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GOLDWIND

XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.*

新疆金風科技股份有限公司

(a joint stock limited liability company incorporated in the People's Republic of China)

Stock Code : 02208

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

The Board of Directors (the "**Board**") of Xinjiang Goldwind Science & Technology Co., Ltd. (the "**Company**") announces the audited financial results of the Company and its subsidiaries (the Company and its subsidiary, collectively, the "**Group**" or "**Goldwind**") for the year ended 31 December 2011. The Group's financial results have been audited by Ernst & Young.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
REVENUE	4	12,755,970	17,475,172
Cost of sales		(10,699,178)	(13,453,754)
Gross profit		2,056,792	4,021,418
Other income and gains	4	770,150	665,732
Selling and distribution costs		(990,317)	(1,096,360)
Administrative expenses		(738,691)	(417,616)
Other expenses		(78,794)	(272,208)
Finance costs	6	(257,954)	(116,977)
Share of profits and losses of:			
Jointly-controlled entities		2,286	5,162
Associates		100,962	10,564
PROFIT BEFORE TAX	5	864,434	2,799,715
Income tax expense	7	(146,448)	(415,878)

PROFIT FOR THE YEAR		717,986	2,383,837
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		(119,074)	(34,553)
Available-for-sale investments:			
Changes in fair value		1,135	-
Income tax effect		(187)	-
		948	-
Share of other comprehensive income of associates		12,666	7,078
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(105,460)	(27,475)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		612,526	2,356,362
Profit attributable to:			
Owners of the Company		606,707	2,289,520
Non-controlling interests		111,279	94,317
		717,986	2,383,837
Total comprehensive income attributable to:			
Owners of the Company		501,247	2,262,045
Non-controlling interests		111,279	94,317
		612,526	2,356,362
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic and diluted	9	RMB0.23	RMB0.99

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2011

	Notes	As at 31 December 2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		4,579,887	3,782,767
Investment properties		85,281	88,177
Prepaid land lease payments		214,788	260,413
Goodwill		326,225	256,823
Other intangible assets		389,918	353,239
Investments in jointly-controlled entities		392,625	172,502
Investments in associates		253,138	89,980
Available-for-sale investments		257,644	60,460
Deferred tax assets		465,368	399,169
Prepayments		65,332	88,032
Derivative financial instruments		33,203	9,975
Total non-current assets		7,063,409	5,561,537
CURRENT ASSETS			
Inventories		5,148,235	4,390,716
Trade and bills receivables	10	10,299,392	7,583,129
Prepayments, deposits and other receivables		1,623,728	1,204,035
Equity investment at fair value through profit or loss		94,035	-
Pledged deposits		16,325	334,599
Cash and cash equivalents	11	7,596,918	9,323,600
		24,778,633	22,836,079
Assets of a disposal group classified as held for sale		588,144	-
Total current assets		25,366,777	22,836,079
CURRENT LIABILITIES			
Trade and bills payables	12	7,580,875	8,130,173
Other payables and accruals		1,426,167	1,952,241
Derivative financial instruments		537	7,546
Interest-bearing bank loans		5,467,483	1,501,526
Tax payable		119,454	422,918
Provision		592,562	441,793
		15,187,078	12,456,197
Liabilities directly associated with the assets classified as held for sale		525,819	-
Total current liabilities		15,712,897	12,456,197
NET CURRENT ASSETS		9,653,880	10,379,882
TOTAL ASSETS LESS CURRENT LIABILITIES		16,717,289	15,941,419

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2011

	Notes	As at 31 December 2011 RMB'000	2010 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		16,717,289	15,941,419
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		2,574,745	1,465,314
Deferred tax liabilities		44,413	68,967
Provision		677,121	574,366
Government grants		152,501	187,359
Other long-term liabilities		-	14,513
Total non-current liabilities		3,448,780	2,310,519
Net assets		3,268,509	13,630,900
EQUITY			
Equity attributable to owners of the Company			
Issued share capital		2,694,588	2,694,588
Reserves		10,044,742	9,678,240
Proposed final dividend	8	134,729	916,160
		12,874,059	13,288,988
Non-controlling interests		394,450	341,912
Total equity		13,268,509	13,630,900

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2011

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2011

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

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CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(3,006,150)	(2,551,897)
Additions of prepaid land lease payments	(11,191)	(30,764)
Additions of other intangible assets	(205,702)	(84,060)
Acquisitions of subsidiaries, net of cash acquired	(325,365)	63,851
Purchases of shareholding in jointly-controlled entities	(146,661)	(24,875)
Purchases of shareholding in associates	(35,450)	-
Purchases of available-for-sale investments	(197,696)	(3,100)
Acquisitions of non-controlling interests in subsidiaries	(1,243)	(23,000)
Proceeds from disposals of items of property, plant and equipment	985	419
Disposals of subsidiaries, net of cash disposed of	199,235	213,036
Derecognitions of subsidiaries, net of cash disposed of	(276,292)	(1,087)
Disposal of a jointly-controlled entity	-	17,500
Cash and cash equivalents included in assets held for sale	(87,396)	-
Repayments of loans from jointly-controlled entities	302,745	-
Repayments of loans from associates	36,211	-
Repayments of loans to jointly-controlled entities	(24,648)	-
Decrease/(Increase) in pledged deposits	318,274	(116,061)
Decrease/(Increase) in non-pledged time deposits with original maturity of three months or more when acquired	38,912	(1,200)
Government grants received	-	22,480
Interest received	24,706	8,319
Dividend received	40,449	13,588
Proceeds from derivative financial instruments	-	1,474
Net cash flows used in investing activities	(3,356,277)	(2,495,377)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		11,882,923	3,659,293
Repayment of bank loans		(4,949,538)	(2,023,053)
Increase in amounts due to the non-controlling shareholders of subsidiaries		43,860	-
Interest paid		(251,764)	(152,707)
Proceeds from issue of new shares		-	7,038,788
Share issue expenses		-	(269,293)
Capital withdrawal by non-controlling shareholders		-	(24,388)
Capital contributions from non-controlling shareholders		105,420	-
Dividend paid to owners of the Company		(916,160)	(924,000)
Dividend paid to non-controlling shareholders		(9,945)	(25,828)
Net cash flows from financing activities		5,904,796	7,278,812
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(1,584,923)	4,969,846
Cash and cash equivalents at beginning of year		9,242,400	4,378,950
Effect of foreign exchange rate changes, net		(102,847)	(106,396)
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	7,554,630	9,242,400

1. CORPORATE INFORMATION

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

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

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

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

2.1 BASIS OF PRESENTATION

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

Basis of consolidation

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

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

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

2.1 BASIS OF PRESENTATION (continued)

Basis of consolidation (continued)

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

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

The principal effects of adopting these IFRSs are as follows:

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Details of the key amendments most applicable to the Group are as follows:

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2011

	Wind turbine generator manufacturing	Wind power services	Wind farm development	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
Sales to external customers	12,254,476	362,661	138,833	-	12,755,970
Intersegment sales	2,016,806	158,532	-	(2,175,338)	-
Total revenue	14,271,282	521,193	138,833	(2,175,338)	12,755,970
Segment results:	768,832	51,727	176,403	71,714	1,068,676
Interest income	50,204	696	2,812	-	53,712
Finance costs	(213,001)	(3,519)	(41,434)	-	(257,954)
Profit before tax	606,035	48,904	137,781	71,714	864,434
Segment assets	28,669,633	934,630	9,076,324	(6,250,401)	32,430,186
Segment liabilities	15,669,598	712,845	6,909,821	(4,130,587)	19,161,677
Other segment information:					
Share of profits and losses of:					
Jointly-controlled entities	-	-	2,286	-	2,286
Associates	81,504	-	19,458	-	100,962
Depreciation and amortisation	158,068	2,888	41,506	(5,881)	196,581
Impairment/(reversal of impairment) of trade and other receivables	19,682	(3,127)	-	-	16,555
Product warranty provision	570,572	-	-	(58,603)	511,969
Investments in jointly-controlled	15,182	-	507,902	(130,459)	392,625
Investments in associates	174,380	3,200	122,811	(47,253)	253,138
Capital expenditure(1)	631,330	5,031	3,298,529	(608,314)	3,326,576

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2010

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

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

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS

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

NOTES TO FINANCIAL STATEMENTS

31 December 2011

1. REVENUE, OTHER INCOME AND GAINS (continued)

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

	2011	2010
	RMB'000	RMB'000
Revenue		
Sale of wind turbine generators and wind power components	12,254,476	17,004,649
Wind power services	362,661	292,685
Wind power generation	138,833	177,838
	12,755,970	17,475,172
Other income		
Bank interest income	53,712	28,809
Dividend income from available-for-sale investments	1,522	15,239
Gross rental income	20,632	16,023
Government grants	165,706	100,670
Value-added tax refund	3,646	7,022
Insurance compensation on product warranty expenditures	46,854	34,749
Others	27,347	3,356
	319,419	205,868
Gains		
Gain on disposals of subsidiaries, including wind farm project companies	294,111	414,724
Gain on derecognitions of subsidiaries, the wind farm project companies	92,809	29,040
Gain on disposal of an investment in a jointly-controlled entity	24,854	-

4. REVENUE, OTHER INCOME AND GAINS (continued)

	2011 RMB'000	2010 RMB'000
Gain on disposals of items of property, plant and equipment	1,293	377
Net fair value gain on derivative financial instruments – transaction not qualifying as hedges	31,262	8,508
Realised gain on derivative financial instruments	533	1,474
Others	5,869	5,741
	450,731	459,864
	770,150	665,732

NOTES TO FINANCIAL STATEMENTS

31 December 2011

5. PROFIT BEFORE TAX

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

	2011 RMB’000	2010 RMB’000
Cost of inventories sold	10,418,588	13,172,640
Write-down of inventories to net realisable value	-	1,130
Depreciation (note (a)) provided for:		
Property, plant and equipment	135,289	110,156
Investment properties	2,896	2,652
	138,185	112,808
Amortisation of prepaid land lease payments	4,564	3,653
Amortisation of other intangible assets	53,832	50,748
	58,396	54,401
Impairment of trade and bills receivables	16,807	185,298
(Reversal of impairment)/impairment of prepayments, deposits and other receivables	(252)	1,506
	16,555	186,804
Loss on disposals of items of property, plant and equipment and other intangible assets, net	4,714	136
Minimum lease payments under operating leases of land and buildings	16,947	15,597
Auditors' remuneration	6,063	6,900
Employee benefit expenses (including directors’ and supervisors’ remuneration):		
Wages and salaries	362,204	298,047
Pension scheme contributions (defined contribution scheme) (note (b))	32,342	17,577
Welfare and other expenses	77,873	40,930
	472,419	356,554
Foreign exchange differences, net	11,021	40,430
Research and development costs:		
Staff costs	75,913	43,100
Amortisation and depreciation	6,435	3,489
Materials expenditure and others	201,506	51,790
	283,854	98,379
Product warranty provision	511,969	756,174
Insurance compensation on product warranty expenditures	(46,854)	(34,749)

5. PROFIT BEFORE TAX (continued)

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

Notes:

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

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

6. FINANCE COSTS

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

7. INCOME TAX EXPENSE

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

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

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

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

7. INCOME TAX EXPENSE (continued)

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

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

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

8. DIVIDENDS

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

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

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

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

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

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

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

10. TRADE AND BILLS RECEIVABLES

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

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

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

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

10. TRADE AND BILLS RECEIVABLES (continued)

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

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

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

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

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

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

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

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

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

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

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

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

12. TRADE AND BILLS PAYABLES

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

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

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

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

13. APPROVAL OF THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of director on 23 March 2012.

During 2011, the global economy and the economy of the People's Republic of China (the "**PRC**" or "**China**") experienced volatility and change. In addition, after several years of rapid growth, China's wind power industry entered a period of adjustment and faced new challenges. Approvals for new wind farms slowed, grid constraints delayed wind farm connections, competition grew fiercer, raw materials prices increased, and financing was more difficult to secure than in past years. Due to these challenges, China's newly installed wind capacity decreased to 17,631MW in 2011, down 6.9% compared to 2010. Our sales revenue and profit decreased for the first time in the history of the Company. During the reporting period, the Company achieved operating revenues of RMB 12.76 billion and profit attributable to owners of the Company of RMB 607 million, decreases of 27.01% and 73.50%, respectively, compared to 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRY REVIEW

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

i. Global Wind Power Industry

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

ii. China's Wind Power Industry

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

2. Changes in China’s Wind Power Policies

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

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

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

2）Centralisation of Government Approvals for Wind Power Projects

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

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

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

3）Improved Wind Power Industry Standards and Technological Requirements

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

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

4）Development of Distributed Wind Power

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

5）Increased Supplementary Feed-in Tariffs for Renewable Energy

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

3. Changes in Macroeconomic Environment

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

4. WTG Manufacturing

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

1）Higher Barriers to Enter the Wind Power Industry

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

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

2）Changes in Competitive Environment

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

3）A Shift towards Sustainable Development

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

4）Development of Large Capacity and Offshore WTGs

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

5）Increase in Price of Raw Materials

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

II. Business Review

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

i. WTG R&D, Manufacturing and Sales

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

Model	**2011**		2010		Change in MW sold（%）
	Unit sold	**MW sold（MW）**	Unit sold	MW sold（MW）	
3.0MW	**2**	**6**	-	-	-
2.5MW	**87**	**217.5**	1	2.5	8600%
1.5MW	**1,921**	**2,881.5**	2,567	3,850.5	(25.17)%
750kW	**1**	**0.75**	205	153.75	(99.51)%
Total	**2,011**	**3,105.75**	2,773	4,006.75	(22.49)%

The Company installed 3,600MW in China during 2011. This represents a domestic market share of 20.4%, ranked first in China. The Company installed a further 111MW in the international market in 2011. As at the end of 2011, the Company's total installed capacity in China was 12,678.85MW, including 6,217 units of 1.5MW WTGs and 46 units of 2.5MW WTGs. The technical availability rate of our 1.5MW WTGs reached

98.9% in 2011. Our 2.5MW WTGs, which entered its first year of commercial production, achieved a technical availability rate of 95%. During the reporting period, in recognition of our products' consistent quality and reliability, we were awarded the only "National Quality Award" (全國質量工作先進單位) in the wind power industry. This is the highest recognition of our product quality.

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

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

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

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

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

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

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

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

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

ii. Wind Power Services

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

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

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

iii. Wind Farm Investment, Development and Sales

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

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

During the reporting period, the revenue from power generated by wind farms operated by the Group was RMB138.83 million, a decrease of 21.93% compared to the corresponding period of the preceding year. Investment gains from the sale of wind farms totalled RMB386.9 million, a decrease of 12.83% compared to 2010.

iv. International Business

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

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

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

v. Issue of Corporate Bonds

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

vi. Major Subsidiaries

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

As at 31 December 2011
Unit: RMB ten thousand

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

vii. Use of Proceeds

1. **Use of H Share Proceeds**

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

(Unit: RMB million)

Proceed Projects	Planned Investment	Actual Investment	Unused Amount
Construction of production base and optimisation of business operations	2,715	1,933	782
R&D of WTGs and components	986	151	835
International business	1,972	450	1,522
Bank loan repayment	411	411	0
General working capital	670	670	0
Total	**6,754**	**3,615**	**3,139**

2. **Use of A Share Proceeds**

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

(Unit: RMB million)

Proceed Projects	Planned Investment	Actual Investment	Unused Amount
Capacity Expansion			
Beijing MW-level WTG high technology industrialisation project	150	150	0
Xinjiang MW-level WTG capacity expansion project	461	461	0
Inner Mongolia MW-level DDPM WTG industrialisation project	127	127	0
Nanjing MW-level WTG industrialisation	25.45	25.45	0

project			
Jiangsu Dafeng Offshore WTG R&D and manufacturing base	89.61	0	89.61
R&D Projects			
1.5MW WTG series	128	128	0
2.5MW DDPM WTG	160	160	0
3MW hybrid PM WTG	232	148.13	83.87
6MW DDPM WTG	50	25.55	24.45
Testing laboratory	40	40	0
Wind Farm Development and Sales			
Capital increase to FUHUI wind power for WULATE project	81.60	81.60	0
Tacheng Mayitasi 49.5MW Trial Demonstration Wind Farm	100	100	0
Goldwind Damao National Demonstration Wind Farm	100	100	0
Total	1,744.66	1,546.73	197.93

viii. Human Resource Management

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

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

The Group provides management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. We sign individual employment contracts with our employees, covering, among other items, salaries, benefits, training, workplace health and safety, confidentiality obligations relating to trade secrets, and grounds for termination. The salary of employees of the Group is composed of wages, bonuses and allowances, and they can also enjoy other benefits such as medical insurance, rent discounts, and pension.

III. OPERATIONS PERFORMANCE AND ANALYSIS

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

Summary

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

Revenue

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

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

Unit: RMB thousand

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

	12,755,970	(4,719,202)

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

Cost of Sales

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

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

Unit: RMB thousand

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

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

Unit: RMB thousand

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

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

Gross Profit

Unit: RMB thousand

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

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

Gross Profit Margin

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

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

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

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

Other Income and Gains

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

For the financial year ended 31 December 2011, the Group's total other income and gains amounted to RMB770.15 million, representing a 15.68% increase from RMB665.73 million for the financial year ended 31 December 2010. The increase is mainly due to wind farm disposal gains and increased government subsidies.

Selling and Distribution Costs

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

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

Administrative Expenses

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

Other Expenses

Other expenses mainly consist of banking administration fees, foreign exchange losses, and the impairment provisions accrued in connection with our trade and bills receivables. Other expenses of the Group for the financial year ended 31 December 2011 amounted to approximately RMB78.79 million, representing a decrease of 71.05% compared to RMB272.21 million for the corresponding period of the preceding year. Decreased expenses are mainly due to decreases in foreign exchange losses and bad debt provisions.

Finance Costs

Finance costs of the Group for the financial year ended 31 December 2011 amounted to RMB257.95 million, an increase of 120.52% from RMB116.98 million for the financial year ended 31 December 2010. The increase is mainly due to an increase in the Group’s working capital requirements leading to a significant increase in interest-bearing borrowings, whilst expensed interests also increased resulting from the completion and subsequent operations of wind farm projects.

Income Tax Expenses

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

Financial Position

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

2010 were RMB7,063.41 million and RMB5,561.54 million, respectively.

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

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

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

Financial Resources and Liquidity

Cash Flow Statement

Unit: RMB thousand

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

1. Cash flows for/from operating activities

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

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

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

2. Cash flows for investment activities

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

For the financial year ended 31 December 2011, the Group's net cash flows for investment activities was RMB3,356.28 million, principally due to purchases of property, plant and equipment in the amount of RMB3,006.15 million, RMB205.70 million for other intangible assets, and RMB325.37 million for acquisition of subsidiaries, offset partly by a RMB318.27 million decrease in pledged deposits and a RMB119.24 million inflow from the disposal of subsidiaries (net of cash disposed of).

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

3. Cash flows from financing activities

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

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

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

Capital Expenditures

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

IV. POTENTIAL RISK FACTORS

i. Slower Industry Growth

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

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

ii. Fierce Market Competition

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

iii. Lower WTG ASP

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

iv. Fluctuations in Raw Material Prices

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

V. OUTLOOK FOR 2012 AND BEYOND

i. Industry Overview and the Competitive Environment

1. Industry Overview

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

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

2. Competitive Environment

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

ii. Corporate Strategy

Goldwind strives to serve as a global leader in discovering and creating value for the development and utilisation of clean energy. Facing the opportunities and challenges presented by the wind power industry, we will continue to be innovative in terms of our technology, operations, and management. The Company will continue to strengthen our competitiveness in WTG R&D, manufacturing, sales, and services, whilst also accelerating expansion into sectors along the wind power value chain, providing comprehensive wind power solutions and WTGs, wind power services, and wind farm development to our clients. We will also continue to expand in the international market, further globalising our technology, market footprint, staff, and capital resources in an effort to become a global leader in the industry. Building upon our strong foundation in the wind power industry, the Company will explore the potential to combine wind power with other forms of renewable energy, actively pursue the development of wind and solar power generation, wind and solar powered products (through methods such as nitrogen production, hydrogen production, and desalination), smart micro-grids, and other technical and operational areas. We will seek to create new opportunities in the wind and solar energy industries and facilitate the sustainable development of the Company.

iii. Operations Plan and Major Goals for 2012

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

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

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

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

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

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

iv. Capital Requirements and Planned Capital Expenditures

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

COMPLICANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all code provisions contained in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2011.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Board of the Company has discussed with the management of the Company on and reviewed the consolidated financial statements of the Group for the year ended 31 December 2011.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Board has proposed to pay a final dividend of RMB0.05 per share (including tax) for the year ended 31 December 2011 in cash out of the Company's retained distributable profit as at 31 December 2011. Such proposal is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company. Information regarding the date of the annual general meeting, the record dates and book close dates for the entitlement to the final dividend and attendance of the annual general meeting will be announced in due course.

By order of the Board
Xinjiang Goldwind Science & Technology Co., Ltd.
Ma Jinru
Company Secretary

Beijing China, 23 March 2012

As at the date of this announcement, the executive director of the Company is Mr. Wu Gang; the non-executive directors are Mr. Li Ying, Mr. Gao Zhong, Mr. Lv Houjun and Ms. Hu Yang; and the independent non-executive directors are Mr. Wang Yousan, Mr. Shi Pengfei and Dr. Tin Yau Kelvin Wong.

** For identification purpose only*