of Shanxi Youyu (the "Other Joint Venture Partner") confirming that the voting right agreement previously signed by Beijing Tianrun and the Other Joint Venture Partner would be terminated from the date of the letter. As such, effective from the date of the letter, Shanxi Youyu ceased to be controlled by Beijing Tianrun. Therefore, from the date of the letter onward, Shanxi Youyu has been accounted for as a jointly-controlled entity of the Group.

(ii) On 30 December 2011, Beijing Tianrun disposed of its 50% equity interest in Shangdu Tianrun, a wholly-owned subsidiary of Beijing Tianrun, to China Three Gorges New Energy Corporation ("China Three Gorges") (中國三峽新能源公司), a shareholder holding a 11.19% interest in the Company. Therefore, from the date of disposal onward, Shangdu Tianrun has been accounted for as a jointly-controlled entity of the Group.

(iii) On 31 December 2011, Beijing Tianrun transferred of its 2.5% equity interest in Qingdao Runlai, a wholly-owned subsidiary of Beijing Tianrun, to China Three Gorges with a cash consideration of RMB1,000,000. China Three Gorges then injected cash amounting to RMB38,000,000 as its contribution to the capital of Qingdao Runlai.

Subsequent to the above transfer of equity interest and capital contribution, the Group's equity interest in Qingdao Runlai decreased to 50% from 100% and the Group lost control of Qingdao Runlai since then. Therefore, from the date of disposal onward, Qingdao Runlai has been accounted for as a jointly-controlled entity of the Group.

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19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

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

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**186,445**	135,054
Non-current assets	**1,599,787**	949,286
Current liabilities	**(499,495)**	(231,094)
Non-current liabilities	**(909,248)**	(680,744)
Net assets	**377,489**	172,502

	2011	2010
	RMB'000	RMB'000
Share of the jointly-controlled entities' results:		
Revenue	**67,093**	12,119
Cost of sales	**(34,772)**	(3,222)
Total expenses	**(28,159)**	(3,735)
Tax	**(1,876)**	–
Profit after tax	**2,286**	5,162

20. INVESTMENTS IN ASSOCIATES

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Share of net assets	**253,138**	89,980

20. INVESTMENTS IN ASSOCIATES (continued)

The Group's balances of trade receivables, prepayments, deposits and other receivables, trade payables and other payables with the associates are disclosed in notes 24, 25, 29 and 30 to the financial statements, respectively.

Particulars of the associates of the Group are as follows:

Company name*	Note	Place and date of incorporation/place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Hebei Goldwind Electric Equipment Co., Ltd. (河北金風電控設備有限公司)		The PRC/Mainland China 7 September 2004	RMB26,000,000	–	27.22	Manufacture and sale of wind power equipment and accessories
Jiangxi Jinli Mag Rare-Earth Co., Ltd. (江西金力永磁科技有限公司)		The PRC/Mainland China 19 August 2008	RMB111,110,000	–	30.60	Manufacture and sale of Nd-Fe-B magnet, and permanent-magnet wind power equipment and accessories
Buerjin Tianrun Wind Power Co., Ltd. ("Buerjin Tianrun") (布爾津縣天潤風電有限公司)		The PRC/Mainland China 21 September 2007	RMB57,500,000	–	40	Construction and operation of wind farms
Guazhou Tianrun Wind Power Co., Ltd. ("Guazhou Tianrun") (瓜州天潤風電有限公司)	(i)	The PRC/Mainland China 6 March 2009	RMB98,100,000	–	40	Construction and operation of wind farms
Sanhe Yanjiao On Off Electric Co., Ltd. (三河燕郊歐伏電氣有限公司)		The PRC/Mainland China 31 October 2007	RMB79,491,256	–	26.50	Manufacture and sale of wind power equipment and accessories
Ningxia Jiayuan New Energy Co., Ltd. (寧夏嘉原新能源有限公司)		The PRC/Mainland China 11 October 2011	RMB8,000,000	–	40	Wind power technology development
Ningxia Jinze Agricultural Industry Fund (寧夏金澤農業產業惠農基金)		The PRC/Mainland China 28 November 2011	–	–	45	Financing service

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20. INVESTMENTS IN ASSOCIATES (continued)

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

(i) On 20 March 2011, Beijing Tianrun entered into an agreement with independent third parties to dispose of its 60% equity interest in Guazhou Tianrun, a wholly-owned subsidiary of Beijing Tianrun. According to the agreement, independent third parties and Beijing Tianrun injected cash amounting to RMB58,860,000 and RMB9,240,000, respectively as their contributions to the capital of Guazhou Tianrun. Subsequent to the above capital contribution, Beijing Tianrun's equity interest in Guazhou Tianrun decreased to 40% from 100% and Beijing Tianrun lost control of Guazhou Tianrun since then. Therefore, from the date of disposal onward, Guazhou Tianrun has been accounted for as an associate of the Group.

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

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
The associates' financial position:		
Current assets	**864,341**	436,345
Non-current assets	**875,962**	426,743
Current liabilities	**(408,026)**	(304,257)
Non-current liabilities	**(585,332)**	(299,960)
Net assets	**746,945**	258,871

	2011	2010
	RMB'000	RMB'000
The associates' operating results:		
Revenue	**1,273,464**	287,588
Profit	**328,723**	52,252

21. AVAILABLE-FOR-SALE INVESTMENTS

Group

		As at 31 December	
		2011	2010
		RMB'000	RMB'000
Listed equity investment, at fair value:			
– Hong Kong	(i)	192,750	–
Unlisted equity investments, at cost	(ii)	64,894	60,460
		257,644	60,460

(i) During the year, the gross gain in respect of the listed equity investment recognised in other comprehensive income amounted to RMB1,135,000 (2010: Nil).

(ii) The unlisted equity investments are equity securities issued by private entities established in the PRC. They are measured at cost less impairment at 31 December 2011 because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

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22. DEFERRED TAX

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

Group

2011

Deferred tax assets

	Provision for impairment of assets RMB'000	Difference in amortisation for tax purposes RMB'000	Provisions and accruals RMB'000	Government grants received not yet recognised as income RMB'000	Unrealised gains arising from intra-group sales RMB'000	Others RMB'000	Total RMB'000
At 1 January 2011	57,378	1,814	195,723	4,051	132,927	7,276	399,169
Deferred tax credited/ (charged) to profit or loss	1,935	31	41,654	574	27,456	(5,451)	66,199
Deferred tax assets at 31 December 2011	59,313	1,845	237,377	4,625	160,383	1,825	465,368

22. DEFERRED TAX (continued)

Deferred tax liabilities

	Excess of fair values of identifiable assets and liabilities over carrying values in acquisition of a subsidiary RMB'000	Others RMB'000	Total RMB'000
At 1 January 2011	56,566	12,401	68,967
Deferred tax credited to profit or loss	(12,680)	(12,061)	(24,741)
Deferred tax liabilities at 31 December 2011	43,886	340	44,226

The following is an analysis of the deferred tax liabilities of the Group for financial reporting purposes:

Deferred tax liabilities recognised in the consolidated statement of financial position	44,226
Deferred tax liability relating to fair value gain on available-for-sales investments, which charged to reserve	187
	44,413

22. DEFERRED TAX (continued)

Group

2010

Deferred tax assets

	Provision for impairment of assets RMB'000	Difference in amortisation for tax purposes RMB'000	Provisions and accruals RMB'000	Government grants received not yet recognised as income RMB'000	Unrealised gains arising from intra-group sales RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010	29,649	999	92,226	3,297	63,511	822	190,504
Deferred tax credited to profit or loss	27,729	815	103,497	754	69,476	6,455	208,726
Deferred tax assets at 31 December 2010	57,378	1,814	195,723	4,051	132,987	7,277	399,230

The following is an analysis of the deferred tax assets of the Group for financial reporting purposes:

Deferred tax assets recognised in the consolidated statement of financial position	399,230
Deferred tax assets included in the disposal of subsidiaries (note 38)	(61)
	399,169

22. DEFERRED TAX (continued)

Deferred tax liabilities

	Excess of fair values of identifiable assets and liabilities over carrying values in acquisition of a subsidiary RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010	73,760	17,177	90,937
Deferred tax credited to profit or loss	(8,708)	(4,776)	(13,484)
Exchange realignment	(8,486)	–	(8,486)
Deferred tax liabilities at 31 December 2010	56,566	12,401	68,967

Notes to Financial Statements

31 December 2011

22. DEFERRED TAX (continued)

Company

2011

Deferred tax assets

	Provision for impairment of assets RMB'000	Difference in amortisation for tax purposes RMB'000	Provisions and accruals RMB'000	Government grants received not yet recognised as income RMB'000	Others RMB'000	Total RMB'000
At 1 January 2011	54,522	1,814	145,176	1,727	2,825	206,064
Deferred tax credited/(charged) to profit or loss	(5,860)	(9)	39,071	–	408	33,610
Deferred tax assets at 31 December 2011	48,662	1,805	184,247	1,727	3,233	239,674

Deferred tax liabilities

	Others RMB'000
At 1 January 2011	–
Deferred tax credited to profit or loss	82
Deferred tax liabilities at 31 December 2011	82

22. DEFERRED TAX (continued)

2010

Deferred tax assets

	Provision for impairment of assets RMB'000	Difference in amortisation for tax purposes RMB'000	Provisions and accruals RMB'000	Government grants received not yet recognised as income RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010	27,027	999	62,017	2,868	280	93,191
Deferred tax credited/(charged) to profit or loss	27,495	815	83,159	(1,141)	2,545	112,873
Deferred tax assets at 31 December 2010	54,522	1,814	145,176	1,727	2,825	206,064

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2011	2010
	RMB'000	RMB'000
Tax losses	**115,797**	47,360

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

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23. INVENTORIES

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Raw materials	3,047,424	1,959,335
Work in progress	1,024,936	1,520,661
Finished and semi-finished goods	972,304	788,563
Consigned processing materials	25,106	112,002
Low-value consumables and others	78,465	10,155
	5,148,235	4,390,716

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Raw materials	1,644,782	969,274
Work in progress	717,005	1,007,173
Finished and semi-finished goods	398,634	336,739
Consigned processing materials	1,010	94,546
Low-value consumables and others	17,639	393
	2,779,070	2,408,125

24. TRADE AND BILLS RECEIVABLES

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Trade receivables	**9,551,962**	6,888,428
Bills receivable	**95,735**	517,758
Retention money receivables	**1,043,248**	549,034
Provision for impairment	**(391,553)**	(372,091)
	10,299,392	7,583,129

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Trade receivables	**7,941,753**	6,063,648
Bills receivable	**77,094**	249,639
Retention money receivables	**971,616**	496,942
Provision for impairment	**(316,483)**	(355,550)
	8,673,980	6,454,679

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

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24. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of trade and bills receivables, based on the invoice date and net of provisions is as follows:

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Within 3 months	**3,163,549**	4,143,724
3 to 6 months	**1,640,550**	979,376
6 months to 1 year	**1,980,513**	1,361,589
1 to 2 years	**2,928,833**	795,912
2 to 3 years	**433,442**	217,852
Over 3 years	**152,505**	84,676
	10,299,392	7,583,129

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Within 3 months	**2,991,692**	3,599,857
3 to 6 months	**1,513,623**	894,674
6 months to 1 year	**1,569,271**	1,058,764
1 to 2 years	**2,118,878**	616,969
2 to 3 years	**342,715**	200,555
Over 3 years	**137,801**	83,860
	8,673,980	6,454,679

24. TRADE AND BILLS RECEIVABLES (continued)

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

Group

	2011 RMB'000	2010 RMB'000
At beginning of the year	**372,091**	187,036
Impairment losses recognised (note 6)	**250,675**	308,464
Impairment losses reversed (note 6)	**(233,868)**	(123,166)
Exchange realignment	**2,655**	(243)
At end of the year	**391,553**	372,091

Company

	2011 RMB'000	2010 RMB'000
At beginning of the year	**355,550**	151,666
Impairment losses recognised	**188,122**	302,520
Impairment losses reversed	**(227,189)**	(98,636)
At end of the year	**316,483**	355,550

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB283,410,000 (2010: RMB344,100,000) with a carrying amount before provision of RMB2,965,076,000 (2010: RMB2,889,697,000).

The individually impaired trade receivables relate to customers that were default in principal payments and only a portion of the receivables is expected to be recovered.

Notes to Financial Statements

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24. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Neither past due nor impaired	**4,653,790**	3,183,937
Less than 3 months past due	**916,569**	454,382
3 to 6 months past due	**936,462**	572,663
	6,506,821	4,210,982

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Neither past due nor impaired	**4,353,344**	2,784,437
Less than 3 months past due	**854,069**	309,585
3 to 6 months past due	**343,732**	562,775
	5,551,145	3,656,797

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

24. TRADE AND BILLS RECEIVABLES (continued)

The amounts due from Xinjiang Wind Power Company Limited ("Xinjiang Wind Power") (新疆風能有限責任公司), the largest shareholder, who holds a 13.95% interest in the Company, jointly-controlled entities and associates included in the trade and bills receivables are as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
A shareholder holding a 13.95% interest in the Company	**3,226**	14,395
Jointly-controlled entities	**899,660**	186,743
Associates	**6,712**	1,820
	909,598	202,958

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

As at 31 December 2011, the Group's trade receivables amounting to RMB1,054,532,000 (31 December 2010: RMB40,418,000) were pledged to secure certain of the Group's bank loans (note 32).

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Advance to suppliers	**727,236**	589,230
Prepayments	**96,993**	4,325
Deposits and other receivables	**869,425**	703,421
Provision for impairment	**(4,594)**	(4,909)
	1,689,060	1,292,067
Portion classified as non-current assets	**(65,332)**	(88,032)
Current portion	**1,623,728**	1,204,035

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25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Advance to suppliers	**850,704**	454,435
Prepayments	**25,865**	–
Deposits and other receivables	**1,680,717**	801,368
Provision for impairment	**(3,435)**	(3,435)
	2,553,851	1,252,368

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

Group

	2011	2010
	RMB'000	RMB'000
At beginning of the year	**4,909**	5,299
Impairment losses recognised (note 6)	**6**	5,710
Impairment losses reversed (note 6)	**(258)**	(4,204)
Amounts written off as uncollectible	**(189)**	(1,780)
Exchange realignment	**126**	(116)
At end of the year	**4,594**	4,909

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Company

	2011 RMB'000	2010 RMB'000
At beginning of the year	**3,435**	24,020
Impairment losses recognised	**–**	3,137
Impairment losses reversed	**–**	(23,722)
At end of the year	**3,435**	3,435

The amounts due from the Group's jointly-controlled entities and associates included in the prepayments, deposits and other receivables are as follows:

	2011 RMB'000	2010 RMB'000
Jointly-controlled entities	**16,353**	91,323
Associates	**183,743**	139,008
	200,096	230,331

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

26. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	2011 RMB'000	2010 RMB'000
Listed equity investment, at market value:		
– Hong Kong	**94,035**	–

The above equity investment was acquired for the purpose of selling it in the near term, as thus, it was classified as held for trading and was, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

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27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Cash and bank balances	**6,461,558**	7,158,170
Time deposits	**1,151,685**	2,500,029
	7,613,243	9,658,199
Less: Pledged time deposits for		
– bank loans (note 32)	**(16,325)**	(196,307)
– uncompleted transaction	**–**	(138,292)
	(16,325)	(334,599)
Cash and cash equivalents in the consolidated statement of financial position	**7,596,918**	9,323,600
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(42,288)**	(81,200)
Cash and cash equivalents in the consolidated statement of cash flows	**7,554,630**	9,242,400
Cash and cash equivalents and pledged deposits denominated in:		
– RMB	**6,135,160**	6,516,930
– Other currencies	**1,478,083**	3,141,269
	7,613,243	9,658,199

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Cash and bank balances	**3,422,016**	3,821,616
Time deposits	**741,681**	1,746,274
	4,163,697	5,567,890
Less: Pledged time deposits for		
– bank loans (note 32)	**–**	(196,307)
Cash and cash equivalents in the statement of financial position	**4,163,697**	5,371,583
Cash and cash equivalents and pledged deposits denominated in:		
– RMB	**4,037,974**	3,202,834
– Other currencies	**125,723**	2,365,056
	4,163,697	5,567,890

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

Notes to Financial Statements

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28. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 21 October 2011, one of the subsidiaries of the Company, Beijing Tianrun, entered into a disposal agreement (the "Disposal Agreement") with an independent third party, Ping An Trust and Investment Company Limited ("Ping An Trust") (平安信託有限責任公司), to dispose of its 49% equity interest in Shuozhou Pinglu Tianhui Wind Power Co., Ltd. ("Pinglu Tianhui") (朔州市平魯區天匯風電有限公司), a wholly-owned subsidiary of Beijing Tianrun, to Ping An Trust for a cash consideration of approximately RMB130,275,000. Upon the completion of the disposal, the Group will lose control of Pinglu Tianhui and will account for Pinglu Tianhui as a jointly-controlled entity of the Group.

As the transaction is expected to be completed in the first half of 2012, the assets and liabilities of Pinglu Tianhui is classified as held for sale in the consolidated statement of financial position as at 31 December 2011. As at the date of issuance of these financial statements, the transaction has not yet completed.

The classes of assets and liabilities of Pinglu Tianhui classified as held for sale as at 31 December are as follows:

	2011 RMB'000
Assets	
Property, plant and equipment (note 13)	431,865
Other long-term assets	14,967
Other receivables	53,916
Cash and cash equivalents	87,396
Assets of a disposal group classified as held for sale	588,144
Liabilities	
Trade payables	(74,587)
Other payables and accruals	(1,232)
Interest-bearing bank loans	(450,000)
Liabilities directly associated with the assets classified as held for sale	(525,819)
Net assets directly associated with the disposal group	62,325

29. TRADE AND BILLS PAYABLES

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Trade payables	**5,294,639**	4,647,602
Bills payable	**2,286,236**	3,482,571
	7,580,875	8,130,173

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Trade payables	**3,903,582**	3,046,429
Bills payable	**2,007,221**	2,602,256
	5,910,803	5,648,685

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

An aged analysis of the Group's trade and bills payables, based on the invoice date, as at the reporting date is as follows:

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Within 3 months	**4,795,462**	6,375,994
3 to 6 months	**861,470**	1,533,364
6 months to 1 year	**1,339,345**	132,383
1 to 2 years	**556,310**	79,389
2 to 3 years	**21,752**	7,298
Over 3 years	**6,536**	1,745
	7,580,875	8,130,173

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29. TRADE AND BILLS PAYABLES (continued)

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Within 3 months	**4,306,380**	4,629,213
3 to 6 months	**766,922**	957,817
6 months to 1 year	**595,273**	17,730
1 to 2 years	**231,827**	35,004
2 to 3 years	**3,892**	7,241
Over 3 years	**6,509**	1,680
	5,910,803	5,648,685

The amounts due to Xinjiang Wind Power, a shareholder holding a 13.95% interest in the Company, and the Group's associates included in the trade and bills payables are as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
A shareholder holding a 13.95% interest in the Company	**–**	128
Associates	**64,004**	108,062
	64,004	108,190

The above amounts are repayable on similar credit terms to those offered by the Group's related parities to their major customers.

The trade payables are non-interest-bearing.

30. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Advances from customers	**1,062,648**	1,039,514
Accrued salaries, wages and benefits	**98,591**	131,451
Other taxes payable	**15,522**	429,443
Others	**249,406**	351,833
	1,426,167	1,952,241

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Advances from customers	**862,559**	865,313
Accrued salaries, wages and benefits	**17,367**	50,160
Other taxes payable	**27,824**	304,968
Others[(i)]	**595,432**	51,080
	1,503,182	1,271,521

(i) The amounts due to subsidiaries included in others are RMB506 million as at 31 December 2011(31 December 2010: RMB28 million).

The amounts due to the Group's jointly-controlled entities and associates included in other payables and accruals are as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Jointly-controlled entities	**18,613**	13,808
Associates	**200**	–
	18,813	13,808

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

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31. DERIVATIVE FINANCIAL INSTRUMENTS

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Assets		
Non-current asset:		
Power price swap contract	**33,203**	9,975
Liabilities		
Current liabilities:		
Forward currency contracts	**537**	7,546

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Liabilities		
Current liabilities:		
Forward currency contracts	**537**	7,546

The carrying amounts of the derivative financial instruments are the same as their fair values.

The Company entered into forward currency contracts with Bank of China to manage its exchange rate exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of these non-hedging currency derivatives amounting to RMB7,009,000 were credited to profit or loss for the year (2010: RMB1,467,000 were charged to profit or loss).

In 2010, TianRun Shady Oaks, LLC, a subsidiary of the Company, entered into a power price swap agreement with Commonwealth Edison Company. Changes in the fair value of the non-hedging derivative amounting to RMB24,253,000 (2010: RMB9,975,000) were credited to profit or loss for the year.

32. INTEREST-BEARING BANK LOANS

Group

	As at 31 December 2011			As at 31 December 2010		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Short term bank loans:						
– Unsecured	1.80-7.54	2012	3,818,898	1.26-5.58	2011	881,425
– Secured	6.15-7.87	2012	1,500,232	1.70-3.38	2011	187,953
Current portion of long term bank loans:						
– Unsecured	3.94-5.60	2012	105,353	2.40-3.96	2011	325,989
– Secured	5.35-7.05	2012	43,000	5.76-6.72	2011	106,159
			5,467,483			1,501,526
Non-current						
Long term bank loans:						
– Unsecured	3.94-6.65	2013-2021	634,025	3.96-5.84	2012-2024	152,881
– Secured	3.20-8.33	2013-2026	1,940,720	2.10-6.72	2012-2024	1,312,433
			2,574,745			1,465,314
			8,042,228			2,966,840
Interest-bearing bank loans denominated in:						
– RMB			6,481,661			2,353,498
– Euro			118,922			452,123
– United States dollar			996,856			161,219
– Hong Kong dollar			284,556			–
– Australian dollar			160,233			–
			8,042,228			2,966,840

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32. INTEREST-BEARING BANK LOANS (continued)

Company

	As at 31 December 2011			As at 31 December 2010		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Short term bank loans:						
– Unsecured	4.21-6.89	2012	2,910,785	–	–	–
– Secured	6.45-7.50	2012	790,000	1.70-3.38	2011	187,953
			3,700,785			187,953
Non-current						
– Unsecured	6.65	2013	600,000			–
			4,300,785			187,953
Interest-bearing bank loans denominated in:						
– RMB			4,198,532			–
– Euro			88,341			72,431
– United States dollar			13,912			115,522
			4,300,785			187,953

32. INTEREST-BEARING BANK LOANS (continued)

The maturity profile of the interest-bearing bank loans as at 31 December 2011 and 2010 is as follows:

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable		
Within one year	**5,467,483**	1,501,526
In the second year	**823,222**	191,943
In the third to fifth years, inclusive	**499,758**	374,420
Above five years	**1,251,765**	898,951
	8,042,228	2,966,840

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable		
Within one year	**3,700,785**	187,953
In the second year	**600,000**	–
In the third to fifth years, inclusive	**–**	–
	4,300,785	187,953

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32. INTEREST-BEARING BANK LOANS (continued)

The Group's bank loans of approximately RMB3,533,952,000 (31 December 2010: RMB2,307,998,000) at 31 December 2011 were secured or guaranteed as follows:

(a) Certain of the Group's bank loans amounting to approximately RMB1,008,000,000 (2010: RMB1,351,000,000) as at 31 December 2011 were secured by mortgages over certain of the property, plant and equipment and prepaid land lease payments of the Group and by the pledge of the Group's electricity charge right and their future income thereon. As at 31 December 2011, the aggregate carrying values of the property, plant and equipment, prepaid land lease payments and the receivables under the electricity charge amounted to RMB1,531,754,000 (2010: RMB1,852,669,000) and RMB15,244,000 (2010: Nil) and RMB36,752,000 (2010: RMB40,418,000), respectively.

(b) Certain of the Group's bank loans amounting to approximately RMB1,500,232,000 (2010: Nil) as at 31 December 2011 were secured by the pledge of the accounts receivable of the Group. As at 31 December 2011, the accounts receivable amounted to RMB1,017,780,000 (2010: Nil).

(c) Certain of the bank loan of one of the Company's subsidiaries, TianRun Shady Oaks, LLC, amounting to US$150,000,000 (equivalent to approximately RMB945,139,000) (2010: Nil) as at 31 December 2011 was secured by the pledge of its equity interest in GSG6, LLC, a subsidiary of TianRun Shady Oaks, LLC.

(d) Certain of the bank loans of one of the Company's subsidiaries, Goldwind Windenergy, amounting to EUR1,246,000 (equivalent to approximately RMB10,175,000) (2010: EUR1,375,000 (equivalent to approximately RMB12,109,000)) as at 31 December 2011 were secured by mortgages over certain of its property, plant and equipment. As at December 2011, the carrying values of such secured property, plant and equipment amounted to RMB11,427,000 (2010: RMB17,517,000).

(e) Certain of the bank loans of one of the Company's subsidiaries, Tellhow Jiangsu, amounting to approximately RMB50,000,000 as at 31 December 2011 and RMB333,870,000 as at 31 December 2010, were guaranteed by independent third parties, Jiangsu Kai Yuan Investment Co., Ltd (江蘇開源投資發展有限公司) and Nanjing Xiexin Domestic Sludge Power Generation Co., Ltd. ("Nanjing Xiexin") (南京協鑫生活污泥發電有限公司), respectively.

32. INTEREST-BEARING BANK LOANS (continued)

The Group's bank loans of approximately RMB3,533,952,000 (31 December 2010: RMB2,307,998,000) at 31 December 2011 were secured or guaranteed as follows: (continued)

(f) Certain of the bank loans of one of the Company's subsidiaries, Vensys Windpark Wagenfeld Betriebsgesellschaft mbH & Co. KG, amounting to approximately EUR2,500,000 (equivalent to approximately RMB20,406,000 (2010: Nil)) as at 31 December 2011 were secured by the pledge of certain of the Group's bank deposits amounting to approximately RMB16,325,000 (2010: Nil) as at 31 December 2011.

(g) Certain of the bank loans of the Company amounting to approximately RMB187,953,000 as at 31 December 2010 were secured by the pledge of certain of the Group's bank deposits amounting to approximately RMB196,307,000 as at 31 December 2010. These bank loans have been fully repaid in 2011.

(h) Certain of the bank loans of one of the Company's subsidiaries, Goldwind Windenergy, amounting to approximately EUR36,340,000 (equivalent to approximately RMB320,028,000) as at 31 December 2010 were guaranteed by China Construction Bank in the form of letters of guarantee. The Company in turn provided counter-guarantees of the same amounts to China Construction Bank as at 31 December 2010. These bank loans have been fully repaid in 2011.

(i) Certain of the bank loans of one of the Company's subsidiaries, Goldwind Windenergy, amounting to approximately EUR5,400,000 (equivalent to approximately RMB47,555,000) as at 31 December 2010 were guaranteed by Bank of China in the form of letters of guarantee. The Company in turn provided counter-guarantees of the same amounts to Bank of China as at 31 December 2010. These bank loans have been fully repaid in 2011.

(j) Certain of the bank loans of one of the Company's subsidiaries, Tellhow Jiangsu, amounting to approximately RMB55,483,000 as at 31 December 2010 were guaranteed by independent third parties, Nanjing Xiexin and Suzhou Chongwen Power Investment Co., Ltd. (蘇州崇文電力投資有限公司) and were secured by mortgages over certain of Tellhow Jiangsu's property, plant and equipment and land use rights of carrying values amounting to RMB127,680,000 and RMB60,220,000 as at 31 December 2010, respectively. These bank loans have been fully repaid in 2011.

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33. PROVISION

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

Group

	2011 RMB'000	2010 RMB'000
At beginning of the year	1,016,159	437,092
Provision made (note 6)	511,969	756,174
Amounts utilised	(254,512)	(172,637)
Exchange realignment	(3,933)	(4,470)
At end of the year	1,269,683	1,016,159
Portion classified as current liabilities	(592,562)	(441,793)
Non-current portion	677,121	574,366

Company

	2011 RMB'000	2010 RMB'000
At beginning of the year	790,861	286,509
Provision made	432,406	649,924
Amounts utilised	(174,478)	(145,572)
At end of the year	1,048,789	790,861
Portion classified as current liabilities	(456,991)	(321,036)
Non-current portion	591,798	469,825

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

34. GOVERNMENT GRANTS

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Government grants	**152,501**	187,359

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Government grants	**49,422**	110,031

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

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34. GOVERNMENT GRANTS (continued)

The movements in government grants during the year were as follows:

Group

	2011 RMB'000	2010 RMB'000
At beginning of the year	187,359	140,588
Additions	33,917	39,632
Acquisition of subsidiaries (note 37)	–	32,330
Recognised as income during the year	(68,775)	(25,191)
At end of the year	152,501	187,359

Company

	2011 RMB'000	2010 RMB'000
At beginning of the year	110,031	116,268
Additions	2,992	11,893
Recognised as income during the year	(63,601)	(18,130)
At end of the year	49,422	110,031

35. ISSUED SHARE CAPITAL

	As at 31 December			
	2011		2010	
	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
Shares				
Registered, issued and fully paid:				
A shares of RMB1.00 each	2,194,541	2,194,541	2,194,541	2,194,541
H shares of RMB1.00 each	500,047	500,047	500,047	500,047
	2,694,588	2,694,588	2,694,588	2,694,588

During the year, the movements in the share capital were as follows:

	2011		2010	
	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
At beginning of the year	2,694,588	2,694,588	1,400,000	1,400,000
Issue of bonus shares	–	–	840,000(a)	840,000(a)
Public offer of H shares	–	–	454,588(b)	454,588(b)
State legal person shares converted into H shares	–	–	(45,459)(b)	(45,459)(b)
H shares converted from state legal person shares	–	–	45,459(b)	45,459(b)
At end of the year	2,694,588	2,694,588	2,694,588	2,694,588

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35. ISSUED SHARE CAPITAL (continued)

Notes:

(a) Pursuant to the resolution of the annual general meeting on 25 March 2010, bonus shares amounting to RMB840,000,000 were allotted and issued to the shareholders of the Company on the basis of six bonus shares for every ten shares held by the shareholders on the record date. The registered capital of the Company increased from RMB1,400,000,000 to RMB2,240,000,000, accordingly, upon completion of the issue of the bonus shares.

(b) During the period from 27 September to 30 September 2010, the Company issued 395,294,000 H shares. These new H shares together with 39,529,400 shares as transferred by the state legal person shareholder of the Company to the PRC National Council for Social Security Fund (the "NSSF") for the reduction of state-owned shares which have been converted into H shares were listed on The Hong Kong Stock Exchange on 8 October 2010. On 12 October 2010, the over-allotment option of H shares was exercised in full and 59,294,000 additional H shares were issued to the public, these additional H shares together with 5,929,400 shares additionally transferred to the NSSF for the reduction of state-owned shares which have been converted into H shares were listed on The Hong Kong Stock Exchange on 21 October 2010.

The issue price of the H shares was HK$17.98 per share. The gross proceeds excluding share issue expenses received from the issue of 454,588,000 H shares amounted to RMB6,754,394,000. Part of the proceeds amounting to RMB454,588,000 was credited as issued share capital, and the remaining balance of the proceeds of RMB6,299,806,000 was credited to capital reserve. The registered capital of the Company increased from RMB2,240,000,000 to RMB2,694,588,000, accordingly, upon completion of the issue of the new shares.

36. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity for the current and prior years on page 74 of these financial statements.

36. RESERVES (continued)

(b) Company

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Proposed dividend RMB'000	Total RMB'000
At 1 January 2010	1,670,115	267,416	855,678	140,000	2,933,209
Profit for the year (note 10)	–	–	2,140,883	–	2,140,883
Other comprehensive income	(569)	–	–	–	(569)
Total comprehensive income	(569)	–	2,140,883	–	2,140,314
Final 2009 dividend declared	–	–	–	(140,000)	(140,000)
Profit appropriation to reserve	–	213,765	(213,765)	–	–
Issue of bonus shares (note 35(b))	–	–	(840,000)	–	(840,000)
Issue of H shares	6,584,200	–	–	–	6,584,200
Share issue expenses	(284,394)	–	–	–	(284,394)
Proposed dividend	–	–	(784,000)	784,000	–
Proposed final dividend	–	–	(916,160)	916,160	–
Dividend declared	–	–	–	(784,000)	(784,000)
At 31 December 2010	*7,969,352	*481,181	*242,636	916,160	9,609,329
Profit for the year (note 10)	–	–	142,078	–	142,078
Total comprehensive income	–	–	142,078	–	142,078
Final 2010 dividend declared	–	–	–	(916,160)	(916,160)
Profit appropriation to reserves	–	14,208	(14,208)	–	–
Proposed final 2011 dividend	–	–	(134,729)	134,729	–
At 31 December 2011	*7,969,352	*495,389	*235,777	134,729	8,835,247

* As at 31 December 2011, these reserve amounts comprise the reserves of RMB8,700,518,000 (31 December 2010: RMB8,693,169,000) in the statement of financial position.

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37. ACQUISITIONS OF SUBSIDIARIES

Certain equity interests in subsidiaries now comprising the Group were acquired from independent third parties for the purpose of expanding business during the years ended 31 December 2011 and 2010. Acquisitions of equity interests in these subsidiaries have been accounted for using the acquisition method of accounting effective from the dates when the subsidiaries were controlled by the Group. Details are as follows:

2011

Company name	Acquisition date	Percentage of interest acquired	Cash consideration
Xinjiang Tiankun Wind Power Logistics Co., Ltd. (新疆天坤風電物流有限公司)	June 2011	67.74%	RMB10,500,000
Windpark Bestwig-Berlar GmbH & Co. KG	January 2011	100%	EUR1,408,828
Gullen Range Wind Farm Pty Ltd.	January 2011	100%	AUD6,920,612
Shuozhou Pinglu Tianrui Wind Power Co., Ltd. (朔州市平魯區天瑞風電有限公司)	May 2011	35%	RMB17,500,000
Keyou Zhongqi Tianyou New Energy Co., Ltd. (科右中旗天佑新能源有限公司)	October 2011	70%	RMB16,000,000
Musselshell Wind Project, LLC	December 2011	100%	US$741,147
Musselshell Wind Project Two, LLC	December 2011	100%	US$700,000
Volkswind Montana Land Holdings, LLC	December 2011	100%	US$600,000

2010

Company name	Acquisition date	Percentage of interest acquired	Cash consideration
Shuozhou Pinglu Tianhui Wind Power Co., Ltd.	June 2010	99%	RMB9,900,000
Inner Mongolia Jieyuan	July 2010	55.60%	RMB6,000,000
Shanxi Youyu	October 2010	51%	RMB30,600,000
Jinzhou Quanyi	November 2010	51%	RMB12,500,000
Mortons Lane Windfarm Pty Ltd.	November 2010	100%	AUD1,600,000
GSG 6, LLC	December 2010	100%	US$13,500,000
Tellhow Jiangsu and Tellhow Wind Power Blade Inner Mongolia Co., Ltd. (天和風電葉片內蒙古有限公司)	December 2010	100%	RMB168,800,000

37. ACQUISITIONS OF SUBSIDIARIES (continued)

The fair values of the identifiable assets and liabilities of the above-mentioned subsidiaries acquired as at the dates of acquisition are as follows:

	Notes	Fair value recognised on acquisition 2011 RMB'000	2010 RMB'000
Property, plant and equipment, net	13	41,159	469,314
Prepaid land lease payments	15	2,269	85,645
Other intangible assets, net	17	15,328	2,977
Inventories		–	178,343
Trade and bills receivables		239	136,987
Prepayments, deposits and other receivables		2,221	128,004
Cash and cash equivalents		20,950	155,787
Equity investment at fair value through profit or loss		176	–
Available-for-sale investment		–	30,000
Trade and bills payables		(6,775)	(245,742)
Tax payable		–	(101)
Other payables and accruals		(8,870)	(86,896)
Interest-bearing bank loans		(24,218)	(479,353)
Government grants	34	–	(32,330)
Total identifiable net assets at fair value		42,479	342,635
Non-controlling interests		(8,299)	(46,283)
Fair value of shares held before the acquisition date		(4,400)	–
Goodwill on acquisition	16	84,589	31,596
Satisfied by cash		114,369	327,948

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37. ACQUISITIONS OF SUBSIDIARIES (continued)

An analysis of cash flows in respect of the acquisitions of subsidiaries is as follows:

	2011 RMB'000	2010 RMB'000
Cash consideration	(114,369)	(327,948)
Cash consideration not yet paid	22,831	236,012
Settlement of prior year's unsettled consideration payable	(254,777)	–
Cash and cash equivalents acquired	20,950	155,787
Net inflow/(outflow) of cash and cash equivalents included in cash flows from investing activities	(325,365)	63,851

Acquirees' contributions

Contributions of the acquirees to the Group's revenue and the Group's profit/(loss) before tax for the years ended 31 December 2011 and 2010 between the dates of acquisition and the year end dates of the respective years are as follows:

	2011 RMB'000	2010 RMB'000
Contributions to:		
Revenue	12,367	–
Profit/(loss) before tax	224	(2,546)

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

	2011 RMB'000	2010 RMB'000
Revenue	12,882,991	17,603,707
Profit before tax	864,653	2,745,792

38. DISPOSALS OF SUBSIDIARIES

(i) On 29 March 2011, the Group disposed of its 100% shareholding in Beijing Xingqiyuan Energy Conservation Technology Co., Ltd. (北京興啟源節能科技有限公司) to China Three Gorges, a shareholder holding a 11.19% interest in the Company, for a consideration in the form of cash of RMB111,500,000.

(ii) On 29 August 2011, the Group disposed of its 86% shareholding in Yichun Taiyangfeng New Energy Co., Ltd. (伊春太陽風新能源有限公司) to an independent third party for a consideration in the form of cash of RMB93,000,000.

(iii) On 30 December 2011, the Group disposed of its 50% shareholding in Shangdu Tianrun to China Three Gorges, for a consideration in the form of cash of RMB128,054,900.

(iv) On 7 September 2011, the Group disposed of its 100% shareholding in Goldwind Real Estate Development Co., Ltd. (金風房地產開發有限公司) to an independent third party for a consideration in the form of cash of RMB80,000,000.

(v) On 1 July 2010, the Group disposed of its 51% shareholding in Chifeng Huifeng New Energy Co., Ltd. (赤峰市匯風新能源有限公司) to two independent third parties for a consideration in the form of cash of RMB49,666,000.

(vi) On 31 October 2010, the Group disposed of its 100% shareholding in Chifeng Runfeng Wind Power Equipment Co., Ltd. (赤峰市潤風風電設備有限公司) to an independent third party for a consideration in the form of cash of RMB4,000,000.

(vii) On 30 September 2010, the Group disposed of its 60% shareholding in Buerjin Tianrun to two independent third parties, for a consideration in the form of cash of RMB54,300,000.

(viii) On 29 December 2010, the Group disposed of its 49% shareholding in Damao Qi Tianrun to an independent third party, for a consideration in the form of cash of RMB209,349,000.

Except for Goldwind Real Estate Development Co., Ltd, who was engaged in real estate development, other subsidiaries disposed of during the years ended 31 December 2011 and 2010 were engaged in wind farm operation.

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38. DISPOSALS OF SUBSIDIARIES (continued)

The net assets of the subsidiaries disposed of during the years ended 31 December 2011 and 2010 were as follows:

	Notes	2011 RMB'000	2010 RMB'000
Property, plant and equipment, net	13	1,021,017	1,344,804
Prepaid land lease payments	15	7,508	12,980
Inventories		22,741	9
Trade receivables		62,273	136,615
Prepayments, deposits and other receivables		206,103	170,766
Cash and cash equivalents		50,570	76,729
Trade payables		(170,908)	(160,552)
Other payables		(12,977)	(124,448)
Tax payable		–	(796)
Interest-bearing bank loans		(975,340)	(1,372,538)
Deferred tax assets	22	–	61
Non-controlling interests		(10,274)	(31,360)
Net assets disposed of		200,713	52,270
Goodwill	16	470	–
		201,183	52,270
Fair value of net assets not disposed of and remained as investments in jointly-controlled entities and associates		(82,739)	(149,679)
Gain on disposals of subsidiaries	5	294,111	414,724
Total consideration		412,555	317,315
Satisfied by cash		412,555	317,315

38. DISPOSALS OF SUBSIDIARIES (continued)

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

	2011 RMB'000	2010 RMB'000
Cash consideration	412,555	317,315
Cash consideration received in prior year	(55,750)	–
Cash consideration receivable at year end	(107,000)	(27,550)
Cash and cash equivalents disposed of	(50,570)	(76,729)
Net inflow of cash and cash equivalents in respect of the disposals of subsidiaries	199,235	213,036

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39. DERECOGNITIONS OF SUBSIDIARIES

As set out in notes 19(i), (iii) and 20(i), the Group lost control of Shanxi Youyu, Qingdao Runlai and Guazhou Tianrun due to the termination of voting right agreement or the capital contribution by independent third parties during the year. The net assets of these three companies derecognised during the year were as follows:

	Notes	2011 RMB'000	2010 RMB'000
Net assets derecognised:			
Property, plant and equipment, net	13	**594,329**	290,378
Prepaid land lease payments	15	**3,039**	–
Trade receivables		**18,270**	6,649
Prepayments, deposits and other receivables		**118,591**	70,564
Cash and cash equivalents		**277,292**	1,087
Trade payables		**(278,625)**	(26,705)
Other payables		**(72,069)**	(23,395)
Interest-bearing bank loans		**(551,000)**	(338,000)
Non-controlling interests		**(97,666)**	(19,523)
		12,161	(38,945)
Unrealised profit accounted for as deferred income		**–**	9,905
Gain on derecognitions of subsidiaries	5	**92,809**	29,040
Fair value of net assets not disposed of and remained as investments in jointly-controlled entities and in an associate		**(103,970)**	–
Total consideration		**1,000**	–
Satisfied by cash		**1,000**	–

39. DERECOGNITIONS OF SUBSIDIARIES (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposals of subsidiaries are as follows:

	2011 RMB'000	2010 RMB'000
Cash consideration	**1,000**	–
Cash and bank balances disposed of	**(277,292)**	(1,087)
Net outflow of cash and cash equivalents in respect of the derecognition of subsidiaries	**276,292**	1,087

40. CONTINGENT LIABILITIES

At 31 December 2011, contingent liabilities not provided for in the financial statements were as follows:

Group

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Letters of credit issued	**212,527**	489,500
Letters of guarantee issued	**6,863,891**	4,993,230
Guarantee given to a bank in connection with a bank loan granted to a third party and a jointly-controlled entity	**278,000**	298,000
	7,354,418	5,780,730

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40. CONTINGENT LIABILITIES (continued)

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Letters of credit issued	**90,038**	333,545
Letters of guarantee issued	**6,396,053**	4,545,706
Guarantee given to banks in connection with bank loans granted to a third party and a subsidiary	**219,038**	67,781
	6,705,129	4,947,032

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

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group and the Company leases its investment properties (note 14) and certain equipment under operating lease arrangements, with leases negotiated for terms ranging from one to five years. At 31 December 2011 and 2010, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Within one year	**11,831**	15,644
In the second to fifth years, inclusive	**5,288**	17,119
	17,119	32,763

41. OPERATING LEASE ARRANGEMENTS (continued)

(a) As lessor (continued)

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Within one year	**11,162**	14,100
In the second to fifth years, inclusive	**5,288**	16,450
	16,450	30,550

(b) As lessee

At 31 December 2011 and 2010, the Group had the following total future minimum lease payments under non-cancellable operating leases in respect of land and buildings:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Within one year	**4,819**	12,276
In the second to fifth years, inclusive	**5,113**	8,029
Beyond five years	**4,576**	4,770
	14,508	25,075

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42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41(b) above, the Group and the Company had the following capital commitments as at 31 December 2011 and 2010:

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment and land use rights	2,773,260	1,431,785
Authorised, but not contracted for:		
Property, plant and equipment and land use rights	1,853,916	1,130,766
Capital contribution payable to jointly-controlled entities	10,200	31,400
	4,637,376	2,593,951

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	661	2,210
Authorised, but not contracted for:		
Equity investments	1,709,388	730,314
	1,710,049	732,524

In addition, the Group's share of a jointly-controlled entity's own capital commitments which are not included in the above are as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	57,970	91,511

43. RELATED PARTY TRANSACTIONS

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

	2011 RMB'000	2010 RMB'000
Continuing transactions		
A shareholder holding a 13.95% interest in the Company:		
Sales of spare parts	422	481
Processing services	150	1,980
	572	2,461
Associates:		
Purchases of spare parts and processing services	360,249	132,821
Processing services	17,150	–
Provision of technical services	362	–
	377,761	132,821
Jointly-controlled entities:		
Sales of wind turbine generators	211,063	222,549
Provision of technical services	5,203	–
	216,266	222,549

Non-continuing transaction:

The bank loan of one of the Group's jointly-controlled entities, Damao Qi Tianrun, amounting to RMB257,000,000 (31 December 2010: RMB277,000,000) as at 31 December 2011 was guaranteed by Beijing Tianrun, one of the Company's subsidiaries.

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

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

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43. RELATED PARTY TRANSACTIONS (continued)

(b) Commitments with related parties

The amount of total transactions with related parties for the year is included in note 43(a) to the financial statements. The Group expects total transactions with related parties in 2012 and 2013 are as follows:

	2012 RMB'000	2013 RMB'000
Continuing transactions		
Associates:		
Purchases of spare parts	394,838	35,752
Jointly-controlled entities:		
Sales of wind turbine generators and spare parts	126,293	–

(c) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 24, 25, 29 and 30 to these financial statements.

(d) Compensation of key management personnel of the Group

	2011 RMB'000	2010 RMB'000
Short-term employee benefits	18,420	31,003
Pension scheme contributions	460	420
	18,880	31,423

The related party transactions with the shareholder holding a 13.95% interest in the Company above also constitute connected transactions or continuing connected transactions as defined in chapter 14A of the listing rules.

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Financial assets		
Financial assets at fair value through profit or loss:		
Derivative financial instruments	33,203	9,975
Equity investment at fair value through profit or loss	94,035	–
	127,238	9,975
Loans and receivables:		
Trade and bills receivables	10,299,392	7,583,129
Financial assets included in prepayments, deposits and other receivables	436,206	362,480
Pledged deposits	16,325	334,599
Cash and cash equivalents	7,596,918	9,323,600
	18,348,841	17,603,808
Available-for-sale financial assets:		
Available-for-sale investments	257,644	60,460
	18,733,723	17,674,243
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	537	7,546
Financial liabilities at amortised cost:		
Trade and bills payables	7,580,875	8,130,173
Financial liabilities included in other payables and accruals	249,406	351,833
Interest-bearing bank loans	8,042,228	2,966,840
Other long-term liabilities	–	14,513
	15,872,509	11,463,359
	15,873,046	11,470,905

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44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Financial assets		
Loans and receivables:		
Trade and bills receivables	**8,673,980**	6,454,679
Financial assets included in prepayments, deposits and other receivables	**1,638,445**	797,933
Pledged deposits	**–**	196,307
Cash and cash equivalents	**4,163,697**	5,371,583
	14,476,122	12,820,502
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	**537**	7,546
Financial liabilities at amortised cost:		
Trade and bills payables	**5,910,803**	5,648,685
Financial liabilities included in other payables and accruals	**595,432**	51,080
Interest-bearing bank loans	**4,300,785**	187,953
	10,807,020	5,887,718
	10,807,557	5,895,264

45. FAIR VALUE AND FAIR VALUE HIERARCHY

Group

	Carrying amounts As at 31 December		Fair values As at 31 December	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Financial assets				
Available-for-sale investments	257,644	60,460	257,644	60,460
Derivative financial instruments	33,203	9,975	33,203	9,975
Equity investment at fair value through profit or loss	94,035	–	94,035	–
Trade and bills receivables	10,299,392	7,583,129	10,299,392	7,583,129
Financial assets included in prepayments, deposits and other receivables	436,206	362,480	436,206	362,480
Pledged deposits	16,325	334,599	16,325	334,599
Cash and cash equivalents	7,596,918	9,323,600	7,596,918	9,323,600
	18,733,723	17,674,243	18,733,723	17,674,243
Financial liabilities				
Trade and bills payables	7,580,875	8,130,173	7,580,875	8,130,173
Financial liabilities included in other payables	249,406	351,833	249,406	351,833
Derivative financial instruments	537	7,546	537	7,546
Interest-bearing bank loans	8,042,228	2,966,840	8,032,546	2,966,892
Other long-term liabilities	–	14,513	–	14,513
	15,873,046	11,470,905	15,863,364	11,470,957

Notes to Financial Statements

31 December 2011

45. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Company

	Carrying amounts As at 31 December		Fair values As at 31 December	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Financial assets				
Trade and bills receivables	8,673,980	6,454,679	8,673,980	6,454,679
Financial assets included in prepayments, deposits and other receivables	1,638,445	797,933	1,638,445	797,933
Pledged deposits	–	196,307	–	196,307
Cash and cash equivalents	4,163,697	5,371,583	4,163,697	5,371,583
	14,476,122	12,820,502	14,476,122	12,820,502
Financial liabilities				
Trade and bills payables	5,910,803	5,648,685	5,910,803	5,648,685
Financial liabilities included in other payables	595,432	51,080	595,432	51,080
Derivative financial instruments	537	7,546	537	7,546
Interest-bearing bank loans	4,300,785	187,953	4,283,242	187,953
	10,807,557	5,895,264	10,790,014	5,895,264

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of interest-bearing bank loans and other long-term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair values of listed equity investments are based on quoted market prices.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are fair value and cash flow interest rate risks, foreign currency risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the board of directors of the Company holds meetings regularly to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. The Group's accounting policies in relation to derivative financial instruments are set out in note 2.4 above.

(a) Fair value and cash flow interest rate risks

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

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

If there would be a general increase/decrease in the interest rates of bank loans with floating interest rates by one percentage point, with all other variables held constant, the consolidated pre-tax profit would have decreased/increased by approximately RMB43,612,000 (2010: RMB22,281,000) for the year ended 31 December 2011, and there would be no impact on other components of the consolidated equity, except for retained profits, of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and the Group has applied the exposure to interest rate risk to those financial instruments in existence at those dates. The estimated one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

Notes to Financial Statements

31 December 2011

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk

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

The Group's and the Company's exposures to foreign currencies as at 31 December 2011 and 2010 are as follows:

Group

	As at 31 December					
	2011			2010		
	Euro RMB'000	United States dollar RMB'000	Hong Kong dollar RMB'000	Euro RMB'000	United States dollar RMB'000	Hong Kong dollar RMB'000
Trade receivables	–	7,117	–	–	4,905	–
Prepayments, deposits and other receivables	151,064	16,041	–	49,797	–	–
Cash and cash equivalents	7,956	124,893	382,645	94,045	25,498	2,276,871
Trade payables	(88,146)	(50,950)	–	(150,358)	(139,548)	–
Other payables	–	(3,957)	(520)	–	–	–
Interest-bearing bank loans	(88,341)	(13,912)	(284,556)	(72,431)	(115,522)	–
	(17,467)	79,232	97,569	(78,947)	(224,667)	2,276,871

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk (continued)

Company

	As at 31 December					
	2011			2010		
	Euro	United States dollar	Hong Kong dollar	Euro	United States dollar	Hong Kong dollar
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	–	1,796	–	–	4,905	–
Prepayments, deposits and other receivables	147,995	5	–	49,797	–	–
Cash and cash equivalents	1,077	79,217	45,429	88,105	–	2,276,871
Trade payables	(58,595)	(47,237)	–	(149,140)	(9,533)	–
Interest-bearing bank loans	(88,341)	(13,912)	–	(72,431)	(115,522)	–
	2,136	19,869	45,429	(83,669)	(120,150)	2,276,871

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

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk (continued)

Sensitivity analysis

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

	2011 RMB'000	2010 RMB'000
If RMB weakens against Euro	**(1,747)**	(7,895)
If RMB strengthens against Euro	**1,747**	7,895
If RMB weakens against United States dollar	**7,923**	(22,467)
If RMB strengthens against United States dollar	**(7,923)**	22,467
If RMB weakens against Hong Kong dollar	**9,757**	227,687
If RMB strengthens against Hong Kong dollar	**(9,757)**	(227,687)

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

	2011 RMB'000	2010 RMB'000
If RMB weakens against Euro	**(1,289)**	(6,770)
If RMB strengthens against Euro	**1,289**	6,770
If RMB weakens against United States dollar	**6,224**	(18,399)
If RMB strengthens against United States dollar	**(6,224)**	18,399
If RMB weakens against Hong Kong dollar	**7,677**	193,534
If RMB strengthens against Hong Kong dollar	**(7,677)**	(193,534)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk (continued)

Sensitivity analysis (continued)

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

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
If RMB weakens against Euro	182	(7,112)
If RMB strengthens against Euro	(182)	7,112
If RMB weakens against United States dollar	1,689	(10,213)
If RMB strengthens against United States dollar	(1,689)	10,213
If RMB weakens against Hong Kong dollar	3,861	193,534
If RMB strengthens against Hong Kong dollar	(3,861)	(193,534)

The sensitivity analysis above has been determined assuming that the change in foreign currency rates had occurred on 31 December 2011 and the Group had applied the exposure to foreign currency risk to those monetary assets and liabilities and net investment operations in existence at those dates. The estimated 10% increase or decrease represents management's assessment of a reasonably possible change in foreign currency rates over the period until the end of the next reporting period. The sensitivity analysis is performed on the same basis for the year.

Notes to Financial Statements

31 December 2011

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk

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

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

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

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

The maximum exposure to credit risk is represented by the carrying amount of financial assets in the statement of financial position.

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

(d) Liquidity risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Group has already obtained banking facilities with several banks of an amount up to RMB33,131,237,000 as at 31 December 2011, of which an amount of approximately RMB16,040,734,000 has been utilised.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
31 December 2011					
Trade and bills payables	7,580,875	–	–	–	7,580,875
Derivative financial instruments	537	–	–	–	537
Financial liabilities included in other payables and accruals	249,406	–	–	–	249,406
Interest-bearing bank loans	5,467,483	823,222	499,758	1,251,765	8,042,228
Interest payments on bank loans	307,931	109,733	227,321	255,106	900,091
	13,606,232	932,955	727,079	1,506,871	16,773,137
31 December 2010					
Trade and bills payables	8,130,173	–	–	–	8,130,173
Derivative financial instruments	7,546	–	–	–	7,546
Financial liabilities included in other payables and accruals	351,833	–	–	–	351,833
Other long-term liabilities	–	14,513	–	–	14,513
Interest-bearing bank loans	1,501,526	191,943	374,421	898,950	2,966,840
Interest payments on bank loans	115,326	76,961	192,756	215,911	600,954
	10,106,404	283,417	567,177	1,114,861	12,071,859

Notes to Financial Statements

31 December 2011

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows (continued):

Company

	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
31 December 2011					
Trade and bills payables	5,910,803	–	–	–	5,910,803
Derivative financial instruments	537	–	–	–	537
Financial liabilities included in other payables and accruals	595,432	–	–	–	595,432
Interest-bearing bank loans	3,700,785	600,000	–	–	4,300,785
Interest payments on bank loans	152,109	15,184	–	–	167,293
	10,359,666	615,184	–	–	10,974,850
31 December 2010					
Trade and bills payables	5,648,685	–	–	–	5,648,685
Derivative financial instruments	7,546	–	–	–	7,546
Financial liabilities included in other payables and accruals	51,080	–	–	–	51,080
Interest-bearing bank loans	187,953	–	–	–	187,953
Interest payments on bank loans	3,100	–	–	–	3,100
	5,898,364	–	–	–	5,898,364

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Capital management

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

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

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

Notes to Financial Statements

31 December 2011

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Capital management (continued)

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

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Trade and bills payables	**7,580,875**	8,130,173
Other payables and accruals	**1,426,167**	1,952,241
Interest-bearing bank loans	**8,042,228**	2,966,840
Other long-term liabilities	**–**	14,513
Less: Cash and cash equivalents	**(7,596,918)**	(9,323,600)
Pledged deposits	**(16,325)**	(334,599)
Net debt	**9,436,027**	3,405,568
Equity attributable to owners of the Company	**12,874,059**	13,288,988
Capital and net debt	**22,310,086**	16,694,556
Gearing ratio	**42.29%**	20.40%

47. EVENT AFTER THE REPORTING PERIOD

In addition to those disclosed elsewhere in the financial statements, the Group had the following significant subsequent event:

In February 2012, the Company issued a domestic corporate bond in an aggregate principal amount of RMB3 billion, which is repayable in February 2015 and its applicable interest rate is 6.63% per annum. The domestic corporate bond has been issued in the denomination of RMB100 each. The issue price for each of the domestic corporate bonds is RMB100. Subsequent to completion of the issue of the corporate bond, on 16 March 2012, the corporate bond was listed on the Shenzhen Stock Exchange.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of director on 23 March 2012.

Financial Highlights for the Past Five Financial Years

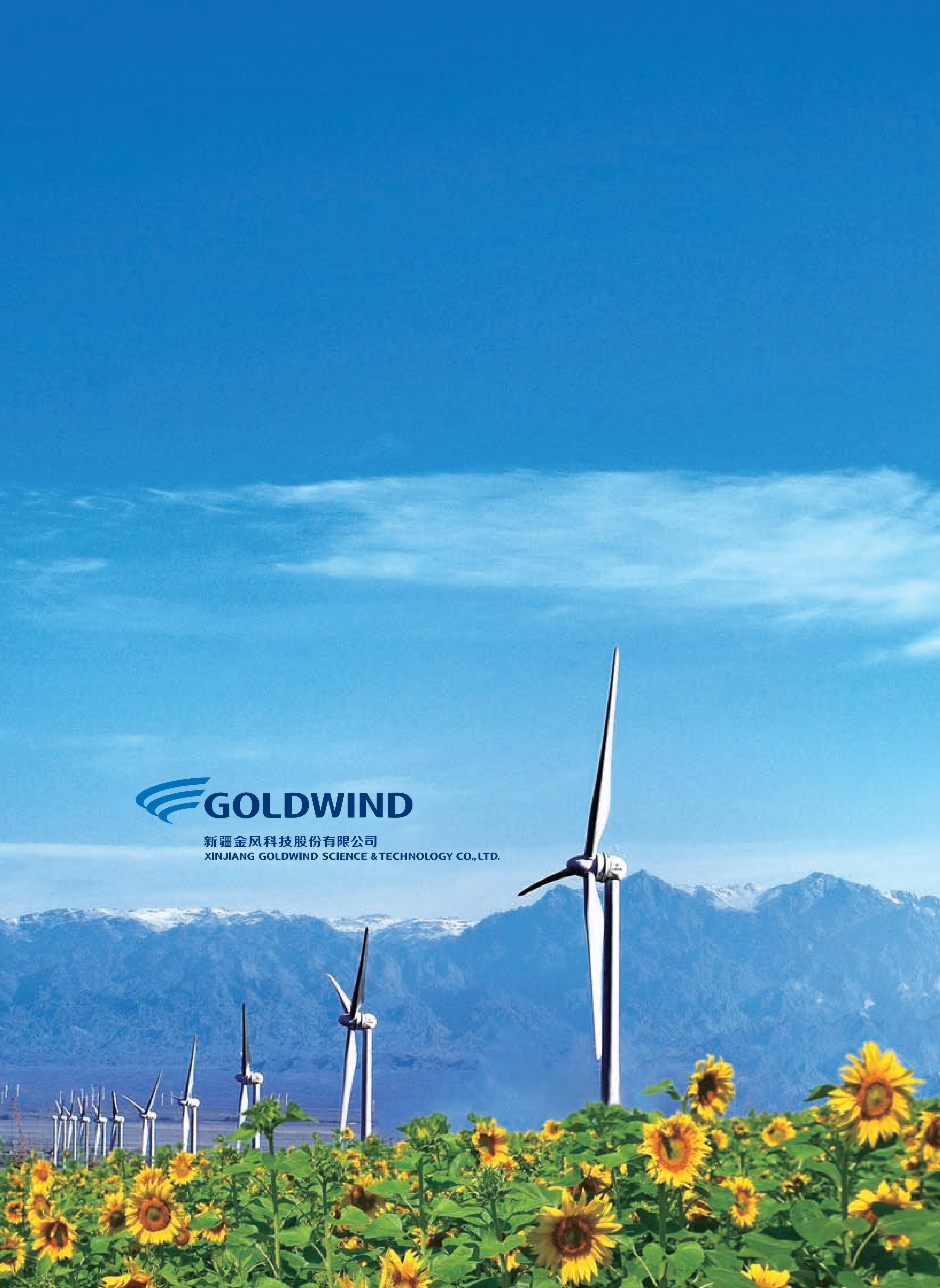
(Except share data, all amounts in RMB thousands)

SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2007	2008	2009	2010	**2011**
REVENUE	3,089,045	6,417,271	10,666,505	17,475,172	**12,755,970**
PROFIT BEFORE TAX	621,676	1,146,094	1,990,558	2,799,715	**864,434**
Income tax expense	8,084	(120,898)	(199,955)	(415,878)	**(146,448)**
PROFIT FOR THE YEAR	629,760	1,025,196	1,790,603	2,383,837	**717,986**
Profit attributable to:					
Owners of the Company	624,643	906,407	1,745,580	2,289,520	**606,707**
Non-controlling interests	5,117	118,789	45,023	94,317	**111,279**
OTHER COMPREHENSIVE INCOME	1,824	(24,328)	7,892	(27,475)	**(105,460)**
TOTAL COMPREHENSIVE INCOME	631,584	1,000,868	1,798,495	2,356,362	**612,526**
EARNINGS PER SHARE:					
Basic and diluted (RMB/Share)	0.31	0.40	0.78	0.99	**0.23**

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2007	2008	2009	2010	**2011**
Cash and cash equivalents	2,679,663	3,286,400	4,458,950	9,323,600	**7,596,918**
Current assets	4,913,679	9,060,678	11,285,717	22,836,079	**25,366,777**
Non-current assets	553,892	2,150,158	3,597,228	5,561,537	**7,063,409**
Total assets	5,467,571	11,210,836	14,882,945	28,397,616	**32,430,186**
Current liabilities	(2,274,549)	(5,503,639)	(6,882,263)	(12,456,197)	**(15,712,897)**
Non-current liabilities	(244,108)	(1,569,532)	(2,473,425)	(2,310,519)	**(3,448,780)**
Total liabilities	(2,518,657)	(7,073,171)	(9,355,688)	(14,766,716)	**(19,161,677)**
Net assets	2,948,914	4,137,665	5,527,257	13,630,900	**13,268,509**
Issued share capital	500,000	1,000,000	1,400,000	2,694,588	**2,694,588**
Reserves	2,333,252	2,442,484	3,661,057	9,678,240	**10,044,742**
Equity attributable to owners of the Company	2,883,252	3,722,484	5,201,057	13,288,988	**12,874,059**
Non-controlling interests	65,662	415,181	326,200	341,912	**394,450**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