The following discussion and analysis should be read in conjunction with our consolidated financial information included in "Appendix I – Accountants' Report," together with the accompanying notes. The consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed elsewhere in this prospectus, particularly in "Risk Factors," and "Forward Looking Statements."

OVERVIEW

We engage in the following four business segments based on their respective method of power generation:

- hydropower;
- wind power;
- coal-fired power; and
- other clean energy.

For the years ended December 31, 2009, 2010 and 2011, our revenue was RMB7,349.2 million, RMB8,397.6 million and RMB7,147.5 million, respectively, while our profit was RMB441.9 million, RMB798.1 million and RMB638.5 million, respectively.

Hydropower Business

Our hydropower business has provided significant revenue and cash flow to support our development of wind power and other clean energy projects. For the years ended December 31, 2009, 2010 and 2011, revenue from our hydropower business amounted to RMB1,244.9 million, RMB2,206.4 million and RMB1,440.9 million, respectively, while the adjusted segment operating profit of our hydropower business was RMB384.7 million, RMB1,143.4 million and RMB440.7 million, respectively.

Wind Power Business

During the Track Record Period, our consolidated installed wind power capacity grew rapidly, increasing 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% from 2009 to 2011. For the years ended December 31, 2009, 2010 and 2011, revenue from our wind power business amounted to RMB234.2 million, RMB549.6 million and RMB1,214.5 million, respectively, while the adjusted segment operating profit of our wind power business was RMB98.6 million, RMB278.4 million and RMB582.6 million, respectively.

Coal-fired Power Business

As compared to wind power and hydropower generation, coal-fired power generation is less prone to seasonal variations and climate effects, and its utilization hours and electricity generation are more predictable. As a result, our coal-fired power business has provided substantial revenue and cash flow to support our development of wind power and other clean energy projects. For the years ended December 31, 2009, 2010 and 2011, revenue from our coal-fired power business amounted to RMB5,759.5 million, RMB4,990.8 million and RMB4,119.0 million, respectively, while the adjusted segment operating profit of our coal-fired power business was RMB1,017.8 million, RMB244.8 million and RMB632.5 million, respectively.

Other Clean Energy Business

We also develop or hold interests in other clean energy projects, including distributed energy, nuclear power, solar power and biomass energy projects. We believe that the operation of these other clean energy power projects will generate a more diverse mix of revenue and bring new growth prospects to our business. We started our other clean energy business in 2009, and for the years ended December 31, 2009, 2010 and 2011, revenue from our other clean energy business amounted to RMB110.6 million, RMB457.5 million and RMB322.1 million, respectively, while the adjusted segment operating profit of our other clean energy business was RMB13.4 million, RMB81.8 million and RMB58.8 million, respectively.

BASIS OF PREPARATION

Our Company was established on August 19, 2011, as a joint stock limited company through the Reorganization. Our predecessor, Huadian Fujian, was established on November 30, 2004, as a wholly owned subsidiary of Huadian. As part of the Reorganization in 2010, Huadian Fujian disposed of certain assets, which did not meet its business strategy to Huadian for no consideration. These disposals were recorded as equity transactions in the consolidated statements of changes in equity. In October 2010, Huadian and its subsidiaries transferred their 100% equity interest in Huadian New Energy to Huadian Fuxin, which owns the entire equity interests in Huadian New Energy. On August 19, 2011, Huadian Fuxin was converted into a joint stock limited company. Our Company retained all of Huadian Fuxin's assets and liabilities by issuing a total of RMB6,000 million ordinary shares to Huadian Fuxin's shareholders. Please refer to "History, Reorganization and Corporate Structure – Reorganization."

As there was no change in Controlling Shareholder before and after the Reorganization, our consolidated financial information has been prepared as a reorganization of business under common control. Accordingly, the relevant assets and liabilities of our subsidiaries have been recognized at historical cost, except for financial instruments classified as trading securities, which are stated at their fair value.

Our consolidated financial information throughout the Track Record Period has been prepared in accordance with IFRS. All material intra-group transactions and balances have been eliminated on consolidation.

Supplemental measures

We present below certain supplemental financial measures of our performance. We believe these measures are useful indicators of our financial performance and results of operations over time as they primarily reflect the recurring results of our operations, as discussed below. These supplemental financial measures are not required by, or presented in accordance with IFRS. Other companies in our industry may calculate and present these measures differently, making them uncomparable. Furthermore, these supplemental financial measures do not measure our financial performance or liquidity under IFRS. They should not be considered as alternatives to any other performance measures derived in accordance with IFRS. Prospective investors should review our consolidated statements of comprehensive income and segment results, which are set forth in our Accountants' Report in Appendix I to this prospectus and are calculated in accordance with IFRS, when evaluating our overall performance.

Adjusted revenue

Our adjusted revenue equals total revenue less service concession construction revenue. We present adjusted revenue here because service concession construction revenue has no net effect on our profit since the same amount of service concession construction cost is recognized over the same period. For a discussion of our service concession construction revenue, please see "– Principal Components of Consolidated Statements of Comprehensive Income – Revenue."

Adjusted operating profit and adjusted operating margin

Our adjusted operating profit is calculated by using our operating profit, subtracting service concession construction revenue and other net income, and adding service concession construction cost.

Our adjusted operating margin represents our adjusted operating profit divided by our adjusted revenue.

We present adjusted operating profit and adjusted operating margin here because we believe that, after excluding the effects of service concession construction revenue and other major nonrecurring income items, such measurements provide a more useful indicator of our profitability and results of operations.

Adjusted segment operating profit and adjusted segment operating margin

Our adjusted segment operating profit represents our segment operating profit less other net income attributable to this business segment.

Our adjusted segment operating margin is calculated by dividing adjusted segment operating profit by segment revenue.

We present adjusted segment operating profit and adjusted segment operating margin here because we believe that, after excluding the effects of major nonrecurring income items in each business segment, such measurements provide a more useful indicator of our profitability and results of operations.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following factors are the principal factors that have affected, and, we expect, will continue to affect, our business, financial condition, results of operations and prospects.

Segment and Business Mix

We own a diversified portfolio of power generating assets, primarily hydropower, wind power and coal-fired power plants. Our operating margin varies across our business segments, as well as different power generating assets in the same segment. Our project portfolio and changes to such portfolio in response to our business strategies, government policies, market opportunities and other factors may affect our revenue and profitability over time.

Our results of operations are affected by the relative size and performance of each of our business segments. For example:

- Our adjusted operating margin increased from 20.3% in 2010 to 22.7% in 2011 due primarily to (i) the increased proportion of profit contribution from the wind power business, a segment with the highest profit margin in 2011; and (ii) substantially increased profit margin of our coal-fired power business that resulted from the higher utilization hours at our Kemen Power Plant and our increased procurement of lower-cost coal supplies in 2011, pursuant to key supply agreements.

- Our adjusted operating margin increased from 19.7% in 2009 to 20.3% in 2010, due primarily to the increased proportion of profit contribution from the hydropower and wind power businesses, which enjoyed a higher profit margin compared to the other two segments. The higher levels of precipitation in Fujian province in 2010 and the resulting increase in the utilization hours of our hydropower business also increased the profit margin of our hydropower business, and the economies of scale achieved through increasing our installed wind power capacity further improved the profit margin of our wind power business in 2010.

In 2009 and 2010, the performance of our hydropower and coal-fired power businesses had a relatively greater impact on our profitability compared to our wind power and other clean energy businesses. In 2011, the proportion of revenue and profit contribution from the wind power business increased and, as we continue to focus on expanding the business scale of this segment, we expect the proportion of revenue and profit contribution from the wind power business to increase.

We believe we are well positioned to take advantage of market opportunities for developing various types of clean energy projects by leveraging our competitive strengths in the clean energy industry and favorable government policies. We will continue to monitor and adjust our project portfolio across business segments to maximize revenue and profitability.

Expansion of Installed Capacity

Our results of operations and financial condition are significantly affected by the installed capacity of our power generating projects in operation, and the growth of our project portfolio. As we increase our installed capacity, our potential electricity sales also increase. The increased scale and production of our project portfolio enable us to benefit from economies of scale and reduce project-specific risks.

The following table sets forth the installed capacity, net generation and sales of electricity of our hydropower, wind power and coal-fired power businesses as of the dates or for the periods indicated:

	As of or for the year ended December 31,		
	2009	**2010**	**2011**
Hydropower business			
Consolidated installed capacity (MW)	2,146.1	2,199.4	2,223.4
Net generation (MWh)	4,903,329.7	8,622,963.3	5,647,097.5
Sales of electricity (RMB in millions)	1,228.6	2,187.1	1,427.7
Wind power business			
Consolidated installed capacity (MW)	471.0	1,333.8	2,171.3
Net generation (MWh)	558,300.0	1,204,624.9	2,514,431.0
Sales of electricity (RMB in millions)	233.1	546.6	1,209.9
Coal-fired power business			
Consolidated installed capacity (MW)	2,650.0	2,650.0	2,050.0
Net generation (MWh)	15,902,516.3	14,045,451.6	11,119,728.9
– Self-generation	11,481,728.7	10,326,702.6	7,586,978.9
– Substituted generation	4,420,787.6	3,718,749.0	3,532,750.0
Sales of electricity (RMB in millions)	5,730.4	4,973.7	4,044.0

Our wind power business has been and will continue to be our business focus for the foreseeable future. During the Track Record Period, our consolidated installed wind power capacity grew rapidly, increasing from 471.0 MW as of December 31, 2009 to 1,333.8 MW as of December 31, 2010 and further to 2,171.3 MW as of December 31, 2011, representing a CAGR of 114.7% from 2009 to 2011. As of December 31, 2011, we have secured rights through entering into development agreements with local governments to develop wind power projects in 21 provinces in China with approximately 40,000 MW of prospective capacity, including 667.5 MW of advanced pipeline projects, 1,367.0 MW of intermediate pipeline projects and 38,000 MW of early pipeline projects. For further details, please see "Business – Our Wind Power Business – Our wind power project portfolio – Pipeline projects." By leveraging our abundant wind resource reserves, we expect to increase our total installed wind power capacity to approximately 3,200 MW by the end of 2012.

In addition to wind power projects, we intend to expand our hydropower business by acquisitions and internal expansions, actively develop distributed energy projects and selectively develop biomass energy and solar energy projects. As a result, we expect to increase our total consolidated installed capacity to approximately 8,200 MW by the end of 2012.

Average Utilization Hours

Average utilization hours refer to our gross generation in a period divided by the average installed capacity of our power generating assets in the same period. The profitability of a power generating project largely depends on its average utilization hours as such measurement is an indicator of how well this project has been utilized in producing electricity, the principal source of our revenue and cash flow. The following table sets forth a summary of the average utilization hours in our hydropower, wind power and coal-fired power business segments for the periods indicated:

	Year ended December 31,		
	2009	2010	2011
		(Hours)	
Hydropower	2,379.3	4,015.0	2,583.2
Wind power	2,726.2	2,232.0	2,072.0
Coal-fired power(1)	4,942.5	4,466.5	6,045.2

(1) The average utilization hours of our coal-fired power business during the Track Record Period only reflected the measurement of our Kemen Power Plant because (i) as a back-up power plant in Fujian province, our Shaowu Power Plant only generates electricity when the regional grid system is overburdened and such plant purchased most of its electricity for sale from other coal-fired power plants under the substituted generation arrangements during the Track Record Period; and (ii) our Yong'an and Zhangping Power Plants only commenced operations by the end of December 2011. As such, we believe that the average utilization hours of our Kemen Power Plant are more meaningful for prospective investors in assessing the profitability of our coal-fired power business.

Hydropower business

The average utilization hours of our hydropower projects primarily depend on the levels of precipitation and the hydrological conditions prevailing in the regions in which our hydropower projects are located.

For the years ended December 31, 2009, 2010 and 2011, our average hydropower utilization hours were 2,379.3 hours, 4,015.0 hours and 2,583.2 hours, respectively. All our hydropower projects in operation are located in Fujian province and, therefore, historical fluctuations in our average hydropower utilization hours were due primarily to the different levels of precipitation in Fujian province and prevailing hydrological conditions at our project site during each period. During the Track Record Period, Fujian province recorded higher levels of precipitation in 2010, and, accordingly, our average utilization hours were higher in 2010 compared to such figures in 2009 and 2011.

The levels of precipitation vary each year or season, so our existing and future hydropower projects may be subject to substantial variations in climatic and hydrological conditions, which could affect our average utilization hours and net hydropower generation. Please see "Risk Factors – Risks Relating to Our Hydropower Business – Our hydropower business is dependent on hydrological conditions."

Wind power business

The average utilization hours of our wind power projects depend on, among others, (i) climate and wind conditions prevailing in the regions in which our projects are located; (ii) grid capacity and transmission limitations; and (iii) schedule of routine repair and maintenance.

For the years ended December 31, 2009, 2010 and 2011, our average wind power utilization hours were 2,726.2 hours, 2,232.0 hours and 2,072.0 hours, respectively. The average utilization hours of our wind power projects were above the industry average during the Track Record Period. Historical fluctuations in our average wind power utilization hours were due primarily to (i) less favorable wind conditions prevailing at certain wind power projects in northern China in 2011; and (ii) our expansion into various regions in China with different wind conditions and on-grid tariffs to avoid concentrated development in 2010.

The 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. Please see "Risk Factors – Risks Relating to Our Wind Power Business – Our wind power business is highly dependent on wind conditions."

Coal-fired power business

The average utilization hours of our coal-fired power plants mainly depend on (i) local electricity supply and demand; and (ii) schedule of major overhauls.

For the years ended December 31, 2009, 2010 and 2011, the average utilization hours of our Kemen Power Plant were 4,942.5 hours, 4,466.5 hours and 6,045.2 hours, respectively. The average utilization hours of our Kemen Power Plant decreased to 4,466.5 hours in 2010 compared to 4,942.5 hours in 2009, due primarily to the major overhauls we performed on two generating units of the Kemen Power Plant. Such average utilization hours increased to 6,045.2 hours in 2011, due primarily to the increased electricity demand in Fujian province and the resulting increase in the power generation of existing power plants in this region.

On-grid Tariff

We derive substantially all of our revenue from the sale of electricity, and, as a result, our results of operations are affected by the sales price of the electricity (known as the on-grid tariff) and changes to such tariff. On-grid tariffs for power generating projects are approved or fixed by the pricing authorities in China. As such, our business is dependent on the PRC pricing policy for different energy sources. For a detailed discussion of the pricing policy for hydro, wind or coal-fired power in China, please see "Business – Pricing and Sales."

The following table sets forth the respective weighted average on-grid tariff (excluding VAT) for our hydropower, wind power, and coal-fired power businesses for the periods indicated:

	Year ended December 31,		
	2009	2010	2011
		(RMB/kWh)	
Hydropower	0.251	0.254	0.253
Wind power	0.418	0.454	0.481
Coal-fired power	0.360	0.354	0.364

The current tariff-setting mechanism for hydropower projects is designed to enable a project to recover all operating and debt servicing costs and to earn a reasonable rate of return on the net fixed assets. Historical fluctuations of our weighted average on-grid tariff for hydropower reflect various tariff adjustments announced by the NDRC and the relative hydropower generation of each hydropower project with different on-grid tariffs.

On-grid tariff for wind power projects is fixed by the PRC government based on the location of wind power projects. Historical fluctuations of our weighted average on-grid tariff for wind power was due primarily to our expansion into wind resource zones with different on-grid tariffs.

The current tariff-setting mechanism for coal-fired power plants is based on the operating terms of power plants, as well as the average costs of comparable power plants. The NDRC approves the on-grid tariff for our coal-fired power plants and adjusts such tariff for material changes, such as a substantial increase in the coal price, from time to time. Historical fluctuations of our weighted average on-grid tariff for coal-fired power reflected various tariff adjustments announced by the NDRC. In December 2011, the NDRC increased the on-grid tariff for our Kemen Power Plant by RMB0.0274/kWh.

Coal Consumption

Our coal-fired power business is fueled by coal and the costs of such raw materials have in the past accounted for the majority of the operating expenses in our coal-fired power business. For the years ended December 31, 2009, 2010 and 2011, our costs of coal amounted to RMB2,466.0 million, RMB2,560.4 million, and RMB1,743.7 million, respectively, representing 70.1%, 69.2% and 73.1% of the operating expenses (excluding costs of substituted electricity) in our coal-fired power business for those years, respectively.

For the years ended December 31, 2009, 2010 and 2011, we purchased approximately 82.1%, 94.1% and 33.4%, respectively, of our coal supplies, as measured by purchase value, from our connected persons, including Huadian Coal and its subsidiaries. Since January 1, 2012, we have ceased our connected transactions with them. As part of our business strategy, we intend to purchase the majority of our coal supplies through coal distributors, from major coal suppliers in China, pursuant to key supply agreements. For example, in June 2011, we entered into a six-month supply agreement with a third-party coal distributor, Shanxi Xishan Coal and Electricity Power Trading Co., Ltd, whereby the distributor agrees to resell one million tons of coal it purchased from Shenhua Group and ChinaCoal with different grades to our Kemen Power Plant at a price based on the actual grade of each supply (for example RMB574.7 per ton for a heat grade of approximately 5,500 kcal/kg) and we agree to make full payment for each supply upon shipment. Our key supply agreement with Shanxi Xishan Coal and Electricity Power Trading Co., Ltd was renewed in February 2012 for one year with a quantity requirement of two million tons.

We negotiate coal prices with coal distributors, and such prices are subject to other factors, including market conditions, applicable VAT, government pricing policies and the cost of transportation. The price of coal we purchased for electricity generation is subject to market fluctuations and, therefore, 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.

Our Kemen Power Plant owns two deep-water ports in its close proximity, through which we can transfer coal supplies directly from the piers to our thermal plant through conveyor belts in order to further reduce our transportation costs. In addition, in December 2011, the NDRC announced a price cap of RMB800.0 per ton (including VAT) on the market price of thermal coal (5,500 kcal/kg) in China. As a result, we believe the price of coal we purchase in the open market would not rise significantly in the near future. However, we cannot assure you that the market price of coal will not further increase. Please see "Risk Factors – Risks Relating to Our Coal-fired Power Business – An increase in coal price and a disruption in coal supply or its transportation could materially adversely affect our coal-fired power business."

Although the market price of coal could affect our results of operations and profitability, we intend to implement the following measures to mitigate the impact of such price increases:

- continuing to enter into key supply agreements, through coal distributors, with major coal suppliers in the PRC to ensure sufficient and uninterrupted coal supplies at reasonable costs;

- sourcing coal supplies from foreign vendors by taking advantage of different prices of coal between the PRC and international markets; and

- enhancing coal consumption efficiency through technology improvements and equipment upgrades.

Sales of CERs

As the income from our qualified CDM projects contributes directly to our operating profit, our profitability and results of operations also depend on our income from the sales of CERs. We began to sell CERs for emission reductions attributable to the electricity generated from our qualified clean energy projects in 2008. We derived income from the sale of CERs of RMB30.6 million, RMB75.2 million and RMB153.4 million for the years ended December 31, 2009, 2010 and 2011, respectively.

As of December 31, 2011, we had 22 wind power projects, one hydropower project and one solar power project that have been successfully registered with the CDM EB as CDM projects.

The following table sets forth our income from CDM projects and such income as a percentage of our operating profit for the periods indicated:

	Year ended December 31,		
	2009	2010	2011
	(RMB in millions, except percentages)		
Income from CDM projects	30.6	75.2	153.4
Operating profit	1,491.3	1,899.0	1,916.7
% of operating profit	2.1%	4.0%	8.0%

Our sales of CERs depend on our ability to procure buyers for such carbon credits, which in turn depends on the CDM arrangement under the Kyoto Protocol. We believe that the United Nations Climate Change Conference held in December 2011, which decided to extend the Kyoto Protocol by five years from 2013 to 2017, could result in additional growth potential for our clean energy projects beyond the first commitment period of the Kyoto Protocol, which will end by the end of 2012. Please see "Risk Factors – Risks Relating to the Clean Energy Industry – Our sales of CERs depend on the CDM arrangements under the Kyoto Protocol and the registration process with the CDM EB."

Price of Wind Turbines

Approximately 55-65% of our total construction cost of a wind power project is attributable to cost of wind turbines. Our wind turbine purchases have been and will continue to be our principal capital expenditure.

We generally select our turbine suppliers through a bidding process based on factors such as product quality, price, suitability, technology and after-sales support. In recent years, the PRC government's increasing support for the wind power industry has caused turbine manufacturers to expand rapidly and turbine prices to decrease significantly in China. We believe that our turbine procurement strategy and the sufficiency of turbine supply in China have provided us with a competitive advantage in turbine procurement and in negotiating favorable terms with suppliers. We have established over five years of relationships with leading turbine suppliers, such as Sinovel, Goldwind and Gamesa. As of December 31, 2011, our turbine purchase from these suppliers represented approximately 50.1% of our total installed wind power capacity, including 35.6% from Sinovel, 8.7% from Goldwind and 5.8% from Gamesa.

We finance our turbine purchases primarily through bank borrowings. As we grow, we expect to continue to incur additional financing to purchase new wind turbines for expanding our wind power business.

Financing Arrangements

Apart from our operating cash flow and shareholder contributions, our projects are primarily financed by bank borrowings. As of December 31, 2011, our total interest-bearing borrowings amounted to RMB30,242.4 million. In addition, we had capital commitments of RMB14,563.6 million for the acquisition of property, plant and equipment and capital investments, principally for developing our wind power and other clean energy businesses. For the years ended December 31, 2009, 2010 and 2011, our finance expenses amounted to RMB945.0 million, RMB984.6 million and RMB1,266.3 million, respectively. Any significant increase in the prevailing interest rate in China will affect our financing expenses. Please see "Risk Factors – Risks Relating to Our Business Operations – Our borrowing levels, interest payment obligations and net current liabilities could limit the funds available to us for various business purposes."

As part of our business strategy, we expect to increase our consolidated installed capacity to approximately 8,200 MW by the end of 2012. We estimated, as of December 31, 2011, that we would incur approximately RMB10.3 billion and RMB10.0 billion of capital expenditures in 2012 and 2013, respectively, to fund our business expansion, and make approximately RMB800.0 million of financial investments in the Fuqing Nuclear Power Plant each year from 2012 to 2014. As we expand our business, we expect to continue to require a significant amount of external financing in the foreseeable future.

We have maintained long-term relationships with major commercial banks in China, and have been able to obtain banking facilities on competitive terms to fund our business expansion. The interest rate on most of our bank borrowings is lower than the then-prevailing benchmark interest rate in China. We have entered into credit facility agreements with major commercial banks in China and our committed unutilized banking facilities amounted to approximately RMB14.8 billion as of April 30, 2012. Please see "– Indebtedness – Borrowings."

The level of our borrowings and our ability to obtain additional external financing on the existing terms, as well as any interest rate fluctuations and other borrowing costs, have had and will continue to have a material effect on our finance costs and, consequently, our results of operations and financial condition.

Tax Incentives

Our business has in the past benefited from various tax incentives, primarily in the form of preferential EIT rates and VAT deductions or refunds.

However, any reduction, discontinuation or unfavorable application of these preferential treatments could have a material adverse effect on our business, financial condition and results of operations.

Preferential EIT rate

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, while the statutory income tax rate in China has been 25.0% since January 1, 2008. Our weighted average effective tax rate was much lower than the statutory rate due primarily to an increase in the number of project companies we established for the wind power business, which benefited from the following:

- preferential income tax rate of 15.0% from 2008 onwards, due to their location in western China as supported by the "Go West" policy in China;

- a two-year period of full EIT exemption commencing from the first year with operating revenue, followed by a three-year period of half EIT reduction, due to their location in western China as supported by the "Go West" policy in China; and

- a three-year period of full EIT exemption commencing from the first year with operating revenue, followed by a three-year half EIT reduction, due to the business of developing public infrastructure projects, principally wind power projects.

VAT deduction and refund

Our sale of electricity is currently subject to a VAT rate of 17.0% in China. Under a VAT reform, effective from January 1, 2009, general VAT payers in China are allowed to deduct their input VAT relating to the purchase of equipment from their output VAT on sales. Therefore, we are entitled to deduct our input VAT for the purchase of wind turbines and other equipment from our output VAT on electricity sales since 2009.

In addition, after deducting input VAT from output VAT on the purchase of equipment, our subsidiaries engaging in wind power business can further receive a 50.0% VAT refund from the VAT they paid.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies and estimates significant to the preparation of the financial information in accordance with IFRS. The Accountants' Report in Appendix I to this prospectus sets forth these significant accounting policies in note 1, which are important for an understanding of our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in note 37 of the Accountants' Report in Appendix I to this prospectus. In the application of our accounting policies, our management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management on an ongoing basis.

Our management has identified below the accounting policies, estimates and judgments that they believe are critical to the preparation of the financial information.

Critical Accounting Policies

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to us and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

Sale of electricity

Electricity revenue is recognized when electricity is supplied to the provincial grid companies. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Service concession construction revenue

Revenue relating to construction services under a service concession arrangement is recognized based on the stage of completion of the work performed in the period in which the services are provided by us. When we provide more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered.

Rendering of services

Revenue from the rendering of services is recognized in the statement of comprehensive income by reference to the stage of completion of the transaction based on the progress of work.

Dividends

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

Interest income

Interest income is recognized as it accrues, using the effective interest method.

Government grants

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

CER income

Revenue in relation to CERs is recognized when the following conditions are met:

- the counterparties have committed to purchase the CERs;
- the sales prices have been agreed; and
- relevant electricity has been generated.

The revenue related to CERs is recognized and recorded in trade receivables for the volume verified by the independent supervisors assigned by CDM EB and in other receivables for the remaining volume.

Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost, less accumulated depreciation and impairment losses.

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

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

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives for the Track Record Period as follows:

– Buildings and structures	8-55 years
– Wind turbines and generators	20 years
– Transmission lines	30-35 years
– Other equipments	4-22 years
– Motor vehicles	6-10 years
– Furniture, fixtures and others	5-18 years

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

Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of our previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as of the acquisition date.

When the second item described above is greater than the first, then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Intangible assets (other than goodwill)

We recognize an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. Intangible assets received as a consideration for providing construction service in a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost less accumulated amortization and impairment losses.

Other intangible assets that are acquired by us are stated in the balance sheet at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses. Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

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

– Concession assets	23 years[(1)]
– Software and others	5-10 years

(1) The estimated useful life of our concession wind power project in Fujian province excludes the first two years of construction period.

Both the period and method of amortization are reviewed by our management annually.

Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss, except to the extent that they relate to business combinations or items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences, respectively, which are the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, we control the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if we have the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, we intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income tax levied by the same taxation authority on either: (i) the same taxable entity; or (ii) different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

Sales and leaseback arrangement resulting in a finance lease

A sales and leaseback arrangement, which results in a finance lease is a means whereby the lessor provides finance to the lessee with the asset as security. To reflect the substance of the transaction, any excess of sales proceeds over the carrying amount of the asset is deferred and amortized as an adjustment to the depreciation of the asset. If the sales proceeds are less than the carrying amount of the asset, which indicates that the asset may be impaired, an impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. Any deficit of sales proceeds that is lower than the carrying amount, in the absence of impairment, is also deferred and amortized as an adjustment to the depreciation of the asset.

Critical Accounting Judgments and Estimates

Impairment losses for bad and doubtful debts

We estimate impairment losses for bad and doubtful debts resulting from the inability of our customers and other debtors to make the required payments. We base the estimates on the aging of the receivable balance, debtors' creditworthiness, and historical write-off experience. If the financial condition of our customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of our assets, which include property, plant and equipment, lease prepayments and intangible assets, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flow generated by the asset is discounted to its present value, which requires significant judgment relating to items such as level of sale volume, selling price and amount of operating costs. We use all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated, which involves a number of assumptions relating to the operating environment of our Group and require a significant level of judgment exercised by our Directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognized and, hence, the net profit in future years.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. We review the estimated useful lives of the assets regularly. The useful lives are based on our historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Income tax

We file income taxes with a number of tax authorities. Judgment is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determinations are uncertain during the ordinary course of business. Where the final tax outcomes of these matters are different from the amounts originally recorded, the differences may impact the current income tax and deferred income tax provisions in the periods in which the final tax outcomes became available.

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

We derive substantially all of our revenue from the sale of electricity. The following table sets forth the components of our revenue and each item as a percentage of our revenue for the periods indicated:

	Year ended December 31,					
	2009		2010		2011	
	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%
Sales of electricity						
– Hydropower business	1,228.6	16.7	2,187.1	26.0	1,427.7	20.0
– Wind power business	233.1	3.2	546.6	6.5	1,209.9	16.9
– Coal-fired power business	5,730.4	78.0	4,973.7	59.2	4,044.0	56.6
– Other clean energy business	110.5	1.5	457.3	5.5	306.2	4.3
	7,302.6	**99.4**	**8,164.7**	**97.2**	**6,987.8**	**97.8**
Service concession construction revenue	–	–	193.3	2.3	43.9	0.6
Others	46.6	0.6	39.6	0.5	115.8	1.6
Total revenue	**7,349.2**	**100.0**	**8,397.6**	**100.0**	**7,147.5**	**100.0**

We sell our electricity to local grid companies pursuant to the terms of the PPAs we have entered into with them. Our PPAs generally have a term of one to three years, and can be renewed upon expiry. The PPAs typically provide that a party to a PPA may terminate the PPA under certain circumstances, including, among other things, revocation of a power business permit and a party's failure to perform its obligations under the PPA.

For the years ended December 31, 2009, 2010 and 2011, sales of electricity in our hydropower business accounted for 16.7%, 26.0% and 20.0%, respectively, of our revenue. Sales of electricity in our hydropower business decreased by 34.7% in 2011 due to the lower levels of precipitation in Fujian province and less favorable hydrological conditions prevailing at our project sites. In 2010, the increase in sales of electricity in this segment was due primarily to the higher levels of precipitation in Fujian province and the resulting increase in hydropower utilization hours, which led to a 78.0% increase in sales of electricity.

For the years ended December 31, 2009, 2010 and 2011, sales of electricity in our wind power business accounted for 3.2%, 6.5% and 16.9%, respectively, of our revenue during those years. Sales of electricity in this segment increased steadily during the Track Record Period, due primarily to our increased installed wind power capacity and the resulting increase in sales of electricity.

For the years ended December 31, 2009, 2010 and 2011, sales of electricity in our coal-fired power business accounted for 78.0%, 59.2% and 56.6%, respectively, of our revenue. Sales of electricity in our coal-fired power business decreased by 18.7% in 2011 compared to 2010, due primarily to our divesture of Kemen II, despite an increase in the average utilization hours of our Kemen Power Plant in 2011. In 2010, the 13.2% decrease in sales of electricity in this segment reflected our reduced coal-fired power generation during the year to accommodate our increased hydropower generation, which is subject to priority dispatch.

Our service concession construction revenue represents the revenue recognized during the construction period of our concession wind power project in Fujian province. As the operator of the wind power project, pursuant to the service concession arrangement we entered into with the local government, we have the exclusive rights to develop and operate this concession project for a period of 25 years. As we subcontracted all of the construction work for such concession project to third-party contractors, we also recognized costs relating to the construction work in the same amount as our service concession construction revenue. As a result, recognition of the service concession construction revenue and costs has no net effect on our operating profit. Most of the construction of our concession wind power project was performed in 2010, and, therefore, our service concession construction revenue was primarily concentrated in 2010 and subsequently decreased in 2011.

In addition to the sale of electricity, we also generate other revenues, such as from the rental of power infrastructure systems, sale of fly ash (a residual from our coal-fired power generation) and provision of repair and maintenance services to third parties.

Other net income

Our other net income primarily consists of government grants and net income from CDM projects. Government grants primarily include VAT refunds, incentives for decommissioning obsolete coal-fired power plants and fiscal interest subsidies. The following table sets forth the components of our other net income and each item as a percentage of our total other net income for the periods indicated:

	Year ended December 31,					
	2009		2010		2011	
	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%
Government grants						
– VAT refunds	21.8	47.6	4.4	1.9	10.1	3.3
– Incentives for decommissioning obsolete coal-fired power plants[(1)]	–	–	135.0	57.1	–	–
– Others	1.5	3.3	14.1	6.0	53.6	17.5
Net income on CDM projects	30.6	66.7	75.2	31.8	153.4	50.2
Net income/(loss) on disposal of plant, property and equipment	(8.4)	(18.3)	8.1	3.4	13.6	4.4
Rental income from investment properties	–	–	0.2	0.1	0.8	0.3
Gain on disposal of subsidiaries	–	–	–	–	64.2	21.0
Net loss on disposal of interest in subsidiary with a loss in control	–	–	–	–	(1.7)	(0.6)
Net income on sale of coal to Kemen II[(2)]	–	–	–	–	–	–
Others	0.3	0.7	(0.7)	(0.3)	11.9	3.9
Total	**45.8**	**100.0**	**236.3**	**100.0**	**305.9**	**100.0**

(1) Incentives for decommissioning obsolete coal-fired power plants are compensation incentives we received for decommissioning and demolition of obsolete coal-fired power plants in Fujian province.

(2) Given that Kemen II was applying for its taxpayer identification number to purchase coal in the open market after the disposal and coal supply arrangements are usually negotiated and agreed at the beginning of each year, Kemen II entrusted us to purchase coal for its use in order to maintain uninterrupted operations, and, as a result, we resold RMB2,650.2 million of coal to Kemen II during 2011 without any mark-up. Kemen II received its taxpayer identification number in April 2011 and since 2012 has sourced its coal supplies in the open market and have ceased to purchase coal from us.

Operating expenses

Our operating expenses primarily include cost of fuel and substituted electricity, depreciation and amortization, service concession construction costs, personnel costs, repairs and maintenance, administrative expenses and other operating expenses. The following table sets forth the components of our operating expenses and each item as a percentage of our total operating expenses for the periods indicated:

	Year ended December 31,					
	2009		2010		2011	
	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%
Cost of fuel	2,543.8	43.1	2,856.7	42.4	1,930.0	34.9
Cost of substituted electricity	1,225.1	20.8	1,048.3	15.6	1,099.7	19.9
Depreciation and amortization	978.6	16.6	1,138.3	16.9	1,230.8	22.2
Service concession construction costs	–	–	193.3	2.9	43.9	0.8
Personnel costs	615.5	10.4	826.5	12.3	656.4	11.9
Repairs and maintenance	147.5	2.5	226.0	3.3	163.6	2.9
Administration expenses	184.4	3.1	196.8	2.9	221.6	4.0
Other operating expenses	208.8	3.5	249.0	3.7	190.7	3.4
Total	**5,903.7**	**100.0**	**6,734.9**	**100.0**	**5,536.7**	**100.0**

Cost of fuel primarily reflects our cost of coal to fuel our coal-fired power plants.

Cost of substituted electricity reflects the consideration we paid for purchasing electricity from other coal-fired power plants under substituted generation arrangements. The amount of substituted generation that our coal-fired power plants, primarily Shaowu, Yong'an and Zhangping Power Plants, are allowed to purchase during a year is regulated by the relevant government authorities. For a discussion of substituted generation arrangements, please see "Business – Pricing and Sales – Coal-fired Power Business."

Depreciation and amortization reflect the depreciation of our property, plant and equipment; and the amortization of our service concession arrangements and other intangible assets.

Service concession construction costs represent the costs we recognize for the construction of our concession wind power project because we sub-contracted all of the construction work to third parties. The amount of our service concession construction costs is the same as the corresponding service concession construction revenue we recognize.

Personnel costs primarily include salaries, welfare benefits, retirement benefits and housing funds.

Repairs and maintenance reflects our costs associated with the repairs and maintenance of our power generating projects.

Administrative expenses primarily include office expenses, travel expenses, and various government surcharges.

Other operating expenses primarily include water resource fees, reservoir maintenance funds, insurance, transportation expenses, impairment loss and other miscellaneous expenses.

Adjusted operating profit and adjusted operating margin

The following table sets forth the key measurements of our profitability for the periods indicated:

	Year ended December 31,		
	2009	**2010**	**2011**
	(RMB in millions, except percentages)		
Segment Revenue			
– Hydropower	1,244.9	2,206.4	1,440.9
– Wind power	234.2	549.6	1,214.5
– Coal-fired power	5,759.5	4,990.8	4,119.0
– Other clean energy	110.6	457.5	322.1
Total reportable segment revenue	7,349.2	8,204.3	7,096.5
Service concession construction revenue	–	193.3	43.9
Unallocated	–	–	7.1
Revenue	7,349.2	8,397.6	7,147.5
Adjusted revenue(1)(*)	7,349.2	8,204.3	7,103.6
Operating profit	1,491.3	1,899.0	1,916.7
Adjusted operating profit(2)(*)	1,445.5	1,662.7	1,610.8
Adjusted operating margin(3)(*)	19.7%	20.3%	22.7%
Adjusted segment operating profit(4)(*)			
– Hydropower	384.7	1,143.4	440.7
– Wind power	98.6	278.4	582.6
– Coal-fired power	1,017.8	244.8	632.5
– Other clean energy	13.4	81.8	58.8
Total(5)	**1,514.5**	**1,748.4**	**1,714.6**
Adjusted segment operating margin (%)(6)(*)			
– Hydropower	30.9%	51.8%	30.6%
– Wind power	42.1%	50.7%	48.0%
– Coal-fired power	17.7%	4.9%	15.4%
– Other clean energy	12.1%	17.9%	18.3%

(1) Adjusted revenue = Revenue – Service concession construction revenue.

(2) Adjusted operating profit = Operating profit – Service concession construction revenue + Service concession construction cost – Other net income. As we subcontracted all of the construction work for such concession project to third-party contractors, we also recognized costs relating to the construction work in the same amount as our service concession construction revenue. As a result, recognition of the service concession construction revenue and costs has no net effect on our operating profit or adjusted operating profit.

(3) Adjusted operating margin = Adjusted operating profit/Adjusted revenue.

(4) Adjusted segment operating profit = Segment operating profit – other net income attributable to this business segment.

(5) The difference between the total adjusted segment operating profit and adjusted operating profit is our unallocated headquarter and corporate adjusted operating profit.

(6) Adjusted segment operating margin = Adjusted segment operating profit/Segment revenue.

* Adjusted revenue, adjusted operating profit, adjusted segment operating profit, adjusted operating margin and adjusted segment operating margin are not standard measurements under IFRS, but we present them because we believe that, after excluding the effects of service concession construction revenue and other net income, such measurements provide a more useful indicator of our profitability and results of operations. Prospective investors should be aware that the adjusted measurements presented in this prospectus may not be comparable to similarly titled measures used by other companies.

Finance income

Our finance income primarily consists of interest income from bank deposits and dividend income from other investments and foreign exchange net gains on foreign currency denominated (principally U.S. dollar) borrowings.

Finance expenses

Our finance expenses primarily consist of interest payments on bank and other borrowings.

Share of profits less losses of associates and jointly controlled entity

Our share of profits less losses of associates and jointly controlled entity is calculated by the profits we share from our associates and jointly controlled entity less their losses.

Income tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. We are subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which our Company and subsidiaries are domiciled or operate.

Our subsidiaries located in China have been subject to EIT at the statutory tax rate of 25.0% since January 1, 2008. Some of our subsidiaries were entitled to preferential tax treatments. Please see "– Factors Affecting Our Results of Operations – Tax Incentives." 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 gradual decrease in our weighted average effective tax rate from 2009 to 2011 was mainly attributable to our increased number of subsidiaries engaging in the wind power business that are entitled to preferential EIT treatments.

RESULTS OF OPERATIONS

Year Ended December 31, 2010 Compared to Year Ended December 31, 2011

	Year Ended December 31,		% Change
	2010	2011	
	(RMB in millions)		
Revenue	8,397.6	7,147.5	(14.9)
Other net income	236.3	305.9	29.5
Operating expenses	(6,734.9)	(5,536.7)	(17.8)
– Operating expenses less service concession construction costs	(6,541.6)	(5,492.8)	(16.0)
Operating profit	1,899.0	1,916.7	0.9
Finance income	30.1	70.9	135.5
Finance expenses	(984.6)	(1,266.3)	28.6
Share of profits less losses of associates and jointly controlled entity	11.6	13.1	12.9
Profit before taxation	956.1	734.4	(23.2)
Income tax	(158.0)	(95.9)	(39.3)
Profit and total comprehensive income for the year	**798.1**	**638.5**	(20.0)
Profit and total comprehensive income attributable to:			
Equity owners of the Company	521.1	561.6	7.8
Non-controlling interests	277.0	76.9	(72.2)
	798.1	**638.5**	(20.0)

Revenue

Our total revenue decreased by 14.9% to RMB7,147.5 million in 2011 compared to RMB8,397.6 million in 2010, due primarily to the decreased sales of electricity from the hydropower and coal-fired power businesses, partially offset by a substantial increase in sales of electricity in our wind power business. The following table sets forth the breakdown of our revenue for the periods indicated:

	Year Ended December 31,		% Change
	2010	2011	
	(RMB in millions)		
Sales of Electricity			
– Hydropower business	2,187.1	1,427.7	(34.7)
– Wind power business	546.6	1,209.9	121.4
– Coal-fired power business	4,973.7	4,044.0	(18.7)
– Other clean energy business	457.3	306.2	(33.0)
	8,164.7	**6,987.8**	(14.4)
Service concession construction revenue	193.3	43.9	(77.3)
Others	39.6	115.8	192.4
Total revenue	**8,397.6**	**7,147.5**	(14.9)

Sales of electricity in our hydropower business decreased by 34.7% to RMB1,427.7 million in 2011 compared to RMB2,187.1 million in 2010, due primarily to the lower levels of precipitation in Fujian province and less favorable hydrologic conditions prevailing at our project sites that resulted in a 34.5% decrease in our net hydropower generation from 8,622,963.3 MWh in 2010 to 5,647,097.5 MWh in 2011.

Sales of electricity in our wind power business increased significantly to RMB1,209.9 million in 2011 compared to RMB546.6 million in 2010, due primarily to our substantially increased average installed wind power capacity and the resulting 108.7% increase in our net wind power generation from 1,204,624.9 MWh in 2010 to 2,514,431.0 MWh in 2011.

Sales of electricity in our coal-fired power business decreased by 18.7% to RMB4,044.0 million in 2011 compared to RMB4,973.7 million in 2010, due primarily to our divesture of Kemen II in 2011 and the resulting 20.8% decrease in our net coal-fired power generation from 14,045,451.6 MWh in 2010 to 11,119,728.9 MWh in 2011, despite an increase in the average utilization hours of our Kemen Power Plant.

Sales of electricity in our other clean energy business decreased by 33.0% to RMB306.2 million in 2011 compared to RMB457.3 million in 2010, due primarily to the fact that we ceased to own a controlling interest in the Guangzhou University Town Distributed Energy Project after our disposal of 12.0% equity interest in this project in August 2011.

Our service concession construction revenue decreased significantly to RMB43.9 million in 2011 compared to RMB193.3 million in 2010, as the construction of our concession wind power project was mainly concentrated in 2010 and such project commenced operations in the first half of 2011.

Our other revenue increased significantly to RMB115.8 million in 2011 compared to RMB39.6 million in 2010, due primarily to the rental revenue from Kemen II for using our power infrastructure systems in 2011.

Other net income

Our other net income increased by 29.5% to RMB305.9 million in 2011 compared to RMB236.3 million in 2010, due primarily to the increases in our net income from CDM projects and gain on disposal of subsidiaries.

Our net income on CDM projects increased significantly to RMB153.4 million in 2011 compared to RMB75.2 million in 2010, due primarily to our increased number of CDM projects and the resulting increase in sales of CERs.

In 2011, we received a one-time gain of RMB64.2 million from the divesture of Kemen II.

Operating expenses

Our operating expenses excluding service concession construction costs decreased by 16.0% to RMB5,492.8 million in 2011 compared to RMB6,541.6 million in 2010. The following table sets forth the breakdown of our operating expenses for the periods indicated:

	Year ended December 31,		% Change
	2010	2011	
	(RMB in millions)		
Cost of fuel	2,856.7	1,930.0	(32.4)
Cost of substituted electricity	1,048.3	1,099.7	4.9
Depreciation and amortization	1,138.3	1,230.8	8.1
Service concession construction costs	193.3	43.9	(77.3)
Personnel costs	826.5	656.4	(20.6)
Repairs and maintenance	226.0	163.6	(27.6)
Administration expenses	196.8	221.6	12.6
Other operating expenses	249.0	190.7	(23.4)
Total operating expenses	**6,734.9**	**5,536.7**	(17.8)
Operating expenses excluding service concession construction costs	**6,541.6**	**5,492.8**	(16.0)

This decrease was mainly attributable to the decreases in the following items:

- our cost for fuel decreased by 32.4% or RMB926.7 million to RMB1,930.0 million in 2011 compared to RMB2,856.7 million in 2010. This decrease was mainly attributable to our divesture of Kemen II and our increased procurement of lower-cost coal supplies pursuant to key supply agreements in 2011.

- our personnel costs decreased by 20.6% to RMB656.4 million in 2011 compared to RMB826.5 million in 2010, due primarily to a one-time payment of RMB134.5 million we made in 2010 for compensating dismissed power plant workers at our decommissioned coal-fired power plants, and to a less extent, the divesture of Kemen II in 2011.

- our repair and maintenance expenses decreased by 27.6% to RMB163.6 million in 2011 compared to RMB226.0 million in 2010 due primarily to a scheduled major overhaul we performed on Kemen Power Plant in 2010, which did not recur in 2011.

- our other operating expenses decreased by 23.4% to RMB190.7 million in 2011 compared to RMB249.0 million in 2010, due primarily to our decreased hydropower generation in 2011 and the resulting decrease in water resource fees and resettlement funds we paid.

Adjusted operating profit and adjusted operating margin

Our adjusted operating profit decreased slightly to RMB1,610.8 million in 2011 compared to RMB1,622.7 million in 2010, due primarily to the decrease in our sales of electricity from the hydropower and coal-fired power businesses, partially offset by a substantial increase in sales of electricity in our wind power business.

Our adjusted operating margin increased from 20.3% in 2010 to 22.7% in 2011 due primarily to (i) the increased proportion of profit contribution from the wind power business, a segment with the highest profit margin in 2011; and (ii) substantially increased profit margin of our coal-fired power business that resulted from the higher utilization hours at our Kemen Power Plant and our increased procurement of lower cost coal supplies pursuant to key supply agreements in 2011.

Hydropower business

The adjusted operating margin of our hydropower business decreased to 30.6% in 2011 compared to 51.8% in 2010, due primarily to the lower levels of a precipitation and less favorable hydrological conditions prevailing at our project sites and the resulting 55.4% decrease in our average hydropower utilization hours.

Wind power business

The adjusted operating margin of our wind power business decreased to 48.0% in 2011 compared to 50.7% in 2010, due primarily to less favorable wind conditions prevailing at certain wind power projects in north China in 2011.

Coal-fired power business

The adjusted operating margin of our coal-fired power business increased to 15.4% in 2011 compared to 4.9% in 2010, due primarily to higher utilization hours at our Kemen Power Plant and our increased procurement of lower cost coal supplies pursuant to key supply agreements in 2011.

Finance income

Our finance income increased significantly to RMB70.9 million in 2011 compared to RMB30.1 million in 2010, due primarily to a receipt of RMB27.3 million of interest income on loans to third parties provided by our newly acquired subsidiary, Heilongjiang Huafu Power Investment Company Limited.

Finance expenses

Our finance expenses increased by 28.6% to RMB1,266.3 million in 2011 compared to RMB984.6 million in 2010, due primarily to our business expansion and the resulting increase in our average balance on borrowings.

Share of profits less losses of associates and jointly controlled entity

Our share of profits less losses of associates and jointly controlled entity increased by 12.9% to RMB13.1 million in 2011 compared to RMB11.6 million in 2010, due primarily to the additional profit contribution from the Guangzhou University Town Distributed Energy Project in which we ceased to own a controlling interest after August 2011.

Income tax

Our income tax decreased by 39.3% to RMB95.9 million in 2011 compared to RMB158.0 million in 2010, due primarily to the decreases in our profit before taxation and our weighted average income tax rate.

Profit

As a result of the above, our profit decreased by 20.0% to RMB638.5 million in 2011 compared to RMB798.1 million in 2010.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2010

	Year Ended December 31,		**% Change**
	2009	**2010**	
	(RMB in millions)		
Revenue	7,349.2	8,397.6	14.3
Adjusted revenue	7,349.2	8,204.3	11.6
Other net income	45.8	236.3	415.9
Operating expenses	(5,903.7)	(6,734.9)	14.1
– Operating expenses less service concession construction costs	(5,903.7)	(6,541.6)	10.8
Operating profit	1,491.3	1,899.0	27.3
Finance income	31.9	30.1	(5.6)
Finance expenses	(945.0)	(984.6)	4.2
Share of profits less losses of associates and jointly controlled entity	(12.3)	11.6	N/A
Profit before taxation	565.9	956.1	69.0
Income tax	(124.0)	(158.0)	27.4
Profit and total comprehensive income for the year	**441.9**	**798.1**	80.6
Profit and total comprehensive income attributable to:			
Equity owners of the Company	385.2	521.1	35.3
Non-controlling interests	56.7	277.0	388.5
	441.9	**798.1**	80.6

Revenue

Our total revenue increased by 14.3% to RMB8,397.6 million in 2010 compared to RMB7,349.2 million in 2009, due primarily to the increased sales of electricity from the hydropower, wind power and other clean energy businesses, partially offset by a decrease in sales of electricity in our coal-fired power business. The following table sets forth the breakdown of our revenue for the periods indicated:

	Year Ended December 31,		% Change
	2009	2010	
	(RMB in millions)		
Sales of Electricity			
– Hydropower business	1,228.6	2,187.1	78.0
– Wind power business	233.1	546.6	134.5
– Coal-fired power business	5,730.4	4,973.7	(13.2)
– Other clean energy business	110.5	457.3	313.8
	7,302.6	**8,164.7**	11.8
Service concession construction revenue	–	193.3	N/A
Others	46.6	39.6	(15.0)
Total revenue	**7,349.2**	**8,397.6**	14.3

Sales of electricity in our hydropower business increased by 78.0% to RMB2,187.1 million in 2010 compared to RMB1,228.6 million in 2009, due primarily to higher levels of precipitation in Fujian province and more favorable hydrological conditions prevailing at our project sites that resulted in a 75.9% increase in our net hydropower generation from 4,903,329.7 MWh in 2009 to 8,622,963.3 MWh in 2010.

Sales of electricity in our wind power business increased significantly to RMB546.6 million in 2010 compared to RMB233.1 million in 2009, due primarily to our increased average installed wind power capacity and the resulting 115.8% increase in our net wind power generation from 558,300.0 MWh in 2009 to 1,204,624.9 MWh in 2010.

Sales of electricity in our coal-fired power business decreased by 13.2% to RMB4,973.7 million in 2010 compared to RMB5,730.4 million in 2009, due primarily to (i) the lower demand for coal-fired power generation in Fujian province and the resulting 11.7% decrease in our net coal-fired power generation from 15,902,516.3 MWh in 2009 to 14,045,451.6 MWh in 2010; and (ii) a 4.2% decrease in the weighted average on-grid tariff for our coal-fired power business.

Sales of electricity in our other clean energy business increased significantly to RMB457.3 million in 2010 compared to RMB110.5 million in 2009, due primarily to our increased average installed capacity in 2010 upon the completion of the Guangzhou University Town Distributed Energy Project in October 2009 and the resulting increase in our sales of electricity.

We began to record service concession construction revenue in 2010 because we performed the construction of a new concession wind power project in Fujian province during the year.

Our other revenue decreased by 15.0% to RMB39.6 million in 2010 compared to RMB46.6 million in 2009, due primarily to our reduced revenue from sales of fly ash and provision of repair and maintenance services to third parties in 2010.

Other net income

Our other net income increased significantly to RMB236.3 million in 2010 compared to RMB45.8 million in 2009, due primarily to the increases in government grants and net income from CDM projects.

In 2010, we received a government grant of RMB135.0 million as compensation for decommissioning our obsolete coal-fired power plants in Fujian province. We used this grant principally to settle our employment arrangements with dismissed power plant workers.

Our net income on CDM projects increased significantly to RMB75.2 million in 2010 compared to RMB30.6 million in 2009, due primarily to our increased number of CDM projects and the resulting increase in our sales of CERs.

Our VAT refunds decreased significantly to RMB4.4 million in 2010 compared to RMB21.8 million in 2009, due primarily to the introduction of a new VAT policy in China. One of our wind power subsidiaries purchased wind turbines and other equipment before January 1, 2009, the effective date of a new VAT policy in China, and thus were unable to deduct its input VAT on equipment purchased prior to 2009 from its output VAT on electricity sales, which resulted in a significant amount of VAT paid and the resulting increase in our VAT refunds during the same year. In 2010, such subsidiary purchased additional wind turbines and other equipment to develop more wind power projects and thus was able to deduct its input VAT on equipment purchased in 2010 from its output VAT on electricity sales, which resulted in significantly less VAT paid and the resulting decrease in our VAT refunds during the same year.

Operating expenses

Our operating expenses excluding service concession construction costs increased by 10.8% to RMB6,541.6 million in 2010 compared to RMB5,903.7 million in 2009. The following table sets forth the breakdown of our operating expenses for the periods indicated:

	Year ended December 31,		% Change
	2009	2010	
	(RMB in millions)		
Cost of fuel	2,543.8	2,856.7	12.3
Cost of substituted electricity	1,225.1	1,048.3	(14.4)
Depreciation and amortization	978.6	1,138.3	16.3
Service concession construction costs	–	193.3	N/A
Personnel costs	615.5	826.5	34.3
Repairs and maintenance	147.5	226.0	53.2
Administration expenses	184.4	196.8	6.7
Other operating expenses	208.8	249.0	19.3
Total operating expenses	**5,903.7**	**6,734.9**	14.1
Operating expenses excluding service concession construction costs	**5,903.7**	**6,541.6**	10.8

This increase was mainly attributable to increases in the following items:

- our cost of fuel increased by 12.3% to RMB2,856.7 million in 2010, compared to RMB2,543.8 million in 2009. This increase was mainly attributable to an increase in our purchase price for coal, partially offset by a lower coal-fired power generation and the resulting decrease in the amount of coal we consumed in 2010;

- our depreciation and amortization expenses increased by 16.3% to RMB1,138.3 million in 2010 compared to RMB978.6 million in 2009, due primarily to the increased number of wind power projects in operation that were subject to asset depreciation;

- our personnel costs increased by 34.3% to RMB826.5 million in 2010 compared to RMB615.5 million in 2009, due primarily to (i) RMB134.5 million we used to settle our employment arrangements with dismissed power plant workers; and (ii) our business expansion and the resulting increase in our employee headcounts;

- our repairs and maintenance expenses increased by 53.2% to RMB226.0 million in 2010 compared to RMB147.5 million in 2009, due primarily to a scheduled major overhaul we performed on Kemen Power Plant in 2010; and

- our other operating expenses increased by 19.3% to RMB249.0 million in 2010 compared to RMB208.8 million in 2009, due primarily to our increased hydropower generation in 2010 and the resulting increase in water resource fees and reservoir maintenance funds paid.

However, our cost of substituted electricity decreased by 14.4% to RMB1,048.3 million in 2010 compared to RMB1,225.1 million in 2009. This decrease is mainly attributable to a reduced amount of electricity that we purchased from other coal-fired power plants under substituted generation arrangements.

Adjusted operating profit and adjusted operating margin

Our adjusted operating profit increased by 15.0% to RMB1,662.7 million in 2010 compared to RMB1,445.5 million in 2009, due primarily to the increase in our sales of electricity in 2010.

Our adjusted operating margin increased to 20.3% in 2010 compared to 19.7% in 2009, due primarily to an increase in the adjusted segment operating margin of our hydropower and wind power businesses, partially offset by a decrease in the adjusted segment operating margin of our coal-fired power business.

Hydropower business

The adjusted segment operating margin of our hydropower business increased to 51.8% in 2010 compared to 30.9% in 2009, due primarily to the higher levels of precipitation and more favorable hydrological conditions prevailing at our project sites and the resulting 71.5% increase in our average hydropower utilization hours.

Wind power business

The adjusted segment operating margin of our wind power business increased to 50.7% in 2010 compared to 42.1% in 2009, due primarily to the economies of scale we achieved by increasing our installed wind power capacity through project expansions.

Coal-fired power business

The adjusted segment operating margin of our coal-fired power business decreased to 4.9% in 2010 compared to 17.7% in 2009, due primarily to (i) the lower demand for coal-fired power generation in Fujian province and the resulting 10.9% decrease in our average coal-fired power utilization hours; (ii) a 16.6% increase in the average price of standard coal we purchased; and (iii) a 2.8% decrease in our weighted average on-grid tariff for coal-fired power.

Finance income

Our finance income remained relatively stable at RMB30.1 million in 2010 compared to RMB31.9 million in 2009.

Finance expenses

Our finance expenses increased by 4.2% to RMB984.6 million in 2010 compared to RMB945.0 million in 2009, due primarily to an increase in the average balance on our bank loans and other borrowings.

Share of profits less losses of associates and a jointly controlled entity

We recorded a profit of RMB11.6 million in our share of profits less losses of associates and a jointly controlled entity in 2010, compared to a loss of RMB12.3 million in 2009, due primarily to the improved results of operations in certain of our associates engaging in the power generation business.

Income tax

Our income tax increased by 27.4% to RMB158.0 million in 2010 compared to RMB124.0 million in 2009, due primarily to the increase in our profit before taxation, partially offset by a decrease in our weighted average income tax rate.

Profit

As a result of the above, our profit increased by 80.6% to RMB798.1 million in 2010 compared to RMB441.9 million in 2009.

LIQUIDITY AND CAPITAL RESOURCES

To date, we have primarily financed our business operations through bank borrowings, cash flow generated from operating activities and capital contributions from shareholders. Our cash requirements primarily include capital expenditures to fund our business expansion and working capital.

Net Current Liabilities

The following table sets out our current assets, current liabilities and net current liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2009	**2010**	**2011**	**2012**
	(RMB in millions)			
Current assets				
Inventories	243.4	216.5	268.4	260.0
Trade debtors and bills receivable	1,056.9	1,380.5	1,893.4	2,165.5
Prepayments and other current assets	609.1	995.3	1,598.9	1,558.4
Tax recoverable	2.1	74.1	80.9	49.0
Other investments	–	2.4	–	–
Restricted deposits	131.3	58.7	134.8	247.2
Cash and cash equivalents	1,522.8	2,694.7	1,488.5	2,744.9
Total current assets	**3,565.6**	**5,422.2**	**5,464.9**	**7,025.0**

	As of December 31,			As of April 30,
	2009	2010	2011	2012
	(RMB in millions)			
Current liabilities				
Borrowings	7,014.9	6,996.5	8,572.9	9,491.5
Obligations under finance leases	192.0	43.8	219.8	245.7
Trade creditors and bills payable	768.7	1,377.5	974.9	1,166.7
Other payables	3,910.1	6,164.0	7,946.7	7,315.7
Deferred income-current portion	3.0	3.2	11.2	11.2
Tax payable	44.3	132.5	16.2	62.5
Total current liabilities	**11,933.0**	**14,717.5**	**17,741.7**	**18,293.3**
Net current liabilities	**(8,367.4)**	**(9,295.3)**	**(12,276.8)**	**(11,268.3)**

Development of clean energy projects is a capital intensive process. Given our rapid expansion during the Track Record Period, we have primarily relied on borrowings to fund a substantial portion of our capital requirements and recorded net current liabilities, which reflect the fact that the increase in our current liabilities outpaced the increase in our current assets. We had net current liabilities of RMB8,367.4 million, RMB9,295.3 million and RMB12,276.8 million as of December 31, 2009, 2010 and 2011, respectively. Our net current liabilities increased in 2010 and 2011, due primarily to the substantial increase in our other payables for the purchase of wind turbines and other equipment. As of April 30, 2012, our net current liabilities decreased to RMB11,268.3 million compared to RMB12,276.8 million as of December 31, 2011, due primarily to an increase in our cash and cash equivalents.

During the Track Record Period, our net current liabilities primarily reflected (i) the current portion of our long-term borrowings, principally for developing wind power projects; and (ii) payables for the purchase of wind turbines and coal supplies. As the clean energy business is capital intensive and a number of our wind power and other clean energy projects are currently under construction or planned for construction, we expect that we may incur net current liabilities in the foreseeable future. Please see "Risk Factors – Risks Relating to Our Business Operations – Our borrowing levels, interest payment obligations and net current liabilities could limit the funds available to us for various business purposes."

We have not experienced any material obstacles in obtaining financing, despite our increase in capital expenditures and net current liabilities, for the following reasons:

- We have maintained long-term relationships with major commercial banks in China, and have been able to obtain banking facilities on favorable terms to fund our business expansion. The interest rate on most of our bank borrowings is normally lower than the then-prevailing benchmark rate in China. Please see "– Indebtedness – Borrowings" for more details on our bank borrowings. As of April 30, 2012, being the latest practicable date to determine our indebtedness, we had committed unutilized banking facilities of approximately RMB14.8 billion.

- We have obtained our banking facilities from reputable commercial banks in the PRC and our good credit history has been recognized by various PRC financial institutions. During the Track Record Period, we have not experienced any material difficulties in renewing our short-term loans from our principal banks upon expiry of the existing loans. Based on our experience and relationships with our principal banks, we believe that we will remain able to obtain short-term bank loans on similar terms.

- We generally apply for long-term bank borrowings on a project basis. For our power generating projects that have obtained the project approval for construction, we typically enter into loan agreements with our borrowing banks for long-term bank borrowings. For certain projects that are in the process of applying for the project approval, we obtain bank guarantee letters whereby our borrowing banks agree, in principle, to grant us long-term bank borrowings to finance our capital requirements after we receive the project approval.

- We had abundant cash resources during the Track Record Period. Our cash and cash equivalents amounted to RMB1,522.8 million, RMB2,694.7 million and RMB1,488.5 million, as of December 31, 2009, 2010 and 2011, respectively. As of April 30, 2012, our cash and cash equivalents were RMB2,744.9 million.

- We have a strong net cash flow from our operating activities. Our net cash from operating activities amounted to RMB2,572.0 million, RMB3,014.6 million and RMB1,482.8 million for the years ended December 31, 2009, 2010 and 2011, respectively. We expect our net cash from operating activities to remain positive in 2012 to support our business expansion.

In light of our net current liabilities during the Track Record Period, our Directors intend to apply part of the net proceeds of the Global Offering to repay some of our outstanding bank loans. Assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.68 per H Share, being the mid-point of the indicative Offer Price range, we currently intend to apply approximately HK$467.7 million (equivalent to approximately 20% of our total estimated net proceeds), to repay short-term bank borrowings and approximately HK$233.9 million (equivalent to approximately 10% of our total estimated net proceeds), respectively, for working capital requirements and other general corporate uses. Please see "Future Plans and Use of Proceeds" in this prospectus.

Taking into account the financial resources available to us, including cash flow from operations, the available banking facilities and the estimated net proceeds of the Global Offering, our Directors are of the opinion that we have sufficient working capital for our requirements within at least the next 12 months from the date of this prospectus.

Cash management

To mitigate the risks that our operating cash flow may be insufficient to service our debt obligations as they become due, we intend to continue to focus our efforts on increasing our cash flow and strengthening our cash management measures, including:

- enhancing budgetary control at the Group level;
- optimizing our debt capital structure to ensure appropriate use of our cash resources;
- maintaining certain minimal levels of cash and cash equivalents;
- utilizing alternative financial products, such as finance leases, to diversify our source of funding; and
- maintaining strategic and long-term relationships with our principal banks to obtain sufficient bank borrowings on favorable terms.

CASH FLOW

The following table sets forth a summary of our consolidated cash flow statements for the periods indicated:

	Year ended December 31,		
	2009	2010	2011
	(RMB in millions)		
Net cash from operating activities	2,572.0	3,014.6	1,482.8
Net cash used in investing activities	(7,832.2)	(7,944.7)	(6,375.3)
Net cash from financing activities	5,964.7	6,099.6	3,693.6
Net increase/(decrease) in cash and cash equivalents	704.5	1,169.5	(1,198.9)
Cash and cash equivalents at beginning of year	818.3	1,522.8	2,694.7
Effect of foreign exchange rate changes	0.0	2.4	(7.3)
Cash and cash equivalents at end of year	**1,522.8**	**2,694.7**	**1,488.5**

Cash flow from operating activities

We generate cash from operating activities primarily through the receipt of payments from our sale of electricity. Our cash outflow from operating activities is primarily used for the purchase of electricity and fuel, personnel costs and other operating expenses relating to our power generating assets.

In 2011, our net cash generated from operating activities amounted to RMB1,482.8 million, including cash generated from operations of RMB1,671.9 million and income tax paid of RMB189.1 million, while our operating cash flow before changes in working capital was RMB3,022.1 million. Changes in working capital primarily included (i) an increase in RMB581.7 million in prepayments and other current assets due to a substantial increase in our receivables from Kemen II; (ii) an increase of RMB551.0 million in trade debtors and bills receivables due primarily to our increased sale of electricity in the wind power business that had a longer collection period; and (iii) a decrease of RMB164.4 million in our trade and other payables that reflected our faster settlement of payables for coal supplies in 2011.

In 2010, our net cash generated from operating activities amounted to RMB3,014.6 million, including cash generated from operations of RMB3,207.9 million and income tax paid of RMB193.3 million, while our operating cash flow before changes in working capital was RMB3,009.2 million. The positive effects of change in working capital primarily included an increase of RMB455.5 million in our trade creditors and other payables due primarily to our increased payable to settle our employee arrangements with dismissed power plant workers and our increased VAT payable in 2010. Such increase was partially offset by an increase of RMB243.8 million in our trade debtors and bills receivables, due primarily to our increased sales of electricity and the resulting increase in our receivables from local grid companies.

In 2009, our net cash generated from operating activities amounted to RMB2,572.0 million, including cash generated from operations of RMB2,673.5 million and income tax paid of RMB101.5 million while our operating cash flow before changes in working capital was RMB2,525.9 million. The positive effects of change in working capital primarily included an increase of RMB760.3 million in trade creditors and other payables, due primarily to our increased purchase of coal supplies and VAT payable in 2009. Such increase was partially offset by (i) an increase of RMB329.7 million in prepayments and other current assets due primarily to a growth in our advances for coal purchase; and (ii) an increase of RMB236.2 million in trade debtors and bills receivable, due primarily to our increased sales of electricity and the resulting increase in our receivables from local grid companies.

Cash flow from investing activities

Our cash used in investing activities consists primarily of payments for the purchase of property, plant and equipment, lease prepayments and intangible assets, as well as investment in associates and jointly controlled entities and acquisition of subsidiaries. Our cash inflow from investing activities consists primarily of proceeds from the disposal of property, plant and equipment, the repayment of loans and advances, as well as dividends and interest received.

For the years ended December 31, 2009, 2010 and 2011, our net cash used in investing activities amounted to RMB7,832.2 million, RMB7,944.7 million and RMB6,375.3 million, respectively. Our cash outflow primarily reflected the payments of RMB6,815.5 million, RMB6,902.3 million and RMB5,715.5 million, respectively, during each year, for purchase of property, plant and equipment, lease prepayments and intangible assets to support our business growth.

Cash flow from financing activities

Our cash inflow from financing activities consists primarily of proceeds from borrowings, capital contributions from our equity holders and the non-controlling interests and sales and leaseback transactions. Our cash outflow from financing activities consists primarily of repayment of borrowings, interest and dividends paid, as well as payments for finance lease obligations.

In 2011, our net cash from financing activities was RMB3,693.6 million, primarily reflecting our proceeds from borrowings in the amount of RMB16,943.5 million, partially offset by our repayment of RMB12,063.4 million on our borrowings and payment of RMB1,755.9 million for interest expenses during the period.

In 2010, our net cash from financing activities was RMB6,099.6 million, primarily reflecting (i) our proceeds from borrowings in the amount of RMB14,122.4 million; and (ii) capital contributions of RMB2,330.0 million from our shareholders. Such cash inflow was partially offset by (i) our repayments of RMB8,218.3 million on our borrowings; and (ii) payments of RMB1,351.6 million and RMB530.4 million for interest expenses and under finance lease obligations.

In 2009, our net cash from financing activities was RMB5,964.7 million, primarily reflecting (i) our proceeds from borrowings in the amount of RMB13,837.6 million; (ii) capital contributions of RMB1,043.0 million from our shareholders; and (iii) proceeds from sales and leaseback transactions in the amount of RMB490.0 million. Such cash inflow was partially offset by (i) repayments of RMB8,154.0 million on our borrowings; (ii) payment of RMB1,102.6 million for interest expenses; and (iii) payments of RMB118.0 million under finance lease obligations.

CERTAIN ITEMS IN THE CONSOLIDATED BALANCE SHEETS

Inventory Analysis

Our inventory primarily consists of raw materials, principally coal, for the production of electricity and spare parts and other consumables that we use for the repair and maintenance of our power generating projects. The following table sets forth a summary of our inventory balances as of the dates indicated:

	As of December 31,		
	2009	**2010**	**2011**
	(RMB in millions)		
Coal	175.8	129.7	143.8
Fuels	11.4	10.8	24.6
Spare parts and others	56.2	76.0	100.0
Total	**243.4**	**216.5**	**268.4**

We generally do not carry a significant amount of inventory in the ordinary course of our business. Our inventory balances as of December 31, 2009, 2010 and 2011, remained relatively stable. As of April 30, 2012, we have utilized substantially all of our coal inventory as of December 31, 2011.

The following table sets forth the turnover of our average coal inventory for the periods indicated:

	Year ended December 31,		
	2009	**2010**	**2011**
Average coal inventory turnover days(1)	22.1	21.8	24.2

(1) Average coal inventory turnover days equal coal inventory at the beginning of the period, plus coal inventory at the end of such period, divided by two, then divided by costs of coal and then multiplied by the number of days for the given period.

Our average coal inventory turnover days remained relatively stable at 22.1, 21.8 and 24.2 for the years ended December 31, 2009, 2010 and 2011.

Trade Debtors and Bills Receivable

Our trade debtors and bills receivable primarily represents receivables due from local grid companies for the sale of electricity. The following table sets forth a summary of our trade debtors and bills receivable as of the dates indicated:

	As of December 31,		
	2009	2010	2011
	(RMB in millions)		
Amounts due from sales of electricity	1,050.6	1,354.1	1,810.3
Amounts due from other sales activities	6.3	26.6	83.2
Less: allowance for bad debts	–	0.2	0.1
Total	**1,056.9**	**1,380.5**	**1,893.4**

Substantially all of our trade debtors and bills receivable during the Track Record Period reflected our sales of electricity to local grid companies. These receivables are unsecured and non-interest bearing. As of April 30, 2012, approximately RMB1,004.2 million of our trade debtors and bills receivable as of December 31, 2011 were subsequently settled.

The following table sets forth our trade debtors and bills receivable by business segment as of the dates indicated:

	As of December 31,		
	2009	2010	2011
	(RMB in millions)		
Hydropower	137.5	139.2	209.1
Wind power	200.1	480.8	997.1
Coal-fired power	655.1	726.8	667.5
Other clean energy	64.2	33.7	19.7
Total	**1,056.9**	**1,380.5**	**1,893.4**

The steady increase in our trade debtors and bills receivable during the Track Record Period was mainly attributable to our fast growing wind power business and the resulting increase in our receivables from grid companies.

We generally grant a credit term to local grid companies of approximately 15 to 30 days for sales of electricity. Like other wind power producers in China, our wind power business has a longer collection period compared to our other business segments. As the average on-grid tariffs of wind power are generally higher than that of coal-fired power, the PRC regulatory framework for renewable energy adopted a cost-sharing system by which the additional cost of developing renewable energy projects will be shared across the whole electricity system. Specifically, electricity end users in China are required to pay a surcharge on their electricity price to cover (i) the premium of the on-grid tariff for clean energy paid by grid companies over the benchmark on-grid tariff for coal-fired power, and (ii) the cost of connecting renewable energy projects to the grid. Local power grid companies collect these renewable energy surcharges and then distribute them among the provincial grid companies, subject to the allocation by the relevant government authorities. As such, we are normally entitled to two payments from the local grid companies on our sales of wind power. The first payment reflects the benchmark on-grid tariff for coal-fired power, which is settled in the same way as our coal-fired power generation and generally within 15 to 30 days after sales. The second payment is settled within two to 18 months after sales because it reflects the tariff premium on our wind power which is subject to nationwide government allocations. The following table sets forth the turnover days of our average trade and bills receivable for the periods indicated:

	Year ended December 31,		
	2009	**2010**	**2011**
Average trade and bills receivable turnover days(1)	46.4	54.2	84.1

(1) Average trade and bills receivable turnover days equal trade debtors and bills receivable at the beginning of the period, plus trade debtors and bills receivable at the end of the period, divided by two, then divided by adjusted revenue and then multiplied by the number of days for the given period.

Our average trade and bills receivable turnover days increased during the Track Record Period, due primarily to the increased contribution of trade debtors and bills receivable from our fast growing wind power business with a longer collection period. As of December 31, 2009, 2010 and 2011, trade debtors and bills receivable from our wind power business accounted for 18.9%, 34.8%, and 52.7%, respectively, of our total trade debtors and bills receivable.

The following table sets forth the aging analysis of our trade debtors and bills receivable as of the dates indicated:

	As of December 31,		
	2009	**2010**	**2011**
		(RMB in millions)	
0 to 30 days	904.4	978.6	955.0
31 to 180 days	103.5	164.8	411.6
181 to 360 days	49.0	237.1	395.5
More than 360 days	–	0.2	131.4
Less: allowance for doubtful debts	–	0.2	0.1
Total	**1,056.9**	**1,380.5**	**1,893.4**

As of December 31, 2009 and 2010, all our trade debtors and bills receivable was due within one year. As of December 31, 2011, RMB131.4 million of our trade debtors and bills receivables were due more than 360 days, which reflected our expanded wind power business in 2011 with a longer collection period, sometime exceeding one year as a result of the temporary changes in tariff collecting policies in China.

Prepayments and Other Current Assets

The following table sets forth the breakdown of our prepayments and other current assets as of the dates indicated:

	As of December 31,		
	2009	**2010**	**2011**
		(RMB in millions)	
CER receivable	32.5	92.3	148.1
Staff advance	10.4	11.0	7.4
Deposits	2.7	21.6	2.8
Receivables from related parties	135.1	32.5	636.4
Loans to third parties	8.4	261.8	235.5
Deductible VAT[1]	94.1	270.8	437.8
Advances to the fellow subsidiaries	195.1	157.9	–
Other advances and debtors	130.8	147.4	130.9
Total	**609.1**	**995.3**	**1,598.9**

(1) Deductible VAT mainly represents the input VAT relating to purchase of property, plant and equipment and inventories, which is expected to be deducted from output VAT within 12 months after the end of each period.

Our prepayments and other current assets increased by 60.6% to RMB1,598.9 million as of December 31, 2011 compared to RMB995.3 million as of December 31, 2010. This increase was mainly attributable to (i) a substantial increase in our receivables from related parties that represented the receivables from Kemen II; (ii) an increase in our deductible VAT due to our increased purchase of wind turbines and other equipment that are subject to VAT deduction; and (iii) an increase in CER receivable due to our increased number of registered CDM projects.

Our prepayments and other current assets increased by 63.4% to RMB995.3 million as of December 31, 2010, compared to RMB609.1 million as of December 31, 2009. This increase was mainly attributable to (i) a significant increase in our loans to third parties due to our acquisition of a wind power subsidiary, Heilongjiang Huafu Power Investment Company Limited and the resulting assumption of its loans; (ii) a significant increase in the deductible input VAT we recognized for our projects, which will be deducted within 12 months; and (iii) a significant increase in CER receivable due to more registered CDM projects.

We generally do not provide loans or guarantees to third-party companies. Our only existing loan to third parties was the result of our acquisition of a wind power subsidiary. To ensure compliance with our practice and the relevant PRC regulations, our acquired subsidiary, Heilongjiang Huafu Power Investment Company Limited, entered into an entrusted loan agreement with its third-party debtor and a reputable PRC trust company, Yingda International Trust Co., Ltd, in February 2012 in connection with an outstanding loan balance of approximately RMB234.4 million. This entrusted loan will mature in November 2012. Our PRC legal advisers confirmed that the entrusted loan agreement we entered into is legal, valid and enforceable under applicable PRC laws and regulations. Our wind power subsidiary, Heilongjiang Huafu Power Investment Company Limited, has not provided any loans to third parties since January 1, 2012 and does not intend to do so after the Global Offering. As part of our internal policy, we generally invest in businesses or assets that are complementary to our principal business and do not invest in financial instruments.

Restricted Deposits

Our restricted deposits were primarily guarantee deposits of bank acceptance, performance bonds of certain contracts, and a public housing maintenance fund for our employees as required by the relevant PRC regulations. As of December 31, 2009, 2010 and 2011, our restricted deposits were RMB131.3 million, RMB58.7 million and RMB134.8 million, respectively.

Trade Creditors and Bills Payable

Our trade creditors and bills payable primarily represents the payables for our purchase of coal, equipment and other consumables from various suppliers. The following table sets forth a summary of our trade creditors and bills payable as of the dates indicated:

	As of December 31,		
	2009	**2010**	**2011**
		(RMB in millions)	
Trade creditor to fellow subsidiaries	–	–	91.2
Trade creditors to third party	175.9	309.2	432.0
Bills payable to fellow subsidiaries	590.0	640.0	17.9
Bills payable to third party	2.8	428.3	433.8
Total	**768.7**	**1,377.5**	**974.9**

The increase in our trade creditors and bills payable to third party during the Track Record Period reflected the increase in our purchase of wind turbines, coal supplies and substituted electricity, which corresponded with our business expansion. Our bills payable to fellow subsidiaries as of December 31, 2009, 2010 and 2011, primarily reflected our payables to our connected persons, Huadian Coal and its subsidiaries, for the purchase of coal supplies. We have ceased our connected transactions with Huadian Coal and its subsidiaries since January 1, 2012.

The following table sets forth our trade creditors and bills payable by business segment as of the dates indicated:

	As of December 31,		
	2009	**2010**	**2011**
		(RMB in millions)	
Business Segment			
Hydropower	0.9	2.9	12.1
Wind power	19.2	473.4	302.2
Coal-fired power	742.3	887.8	614.8
Other clean energy	6.3	13.4	45.8
Total	**768.7**	**1,377.5**	**974.9**

During the Track Record Period, our trade creditors and bills payable were mainly attributable to (i) our trade creditors and bills payable for coal suppliers and substituted electricity in our coal-fired power business; and (ii) our bills payable for wind turbines in our wind power business. Bills payable in our wind power business increased significantly to RMB473.4 million as of December 31, 2010 compared to RMB19.2 million as of December 31, 2009, due primarily to the increased number of wind power projects under construction and the resulting increase in our purchase of wind turbines by bills towards the end of 2010.

Our suppliers of coal and equipment generally grant us a credit period of one to three months. As of December 31, 2009, 2010 and 2011, all trade creditors and bills payable were due within one year. The following table sets forth our turnover days of average trade and bills payable for coal for the periods indicated:

	Year ended December 31,		
	2009	**2010**	**2011**
Average trade and bills payable turnover days for coal(1)	85.8	98.2	39.8

(1) Average trade and bills payable turnover days for coal equal trade creditors and bills payable for coal at the beginning of the period, plus trade creditors and bills payable for coal at the end of the period, divided by two, then divided by costs of coal we purchased and then multiplied by the number of days for the given period.

Our average turnover days of trade and bills payable increased to 98.2 days in 2010 compared to 85.8 days in 2009, due primarily to our increased use of bills to settle our coal purchases in 2010, which generally enjoyed a six-month credit period. Such turnover days decreased to 39.8 days in 2011, due primarily to our faster settlement of payables for coal supplies in 2011.

As of April 30, 2012, approximately RMB687.7 million of our trade and bills payable as of December 31, 2011 were subsequently settled.

Other Payables

Our other payables were RMB3,910.1 million, RMB6,164.0 million and RMB7,946.7 million as of December 31, 2009, 2010 and 2011, respectively. During the Track Record Period, the increase in our other payables was due primarily to an increase in our payables for the purchase of property, plant and equipment (principally wind turbines and coal-fired power generators) as a result of our business expansion. Our other payables increased significantly to RMB6,164.0 million as of December 31, 2010, compared to RMB3,910.1 million as December 31, 2009, due primarily to the substantially increased number of wind power projects under construction and the resulting increase in our payables for the purchase of wind turbines on credit towards the end of 2010.

INDEBTEDNESS

Borrowings

As of April 30, 2012, which is the latest practicable date for determining our indebtedness, we had total borrowings of RMB32,267.9 million. As of the same date, we had committed unutilized banking facilities of approximately RMB14.8 billion (without any guarantee or security provided by our Controlling Shareholder) and none of our existing indebtedness included any financial covenant that could potentially limit our ability to incur new indebtedness. Our Directors have confirmed that there has been no material adverse change in our indebtedness and contingent liabilities since April 30, 2012. The following table sets forth the breakdown of our interest-bearing borrowings as of the dates indicated:

	As of December 31,			As of April 30, 2012
	2009	2010	2011	
	(RMB in millions)			
Long-term borrowings				
Loan from bank and other financial institutions				
– Secured	3,740.3	5,993.4	8,508.7	14,711.9
– Unsecured	10,439.2	14,561.6	15,942.2	10,942.8
Loan from Huadian Finance	1,300.0	250.0	200.0	–
Loan from Huadian	100.0	2,170.0	–	–
Less: current portion of long-term borrowings	1,168.1	1,267.6	2,981.4	2,878.3
	14,411.4	**21,707.4**	**21,669.5**	**22,776.4**
Short-term borrowings				
Loan from bank and financial institutions				
– Secured	273.0	100.0	10.0	210.0
– Unsecured	5,153.8	3,978.9	5,461.5	6,403.2
Loan from Huadian Finance	420.0	1,650.0	120.0	–
Add: current portion of long-term borrowings	1,168.1	1,267.6	2,981.4	2,878.3
	7,014.9	**6,996.5**	**8,572.9**	**9,491.5**
Total borrowings	**21,426.3**	**28,703.9**	**30,242.4**	**32,267.9**

Due to the capital intensive nature of the clean energy projects we develop, we have principally relied on borrowings to fund a large portion of our capital requirements, and we expect to continue to do so in the foreseeable future. The increase in our borrowings was due primarily to the increased capital expenditures to support our business growth. As of December 31, 2009, 2010 and 2011, our total borrowings were RMB21,426.3 million, RMB28,703.9 million and RMB30,242.4 million, respectively. As of December 31, 2011, most of our borrowings were denominated in Renminbi and were made from domestic banks and financial institutions, and the remainder was denominated in U.S. dollar.

Our bank loans carry variable rates based on the prevailing interest rates announced by the PBOC. The interest rates on our bank loans ranged from 1.58% to 10.26% in 2009, 4.32% to 7.83% in 2010, and 5.04% to 8.46% in 2011.

We have obtained loans in the past from Huadian Finance in accordance with Huadian's capital management policy of pooling surplus cash of its subsidiaries for centralized management and disposal, promoting more efficient use of capital within Huadian Group. Our Directors confirmed that all of our loans from Huadian Finance were settled before the Latest Practicable Date.

The following table sets forth an aging analysis of our borrowings as of the dates indicated:

	As of December 31,		
	2009	2010	2011
	(RMB in millions)		
Within one year or on demand	7,014.9	6,996.5	8,572.9
After one year but within two years	1,412.0	2,476.4	2,475.7
After two years but within five years	5,096.8	6,190.4	7,314.4
After five years	7,902.6	13,040.6	11,879.4
	21,426.3	**28,703.9**	**30,242.4**

Long-term borrowings

We generally incur long-term borrowings on a project basis to fund our business expansion and capital requirements. Our long-term borrowings amounted to RMB14,411.4 million, RMB21,707.4 million and RMB21,669.5 million as of December 31, 2009, 2010 and 2011, respectively. As of December 31, 2011, some of our long-term bank loans were guaranteed by our Controlling Shareholder and other non-controlling shareholders.

Short-term borrowings

We generally incur short-term borrowings to finance our project design and other preliminary development activities before we receive the project approval from the government as well as to finance our working capital. Our short-term borrowings were RMB7,014.9 million, RMB6,996.5 million and RMB8,572.9 million as of December 31, 2009, 2010 and 2011, respectively.

SALES AND LEASEBACK TRANSACTIONS RESULTING IN FINANCE LEASES

As of December 31, 2011, we had five major finance lease agreements that we previously entered into with authorized PRC financial institutions (through their finance lease subsidiaries) to increase our source of financing. During the term of these finance leases, which ranges from two to eight years, we have the right to use the underlying equipment purchased by the leasing companies, but do not possess legal title, until the maturity of the lease in which case we have the option to purchase this equipment at a small nominal price.

- In 2008, Kemen, our coal-fired power subsidiary, entered into a sales and finance leaseback agreement with Bank of Communications Finance Leasing Co., Ltd. to sell the relevant power generation equipment at RMB247 million and then leaseback the equipment with a lease term of six years at the prevailing benchmark interest rate in China. Kemen has the option to purchase back the equipment at a nominal price of RMB1.0 when lease term expires.

- In 2009, Kemen entered into a sales and finance leaseback agreement with Minsheng Financial Leasing Co., Ltd. to sell the relevant power generation equipment at RMB500 million and then leaseback the equipment with a lease term of three years at an interest rate of 11% below the prevailing benchmark interest rate in China. Kemen has the option to purchase back the equipment at a nominal price of RMB0 when lease term expires.

- In 2011, our hydropower project company, Fujian Mianhuatan Hydropower Development Co., Ltd. entered into a sales and finance leaseback agreement with CMB Financial Leasing Co., Ltd. to sell the relevant power generation equipment at RMB233 million and then leaseback the equipment with a lease term of two years at the prevailing benchmark interest rate in China. Mianhuatan Hydropower Development Co., Ltd. has the option to purchase back the equipment at a nominal price of RMB10,000 at the end of the lease term.

- In 2011, our hydropower project company, Mindong Hydropower Development Co., Ltd. entered into a sales and finance leaseback agreement with CMB Financial Leasing Co., Ltd. to sell the relevant power generation equipment at RMB248 million and then leaseback the equipment with a lease term of two years at an interest rate of 5% below the prevailing benchmark interest rate in China. Mindong Hydropower Development Co., Ltd. has the option to purchase the equipment at a nominal price of RMB10,000 when lease term expires.

- In 2011, our wind power project company, Huadian Jilin Shuangliao Wind Power Co., Ltd. entered into a sales and finance leaseback agreement with Industrial and Commercial Bank Finance Leasing Co., Ltd. to sell the relevant power generation equipment at RMB207 million and then leaseback the equipment with a lease term of eight years at an interest rate of 10% above the prevailing benchmark interest rate in China. Huadian Jilin Shuangliao Wind Power Co., Ltd. has the option to purchase the equipment at a nominal price of RMB1.0 when lease term expires.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures principally comprise expenditures for the purchase of property, plant and equipment. The following table sets out our capital expenditures by business segment for the periods indicated:

	Year ended December 31,		
	2009	2010	2011
	(RMB in millions)		
Business Segment			
Hydropower business	391.7	748.1	254.6
Wind power business	6,421.8	6,008.7	5,163.3
Coal-fired power business	1,395.6	1,893.2	720.4
Other clean energy business	461.0	159.6	1,260.9
Total capital expenditures	**8,670.1**	**8,809.6**	**7,399.2**

The development of clean energy projects is a capital-intensive business, and we incurred a significant amount of capital expenditures for the development and construction of various types of power generating projects, principally wind power projects, during the Track Record Period. In addition, we made RMB520.3 million, RMB249.6 million and RMB573.3 million of financial investments to fund the construction of the Fuqing Nuclear Power Plant for the years ended December 31, 2009, 2010 and 2011, respectively.

In 2011, our capital expenditures of RMB7,399.2 million were primarily relating to the construction of wind power projects and coal-fired power plants, as well as the preliminary development activities of our distributed energy projects in our development pipeline.

We expect to incur approximately RMB10.3 billion and RMB10.0 billion of capital expenditure in 2012 and 2013, respectively, to fund our business expansion. The following table sets forth a breakdown of our estimated capital expenditures in 2012 and 2013:

	Estimated capital expenditures in	
	2012	2013
	(RMB in millions)	
Business segment		
Hydropower	1,635.0	1,800.0
Wind power	6,500.0	6,000.0
Coal-fired power	345.0	–
Other clean energy	1,800.0	2,200.0
Total	**10,280.0**	**10,000.0**

In addition, we intend to make approximately RMB800.0 million of financial investments each year from 2012 to 2014 to fund the construction of the Fuqing Nuclear Power Plant in which we hold a minority interest. Of our total capital requirements of approximately RMB11.1 billion in 2012 (including RMB10.3 billion of capital expenditure and RMB800.0 million of financial investments), we intend to finance:

- approximately RMB8.2 billion by new borrowings under our committed unutilized banking facilities; and

- approximately RMB2.9 billion by our future cash flow and the net proceeds from the Global Offering which we intend to use for the development and construction of clean energy projects.

As of April 30, 2012, we had committed unutilized banking facilities of approximately RMB14.8 billion, and cash and cash equivalents of RMB2.7 billion. As of the same date, we had incurred approximately RMB894.0 million of our estimated capital expenditures for 2012 and made approximately RMB360.0 million of investments in the Fuqing Nuclear Power Plant.

Our anticipated capital expenditures are subject to change from time to time based on the reassessment of our business plan, including, but not limited to, the progress of our projects under construction and pipeline projects, prevailing market conditions, regulatory environment and outlook of our future results of operations. In addition, 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. Please refer to "Risk Factors – Risks Relating to Our Business 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."

Capital Commitments

The following table set forth our commitments for the purchase of property, plant and equipment and capital investments as of the dates indicated:

	As of December 31,		
	2009	**2010**	**2011**
		(RMB in millions)	
Contracted for	19,596.3	11,969.2	9,306.3
Authorized but not contracted for	2,369.0	3,181.0	5,257.3
Total	**21,965.3**	**15,150.2**	**14,563.6**

Historically, our capital commitments were primarily due to the purchase of property, plant and equipment in relation to the expansion of our business.

As of December 31, 2011, our capital commitments of RMB14,563.6 million were primarily relating to the development and construction of wind power projects and also there is the additional commitment in relation with our capital investments in the Fuqing Nuclear Power Plant under construction in which we hold a 39.0% equity interest.

Operating Lease Commitments

The following table sets forth our future minimum lease payments under non-cancelable operating leases as of the dates indicated:

	As of December 31,		
	2009	2010	2011
	(RMB in millions)		
Within one year	7.3	11.7	15.6
After one year but within five years	35.5	36.4	45.9
More than five years	133.6	130.5	124.8
Total	**176.4**	**178.6**	**186.3**

The non-cancelable operating leases entered into by us do not contain provisions for contingent lease rentals and escalation provisions that may require higher future rental payments.

OFF BALANCE SHEET ARRANGEMENTS

Contingent Liabilities

As of December 31, 2009, 2010 and 2011, we had contingent liabilities of RMB105.3 million, RMB365.0 million and RMB294.3 million, respectively, which primarily included our guarantees associated with bank loans provided to certain third parties and related parties for their business operations.

We provided financial guarantees to a jointly controlled entity due to our obligation as a shareholder with 50% equity interest and we expect this guarantee to be released by the borrowing bank after this entity has sufficient assets to reduce the loan mortgage rate (the total amounts of principals and interests to the mortgaged fixed assets) on the underlying bank loan to 70% or below. We generally do not provide financial guarantees to any third-party companies. Our financial guarantees to certain third parties are the result of our acquisition of the original guarantors and the resulting assumption of their liabilities. We expect to terminate approximately RMB130.3 million of these financial guarantees after Listing. For more details, please see note 34 of the Accountants' Report in Appendix I to this prospectus.

As of the Latest Practicable Date, there is no stipulation on whether the income from sales of CER is subject to any value-added taxes or business taxes. Our Directors have discussed with relevant local tax authorities and were advised that VAT or business tax were not applicable to our revenue from sales of CERs. Our PRC legal advisers also confirmed that our income from sales of CER will not be subject to any VAT or business taxes in accordance with the relevant PRC laws and regulations. As a result, we did not make any provision for such contingent liabilities during the Track Record Period.

MARKET RISKS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of our business. Our exposure to these risks and the financial risk management policies and practices used by us to manage these risks are described below.

Credit risk

Our credit risk is primarily attributable to cash and cash equivalents, trade debtors and bills receivable, prepayments and other current assets, and other financial assets.

Substantially all of our cash and cash equivalents as of December 31, 2011, were deposited in the state-owned or controlled PRC banks, which the directors assessed the credit risk to be insignificant.

The receivables from sales of electricity mainly represent receivables from the provincial grid companies. We have no significant credit risk with any of these grid companies as we and our subsidiaries maintain long-term and stable business relationships with these companies. The receivables from the provincial grid companies accounted for 99.4%, 98.1% and 95.6% of total trade debtor and bills receivable as of December 31, 2009, 2010 and 2011, respectively. For other trade and other receivables, we perform an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The allowance for doubtful debts has been made in the Financial Information.

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

We provide financial guarantees to third parties and related parties. Except for the financial guarantees extended by us as set out in note 34 of Appendix I to this prospectus, we do not provide any other guarantees, which would expose us to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 34 of Appendix I to this prospectus.

Liquidity risk

Our objective is to ensure continuity of sufficient funding and flexibility by utilizing a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that our outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

We are responsible for our overall cash management and the raising of borrowings to cover expected cash demands. Our policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. In order to repay the borrowings due within one year, we negotiate banking facilities and utilizes operating cash inflows in its subsidiaries.

We had net current liabilities of RMB8,367.4 million, RMB9,295.3 million and RMB12,276.8 million as of December 31, 2009, 2010 and 2011, respectively. With regards to its future capital commitments and other financing requirements, we have unutilized banking facilities of approximately RMB15,544.2 million as of December 31, 2011.

Interest rate risk

Our interest rate risk arises primarily from borrowings. Borrowings issued at variable rates expose us to cash flow interest rate risk.

We regularly review and monitor the mix of fixed and variable rate borrowings in order to manage our interest rate risks. During Track Record Period, however, our management did not consider it necessary to use interest rate swaps to hedge their exposure to interest.

As of December 31, 2009, 2010 and 2011, we estimated that a general increase/decrease in 100 basis points in interest rates of net floating borrowings, with all other variables held constant, would have decreased/increased our profit after tax and the total equity by approximately RMB68.2 million, RMB42.6 million and RMB165.5 million, respectively.

The sensitivity analysis above has been determined assuming the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the balance sheet date.

The estimated 100 basis points increase or decrease represents management's assessment of a reasonably possible change in relevant interest rates over the period until the next annual balance sheet date. The sensitivity analysis is performed on the same basis for the entire Track Record Period.

Currency risk

We are exposed to currency risk primarily through sales and purchases, which give rise to receivables, borrowings and cash balances that are denominated in a foreign currency other than RMB. The currencies giving rise to this risk are primarily Euros and U.S. dollars.

Recognized assets and liabilities

Except for CERs sales, which were denominated in foreign currencies, all of our revenue-generating operations are transacted in the Renminbi. In addition, we have certain borrowings that are denominated in U.S. dollars. Our directors considered that our exposure to foreign currency risk is insignificant.

On the other hand, the Renminbi is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent us from satisfying sufficient foreign currency demands and we may not be able to pay dividends in foreign currencies to our equity owners.

Exposure to currency risk

The following table sets forth our exposure as of the balance sheet date to currency risk arising from recognized assets or liabilities denominated in a currency other than the Renminbi to which they relate.

	As of December 31,					
	2009		2010		2011	
	USD	EUR	USD	EUR	USD	EUR
	(RMB in millions)					
Cash and cash equivalents	–	4.4	–	3.5	–	2.4
Other current assets	–	32.5	–	83.1	27.7	166.5
Long-term borrowings	(103.8)	–	(66.2)	–	(30.2)	–
Net exposure	**(103.8)**	**36.9**	**(66.2)**	**86.6**	**(2.5)**	**168.9**

A 5% strengthening of the Renminbi against the following currencies as of December 31 2009, 2010 and 2011 would have increased/(decreased) our profit after tax and the total equity by the amount shown below:

	As of December 31,		
	2009	2010	2011
	(RMB in millions)		
U.S. dollar	0.6	0.4	0.0
Euros	(0.2)	(0.5)	(0.8)
Total	**(0.4)**	**(0.1)**	**(0.8)**

A 5% weakening of the Renminbi against the above currencies as of December 31, 2009, 2010 and 2011, would have had the equal, but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to our exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent our management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date.

The analysis is performed on the same basis for the Track Record Period.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance, which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. Any proposed distribution of dividends shall be formulated by our Board and will be subject to our shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, future prospects and other factors that our Directors may consider important.

According to the PRC law and our Articles of Association, we will pay dividends out of our after-tax profits only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory common reserve fund equivalent to 10% of our after-tax profit, as determined under PRC GAAP; and
- allocations, if any, to a discretionary common reserve fund that are approved by the shareholders in a shareholders' meeting.

The minimum allocations to the statutory funds are 10% of after-tax profit, as determined under Company Law. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory fund will be required.

In accordance with our Articles of Association, after completion of the Global Offering, dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRS, whichever is lower. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. In the future, we intend to distribute no less than 20.0% of our annual distributable earnings as dividends.

There is, however, no assurance that we will be able to declare dividends of such an amount or any amount each year or in any year. In addition, the declaration and/or payment of dividends may be limited by legal restrictions and/or by financing agreements that we may enter into in the future.

SPECIAL DISTRIBUTION

We agreed to declare a special distribution to Huadian, Wujiang Hydropower, Huadian Engineering, CPECG, Kunlun Trust, Xingye Capital and Datong Capital in the amount of our distributable profit for the period from January 31, 2011 to August 19, 2011 (the "Special Distribution"). We estimate the Special Distribution to be approximately RMB261.0 million based on our unaudited distributable profit for the same period. The actual amount of the Special Distribution will be determined based on our audited consolidated financial statements after the Listing. We will make an announcement on the result of this special audit and the amount of Special Distribution before actual payment. We expect to pay such Special Distribution from cash generated from our operating activities.

Our Directors believe that we have sufficient working capital for the full payment of the Special Distribution and our other working capital requirements in the next 12 months from the date of this prospectus. The holders of our H Shares are not entitled to share the Special Distribution. Any distributable profit for distribution to our shareholders after the Global Offering will exclude the Special Distribution. You should not rely on the Special Distribution as an indication of our future dividends distribution policy or practice.

DISTRIBUTABLE RESERVES

As of December 31, 2011, we did not have reserves available for distribution to our shareholders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of our Group attributable to the equity owners of the Company as of December 31, 2011 as if the Global Offering had taken place on December 31, 2011. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of December 31, 2011 or at any future date.

	Consolidated net tangible assets attributable to the equity owners of the Company as of December 31, 2011(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets(3)	Unaudited pro forma adjusted net tangible assets per share(4)	
	RMB in million	RMB in million	RMB in million	RMB	HK$
Based on an Offer Price of HK$1.60 per share	6,765.1	1,812.0	8,577.1	1.14	1.40
Based on an Offer Price of HK$1.76 per share	6,765.1	2,002.1	8,767.2	1.17	1.43

(1) The consolidated net tangible assets attributable to equity owners of the Company as of December 31, 2011 is based on the consolidated net assets attributable to the equity owners of the Company of RMB7,462.2 million as of December 31, 2011 after deducting intangible assets of RMB700.3 million and adjusting the share of intangible assets attributable to non-controlling interests of RMB3.2 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Prices of HK$1.60 and HK$1.76, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the shares which may fall to be issued upon the exercise of the Over-allotment Option. The estimated net proceeds have been converted to Renminbi at the PBOC rate of HK$1.00 to RMB0.8155 prevailing on June 1, 2012.

(3) The unaudited pro forma adjusted net tangible assets is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 7,500,000,000 Shares expected to be in issue following the Global Offering and the respective Offer Prices of HK$1.60 and HK$1.76, but takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted net tangible assets per share are converted into Hong Kong Dollar at the PBOC rate of HK$1.00 to RMB0.8155 prevailing on June 1, 2012.

(5) Our Group's property interests as of April 30, 2012 have been valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer and consultant, and the relevant property valuation report is set out in "Appendix IV – Property Valuation Report." The above unaudited pro forma statement of adjusted consolidated net tangible assets does not take into account the surplus arising from the revaluation of our Group's property interests amounting to approximately RMB4,306.2 million. Revaluation surplus has not been recorded in the Financial Information as set out in Appendix I to this prospectus and will not be recorded in the consolidated financial statements of the Group for the year ending December 31, 2012 as the Group's property, plant and equipment and lease prepayments are stated at cost less accumulated depreciation or amortization and impairment losses if any. If the valuation surplus was recorded in the Group's financial statements, additional annual depreciation and amortization of approximately RMB120 million would be charged against the profit for the year ending December 31, 2012.

(6) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to December 31, 2011.

PROFIT FORECAST FOR THE SIX MONTHS PERIOD ENDING JUNE 30, 2012

Forecast consolidated profit attributable to equity owners of the Company[(1)] . . . . not less than RMB776.0 million (approximately HK$951.6 million)

Unaudited pro forma forecast earnings per Share[(2)] . . . . .not less than RMB0.10 (approximately HK$0.13)

(1) The bases and assumptions on which the above profit forecast has been prepared are summarized in Appendix III to this prospectus. The Directors have prepared the forecast consolidated profit attributable to equity owners of the Company for the six months ending June 30, 2012 based on the actual unaudited consolidated results for the four months ended April 30, 2012 and the forecast consolidated results for the remaining two months ending June 30, 2012.

(2) The calculation of the unaudited pro forma forecast earnings per share is based on the actual unaudited consolidated profit for the four months ended April 30, 2012 and the forecast consolidated results for the remaining two months ending June 30, 2012 attributable to equity owners of the Company, assuming that a total of 7,500,000,000 Shares had been in issue during the period. The calculation of the unaudited pro forma forecast earnings per share does not take into account any shares which may be issued upon the exercise of the Over-allotment Option.

(3) The translation of Renminbi into Hong Kong dollars was made at the rate of HK$1.00 to RMB0.8155 prevailing on June 1, 2012.

PROPERTY INTEREST

Particulars of our property interests are set out in Appendix IV to this prospectus.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited has valued our property interests as of April 30, 2012. A summary of values and valuation certificates issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited are included in Appendix IV to this prospectus. The following table sets out the reconciliation of aggregate amounts of property interests from our consolidated financial information as of December 31, 2011 to the unaudited net book value of our property interests as of April 30, 2012:

	RMB in millions
	(unaudited)
Net book value of property interests as of December 31, 2011.	9,262.3[(1)]
Movements for the period from December 31, 2011 to April 30, 2012	
Add: additions during the period from December 31, 2011 to April 30, 2012.	95.8
Less: depreciation and disposal during the period from December 31, 2011 to April 30, 2012.	92.4
Net book value of property interests as of April 30, 2012.	9,265.7
Valuation surplus as of April 30, 2012	4,306.2
Valuation as of April 30, 2012 as included in Appendix IV to this prospectus	13,571.9[(2)]

(1) The net book value of property interest as of December 31, 2011 included our (i) buildings and structures of RMB7,474.1 million; (ii) buildings and structures under construction of RMB1,256.1 million, (iii) investment property of RMB20.0 million, and (iv) lease prepayments of RMB512.1 million.

(2) The valuation as of April 30, 2012 included the aggregate capital value of RMB1,725,666,000 stated on page IV-34 plus the value of RMB11,846,211,000 for reference purpose as stated in the notes of valuation certificates in Appendix IV to this prospectus.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Except as disclosed in this prospectus, our directors confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our directors have confirmed that there has been no material adverse change in our financial or trading position since December 31, 2011, which is our latest audited consolidated financial results.