You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in the PRC and most of our operations are conducted in the PRC which is governed by a legal and regulatory environment that may differ significantly from that of other countries. For more information concerning the PRC and certain related matters discussed below, please see "Regulatory Environment," "Appendix VII – Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix VIII – Summary of the Articles of Association."

RISKS RELATING TO THE CLEAN ENERGY INDUSTRY

Our clean energy business depends on support from PRC government's policies and regulations.

The development and profitability of our clean energy projects is significantly dependent on policies and regulations that support such development in China. Since 2005, the PRC government has promulgated a series of laws and regulations, including the Renewable Energy Law, which provides preferential measures to support the development of renewable energy projects. These preferential measures include, among others, mandatory grid connection and the guaranteed purchase of all the electricity generated from clean energy projects (subject to periodic transmission limitations in certain areas in China), subsidized on-grid tariffs and tax incentives, such as VAT refunds. In addition, the PRC government also encourages major state-owned commercial banks in China to provide debt financing with relatively low interest rates and on favorable terms to clean energy companies.

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

Our sales of CERs depend on the CDM arrangements under the Kyoto Protocol and the registration process with the CDM EB.

Under the Kyoto Protocol, which the PRC government ratified in August 2002, public or private entities can purchase CERs that we generate from our CDM projects and use these CERs to comply with their domestic emission reduction targets or sell them on the open market. For the years ended December 31, 2009, 2010 and 2011, our net income from CDM projects was RMB30.6 million, RMB75.2 million and RMB153.4 million, respectively, representing 2.1%, 4.0% and 8.0%, respectively, of our operating profit during those years.

Our sales of CERs depend on the CDM arrangements under the Kyoto Protocol. The United Nations Climate Change Conference held in December 2011 concluded with the decision to extend the Kyoto Protocol by five years, from 2013 to 2017. However, it is uncertain whether the participating countries will reach a universal legal agreement and agree to a binding successor to the Kyoto Protocol. If the Kyoto Protocol is not renewed or replaced by another legally binding agreement before its expiration on December 31, 2017, or if the PRC government discontinues its support for CDM arrangements, it could have a material adverse effect on our income from sales of CERs.

In addition, we need to go through a rigorous and complicated process to register our clean energy projects with the CDM EB in order to receive CER credits, including obtaining approval from the NDRC and validation from a DOE accredited for monitoring CDM projects under the Kyoto Protocol. For a clean energy project to be recognized as a qualified project, it must satisfy certain requirements, which include establishing that reductions in emissions are additional to any that would occur in the absence of the project activity, a concept known as "additionality." Since the process to register a clean energy project with the CDM EB is relatively complicated, the timing and outcome of our registration applications are uncertain. Historically, the CDM EB has made decisions not to register certain clean energy projects as CDM projects. In February 2010, CDM EB rejected the applications for two wind power projects owned by Heilongjiang Huafu Power Investment Company Limited, a subsidiary which we acquired in December 2010, on the grounds of lacking "additionality" due to their perceived high level of on-grid tariff. As of the Latest Practicable Date, we have submitted the revised applications for these two wind power projects to the CDM EB. We cannot assure you that the CDM EB will not further decline any of our pending or future applications for CDM projects. Furthermore, should there be any material changes to the verification standards or registration policies, we may be unable to register our wind and other clean energy projects as CDM projects in the future, which, in turn, could have a material adverse effect on our income from the sales of CERs, financial condition and results of operations.

RISKS RELATING TO OUR HYDROPOWER BUSINESS

Our hydropower business is dependent on hydrological conditions.

Our hydropower projects are dependent upon hydrological conditions prevailing from time to time in the broad geographic regions in which our existing and future hydropower projects are located. We cannot assure you that water flow at our project sites will be consistent with our expectations, or that climatic and environmental conditions will not change significantly from the prevailing conditions at the time our projections were made. Water flow varies each year or season and depends primarily on the levels of precipitation and seasonal changes.

All of our hydropower projects in operation are located in Fujian province. Our hydropower generation normally peaks from April to October when the levels of precipitation in Fujian province increase and the hydrological conditions prevailing at our project sites become more favorable. Our existing and future hydropower projects may be subject to substantial variations in climatic and hydrological conditions, which may reduce water flow and thus our ability to generate electricity.

While we have selected and will continue to select our hydropower projects primarily based on their projected outputs, the actual water flow required to produce those outputs may not be sustained. For example, the utilization hours of some of our hydropower projects in 2009 were below our forecasts due to low levels of precipitation during that year in Fujian province. If hydrological conditions result in droughts or other conditions that negatively impact our hydropower generation, our hydropower business and results of operations could be materially and adversely affected.

The resettlement of relocated residents may cause significant cost increases and/or construction delays of our hydropower projects.

The construction of dams and reservoirs for a hydropower project typically increases the water-level at the hydropower project site, and therefore requires the relocation and resettlement of residents in the reservoir area surrounding the project site. The relevant PRC local government authority is responsible for the relocation and resettlement of such residents, but the hydropower project's owner is responsible for paying associated resettlement compensation. In accordance with PRC law, a hydropower company in China is required to take into account the costs to be incurred by the relevant local authority for relocation and resettlement of residents in its investment costs. Accordingly, resettlement compensation costs are included in a hydropower project's construction cost, which the NDRC will consider in determining the on-grid tariff for such project.

The local government may dispute or request adjustment of the amount of resettlement compensation we allocate for a hydropower project, even after the hydropower project commences operations. The PRC government may adopt more stringent standards and impose more obligations on hydropower companies regarding the resettlement of relocated residents.

In addition, we may also face opposition from local interest and environmental groups due to the impact of our hydropower projects. Any of the above could cause significant cost increases and/or construction delays of a hydropower project, which may materially and adversely affect our cash flow and financial position.

We are involved in disputes with the local relocation and resettlement authority regarding the amount of resettlement compensation that our Mianhuatan Hydropower Project is required to pay. For more details, please refer to "Business – Our Hydropower Business – Our hydropower project portfolio – Recent disputes involving the Mianhuatan Hydropower Project." We engaged the Shanghai Institute, the original third party design institute for this hydropower project, to assess the need for us to pay any additional resettlement compensation to the relevant local government authority. In April 2012, the Shanghai Institute issued a draft assessment report and estimated that the additional compensation for which we would be responsible ranged from approximately RMB479.2 million to approximately RMB889.5 million. Fujian DRC received a copy of this draft assessment report in May 2012 and is in the process of reviewing such report and we expect the Shanghai Institute to amend its draft report subsequent to Fujian DRC's review and feedback. The NDRC will review the amended assessment report and ultimately determine the adjusted resettlement compensation for which we will be responsible. Depending on the outcome of the government review and approval process, we may be required to pay additional compensation if the approved adjustment is higher than the RMB390.0 million we have prepaid from 2009 to 2011, or we may receive a refund if the approved adjustment is less than such amount. However, we cannot assure you that such review and approval process could be completed by the end of 2013 as we currently anticipate.

We have made a provision of RMB40.0 million, in connection with this dispute, on our consolidated balance sheets as of December 31, 2011. Both the RMB390.0 million that we prepaid to the local government from 2009 to 2011 and the RMB40.0 million provision have been treated as capitalized expenses on our financial statements in accordance with our accounting policies and such capitalized expenses are amortized over 55 years.

If, and to the extent that, the additional compensation the NDRC requires us to pay an amount exceeding the RMB430.0 million that we have prepaid and provisioned, Huadian undertakes, without any time limit, to indemnify us against such losses, claims, charges and expenses directly or indirectly incurred by us arising from the relocation and resettlement of local residents in relation to our Mianhuatan Hydropower Project. Our PRC legal advisers have confirmed that this undertaking given by Huadian is legally valid and enforceable under PRC law. Based on the undertaking from Huadian, our Directors estimate that our maximum financial exposure arising from this dispute is RMB40.0 million (in addition to the RMB390.0 million prepaid from 2009 to 2011), which will be paid from our working capital.

The operation of our hydropower projects and customer demand for our power may be vulnerable to disruptions caused by natural and man-made disasters, which may materially and adversely affect our results of operations.

Our hydropower projects could be required to cease operation in the event of a drought, or even be damaged by a flood. Water supply to our hydropower projects and reservoirs are vulnerable to natural disasters, including, but not limited to, earthquakes, typhoons, storms, tornadoes and floods, as well as disasters caused by human actions and other deliberate or inadvertent actions which may affect the availability of water flow to our hydropower projects.

Fujian province, where all of our operating hydropower projects are located, is a region in China with relatively high seismic risk. Earthquakes and other natural disasters are unpredictable and can significantly damage our access to water flow, our key equipment and the property of our electricity end-users. Under such circumstances, market demand for power in general may be adversely affected, reducing the need for the electricity we produce, and we may be unable to continue the operation of our projects or to produce the level of electricity we anticipate. The insurance coverage we maintain may not be adequate to compensate us for all damages and economic losses which may arise in connection with these natural disasters. We cannot assure you that our hydropower business will not be subject to disruptions caused by such disasters, which may materially and adversely affect our results of operations.

We may encounter difficulties in identifying suitable acquisition opportunities.

As part of our business strategy, we intend to expand our hydropower business by acquiring mid- to small-sized hydropower projects in Fujian province. Our ability to implement our acquisition strategy will depend on a number of factors, in particular, our ability to identify suitable acquisition targets and to reach agreements with sellers for acceptable consideration and with commercially reasonable terms. As our competitors may also aim to acquire mid- to small-sized hydropower projects in Fujian province, we expect that identifying and acquiring hydropower projects with commercially reasonable terms may become increasingly difficult in the future.

If we are unable to acquire suitable hydropower projects in Fujian province, our hydropower business will continue to remain dependent upon a limited number of existing hydropower projects, which could limit our ability to expand our hydropower business.

Assumptions applied to our investment analyses and feasibility studies may not be accurate, and thus our actual return on investments, operational results, and the growth of our hydropower business may be materially and adversely affected.

In performing investment analysis and feasibility studies for our acquisition targets, we consider factors such as: (i) demand for power and growth potential in Fujian province, (ii) the increase in power generation capacity in Fujian province, (iii) the average on-grid tariff of hydropower projects of similar types and capacity, (iv) the quality of transmission systems to the local power grids, (v) the facilities and technology at the hydropower project and (vi) the ability to retain existing debt financing for the plant or obtain new financing. However, much of the information we rely on in preparing these analyses is provided by the sellers of the projects. As a result, the assumptions we use to perform our internal investment analyses and feasibility studies may not be accurate or complete. If any one of our observations or assumptions proves to be inaccurate, our estimated return on investment, operational results and our growth may be materially adversely affected.

RISKS RELATING TO OUR WIND POWER BUSINESS

Our wind power business is highly dependent on wind conditions.

The amounts of electricity and revenue generated at a wind power project are highly dependent on wind conditions, which vary across seasons and regions and are difficult to predict. Wind turbines will only operate within certain wind speed ranges. If wind speed falls outside the wind speed ranges, which vary by turbine model and manufacturer, the amount of electricity we generate will decrease or cease. We cannot assure you that the wind conditions at any given wind site will always fall within such ranges.

We base our investment decisions for each wind power project on the feasibility studies conducted onsite before starting construction. However, actual climatic conditions at a wind site, particularly wind conditions, may not conform to the findings of these feasibility studies, and, therefore, our wind power projects may not meet anticipated production levels, which could adversely affect our projected profitability. For example, in 2011, wind conditions at certain wind power projects in Inner Mongolia were below our projections, which caused our average utilization hours to decrease.

In general, for wind power projects located in north China, their power generation normally peaks in winter when local wind speed peaks, and bottoms out in summer when local wind speed reaches its lowest level. If the seasonal fluctuations in wind conditions do not conform to our historical observations or correspond to our assumptions, it may result in unexpected fluctuations in the power generation of our wind power projects and, consequently, our results of operations.

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

We must obtain a local grid company's consent to connect our wind power projects to its power grids before construction. External factors that affect such consent include, among others, the availability of power grids with adequate transmission capacity, the progress of grid construction or system upgrades, the distance between our preferred wind sites and the local grids, and the cost of additional interconnection facilities. Furthermore, wind power projects and other clean energy facilities of our competitors located near our wind power projects may compete with us to secure grid connection. Many of these factors are beyond our control. As a result, we may not be able to obtain all necessary consents from local grid companies in a timely manner, or at all. Any failure to obtain a grid company's consent for grid connection may delay the operation of our wind power projects, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

We also rely on local grid companies for electricity transmission and dispatch services. Our revenue depends largely upon the sale of electricity which is subject to dispatch to power grids, which is controlled by the dispatch centers of the local grid companies. The current PRC regulatory framework requires grid companies in China to purchase the full amount of electricity generated by wind power projects that meet the grid connection standards within the coverage of their grids. However, dispatch centers may consider various factors when dispatching electricity, including, among others, local demand for electricity, interconnection agreements between power grids and the transmission capacity of the power grids. In addition, the applicable PRC laws require wind power producers to co-operate with grid companies to ensure the safety of power grids. As a result, the transmission and dispatch of the full output of our wind power projects may be curtailed due to various transmission limitations, such as grid congestion, restrictions on transmission capacity and restrictions on electricity dispatch.

Some of our wind power projects are located in remote areas, particularly Inner Mongolia and Gansu province, where the local power grids may have insufficient transmission capacity to deliver all the potential electricity that our wind power projects could generate when operating under full load, especially during peak seasons, such as winter. Various transmission limitations, due primarily to the underdevelopment of the local power grids, may curtail our electricity generation, impairing our ability to fully capitalize on a particular wind power project's potential. As such, we may temporarily suspend some of our operating wind turbines to accommodate the transmission limitations from time to time. Such events have adversely affected our ability to generate electricity, and in turn, our revenue. Based on our management's estimate, our gross wind power generation would have increased by approximately 6.9%, 5.8% and 6.7% in 2009, 2010 and 2011, respectively, without the adverse effect of the transmission limitations on the local power grids. Depending on the progress of construction and upgrades to the grid infrastructure in Inner Mongolia and Gansu province, we expect that some of our wind power projects in the remote areas may continue to experience transmission limitations in the near future, which may materially and adversely affect our business, financial condition and results of operations.

In addition, the PPAs that we entered into with local grid companies have not specifically provided for any compensation from the respective local grid companies for any financial losses caused by transmission limitations and we did not receive such compensation from grid companies during the Track Record Period. Any future transmission limitations in the existing grids may reduce our electricity generation, which in turn could have a material adverse effect on our business, financial condition and results of operations.

The growth of our wind power business depends upon our ability to convert our pipeline projects into operating projects.

We started our wind power business in 2007, and our rapid growth and expansion of our total installed wind power capacity have placed, and are expected to continue to place, significant demands on our capital, management, administrative and human resources. The prospects of our wind power business must be considered in light of the risks and uncertainties encountered by rapidly growing companies competing in rapidly evolving markets. We may not be successful in completing our pipeline wind power projects as anticipated, or at all. Our consolidated installed wind power capacity increased from 471.0 MW as of December 31, 2009 to 1,333.8 MW as of December 31, 2010, and further increased to 2,171.3 MW as of December 31, 2011, representing a CAGR of 114.7%. As part of our business strategy, we aim to increase our consolidated installed wind power capacity to approximately 3,200 MW by the end of 2012.

The development and construction of wind power projects involves numerous risks and uncertainties. These risks and uncertainties may prevent some projects from progressing to construction, cause us to fail to meet the targets of our development plan, and prevent us from achieving our goals. Our ability to develop wind power projects is dependent on, among other things, the availability of sufficient external financing and transmission lines with adequate capacity, the negotiation and signing of PPAs, turbine procurement and weather conditions, all of which may be beyond our control. In addition, we may decide not to proceed with a pipeline project that we deem unsuitable for development. Finally, those wind power projects that are constructed may not meet our return expectations due to schedule delays, cost overruns or revenue shortfalls or they may not generate the production levels that we anticipate or result in revenue in the originally anticipated time period.

Our electricity generation and results of operations are dependent on the operating performance of our wind turbines.

The profitability of our wind power business depends upon the operating performance of our wind turbines. Non-performance or under-performance of our wind turbines will have a direct negative effect on a wind farm's financial condition and results of operations.

As of December 31, 2011, we purchased approximately 50.1% of our wind turbines from Sinovel, Goldwind and Gamesa. Our reliance on a limited number of suppliers may expose us to certain risks such as difficulty in finding alternative suppliers at comparable prices and quality in the event that we lose one or more of our primary wind turbine suppliers. In addition, some domestically manufactured wind turbines, in particular new models, have relatively short track records, and the operating performance of these new models may not be comparable to that of wind turbines made by leading international brands with more established operating histories. Wind power projects using newly developed wind turbines may experience performance and availability shortfalls. Furthermore, wind turbine quality testing and certification by professional third parties is a relatively new concept in China, and mandatory requirements for quality testing and certification of domestically manufactured wind turbines using international standards are not fully established.

Our purchase agreements with turbine suppliers generally include warranty terms, covering two to five years after each wind turbine successfully completes a non-stop trial run. Indemnification payable by the turbine suppliers under these agreements is typically capped at a portion of the total purchase price of the turbines. Any losses in excess of these indemnification caps will be our responsibility. Therefore, we cannot assure you that such indemnification will be adequate to cover any potential adverse effect on our financial performance due to non-performance or under-performance of wind turbines.

Our wind power business is subject to the fluctuation of wind turbine prices.

The cost of wind turbines normally represents 55-65% of the total cost of a wind power project, thus directly affecting the profitability of our wind power business. Turbine prices are largely dependent on market demand. Historically, the combined effect of a limited number of qualified turbine suppliers, rising commodity prices and the increasing demand for turbines has led to escalating turbine prices. Expanded turbine production capacity, the global financial crisis and increased competition among turbine suppliers in the PRC and overseas have significantly reduced turbine prices since 2008. We are exposed to changes in the market prices of wind turbines when we negotiate new supply agreements. If turbine prices increase significantly or if we are unable to purchase wind turbines at prices commercially acceptable to us, construction costs of our wind power business may increase, our expansion plans could be hindered and our results of operations would be materially and adversely affected.

Any reductions in the on-grid tariffs for our wind power projects could materially and adversely affect our results of operations.

The NDRC issued the Circular regarding the Furtherance of On-grid Pricing Policy of Wind Power (《關於完善風力發電上網電價政策的通知》) on July 20, 2009, which applies to all wind power projects approved after August 1, 2009 and, according to which, the previous on-grid tariff as determined by "government guided price" has been replaced by "government fixed price." Specifically, the PRC is categorized into four wind resource zones, and the same standard on-grid tariff (including VAT) applies to all wind power projects in the same zone. We cannot assure you that government fixed on-grid tariffs for wind power projects will not decrease in the future. Any reductions in the on-grid tariffs for our existing and future wind power projects, or our failure to mitigate such reductions by increasing installed capacity or operating efficiency, could materially and adversely affect our business, financial condition and results of operations.

To expand our wind power business, we must find, and obtain land use rights for, suitable wind sites.

There are a limited number of geographic locations that provide suitable conditions for developing and operating wind farms. Factors affecting the suitability of these locations include local wind resources, topographic constraints and the proximity to, and availability of, grid connections and related infrastructure. Even if we have identified a suitable wind site, our ability to obtain requisite land use rights, with respect to the site, is subject to growing competition from other wind power producers that may have better access to local government support, financial or other resources to locate and obtain land use rights of such sites. Our competitors may impede our development efforts by acquiring control of all or a portion of a wind site we seek to develop. If a competitor were to obtain land use rights critical to our project development efforts, we could incur losses as a result of stranded development costs.

If we are unable to find, or obtain land use rights for, suitable wind sites, we might be unable to construct new projects and commence operations on a timely basis or at all, which could have a material adverse effect on our business, financial condition and results of operations.

Technological changes in the wind power industry could render existing wind power projects and technologies uncompetitive or obsolete.

The wind power industry is characterized by rapid change. The latest industry technologies, such as "large-capacity" wind turbine, "variable pitch blades and variable speed" technology and "low voltage ride through" and "active and reactive power control" technology, may result in lower costs of equipment, higher utilization and operating efficiency, as well as more stable electricity generation. New technology may render existing wind energy projects and technologies uncompetitive or obsolete. The upgrade of new equipment may be expensive to carry out. As such, our failure to timely adopt new or upgrade existing technologies, as they are developed, could have a material adverse affect on our business, financial condition, results of operations and prospects.

Our wind power business has a limited operating history and its historical growth is not an indication of our future results of operations.

We started our wind power business in 2007 and, therefore, our wind power business has a relatively limited operating history. Our total installed wind power capacity increased from 471.0 MW as of December 31, 2009 to 1,333.8 MW as of December 31, 2010 and further increased to 2,171.3 MW as of December 31, 2011, representing a CAGR of 114.7%, while the segment revenue from our wind power business grew at a CAGR of 127.7% from 2009 to 2011. However, the historical operating results of this developing business may also make it difficult to evaluate our current business and future prospects. We cannot assure you that our wind power business will continue to grow rapidly and that we will succeed in achieving our business objectives. Our wind power business may not achieve a similar growth rate or maintain similar profitability in the future, which, in turn, could adversely affect our results of operations and financial condition.

RISKS RELATING TO OUR COAL-FIRED POWER BUSINESS

An increase in coal prices and a disruption in coal supply or its transportation could materially adversely affect our coal-fired power business.

Our coal-fired power plants are fueled by coal. For the years ended December 31, 2009, 2010 and 2011, costs of coal represented 70.1%, 69.2% and 73.1%, respectively, of the operating expenses (excluding costs of substituted electricity) of our coal-fired power business. As such, our results of operation are sensitive to the fluctuation of coal prices. We negotiate coal prices applicable to our coal-fired power plants with our coal suppliers, and the coal prices are subject to other factors, such as market conditions, government quota, applicable VAT and the cost of transportation. The price of coal we purchased for electricity generation is subject to market fluctuations and has been volatile. For the years ended December 31, 2009, 2010 and 2011, the average price of standard coal (7,000 kcal/kg) per ton we purchased was RMB673.3, RMB757.3 and RMB728.0, respectively. In December 2011, the NDRC announced a price cap of RMB800 per ton (including VAT) on the market price for thermal coal of 5,500 kcal/kg in China, however, we cannot assure you that the market price of coal will not further increase in the future.

In addition, because the on-grid tariff for our coal-fired power plants is reviewed and approved by the government based on various factors, our ability to pass on coal price increases to our customers and electricity end-users through on-grid tariff increases is limited. In December 2004, the NDRC issued a pricing mechanism to mitigate the adverse effects of increased coal costs on coal-fired power producers by linking the on-grid tariff for coal-fired power plant with the prevailing market price of coal. Since adjustments to on-grid tariffs in relation to coal price increases are subject to government approval and various other factors, any increase in coal prices may not necessarily result in higher on-grid tariffs. If the costs of coal increase significantly in the future and we are not allowed by the government to pass the effect of such increases on our customers, our business, results of operations and financial condition could be materially and adversely affected.

During the Track Record Period, we relied primarily on coal supplies from our connected persons, including Huadian Coal and its subsidiaries. Since January 1, 2012, we have ceased our connected transactions with Huadian Coal and its subsidiaries. We intend to purchase a substantial portion of our coal supplies, through third-party coal distributors, from major coal suppliers in China, pursuant to key supply agreements, and the remainder in the open market. During the Track Record Period, we did not experience any shutdowns or reduced electricity generation caused by inadequate coal supply or transportation services, but in the event of national coal supply shortfalls, any change in our principal coal distributors or suppliers, the untimely delivery by our principal coal distributors or suppliers, or their inability to meet our quantity or quality requirements, our business operations may be adversely and materially affected. Currently, China's freight transportation infrastructure is inadequate to support the coal transportation demand in China. Delivery disruption could occur for a variety of reasons beyond our control, including transportation bottlenecks, accidents and natural disasters. We cannot assure you that we can avoid disruption in, or unavailability of, coal transportation services, which would have a material adverse effect on our business, financial condition or results of operations.

Reductions in planned generation or on-grid tariff may adversely affect our results of operations.

Our profitability depends, in part, upon each of our coal-fired power plants generating electricity at a level sufficient to meet or exceed our planned generation, which, in turn, will be subject to local demand for electricity and the dispatching to the grids by the dispatch centers of the local grid companies. We cannot assure you that the dispatch centers will dispatch the full amount of the planned generation of our coal-fired power plants. A reduction in the amount of electricity dispatched by the local grid companies in relation to our power plant's planned generation could have an adverse effect on the profitability of our operations. However, we did not encounter any such event during the Track Record Period.

The on-grid tariff for our coal-fired power plants is reviewed and approved by the NDRC with reference to average cost of comparable generating units, adding tax and a reasonable return. However, if there is any further significant reduction in our on-grid tariffs, or if the local pricing authorities are unable to raise tariffs to cover any increase of our operating costs (in particular coal costs), it could have a material adverse effect on our business, financial condition or results of operations.

If the PRC government adopts new and stricter environmental laws and additional capital expenditure is required for complying with such laws, the operation of our coal-fired power business may be adversely affected and we may be required to make additional investment in order to comply with these environmental laws.

Our coal-fired power plants discharge pollutants into the environment. We are subject to central and local government environmental protection laws and regulations, which currently impose base-level discharge fees for various polluting substances and graduated schedules of fees for the discharge of waste substances. The amount of discharge fees is determined by the local environmental protection authority based on periodic inspections of the type and volume of pollution discharges. In addition, such environmental protection laws and regulations also set goals for the overall control on the discharge volume of key polluting substances. These laws and regulations impose fines for violations of laws, regulations or decrees and provide for the possible closure by the central government or local government of any coal-fired power plant which fails to comply with orders requiring it to cease or cure certain activities causing environmental damage.

We attach great importance to the environmental-related matters of our existing coal-fired power plants and our coal-fired power plants under construction. For example, our Kemen Power Plant is equipped with two supercritical coal-fired power generators and constructed with air pollution control measures, such as desulfurization and dedusting systems, in order to achieve the clean utilization of coal. In addition, the new coal-fired generating units at our Yong'an and Zhangping Power Plants are equipped with the latest combustion technology to reduce pollution and increase operating efficiency. We believe our environmental protection systems and facilities for the coal-fired power plants are adequate for us to comply with applicable central government and local government environmental protection laws and regulations. However, the PRC government may impose new, stricter laws and regulations which would require additional expenditure on environmental protection.

China is a party to the Framework Convention on Climate Change ("Climate Change Convention"), which is intended to limit or capture emissions of "greenhouse" gases, such as carbon dioxide. Ceilings on such emissions could limit the production of electricity from fossil fuels, particularly coal, or increase the costs of such production. At present, ceilings on the emissions of "greenhouse" gases have not been assigned to developing countries under the Climate Change Convention. Therefore, we do not expect the Climate Change Convention to have a major effect on us in the short-term because China, as a developing country, is not obligated to reduce its emissions of "greenhouse" gases at present, and the PRC government has not adopted relevant control standards and policies. If the PRC government were to agree to such ceilings, or otherwise reduce its reliance on coal-fired power plants, our coal-fired power business could be adversely affected.

RISKS RELATING TO OUR OTHER CLEAN ENERGY BUSINESS

Our distributed energy projects and other natural gas-fired power projects depend on a sufficient and timely supply of natural gas.

Our distributed energy projects and other natural gas-fired power projects are fueled by natural gas. As such, the sufficient and timely supply of natural gas is essential to our distributed energy business. The failure by a local gas station to supply natural gas that could satisfy our quality, quantity and cost requirements in a timely manner could impair our ability to generate electricity from our distributed energy projects. If we fail to maintain our relationships with our natural gas suppliers or fail to develop new relationships with other gas suppliers, we may have to suspend our distributed energy generation or produce electricity at a higher cost, which could adversely affect our distributed energy business and other natural gas-fired power projects.

Our ownership interest in a nuclear power plant subjects us to risks and liabilities uniquely associated with this type of project.

We own a minority interest in the Fuqing Nuclear Power Plant in Fujian province that is currently under construction. As part of our strategy, we intend to increase our equity interest in the follow-up projects of the Fuqing Nuclear Power Plant in order to obtain controlling rights after we receive the government approval for operating a nuclear power plant. Therefore, we are subject to risks and liabilities uniquely associated with a nuclear power plant, which include, among others:

- the potential harmful effects on the environment and human health resulting from the operation of nuclear facilities and the storage, handling and disposal of radioactive materials such as spent nuclear fuel;

- the higher risk of seismic activity in Fujian province, which may affect the construction and operations of the Fuqing Nuclear Power Plant and its follow-up projects;

- limitations on the amounts and types of insurance commercially available to cover losses that might arise in connection with nuclear operations; and

- uncertainties with respect to contingencies and assessment amounts if our insurance coverage is inadequate.

We cannot assure you that the risk mitigation measures to be adopted by the Fuqing Nuclear Power Plant and its follow-up projects will be adequate if and when these risks are triggered. If a major nuclear incident were to occur, it could harm our reputation, results of operations, financial condition and prospects.

RISKS RELATING TO OUR BUSINESS OPERATIONS

Greenfield projects and projects under construction present substantial development, construction and start-up risks, which could materially and adversely affect our results of operations, financial condition and growth prospects.

Greenfield projects and projects under construction present substantial development, construction and start-up risk. The development and construction of power generating projects, particularly wind power and hydropower projects, is time-consuming and complicated and requires significant capital investment. In connection with the development and construction of our power generating projects, we will seek to obtain government permits and approvals, sufficient financing, land purchase or leasing agreements, equipment procurement and construction contracts, as well as operation and maintenance agreements. We may suffer significant construction delays or construction cost increases as a result of a variety of factors, including:

- delays in obtaining various regulatory approvals, licenses or permits from different governmental authorities at various levels, the environmental permits and permits to use the relevant land;
- delays caused by, and increased costs of, relocating local residents attributable to the construction of reservoirs and large hydropower projects;
- failure to receive adequate bank loans on favorable terms;
- shortages or increases in the cost of key equipment (such as wind turbines), materials or labor;
- failure to secure interconnection to transmission lines;
- adverse hydrological or wind conditions, or natural disasters, accidents or other unforeseen events;
- unforeseen engineering, design, environmental or geological problems;
- opposition of local interests and environmental organizations; and
- strikes and labor disputes.

Any of these factors may cause delays in the completion of our projects under construction and may increase the cost of pipeline projects. If we are unable to complete the projects as planned, the costs incurred in connection with such projects may not be recoverable. Even if we complete these projects, as a result of project delays, cost overruns, changes in market circumstances or other reasons, we may not be able to achieve the intended economic benefits or demonstrate the commercial viability of these projects, which may materially and adversely affect our results of operations, financial condition and growth prospects.

The operations of our power generating projects may be adversely affected by the failure of key equipment, civil structures or transmission systems, which could result in lost revenues and increased maintenance costs.

The breakdown of power generating equipment, or failure of other key equipment or of a civil structure in one or more of our power generating projects, could disrupt the generation of electricity and result in our revenues being lower than we expected. Furthermore, any breakdown or failure of our transmission systems could disrupt the transmission of electricity by a power generating project to the local power grid. In addition, if the power grid fails, we will not be able to deliver our power until the grid carries out the necessary repairs. Some of our power generating projects were constructed many years ago. Older generating equipment may require significant capital expenditure to keep operating efficiently. Such equipment is also likely to require periodic upgrades and improvements. The breakdown or failure of our power generating projects may also prevent us from fulfilling our obligations under the applicable PPAs, which, in certain situations, could result in the termination of these agreements or incurring liability for liquidated damages. These events may reduce our ability to generate power, resulting in loss of revenues and increased maintenance costs.

We rely on a limited number of key customers.

We sell electricity to our key customers, the local grid companies, based on the PPAs we enter into with them. Currently, we sell electricity generated by our power generating assets to the local grid companies, rather than selling directly to any industrial or residential end-users. Therefore, we are highly dependent upon such companies fulfilling their obligations under the PPAs. For the years ended December 31, 2009, 2010 and 2011, our electricity sales to our five largest customers accounted for 98.6%, 97.3% and 89.9%, respectively, of our total revenue (excluding service concession construction revenue) during those years. During the same periods, in particular, our electricity sales to our single largest customer accounted for 92.2%, 84.2% and 74.5%, respectively, of our total revenue (excluding service concession construction revenue).

We cannot assure you that the grid companies will comply with the applicable PRC regulatory framework by purchasing all the electricity generation from clean energy sources and making full and timely payments according to the on-grid tariffs approved, or fixed by, the PRC government. Furthermore, our key customers, with whom we have entered into PPAs, may not comply with their contractual obligations under the PPAs or become subject to insolvency or liquidation proceedings during the term of the relevant PPA. An inability or failure by such customers to meet their statutory purchase obligations or contractual commitments or the insolvency or liquidation of our key customers could have a material adverse effect on our business, financial position and results of operations.

Our hydropower and coal-fired power businesses are concentrated in Fujian province.

During the Track Record Period, all of our hydropower projects and coal-fired power plants in operation were developed and constructed in Fujian province and substantially all of our revenue from these two business segments was derived from the sale of electricity in Fujian province. As of December 31, 2011, 65.9% of our power generating assets, based on installed capacity, were located in Fujian province. As such, the operations of our hydropower and coal-fired power businesses are subject to risks specific to Fujian province, including detrimental changes in, among other things, the on-grid tariffs for hydro or coal-fired power, transmission capacity of regional power grids, climatic and hydrological conditions, regional demand for electricity, and local government policies. Any of these changes could have a material adverse effect on our business, financial position and results of operations.

We operate in a capital-intensive business, and a significant increase in capital expenditures could have a material adverse effect on our business, financial condition or results of operations.

We have significant construction and capital expenditure requirements, and the recovery of the capital investment in a power generating project occurs over a long period of time. In particular, the capital expenditures required to develop and construct a power generating project generally vary based on the cost of the necessary fixed assets, such as wind and gas turbines. The price of such key equipment and/or civil construction works may increase if the market demand for such equipment or works is greater than the available supply, or if the prices of key component commodities and raw materials used to build such equipment were to increase. Other factors affecting the amount of capital investment required include, among other things, finance expenses. A significant increase in the costs of developing and constructing our power generating projects could have a material adverse effect on our ability to achieve our targets and on our business, financial condition and results of operations.

To fund our business expansion, we expect to incur approximately RMB10.3 billion and RMB10.0 billion of capital expenditures in 2012 and 2013, respectively, and contribute approximately RMB800.0 million of financial investments to the Fuqing Nuclear Power Plant each year from 2012 to 2014. Historically, we have financed our power generating projects with a combination of bank borrowings and operating cash flow. We cannot assure you that, at the time of developing our new projects, we will be able to secure financing from the above mentioned sources on commercially viable terms to fund our planned capital requirements. If we fail to obtain adequate financing, our ability to expand our business may be hindered and the prospects of our future operations may be materially and adversely affected.

Our borrowing levels, interest payment obligations and net current liabilities could limit the funds available to us for various business purposes.

Due to the rapid expansion of our business during the Track Record Period, we have relied on bank borrowings to fund a substantial portion of our capital requirements, and expect to continue to do so in the foreseeable future. Our borrowings were RMB21,426.3 million, RMB28,703.9 million and RMB30,242.4 million as of December 31, 2009, 2010 and 2011, respectively. As a result, our gearing ratio was 358.6%, 307.1% and 315.6%, respectively, as of December 31, 2009, 2010 and 2011.

As of December 31, 2009, 2010 and 2011, our net current liabilities amounted to RMB8,367.4 million, RMB9,295.3 million and RMB12,276.8 million, respectively. We may continue to have net current liabilities in the near future. Our leverage and the high level of net current liabilities could constrain our operational flexibility and have significant adverse consequences, which include (i) requiring us to use a substantial portion of our cash flow from operations to service our debt, thereby reducing the cash flow available for working capital, capital expenditure or other general corporate uses, (ii) increasing our exposure to interest rate fluctuations and (iii) limiting our ability to obtain, and increasing the cost of, additional financing to fund future working capital, capital expenditures or general corporate uses.

We cannot assure you that we will always be able to raise necessary funding to finance our current liabilities and other debt obligations. Our business, prospects and financial condition may be materially and adversely affected if our cash flow and capital resources are insufficient to finance our debt obligations.

Our business may be affected by fluctuations in interest rates.

We are exposed to interest rate risk resulting from fluctuations in interest rates on our loans. Changes in interest rates affect our finance expenses and, ultimately, our results of operations. As we rely heavily on external financing to support the expansion of our business, we are sensitive to the cost of capital in securing these loans. Our finance expenses were RMB945.0 million, RMB984.6 million and RMB1,266.3 million for the years ended December 31, 2009, 2010 and 2011, respectively. During the Track Record Period, the PBOC raised the benchmark lending rates in China several times. Lending interest rates may increase in the future if the PRC government decides to further tighten its monetary policy. If the PBOC were to continue to raise benchmark lending rates, our finance expenses would increase, which would have a material adverse effect on our business, financial condition and results of operations.

We do not possess the title certificates or construction permits in respect of certain land and buildings we own or occupy.

Title defects to land and building ownership in the PRC is not uncommon, partly due to the on-going application process necessary to obtain land use rights and building ownership certificates where government approval at different levels is involved. As of December 31, 2011, we or our landlord had not obtained proper land use rights for 22 parcels of land, representing 10.8% of the total site area which we owned and leased. In addition, we had not obtained proper building ownership certificates for 43 buildings, representing 9.5% of the total gross floor area of the buildings we owned.

We are currently in the process of applying for, and obtaining, land use rights certificates and building ownership certificates for most of the land and buildings that have title defects. Based on the advice from our PRC legal advisers, our Directors are uncertain whether we can obtain the relevant certificates or permits in a timely manner, or at all. In addition, we cannot assure you that our use and occupation of the relevant land and buildings will not be challenged. If we cannot obtain the relevant certificates or permits in a timely manner and our legal right to use or occupy the relevant land and buildings is challenged, our operations or construction on the affected land or in the affected buildings could be interrupted, which, in turn, could have an adverse effect on our business, financial condition and results of operations.

We may fail to comply with laws and regulations in the PRC relating to the development, construction and operation of power generating projects.

The development, construction and operation of our power generating projects are highly regulated and subject to strict PRC laws and regulations. These laws and regulations relate to, among other things, project approvals and other government approvals and licensing requirements for power generation companies, building and construction of new projects, landscape conservation and electricity dispatch and transmission.

In particular, before we construct and operate our power generating projects, we must first obtain operational and construction permits from various authorities. Procedures for granting such permits vary by region to region, and certain projects may not timely receive their operational or construction permits for a variety of reasons. Further, third parties may challenge a decision to grant us operational and construction permits in some provinces after local authorities have granted us such permits. Finally, we must comply with laws and regulations, as well as the conditions contained in the operational and construction permits. Failure to do the above may result in fines, sanctions, criminal penalties and/or the suspension, revocation or non-renewal of approvals, licenses or permits. These factors could have an adverse effect on our business, financial condition and results of operations.

We may fail to manage successfully the assets, projects and associate entities in which we have minority interests, as well as our relationships with local partners.

We may not be able to execute successfully or fully our business strategy with respect to assets, projects or associate entities in which we have equity interests of less than 50.0%. For example, we hold a minority interest in a distributed energy project in operation and a nuclear power plant under construction. Our control over such assets, projects and associate entities is generally subject to the terms of applicable agreements and arrangements. In addition, for some of our clean energy projects, we conduct our project development activities through one or more joint venture companies with local partners. In general, local partners may be involved in sourcing new projects and carrying out various activities during the development phase. We generally enter into such partnerships where we believe we are able to benefit from the strong local insight and experience of local partners.

If other equity owners or our local partners fail to perform their respective obligations or otherwise breach the terms and conditions of our shareholding arrangements or partnerships, it could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

Future acquisitions may be expensive and may ultimately fail.

In addition to organic growth, our current strategy involves growth through acquisitions of complementary businesses, assets and entry into strategic alliances. We may be unable to continue to implement our growth strategy, or our strategy may ultimately be unsuccessful. Any potential acquisition or alliance may result in significant transaction costs, increased interest and amortization expenses, increased depreciation expenses and increased operating expenses, any of which could have a material adverse effect on our operating results. Acquisitions may entail integration and management of the new businesses to realize economies of scale and control costs, as well as other risks, including diversion of management resources otherwise available for ongoing development of our business, and risks associated with entering new markets. Although we will from time to time consider potential investment opportunities or potential acquisition targets, as of the Latest Practicable Date, we had not identified any definitive investment or acquisition targets nor had we entered into any definitive agreements with respect to any acquisitions or strategic investments.

We may be unable to identify suitable acquisition candidates, obtain financing on acceptable terms or consummate any future acquisitions. Further, any acquisitions or alliances may expose us to the risk of unanticipated business uncertainties or legal liabilities relating to those acquired businesses or alliances for which the sellers of the acquired business or alliance partners may not indemnify us. Future acquisitions may also cause us to issue securities that will have a dilutive effect on our shareholders. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks associated with changes in preferential tax treatment.

We are subject to various PRC taxes, including the current statutory PRC enterprise income tax rate of 25.0%, as determined in accordance with the relevant PRC tax rules and regulations. However, PRC tax laws and regulations provide certain preferential tax treatments applicable to different enterprises, industries and locations. Some of our subsidiaries are currently taxed at preferential rates due to the nature of our business activities and/or the location of our projects. In addition, our subsidiaries engaged in wind power generation were also entitled to a 50.0% refund of the VAT levied on their electricity sales. For the years ended December 31, 2009, 2010 and 2011, our weighted average effective tax rate was 21.9%, 16.5% and 13.0%, respectively. The decrease in our weighted average effective tax rate during the Track Record Period was due primarily to an increase in the number of subsidiary companies established which started to enjoy preferential tax treatments due to their location in western China and/or their business of developing wind power projects. Any change or elimination of such preferential tax treatments may materially and adversely affect our results of operations and financial condition.

We depend on certain senior managers and key employees.

Our success has been substantially attributable to the role played by a group of our senior management and key employees. Our future success depends significantly on the full involvement of these key executives and employees and our ability to continue to retain and recruit high-level personnel with advanced degrees. Further, competition for qualified personnel with relevant expertise in the PRC is intense due to the scarcity of qualified individuals in the rapidly growing clean energy industry. We may need to offer higher compensation and other benefits to attract and retain key personnel. Our inability to retain such key executives and employees, or, alternatively to adequately replace them or hire qualified new executives and employees as our business grows, could adversely affect our ability to achieve our objectives and business strategy, and thereby have a material adverse effect on our business, financial condition and results of operations.

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

We may encounter competition from producers of electricity from other clean energy sources. In particular, other clean energy technologies may become more competitive and attractive. Competition from such producers may increase if the technology used to generate electricity from these other clean energy sources becomes more sophisticated, or if the PRC government decides to bolster its support of such other clean energy sources. While our clean energy business includes hydropower, wind power and other clean energy projects, we cannot assure you that we will successfully develop projects utilizing such other clean energy sources and successfully adjust our project portfolio. If we were unable to maintain and increase our competitiveness in the future, or our efforts to incorporate more competitive clean energy projects into our portfolio or compete against other clean power companies are unsuccessful, our business, financial condition, or results of operations could be adversely affected.

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

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

Our main assets include, among other things, hydropower generators, wind turbines, coal-fired power generators, transformers and interconnection infrastructure. Operating these assets involves risks and hazards that may adversely affect our operations, including equipment failure, natural disasters, environmental hazards and industrial accidents. These hazards can cause significant personal injury or death, severe damage to, and destruction of, property, plant and equipment, contamination of, or damage to, the environment and suspension of our business operations. We may also face civil liabilities or fines in the ordinary course of business as a result of damages suffered by third parties, which may require us to make indemnification payments in accordance with applicable laws.

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

- supply interruptions;
- the breakdown or failure of equipment or processes;
- difficulty or inability to find suitable replacement parts for equipment;

- unplanned outages or disruption in the transmission of electricity generated due to system failures;

- permit and other regulatory issues, license revocation and changes in legal requirements;

- unforeseen engineering and environmental problems; or

- unanticipated cost overruns.

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

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

Upon the completion of the Global Offering, Huadian will own, directly and indirectly, an aggregate of approximately 70.5% of our Shares, assuming no exercise of the Over-allotment Option (or approximately 68.2% if the Over-allotment Option is exercised in full). Subject to our Articles of Association and applicable laws and regulations, Huadian will, through its representatives on our Board or by voting at the general meetings of shareholders, be able to influence our major policy decisions, including our senior management, business strategies and policies, the timing and amount of dividend distributions, any plans relating to material property transactions, major overseas investments, mergers and acquisitions, issuances of securities and adjustments to our capital structure, amendment to our Articles of Association and other actions that require the approval of our Board of Directors and shareholders. It is possible that differences in opinion may arise between Huadian and any of the remaining shareholders from time to time. We cannot guarantee that Huadian will influence our Company to pursue actions that are in the best interests of the other shareholders.

In addition, Huadian has retained certain of its power generating business which competes or is likely to compete with our business. Huadian will continue to operate its competing business after the Global Offering, which may materially and adversely affect our business and growth prospects. Please refer to “Relationship with Huadian Group – Delineation of Business and Competition” in this prospectus.

RISKS RELATING TO THE PRC

Economic, political and social conditions in the PRC and government policies could affect our business and prospects.

A substantial majority of our assets are located in the PRC, and a substantial majority is derived from our revenue from our businesses in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among other things, government involvement, the level of economic development, growth rate, foreign exchange controls and resources allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC are still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adjusted or modified, or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not benefit from some of these measures.

The PRC government has the power to implement macroeconomic measures affecting the PRC economy. For example, to mitigate the negative impact from the global financial crisis and economic downturn in 2008, the PRC government implemented a series of macroeconomic measures and a moderately loose monetary policy between September 2008 to the end of 2009, which included announcing an RMB4.0 trillion economic stimulus package and reducing benchmark interest rates. In 2010 and 2011, the PRC government introduced a number of monetary-tightening measures to curb the overheated real estate markets and increasing inflation in the PRC. The PBOC announced several increases in benchmark interest rates for general lending and the deposit reserve ratio for commercial banks in the PRC.

In recent years, the PRC has been one of the world's fastest growing economies as measured by GDP growth. However, the PRC may not be able to sustain historical growth rates. For example, the sub-prime mortgage crisis that broke out in the United States in 2008 affected global financial markets and caused significant turmoil in the global financial and credit markets. From the second half of 2008 to mid-2009, the world's largest economies, including the economies of the United States, Europe and Japan, fell into severe recessions, and economic growth in the PRC, India and other emerging economies also experienced a slowdown. The GDP growth in the PRC declined from 14.2% in 2007 to 9.2% in 2009. Recent global market and economic conditions, such as the on-going sovereign debt crisis in the euro zone, the rating downgrade of the United States and heightened volatility in the major stock markets, have been challenging. Future uncertainties in the PRC and global economy may adversely affect our financial condition and results of operations.

The PRC legal system has inherent uncertainties that could limit the legal protections available to you.

We are incorporated under the laws of the PRC. The PRC legal system is based on written statutes. While prior court decisions may be cited for reference, they have limited precedential value. Since 1979, the PRC government has promulgated laws, rules and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws, rules and regulations are relatively new, and because of the relatively limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws, rules and regulations involve significant uncertainties.

Our Articles of Association provide that disputes between holders of H Shares and us, our Directors, Supervisors or senior officers or holders of A Shares, arising out of our Articles of Association or any rights or obligations conferred or imposed upon us by the Company Law and related rules and regulations concerning our affairs, are to be resolved through arbitration rather than by a court of law. A claimant may elect to submit a dispute to either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Center in accordance with its applicable rules. Awards that are made by the PRC arbitral authorities are recognized under the Arbitration Ordinance of Hong Kong and can be enforced in Hong Kong. Hong Kong arbitration awards may be recognized and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, to our knowledge, no action has been brought in the PRC by any holder of H shares to enforce an arbitral award and no assurance can be given as to the outcome of any action brought in the PRC by any holder of H shares to enforce a Hong Kong arbitral award made in favor of holders of H shares. Moreover, to our knowledge, there has not been any published report of judicial enforcement in the PRC by holders of H shares of their rights under the articles of association of any PRC issuer or the Company Law.

In addition, PRC laws, rules and regulations applicable to companies listed overseas do not distinguish among minority and controlling shareholders in terms of their rights and protections and our minority shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States and certain other jurisdictions.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a company incorporated under the laws of the PRC and substantially all of our assets and our subsidiaries are located in the PRC. In addition, most of our Directors, Supervisors and executive officers reside within the PRC and the assets of our Directors and officers are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon most of our Directors, Supervisors and executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the

United Kingdom, Japan or most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible. In addition, although we will be subject to the Hong Kong Listing Rules and the Takeovers Code upon the listing of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules.

You may be subject to PRC taxation.

Under applicable PRC tax laws, the dividends we pay to non-PRC resident individual holders of H shares (“non-resident individual holders”), and gains realized through the sale or transfer by other means of H shares by such shareholders, are both subject to PRC individual income tax at a rate of 20.0%, unless reduced by applicable tax treaties or arrangements.

Under applicable PRC tax laws, the dividends we pay to, and gains realized through the sale or transfer by other means of H shares by, non-PRC resident enterprise holders of H shares are both subject to PRC enterprise income tax at a rate of 10.0%, unless reduced by applicable tax treaties or arrangements.

Pursuant to the Circular on Questions Concerning Tax on the Profits Earned by Foreign Invested Enterprises, Foreign Enterprises and Individual Foreigners from the Transfer of Shares (Equity Interests) and on Dividend Income (Guo Shui Fa No. [1993] 045) (關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知(國稅發[1993]045號)) issued by the SAT, non-resident individual holders were temporarily exempted from PRC individual income tax for the dividends or bonuses paid by issuers of H shares. However, such circular was repealed by the Announcement on the List of Fully or Partially Invalid and Repealed Tax Regulatory Documents (關於公佈全文失效廢止、部分條款失效廢止的稅收規範性文件目錄的公告) dated January 4, 2011. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 045 (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知), dated June 28, 2011, issued by the SAT, dividends paid by H share companies in the PRC to a non-resident individual holder are subject to PRC individual income tax at the rates determined in accordance with applicable tax treaties or arrangements between the PRC and the shareholder’s resident jurisdiction, which range from 5.0% to 20.0%. The Circular states that the tax rate is generally applicable to dividend income as stipulated in relevant tax treaties or arrangements. Therefore, we can withhold 10.0% of the dividend without seeking prior consent from the PRC tax authorities. Any non-resident individual holder residing in a jurisdiction where the applicable tax rate for such dividends, as stipulated in relevant tax treaties or arrangements, is lower than 10.0% shall be entitled to a refund of the excess tax withheld by us. However, such refund shall be subject to the approval of the PRC tax authority. For a non-resident individual holder residing in a jurisdiction where the applicable tax rate for such dividends, as stipulated in relevant tax treaties or arrangements, is more than 10.0% but less than 20.0%, we will withhold the individual income tax at the applicable tax rate without seeking prior consent from the PRC tax authorities. For a non-resident individual holder residing in a jurisdiction where the applicable tax rate for such dividends, as stipulated in relevant tax treaties or arrangements, is 20.0% or where there is no relevant tax treaty or arrangement with the PRC, we can withhold the individual income tax at the rate of 20.0%.

Despite the arrangements mentioned above, there are significant uncertainties as to the interpretation and application of applicable PRC tax laws and rules due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-resident individual holders will be subject to PRC individual income tax at a flat rate of 20.0%.

In addition, it is also unclear whether and how the PRC individual income tax and enterprise income tax on gains realized by non-resident holders of H shares through the sale, or transfer by other means, of H shares will be collected by the PRC tax authorities in the future, although such tax has not been collected by the PRC tax authorities in practice.

Considering these uncertainties, non-resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sale or transfers of the H Shares. For additional information, please see "Appendix VI – Taxation and Foreign Exchange" to this prospectus.

Government control of currency conversion may adversely affect the value of your investments.

Most of our revenue is denominated in Renminbi, which is also our reporting currency. Renminbi is not a freely convertible currency. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including cash payments on declared dividends, if any, on our H Shares. Under China's existing foreign exchange regulations, following the completion of this Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with various procedural requirements.

However, the PRC government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, we might not be able to pay dividends to the holders of our H Shares in foreign currencies. On the other hand, foreign exchange transactions under capital accounts in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect our ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditures.

Future fluctuations in the value of the Renminbi could have a material adverse effect on our financial condition and results of operations.

While we conduct substantially all of our business operations in the PRC and most of our revenue was denominated in Renminbi, we also derive foreign currencies denominated revenue, such as from the sales of CERs, and we convert Renminbi into foreign currencies to make investments and acquisitions overseas or pay dividends to our shareholders. A portion of our revenue, expenses and bank borrowings are denominated in U.S. dollars and other foreign currencies, although our functional currency is the Renminbi. As a result, fluctuations in exchange rates, particularly between the Renminbi, the Hong Kong dollar or the U.S. dollar, could affect our profitability and may result in foreign currency exchange losses of our foreign currency-denominated assets and liabilities.

The exchange rate of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's, as well as, and international, political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and the U.S. dollar, has been based on rates set daily by the PBOC, based on the previous business day's inter-bank foreign exchange market rates and exchange rates in global financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of the Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. On April 16, 2012, the PBOC enlarged the previous floating band of the trading prices of the Renminbi against the U.S. dollar in the inter-bank spot foreign exchange market from 0.5% to 1% in order to further improve the managed floating RMB exchange rate regime based on market supply and demand with reference to a basket of currencies. From July 21, 2005 to May 31, 2012, the value of the Renminbi appreciated by approximately 28.0% against the U.S. dollar. On June 19, 2010, the PBOC announced that the PRC government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in further and more significant appreciation of the Renminbi against the U.S. dollar. We cannot assure you that the Renminbi will not experience significant appreciation against the U.S. dollar in the future.

Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk. As a result, any significant increase in the value of the Renminbi against foreign currencies could reduce the value of our foreign currency-denominated revenue and assets. Following the Global Offering, our exposure to risks associated with foreign currency fluctuations will further increase as the net proceeds from the Global Offering are expected to be deposited in currencies other than Renminbi until we obtain the necessary approvals from relevant PRC regulatory authorities to convert the same into Renminbi.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in China may have a material adverse effect on our business operations, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus or H1N1 influenza, may materially and adversely affect our business and results of operations. In 2009, there were reports of the occurrence of H1N1 influenza in certain regions of the world, including the PRC and Hong Kong, where we operate our business. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, in turn, adversely affect the local demand for electricity and our business. Moreover, the PRC has experienced natural disasters like earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, H1N1 influenza or other epidemics, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt our operations or those of our customers, which may have a material and adverse effect on our business and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to the Global Offering, there has been no public market for our H Shares. The initial issue price range for our H Shares was the result of negotiations among us and the Joint Bookrunners on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of, and permission to deal in, our H Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our H Shares will not decline following the Global Offering. In addition, the Global Offering may not result in the development of an active and liquid public trading market for our H Shares. Furthermore, the price and trading volume of our H Shares may be volatile. Factors such as the following may affect the volume and price at which our H Shares will trade:

- actual or anticipated fluctuations in our revenue and results of operations;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;

- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of additional H Shares by us or other shareholders.

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

Future sales by our shareholders of substantial amounts of our H Shares or other securities relating to our H Shares in the public markets after the Global Offering, or the perception that these sales may occur, could adversely affect market prices. Please see the section entitled "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering" of this prospectus for a more detailed discussion of restrictions that may apply to future sales of our Shares.

After these restrictions lapse, the market price of our H Shares may decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, the issuance of new H Shares or other securities relating to our H Shares, or the perception that such sales or issuances may occur. This could also materially adversely affect our ability to raise capital at a time and at a price we deem appropriate.

Investors will experience dilution in pro forma adjusted net tangible assets because the Offer Price is higher than our net tangible assets per Share.

Because the Offer Price of our H Shares is higher than the net tangible assets per Share immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma adjusted net tangible assets of HK$1.42 per H Share (assuming an Offer Price of HK$1.68 per H Share, being the mid-point of the stated Offer Price range, and assuming the Over-allotment Option for the Global Offering is not exercised). If we issue additional Shares in the future, purchasers of our H Shares may experience further dilution in their ownership percentage.

Certain facts and statistics derived from government sources contained in this prospectus may not be reliable.

We have derived certain facts and other statistics in this prospectus, particularly those relating to the PRC, the PRC economy and the power industry, from various government publications or communications with various government agencies that we believe to be reliable. While our Directors have taken reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the underwriters or any of our or their respective affiliates or advisers and, therefore, we cannot assure you as to the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled in or outside the PRC. The facts and other statistics include the facts and statistics included in the sections entitled "Risk Factors," "Industry Overview," "Business" and "Appendix V – Independent Technical Report." Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to, or place on, such facts or statistics.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us or the Global Offering, or of any assumptions underlying such projections, valuations or other forward-looking information included in, or referred to by, the press articles or other media. Accordingly, you are cautioned that, in making your decisions as to whether to purchase our Offer Shares, you should rely only on the financial, operational and other information included in this prospectus and the Application Forms. By applying to purchase our H Shares in this Global Offering, you will be deemed to have agreed that you will not rely on any information other than the information contained in this prospectus and the Application Forms.