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 2012

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 2012. The Group's financial results have been audited by Ernst & Young.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	4	11,224,926	12,755,970
Cost of sales		(9,632,600)	(10,699,178)
Gross profit		1,592,326	2,056,792
Other income and gains	4	585,554	770,150
Selling and distribution expenses		(876,456)	(990,317)
Administrative expenses		(712,741)	(738,691)
Other expenses		(109,928)	(78,794)
Finance costs	6	(392,127)	(257,954)
Share of profits and losses of:			
Jointly-controlled entities		42,311	2,286
Associates		77,917	100,962
PROFIT BEFORE TAX	5	206,856	864,434
Income tax expense	7	(41,387)	(146,448)
PROFIT FOR THE YEAR		165,469	717,986
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		12,572	(119,074)
Available-for-sale investments:			
Changes in fair value		(4,096)	1,135
Income tax effect		187	(187)
		(3,909)	948
Share of other comprehensive income of associates		-	12,666
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		8,663	(105,460)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		174,132	612,526
Profit attributable to:			
Owners of the Company		153,054	606,707
Non-controlling interests		12,415	111,279
		165,469	717,986
Total comprehensive income attributable to:			
Owners of the Company		161,717	501,247
Non-controlling interests		12,415	111,279
		174,132	612,526
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic and diluted	9	RMB0.06	RMB0.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2012

	Notes	As at 31 December 2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		5,366,421	4,579,887
Investment properties		82,385	85,281
Prepaid land lease payments		108,402	214,788
Goodwill		310,848	326,225
Other intangible assets		428,736	389,918
Investments in jointly-controlled entities		485,098	392,625
Investments in associates		364,065	253,138
Available-for-sale investments		544,246	257,644
Deferred tax assets		516,365	465,368
Trade receivables	10	304,747	-
Prepayments, deposits and other receivables		217,011	65,332
Derivative financial instruments		94,830	33,203
Total non-current assets		8,823,154	7,063,409
CURRENT ASSETS			
Inventories		3,511,626	5,148,235
Trade and bills receivables	10	10,114,634	10,299,392
Prepayments, deposits and other receivables		1,790,450	1,623,728
Equity investment at fair value through profit or loss		-	94,035
Pledged deposits		143,832	16,325
Cash and cash equivalents	11	6,817,928	7,596,918
		22,378,470	24,778,633
Assets of a disposal group classified as held for sale		1,194,874	588,144
Total current assets		23,573,344	25,366,777
CURRENT LIABILITIES			
Trade and bills payables	12	8,504,996	7,580,875
Other payables and accruals		1,346,352	1,426,167
Derivative financial instruments		-	537
Interest-bearing bank loans		389,211	5,467,483
Tax payable		57,817	119,454
Provision		671,205	592,562
		10,969,581	15,187,078
Liabilities directly associated with the assets classified as held for sale		1,296,822	525,819
Total current liabilities		12,266,403	15,712,897
NET CURRENT ASSETS		11,306,941	9,653,880
TOTAL ASSETS LESS CURRENT LIABILITIES		20,130,095	16,717,289

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2012

	Notes	As at 31 December 2012 RMB'000	2011 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		20,130,095	16,717,289
NON-CURRENT LIABILITIES			
Trade payables	12	244,656	-
Interest-bearing bank loans and other borrowing		5,715,906	2,574,745
Deferred tax liabilities		38,801	44,413
Provision		683,941	677,121
Government grants		161,166	152,501
Total non-current liabilities		6,844,470	3,448,780
Net assets		13,285,625	13,268,509
EQUITY			
Equity attributable to owners of the Company			
Issued share capital		2,694,588	2,694,588
Reserves		10,059,864	10,044,742
Proposed final dividend	8	148,202	134,729
		12,902,654	12,874,059
Non-controlling interests		382,971	394,450
Total equity		13,285,625	13,268,509

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
Year ended 31 December 2012

	Attributable to owners of the Company									Non-controlling interests	Total equity
	Issued share capital RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000	Total RMB'000	RMB'000	RMB'000
As at 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 differences on translation of foreign operations	-	-	-	-	-	-	(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 and derecognition of subsidiaries	-	-	-	-	-	-	-	-	-	(107,940)	(107,940)
Proposed final 2011 dividend	-	-	-	-	(134,729)	-	-	134,729	-	-	-
As at 31 December 2011 and 1 January 2012	2,694,588	*7,989,649	-	*495,389	*1,719,842	*948	*(161,086)	134,729	12,874,059	394,450	13,268,509
Profit for the year	-	-	-	-	153,054	-	-	-	153,054	12,415	165,469
Other comprehensive income for the year:											
Changes in fair value of available-for-sale investment, net of tax	-	-	-	-	-	(3,909)	-	-	(3,909)	-	(3,909)
Exchange differences on translations of foreign operations	-	-	-	-	-	-	12,572	-	12,572	-	12,572
Total comprehensive income for the year	-	-	-	-	153,054	(3,909)	12,572	-	161,717	12,415	174,132
Final 2011 dividend declared	-	-	-	-	-	-	-	(134,729)	(134,729)	-	(134,729)
Profit appropriation to reserves	-	-	-	37,482	(37,482)	-	-	-	-	-	-
Dividend declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(22,806)	(22,806)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	41,417	41,417
Capital withdrawal of non-controlling shareholders	-	-	-	-	-	-	-	-	-	(4,710)	(4,710)
Acquisition of shares from non-controlling shareholders	-	1,607	-	-	-	-	-	-	1,607	(37,795)	(36,188)
Proposed final 2012 dividend	-	-	-	-	(148,202)	-	-	148,202	-	-	-
Transfer to special reserve	-	-	15,283	-	-	-	-	-	15,283	-	15,283
Special reserve utilised	-	-	(15,283)	-	-	-	-	-	(15,283)	-	(15,283)
As at 31 December 2012	2,694,588	*7,991,256	-	*532,871	*1,687,212	*(2,961)	*(148,514)	148,202	12,902,654	382,971	13,285,625

*As at 31 December 2012, these reserve accounts comprised the consolidated reserves of RMB10,059,864,000 (31 December 2011: RMB10,044,742,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		206,856	864,434
Adjustments for:			
Finance costs	6	392,127	257,954
Foreign exchange differences, net	5	18,113	11,021
Bank interest income		(146)	(24,705)
Share of profits and losses of jointly-controlled entities		(42,311)	(2,286)
Share of profits and losses of associates		(77,917)	(100,962)
Depreciation	5	186,468	138,185
Amortisation of prepaid land lease payments	5	3,204	4,564
Amortisation of other intangible assets	5	44,930	53,832
Loss on disposals of items of property, plant and equipment and other intangible assets, net	5	67	4,714
Gain on disposals and derecognition of subsidiaries	4	(244,080)	(386,920)
Gain on disposal of a jointly-controlled entity	4	(43,865)	(24,854)
Dividend income from available-for-sale investments	4	-	(1,522)
Realised gain on derivative financial instruments	4	-	(533)
Gain on other investments		(2,797)	-
Net fair value gain on derivative financial instruments	4	(1,637)	(31,262)
Impairment of trade and other receivables	5	48,541	16,555
Write-down of inventories to net realisable value	5	58,782	-
Government grants		(19,246)	-
		527,089	778,215
Decrease/(increase) in inventories		1,061,153	(780,089)
Decrease/(increase) in trade and bills receivables		148,737	(2,816,029)
Increase in prepayments, deposits and other receivables		(127,387)	(357,289)
Decrease/(increase) in equity investment at fair value through profit or loss		94,035	(94,035)
Increase/(decrease) in trade and bills payables		917,257	(88,407)
Decrease in other payables and accruals		(115,178)	(792,133)
Increase in provision		85,463	253,524
Increase in government grants		12,694	-
Cash generated from operations		2,603,863	(3,896,243)
Income tax paid		(103,925)	(237,199)
Net cash flows from/(used in) operating activities		2,499,938	(4,133,442)

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CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(2,585,787)	(3,006,150)
Additions of prepaid land lease payments		(12,694)	(11,191)
Additions of other intangible assets		(93,180)	(205,702)
Acquisitions of subsidiaries, net of cash acquired		(123,004)	(325,365)
Acquisitions of non-controlling interests in subsidiaries		(31,050)	(1,243)
Purchases of shareholding in jointly-controlled entities		(60,573)	(146,661)
Purchases of shareholding in associates		(19,857)	(35,450)
Purchases of available-for-sale investments		(275,400)	(197,696)
Receipt of government grants		399,657	-
Disposal of shareholding in jointly-controlled entities and other entities		80,377	-
Proceeds from disposals of items of property, plant and equipment, prepaid land lease payments and other intangible assets		89,433	985
Disposals and derecognition of subsidiaries, net of cash disposed of		446,661	(77,057)
Cash and cash equivalents included in assets held for sale		(28,892)	(87,396)
Repayments of loans from jointly-controlled entities		11,263	302,745
Repayments of loans from associates		7,942	36,211
Repayments of loans to jointly-controlled entities		(4,512)	(24,648)
(Increase)/decrease in pledged deposits		(1,627)	318,274
(Increase)/decrease in non-pledged time deposits with original maturity of three months or more when acquired		(171,312)	38,912
Interest received		146	24,706
Dividend received		59,710	40,449
Other investments income received		8,806	-
Net cash flows used in investing activities		(2,303,893)	(3,356,277)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans and corporate bond		5,614,247	11,882,923
Repayment of bank loans		(6,360,708)	(4,949,538)
Increase in payables to the non-controlling shareholders of subsidiaries		10,646	43,860
Interest paid		(311,176)	(251,764)
Capital contributions from non-controlling shareholders		41,311	105,420
Dividend paid to owners of the Company		(134,729)	(916,160)
Dividend paid to non-controlling shareholders		(22,806)	(9,945)
Net cash flows (used in)/from financing activities		(1,163,215)	5,904,796
NET DECREASE IN CASH AND CASH EQUIVALENTS		(967,170)	(1,584,923)
Cash and cash equivalents at beginning of year		7,554,630	9,242,400
Effect of foreign exchange rate changes, net		16,868	(102,847)
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	6,604,328	7,554,630

1. CORPORATE INFORMATION

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

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

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

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

2.1. BASIS OF PRESENTATION

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

<u>Basis of consolidation</u>
The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2012. 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 it 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 PREPARATION (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 revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First - time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
IAS 12 Amendments	Amendment to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised IFRSs has had no significant financial effect on these financial statements.

The IAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. The Group's investment properties are measured at cost, the adoption of the amendments did not have any impact on the financial position or performance of the Group.

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 the development of wind farms, which consists of wind power generation service provided by the Group's wind farms as well as the sale of wind farms, if appropriate.

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

3. OPERATING SEGMENT INFORMATION (continued)

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.

Year ended 31 December 2012

	Wind turbine generator manufacturing and sale RMB'000	Wind power services RMB'000	Wind farm development RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	10,580,843	392,126	251,957	-	11,224,926
Intersegment sales	2,233,104	59,061	-	(2,292,165)	-
Total revenue	12,813,947	451,187	251,957	(2,292,165)	11,224,926
Segment results:	373,201	26,281	145,403	(35,053)	509,832
Interest income	134,562	944	6,257	(52,612)	89,151
Finance costs	(313,669)	(1,100)	(129,970)	52,612	(392,127)
Profit before tax	194,094	26,125	21,690	(35,053)	206,856
Segment assets	27,064,040	1,571,906	13,228,770	(9,468,218)	32,396,498
Segment liabilities	14,166,294	1,273,674	10,097,678	(6,426,773)	19,110,873
Other segment information:					
Share of profits and losses of:					
Jointly-controlled entities	-	-	42,311	-	42,311
Associates	68,076	-	9,841	-	77,917
Depreciation and amortisation	150,863	3,763	90,130	(10,154)	234,602
Write-down of inventories to net realisable value	58,782	-	-	-	58,782
Impairment of trade and other receivables	151,811	13,282	-	-	165,093
Reversal of impairment of trade and other receivables	(116,138)	(414)	-	-	(116,552)
Product warranty provision	380,749	-	-	(7,229)	373,520
Investments in jointly-controlled entities	15,471	-	523,196	(53,569)	485,098
Investments in associates	237,062	3,200	123,803	-	364,065
Capital expenditure[(1)]	613,408	22,475	2,971,173	(346,611)	3,260,445

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2011

	Wind turbine generator manufacturing and sale RMB'000	Wind power services RMB'000	Wind farm development RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	12,254,476	362,661	138,833	-	12,755,970
Intersegment sales	2,016,806	158,532	-	(2,175,338)	-
Total revenue	14,271,282	521,193	138,833	(2,175,338)	12,755,970
Segment results:	768,832	51,727	176,403	71,714	1,068,676
Interest income	50,204	696	2,812	-	53,712
Finance costs	(213,001)	(3,519)	(41,434)	-	(257,954)
Profit before tax	606,035	48,904	137,781	71,714	864,434
Segment assets	28,669,633	934,630	9,076,324	(6,250,401)	32,430,186
Segment liabilities	15,669,598	712,845	6,909,821	(4,130,587)	19,161,677
Other segment information:					
Share of profits and losses of:					
Jointly-controlled entities	-	-	2,286	-	2,286
Associates	81,504	-	19,458	-	100,962
Depreciation and amortisation	158,068	2,888	41,506	(5,881)	196,581
Impairment of trade and other receivables	249,236	1,445	-	-	250,681
Reversal of impairment of trade and other receivables	(229,554)	(4,572)	-	-	(234,126)
Product warranty provision	570,572	-	-	(58,603)	511,969
Investments in jointly-controlled entities	15,182	-	507,902	(130,459)	392,625
Investments in associates	174,380	3,200	122,811	(47,253)	253,138
Capital expenditure(1)	631,330	5,031	3,298,529	(608,314)	3,326,576

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

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2012 RMB'000	2011 RMB'000
Mainland China	9,926,322	11,547,051
Overseas	1,298,604	1,208,919
	11,224,926	12,755,970

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2012 RMB'000	2011 RMB'000
Mainland China	6,241,942	4,464,991
United States of America	271,465	1,196,652
Germany	532,333	559,758
Australia	142,496	85,581
Others	174,730	212
	7,362,966	6,307,194

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

Information about major customers

For the year ended 31 December 2012 and 31 December 2011, respectively, no revenue generated from any of the Group's customers individually accounted for 10% or more of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, comprises the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contract; and the values of services rendered.

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

	Notes	2012 RMB'000	2011 RMB'000
Revenue			
Sale of wind turbine generators and wind power components		10,580,843	12,254,476
Wind power services		392,126	362,661
Wind power generation		251,957	138,833
		11,224,926	12,755,970
Other income			
Bank interest income		89,151	53,712
Dividend income from available-for-sale investments		-	1,522
Gross rental income		5,150	20,632
Government grants		89,001	165,706
Value-added tax refund		5,351	3,646
Insurance compensation on product warranty expenditures		63,154	46,854
Others		32,856	27,347
		284,663	319,419
Gains			
Gain on disposals and derecognition of subsidiaries, including wind farm project companies		244,080	386,920
Gain on disposals of investments in jointly-controlled entities		43,865	24,854
Gain on disposals of items of property, plant and equipment		1,640	1,293
Net fair value gain on derivative financial instruments – transactions not qualifying as hedges		1,637	31,262
Realised gain on derivative financial instruments		-	533
Others		9,669	5,869
		300,891	450,731
		585,554	770,150

5. PROFIT BEFORE TAX

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

	Notes	2012 RMB'000	2011 RMB'000
Cost of inventories sold		9,183,514	10,418,588
Depreciation (note (a)) provided for:			
Property, plant and equipment		183,572	135,289
Investment properties		2,896	2,896
		186,468	138,185
Amortisation of prepaid land lease payments		3,204	4,564
Amortisation of other intangible assets		44,930	53,832
		48,134	58,396
Impairment of trade and bills receivables	10	165,093	250,675
Reversal of impairment of trade and bills receivables	10	(116,552)	(233,868)
Impairment of prepayments, deposits and other receivable		-	6
Reversal of impairment of prepayments, deposits and other receivables		-	(258)
		48,541	16,555
Write-down of inventories to net realisable value		58,782	-
Loss on disposals of items of property, plant and equipment and other intangible assets, net		67	4,714
Minimum lease payments under operating leases of land and buildings		23,101	16,947
Auditors' remuneration		5,802	6,063
Employee benefit expenses (including directors', supervisors' and the chief executive's remuneration):			
Wages and salaries		433,529	362,204
Pension scheme contributions (defined contribution scheme)(note (b))		38,085	32,342
Welfare and other expenses		82,765	77,873
		554,379	472,419

5. PROFIT BEFORE TAX (continued)

	Notes	2012 RMB'000	2011 RMB'000
Research and development costs:			
Staff costs		116,282	75,913
Amortisation and depreciation		8,061	6,435
Materials expenditure and others		110,299	201,506
		234,642	283,854
Government grants (note (c))		(89,001)	(165,706)
Product warranty provision:			
Additional provision		461,863	521,729
Reversal of unutilised provision		(88,343)	(9,760)
		373,520	511,969
Insurance compensation on product warranty expenditures		(63,154)	(46,854)
Foreign exchange differences, net		18,113	11,021
Net fair value gain on derivate financial instruments -transactions not qualifying as hedges		(1,637)	(31,262)
Dividend income from available-for-sale investments		-	(1,522)
Bank interest income		(89,151)	(53,712)
Gain on disposals and derecognition of subsidiaries, including wind farm project companies		(244,080)	(386,920)
Gain on disposal of investments in jointly-controlled entities		(43,865)	(24,854)
Gain on disposals of items of property, plant and equipment		(1,640)	(1,293)
Realised gain on derivative financial instruments		-	(533)

Notes:

(a) Depreciation of approximately RMB123,854,000 is included in the cost of sales on the face of the consolidated statement of comprehensive income for the year ended 31 December 2012 (2011: RMB74,374,000).

(b) As at 31 December 2012, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (31 December 2011: Nil).

(c) Most of government grants have been received for setting up research activities. The government grants released have been deducted from the research and development costs to which they relate. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Interest on bank loans and other borrowing wholly repayable:		
Within five years	399,499	299,980
Above five years	65,958	27,526
Interest on bills discounted	7,347	-
	472,804	327,506
Less: Interest capitalised	(80,677)	(69,552)
	392,127	257,954

7. INCOME TAX EXPENSE

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 2014 in accordance with the PRC Corporate Income Tax Law.

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 important public infrastructure investment projects that were supported by the government and development projects in the western region of the PRC.

Except for certain preferential treatment available to certain subsidiaries of the Company and the Company as mentioned above, the entities within the Group in Mainland China were subject to corporate income tax at a rate of 25%.

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.

	2012 RMB'000	2011 RMB'000
Current		
- Hong Kong	6,331	10,181
- Mainland China	83,968	86,413
- Elsewhere	14,674	140,794
	104,973	237,388
Deferred	(63,586)	(90,940)
Tax charge for the year	41,387	146,448

7. INCOME TAX EXPENSE (continued)

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

	2012 RMB'000	2011 RMB'000
Profit before tax	206,856	864,434
Income tax charge at the statutory income tax rate of 25%	51,714	216,109
Effect of different income tax rates for overseas entities	(2,058)	13,236
Effect of different income tax rates for domestic entities	8,741	(24,291)
Effect on opening deferred tax due to increase in rates	(2,253)	-
Tax losses not recognised	34,986	29,023
Income not subject to tax	-	(380)
Expenses not deductible for tax purposes	16,427	10,192
Additional tax deduction for research and development expenditure	(33,189)	(50,289)
Profits and losses attributable to jointly-controlled entities	(10,578)	(571)
Profits and losses attributable to associates	(19,479)	(25,241)
Others	(2,924)	(21,340)
Tax charge for the year at the effective rate	41,387	146,448

8. DIVIDENDS

	2012 RMB'000	2011 RMB'000
Proposed final dividend of RMB0.055 (2011: RMB0.05) per ordinary share	148,202	134,729

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 amounts 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 (2011: 2,694,588,000) in issue during the year.

	2012 RMB'000	2011 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	153,054	606,707

	Number of shares 2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	2,694,588,000	2,694,588,000

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

10. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Trade receivables	9,142,495	9,551,962
Bills receivable	455,696	95,735
Retention money receivables	1,258,129	1,043,248
Provision for impairment	(436,939)	(391,553)
	10,419,381	10,299,392
Portion classified as non-current assets	(304,747)	-
Current portion	10,114,634	10,299,392

The Group normally allows a credit period of not more than three months to its customers. For retention money receivables, the due dates usually range from one to three years after the completion of commissioning for wind turbines. 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	
	2012	2011
	RMB'000	RMB'000
Within 3 months	3,922,219	3,163,549
3 to 6 months	1,539,220	1,640,550
6 months to 1 year	1,031,709	1,980,513
1 to 2 years	2,398,382	2,928,833
2 to 3 years	1,145,655	433,442
Over 3 years	382,196	152,505
	10,419,381	10,299,392

10. TRADE AND BILLS RECEIVABLES (continued)

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

	2012 RMB'000	2011 RMB'000
At beginning of the year	391,553	372,091
Impairment losses recognised (note 5)	165,093	250,675
Impairment losses reversed (note 5)	(116,552)	(233,868)
Amounts written off as uncollectible	(382)	-
Exchange realignment	(2,773)	2,655
At end of the year	436,939	391,553

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB185,703,000 (2011: RMB283,410,000) with a carrying amount before provision of RMB3,095,787,000 (2011: RMB2,965,076,000).

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	
	2012 RMB'000	2011 RMB'000
Neither past due nor impaired	2,880,895	4,653,790
Less than 3 months past due	1,256,505	916,569
3 to 6 months past due	944,363	936,462
	5,081,763	6,506,821

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.

The weighted average effective interest rate on non-current trade and bill receivables is as follows:

	2012	2011
Effective interest rate	6.22%	-

The weighted average effective interest rate is determined by reference to the prevailing commercial bank borrowing interest rates for unsecured bank loans with similar maturity.

The carrying amounts of the current trade and bill receivables approximate to their fair value. In addition, as the non-current trade and bills receivables have been discounted based on the effective interest rate, the carrying amounts of the non-current trade and bills receivables approximate to their fair values.

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December 2012 RMB'000	As at 31 December 2011 RMB'000
Cash and bank balances	5,180,562	6,461,558
Time deposits	1,781,198	1,151,685
	6,961,760	7,613,243
Less: Pledged time deposits for		
- Bank loans	(13,516)	(16,325)
- Uncompleted transaction	(86,946)	-
- Letters of credit	(786)	-
- Guarantee issued	(42,584)	-
	(143,832)	(16,325)
Cash and cash equivalents in the consolidated statement of financial position	6,817,928	7,596,918
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(213,600)	(42,288)
Cash and cash equivalents in the consolidated statement of cash flows	6,604,328	7,554,630
Cash and cash equivalents and pledged deposits denominated in:		
- RMB	5,669,594	6,135,160
- Other currencies	1,292,166	1,478,083
	6,961,760	7,613,243

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 2012 RMB'000	As at 31 December 2011 RMB'000
Trade payables	4,901,196	5,294,639
Bills payable	3,848,456	2,286,236
	8,749,652	7,580,875
Portion classified as non-current liabilities	(244,656)	-
Current portion	8,504,996	7,580,875

Trade and bills payables are non-interest-bearing and are normally settled between 60 and 180 days. For the retention money payables in respect of warranties granted by the suppliers, the due dates usually range from one to three years after the completion of the preliminary acceptance of goods.

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 2012 RMB'000	As at 31 December 2011 RMB'000
Within 3 months	3,970,391	4,795,462
3 to 6 months	3,125,915	861,470
6 months to 1 year	763,524	1,339,345
1 to 2 years	541,910	556,310
2 to 3 years	335,257	21,752
Over 3 years	12,655	6,536
	8,749,652	7,580,875

The weighted average effective interest rate on non-current trade and bills payables is as follows:

	2012	2011
Effective interest rate	6.44%	-

The weighted average effective interest rate is determined by reference to the prevailing commercial bank borrowing interest rates for unsecured bank loans with similar maturity.

13. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRY REVIEW

The global economy continues to be in a period of adjustment in 2012 following the economic crisis. Several major economies experienced a further slowdown in growth, and developing countries and emerging markets also faced pressures of inflation and slower economic growth. Influenced by slower growth around the world, the rate of economic growth of the People's Republic of China (the "**PRC**" or "**China**") also showed signs of decline. However, with the implementation of "steady growth, alternative methods, and restructuring" solutions, China's economy is gradually showing signs of stability and recovery. China's demand for power was strong in 2012 with domestic power consumption increasing 5.5% year-over-year ("**YoY**") to 4,959.1 billion kilowatt hours, of which the contribution of wind power increased to 2% from 1.6% in 2011 and grid connection rate reached an all-time high of 80%, yet investment in the construction of power infrastructure showed a minor decrease YoY. Following the trend of 2011, with continued adjustments in the wind power industry, newly installed capacity continued to decrease YoY in 2012.

i. Global Wind Power Industry

The global accumulated installed wind power capacity in 2012 is expected to be approximately 280 gigawatts ("GW"), with newly installed wind power capacity during the year expected to exceed 40GW. The wind power industry of the USA increased significantly in 2012, while the wind power industry of Europe continued to grow also.

ii. China's Wind Power Industry

Since 2011, problems with the development of China's wind power industry gradually became apparent. Issues including the grid connection bottleneck, severe wind power curtailment, and frequent quality and safety issues restricted the development of China's wind power industry, and the industry entered a period of adjustment and transition. This retrenching continued in 2012, whilst a series of industry policies including wind power technology, grid connection and consumption, project approval and wind power tariffs were introduced. The continued improvements in wind power policy will stimulate the optimisation and consolidation of the industry and the industry still enjoys a strong outlook.

1. Changes in China's Wind Power Policies

Sustainable Development through Planning

In March 2012, the Ministry of Science and Technology of the PRC issued the *Specialised Plan for the Development of Wind Power Technology under the Twelfth Five-Year Plan* (風力發電科技發展「十二五」專項規劃) that outlines the blueprint of wind power development on seven fronts, namely fundamental research, research and development ("**R&D**"), integrated demonstration, application, establishment of public service systems, cultivation of talents and international technology cooperation.

In July 2012, the National Development and Reform Commission (the "**NDRC**") and the National Energy Administration (the "**NEA**") issued the *Renewable Energy Development under the Twelfth Five-Year Plan* (可再生能源發展「十二五」規劃) and *Wind Power Development under the Twelfth Five-Year Plan* (風電發展「十二五」規劃), respectively. These plans further specified the targets of China's wind power development during the Twelfth Five-Year Plan and provided guidance going forward: continue to stimulate the growth of wind power through concentrated and distributed development, establish an electricity control and operations system suitable for the development of wind power, strengthen the wind power equipment manufacturing industry's innovation and its competitiveness in the global market, and improve wind power standards and the industry service system in order to create greater room for development.

In July 2012, the State Council issued the *Development Plan for National Strategic Emerging Industries under the Twelfth Five-Year Plan* (「十二五」國家戰略性新興產業發展規劃) that proposed the establishment of evaluation models, standards, inspection criteria, certification systems, and databases for wind power resources. This plan also proposed the establishment of wind power technology R&D institutions in order to achieve further technological breakthroughs, the development of wind power technology and equipment that can adapt to China's various climatic and geographic environments in order to meet demand for the development of onshore and offshore wind farms, and the establishment of large-scale wind power bases with ancillary pipelines in order to resolve issues such as power consumption that arise from long distance transmission of wind power.

The Twelfth Five-Year Plan represents a crucial period for the development of China's wind power industry to transition from quantity to quality orientated, from a wind power giant to a superpower. The wind power industry and technology plays an essential role in China's strategic emerging industries. The introduction of these relevant plans will guide and stimulate China's wind power industry towards a healthier and more sustainable development path.

Initiatives for Resolving the Grid Connection Bottleneck

(1) Due to the rapid increase of China's installed wind power capacity, curtailment of wind power has become increasingly problematic in certain areas. In April 2012, the NEA issued the *Notice of Requirements for Strengthening Wind Power Grid Connection and Consumption* (關於加強風電併網和消納工作有關要求的通知). This notice stated that grid connection and curtailment problems have become major obstacles for the sustainable development of China's wind power industry. Four requirements were proposed in order to strengthen construction and operations management of wind power and ensure wind power grid connection and consumption. These requirements are to prioritise the management of wind power operations; implement grid connection and other standards for wind farm development, whereby adequate grid capacity will become the key criterion for planning project distribution and areas with significantly lower wind power utilisation rates will not receive permission for further development; improve management of wind farm operations and control, ensure grid connection of concessional projects and purchase all units of electricity generated, and the curtailment of power output by concessional and demonstration projects approved by the NEA is prohibited; and improve the construction and operations of wind farms. Improvement in power consumption by the grid will assist with the sustainable development of wind power that will not only improve the economic viability of the existing wind farms, but also provide investment incentives for wind farm developers.

(2) The NEA has completed the research and analysis, project designs, management methods and implementation plan on the Renewable Portfolio Standard in order to tackle the wind power grid connection bottleneck. The *Renewable Portfolio Standard Management Guidelines (Discussion Draft)* (可再生能源電力配額管理辦法（討論稿）) was issued to all provinces for consultation, the implementation of which will be officially published after further amendments. These guidelines were prepared in accordance with the *Renewable Energy Law*. The introduction of these guidelines will have a substantial effect on facilitating the consumption of renewable energy to the grid, and will play a key role in ensuring that the target of a 15% representation by non-fossil fuel energy in terms of total energy consumption by 2020 can be achieved.

(3) In May 2012, the NDRC approved the $\pm$800 kilovolt ultra high-voltage DC transmission project from South Hami to Zhengzhou. In August, the NEA proposed Zhangjiakou as a wind power development demonstration base and requested grid companies to expedite construction of ancillary grid projects and plan for the power transmission routes for this area.

    Wind power curtailment is currently the biggest obstacle for the development of China's wind power industry. The introduction of these policies and measures demonstrate that the national energy regulatory authorities have become fully aware of the seriousness of the wind power grid connection bottleneck and power consumption problems, and has taken positive steps to tackle such problems in order to ensure the further development of the wind power industry.

Standardisation of Project Approvals

In February 2012, the NEA issued the *Notice of Regulatory Requirements for Wind Power Development, Construction and Management* (關於規範風電開發建設管理有關要求的通知) that proposed for stricter implementation of the wind power projects approval system, and newly approved projects will be required to take into account grid output requirements and the wind power consumption market. In addition, this notice proposed for strengthened management for the demand of power and to improve the efficiency of wind power consumption.

In order to better regulate the development of wind power, the NEA began to manage wind power project approvals centrally in 2011. In 2012, the NEA announced the second batch of wind power projects with full preliminary preparations and workable grid connection conditions approved under the Twelfth Five-Year Plan. Together with the supplemental project approvals and the first batch of projects approved in 2011, the cumulative approved wind power projects exceeded 55GW.

Concentrated and Distributed Development

Since the NEA proposed the broader focus on both concentrated and distributed development at the beginning of the Twelfth Five-Year Plan, the *Distributed Power Management Guidelines (Consultation Draft)* (分布式發電管理辦法（徵求意見稿）) and the *Grid Connection of Distributed Power Management Guidelines (Consultation Draft)* (分布式發電併網管理辦法（徵求意見稿）) were issued to encourage energy investors, energy users, micro-grid operators, professional energy service companies, and individuals with a certain amount of installation and usage to invest in distributed power. In addition, three solutions were also suggested for resolving the grid connection problem, these were on-site generation, grid connection for additional power generated, and grid connection for all power generated. Investors will enter into grid connection agreements and power purchase contracts with grid companies, and grid companies should proceed with the relevant procedures, ensure such projects are connected to the grid within the stipulated timeframe, and purchase all units of electricity generated by distributed renewable energy projects and subsidise distributed power by units generated.

These guidelines have significant implications for the reform of the power grid system and will stimulate the development of distributed power through measures including supplementary tariffs, sale of additional power generated to the grid companies, and offering ownership rights for grid equipment to investors. This has opened up new directions for the future of wind power consumption, grid connection and wind farm development.

Supplementary Tariffs for Renewable Energy to Boost Wind Power Development

The *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辦法) came into effect on 1 January 2012. This clarified issues including collection of proceeds, its usage, and its supervision and inspection.

In March 2012, the *Interim Measures for the Administration of the Approval and Confirmation of Renewable Energy Projects for Supplementary Tariffs on Electricity Prices* (可再生能源電價附加資金補助項目審核確認管理暫行辦法) and the *Interim Measures for the Administration of the Renewable Energy Supplementary Tariff Fund* (可再生能源電價附加補助資金管理暫行辦法) were issued. These measures clarified issues including the administration of project approvals, application requirements and project confirmation, tariff standards, budget management, and payment of funds.

During 2012, the Ministry of Finance, NDRC and NEA announced three batches of renewable energy projects qualified for supplementary tariffs on electricity prices.

Focus on Wind Power Safety Management

In light of frequent safety issues during wind farm construction and operations and weaknesses in the safety management of the wind power industry, the NEA successively issued procedures and regulations regarding grid connection testing of wind turbine generators ("**WTGs**"), post-construction inspection of wind farm projects, supervision of energy project quality, and operations and maintenance of wind farms in 2012, requiring wind farm developers to strengthen the safety management and quality control of wind farms in order to facilitate the sustainable development of the industry.

2. Wind Power Manufacturing Industry

China's newly installed wind power capacity in 2012 was 12,960MW, a decrease of 26.5% YoY. China's accumulated installed capacity reached 75,324.2MW, an increase of 20.8% YoY.

Demand for WTGs Rising in Inland Regions

The beginning and rapid growth of China's wind power industry mainly concentrated in the

Three-North region and the coastal region in southeast China. These regions are rich in wind resources with the potential for large-scale development, and therefore have been the primary regions of competition for developers. On the contrary, the cost of development is high in inland regions, where wind resources are less prevalent and mostly in mountainous and highland areas. With growth in large-scale concentrated developments, intensifying competition, and worsening of wind power curtailment, the profitability of projects within the Three-North region and other regions rich in wind resources have been severely affected. Therefore, wind power markets in inland regions have attracted increasing attention. In addition, responding to the imbalance in market development, the national energy regulatory authorities reduced approvals of wind power projects in the Three-North region and increased approvals in inland regions. This has gradually increased the number of wind power projects in inland regions and facilitated the diversification of technology and markets. In order to meet demand for these projects, mostly situated in low wind speed or high altitude areas, manufacturers adjusted their R&D focus accordingly and began to introduce low wind speed and high altitude WTG models. This has increased the development value of these projects.

Average Bidding Price Stabilised and Increased Focus on Reliability

The average bidding price for the domestic wind power market gradually stabilised in 2012. Although fierce competition continues to exist, however, further reductions are limited due to the fact that the majority of manufacturers have already experienced losses. In addition, frequent WTG quality issues in recent years have also sent out a warning to the developing wind power industry. Market competition is no longer solely based on price as focus turns towards product quality and reliability, core technologies, and differentiation. WTGs with higher performance reliability and economic value will be favoured by the market.

Increasing Pace of R&D for Large Capacity Offshore WTG

Offshore wind power has become a major development path in China and abroad. In preparation for competitive products needed to compete in the offshore market, many domestic manufacturers have began the R&D of, or have successfully developed, large capacity offshore WTGs. The 6MW WTG model has already been completed in China, representing a new stage for China’s development and manufacture of larger capacity WTGs.

II. BUSINESS REVIEW

The industry slowdown continued in 2012 with further adjustments in the industry, fiercer competition and decreasing market demand. Declining operating performance is a common problem for all domestic wind power equipment manufacturers. Faced with such challenges, we maintained our proactive approach and principle of development through product quality by increasing investment in R&D, maintaining strict quality controls, strengthening cost controls, improving comprehensive wind power solutions capabilities, expanding into the global market, and optimising corporate management. This will provide support for our sustainable development, continued strengthening of our core competitive advantages, and help to ensure we maintain our technological and market leadership.

i. WTG R&D, Manufacturing and Sales

As the leading enterprise in the domestic wind power industry, Goldwind has maintained our business concept of maximising value for our customers over the years. Backed by our outstanding technical team and core resources, we will continue to provide high quality WTGs to the market, comprehensive services to our customers, and communicate with our investors with honesty and integrity. Through our hard work over the years, we have established our outstanding brand name and reputation in the market. Our excellent corporate image has also been highly praised and recognised by our investors, the industry and the market at home and abroad.

1. Product Manufacturing and Sales

During the reporting year, Goldwind achieved revenue from sales of WTGs and components of RMB10,580.84 million, representing a decrease of 13.66% YoY. We sold WTGs with a combined total capacity of 2,583.30MW, representing a decrease of 16.82% YoY. The following table provides the details of our WTG sales volumes in 2012 and 2011:

	2012		2011		
Model	**Units Sold**	**Capacity Sold (MW)**	Units Sold	Capacity Sold (MW)	Change in Capacity Sold
3.0MW	–	–	2	6.00	–
2.5MW	**147**	**367.50**	87	217.50	68.97%
1.5MW Series	**1,478**	**2,215.80**	1,921	2,881.50	(23.10%)
750kW	–	–	1	0.75	–
Total	**1,625**	**2,583.30**	2,011	3,105.75	(16.82%)

During the reporting year, in response to falling wind power installations in the domestic market, Goldwind established operating principles of stricter quality controls, cost controls, and reducing our inventories that achieved excellent results. The effects of our cost controls became evident during the second half of the year, gross profit margins of our WTGs in 2012 was 13.69%, representing an increase of 3.10 percentage points from 10.59% achieved during the first half of 2012. We also optimised our inventory. Our inventory as at 31 December 2012 decreased by 31.79% compared with the level as at 31 December 2011.

In 2012, Goldwind maintained our drive for quality. We performed stringent quality controls, ensured the operation of our quality system, manufacturing and after-sales service quality controls. Our product quality was tested in the international and domestic markets, demonstrating our high reliability, high availability rate and high quality, and was recognised and complimented by our customers.

2. Product and Technology R&D

To further enhance the market competitiveness of our products and proactively respond to market changes, Goldwind developed and launched our WTG series that satisfy customer demand based on different operating environments. In order to further increase our share in segmented markets and our overall competitiveness, Goldwind built on our existing product portfolio, targeting different operating conditions of inland regions including low wind speed and high altitude, and successfully developed the GW93/1500 ultra-low wind speed WTG model in 2012, the prototype of which has completed testing and this model has begun mass production. The GW93/1500 high temperature WTG model, developed concurrently, has also completed the design and indoor testing stages. As at the end of the reporting year, Goldwind's product portfolio already includes the 1.5MW WTG series with models designed for onshore, low and high temperature, high altitude, low wind speed, offshore, and inter-tidal environments.

Following our 1.5MW direct-drive permanent magnate ("**DDPM**") series models, another of our mainstream models, the 2.5MW DDPM WTG, was also gaining recognition in the domestic and international markets with its quality and economic value. In 2012, we successfully developed and launched the GW106/2500 WTG model, designed for Class II wind speeds, and the GW109/2500 WTG model, designed for inter-tidal regions. Both models have begun mass production and nearly 20 units of the GW109/2500 WTGs already in operation. Such achievements have laid a solid foundation for us to continue to develop highly reliable offshore WTGs and expand our offshore wind power market. Our 2.5MW DDPM WTG has successfully passed the zero voltage ride-through field test administered by China Electric Power Research Institute, demonstrating the low voltage ride-through capabilities of our DDPM WTGs have not only satisfied the relevant national requirements and standards, but have reached above and beyond.

With the industry increasingly trending towards large capacity WTGs, we have also increased the rate of our R&D accordingly. Currently, we have completed the assembly of various components of our 6MW DDPM WTG prototype and are continuing with testing. The testing phase is progressing as planned. In addition, Goldwind is focusing on the R&D of our 10MW WTG, which is a key project for the *Design and Technological Research of Super Large Capacity Offshore WTGs* (超大型海上風力發電機組設計技術研究) under the national 863 Project. This model is developed for the future offshore wind power market and we are making steady progress with various design tasks.

Together with increasing the rate of development of our new models, we also strengthened our efforts in WTG certification. In 2012, our GW87/1500 low wind speed WTG was granted the Design Assessment certification from Germany's TÜV Nord, demonstrating the various designs of this model satisfy international standards, and will benefit Goldwind in pursuing further global expansion. Our newly developed GW93/1500 and GW109/2500 WTG models were granted the Design Approval certification by China General Certification Centre ("**CGC**") in Beijing, and the GW82/1500 WTG model also received the Type Certification from CGC. These certified models are now eligible for entry into the African, Asian and Latin American markets. In addition, our 1.5MW and 2.5MW WTG series also gained various certifications and evaluations required for entry to the North American, Australian, and European Union markets in 2012, including safety certifications, CE certifications, and occupational health and fire safety evaluations.

Goldwind's WTGs continue to pass independent domestic and international certifications and testing. This is essential to realising our goal of "technology and product internationalisation" and also demonstrates our strong R&D capabilities and technological advantages. This forms an integral part of our internationalisation strategy.

3. Business Development

Goldwind continues to uphold our business concept of prioritising our customer's value and market demand, providing our customers with high quality products and comprehensive wind power solutions. The Goldwind brand is continuing to gain higher market recognition and our products can consistently command a premium price above the market average. We will continue to strengthen our market leading position in China and push forward with our international development. Thanks to our efforts in recent years, our international business development is making good progress, and we have achieved encouraging results both for winning wind power projects and overseas orders.

Goldwind's domestic newly installed capacity was 2,521.50MW with a corresponding market share of 19.50% in 2012. This represents the second consecutive year that we ranked first domestically. Our overseas newly installed capacity was 139.00MW, representing an increase of 25.25% YoY. Our accumulated installed capacity exceeded 15,000MW and we had over 12,000 units of installed WTGs globally by the end of 2012, including over 8,000 units of 1.5MW WTGs and 200 units of 2.5MW WTGs.

As at 31 December 2012, our backlog of orders under contract was 4,085.75MW, including 0.75MW of 750kW WTGs, 3,049.50MW of 1.5MW WTGs, 1,002.50MW of 2.5MW WTGs, and 33.00MW of 3.0MW WTGs, 424.25MW of these are overseas orders. In addition, we also had orders of 2,514.50MW of successful bids that are awaiting final contracts, including 6.00MW of 750kW WTGs, 2,058.00MW of 1.5MW WTGs, 447.50MW of 2.5MW WTGs, and 3.00MW of 3.0MW WTGs. The combined backlog was 6,600.25MW. Over 40% of the backlog of orders under contract as at the end of 2011 was executed in 2012 and nearly 50% of new orders under contract from 2012 were executed during the same period.

During the reporting year, Goldwind was identified as one of the China Intellectual Property Champions for the first time by *Intellectual Asset Management* ("**IAM**"), a world renowned industry magazine published by the IP Media Group. IAM wrote "Goldwind Science & Technology Co., Ltd. was identified as a Chinese company with a world class approach to the creation, management and exploitation of IP rights. It is a China IP Champion". Goldwind was the only wind power equipment manufacturer to receive this honour in 2012.

During the reporting year, Goldwind gained first place in the 2011 National Energy Technological Advancement Award. This was awarded by the NEA in recognition of the fact that Goldwind has the intellectual property rights for our 2.5MW DDPM WTG, its overall technological standard and major economic indicators reached international standards for similar technologies and products, and that it has great implications for the drive for technological advancement and structural optimisation of the energy industries.

ii. Wind Power Services

Wind Power Services has always been a key element in our comprehensive wind power solutions over the years. It is also a defining characteristic of Goldwind that provides us with a competitive advantage in the industry. Our Wind Power Services continues to improve as the wind power industry develops and grows. Our comprehensive solutions include initial project consultation, construction, information technology support, and operations and technical support, covering every stage of the life cycle of a wind farm project.

As an integral part of Goldwind's strategic plan, Wind Power Services has consistently been a highlight of our business operations. Following several years of exploring and optimisation, our services product portfolio has increased and diversified. Apart from the basic operations and maintenance services, we have introduced several high-end service products to the market. Our long-term customers' list is steadily increasing and so are our orders, building a firm foundation for the future development of our services business. We have also entered the international services market and made substantial progress during the reporting year.

In 2012, Goldwind's Wind Power Services generated revenues of RMB392.13 million, representing an increase of 8.12% YoY. This included items such as software products, EPC (Engineering, Procurement and Construction) projects, wind resource consultation, technical services and WTG maintenance services and support. Wind Power Services will continue to be one of our major business segments in 2013. We will continue to provide efficient, high quality and professional services and support to our customers and wind power enterprises.

iii. Wind Farm Investment, Development and Sales

Wind Farm Investment, Development and Sales represents Goldwind's reserves of projects for our future business development, as well as being a key source of profitability. Our wind farm investment projects are not only limited to the domestic market, we are also proactively cooperating with international energy developers and exploring new partnership models. Equipped with our high quality WTGs and assisted by our outstanding technical team, we have received recognition from the market at home and abroad.

During the reporting year, Goldwind sold all or part of the equity interests of three wind farm subsidiaries (totalling five wind power projects), with a combined attributable installed capacity of approximately 117.50MW. As at the end of the reporting year, our total installed capacity of completed wind farms was 1,239.50MW and the attributable installed capacity was 740.00MW. As at the end of the reporting year, we also had wind farms under construction with a total capacity of 1,115.50MW and an attributable capacity of 1,029.60MW.

During the reporting year, our revenue from power generated by wind farms operated by Goldwind was RMB251.96 million, an increase of 81.48% YoY. Investment gains from the sale of wind farms totalled RMB259.50 million, a decrease of 32.91% YoY.

iv. International Business

As the leading comprehensive wind power solutions provider in China and backed by our solid international R&D platform, extensive experience in the industry, and high quality products, Goldwind is able to focus on the domestic market whilst continue to improve towards international standards. Despite the industry slowdown, we have accelerated our internationalisation strategy. In addition to continued development in mature markets such as the USA and Australia, we are also strengthening our efforts in emerging markets such as Africa, South America and Asia. We will continue to utilise our diversified profit model to expand our global markets. For the year ended 31 December 2012, Goldwind invested in or supply products to 12 overseas projects totalling 87.25MW in 20 countries, across six continents. Our accumulated executed overseas orders have already reached nearly 400MW.

The construction of the Gullen Range project in Australia, our largest overseas project, officially began in 2012. This project has a total installed capacity of 165.50MW, including 17 units of 1.5MW and 56 units of 2.5MW DDPM WTGs. This is one of the largest singular wind farm projects in Australia's New South Wales and is also the first large-scale wind farm since 2011 to receive approval from TransGrid for connection to the electricity grid.

In addition, we also began several other projects in 2012, including the Penonome project in Panama, the Miresa project in Romania, and the Georgia Mountain project in the USA.

During the reporting year, Goldwind achieved revenue from international sales of RMB1,298.60 million, representing 11.57% of our revenue from operations.

v. Major Subsidiaries

The Company has 104 subsidiaries, among which 17 are directly controlled subsidiaries and 87 are indirectly controlled subsidiaries. In addition, we have 9 jointly-controlled entities, 10 associate companies, and 10 joint ventures. These subsidiaries can be separated into four general categories of WTG R&D and manufacturing companies, wind power investment companies, wind power service companies, and component R&D and manufacturing companies. The following table sets out the financial details of the principal subsidiaries of the Company (in accordance with China Accounting Standards for Business Enterprise (the "**PRC GAAP**")):

As at 31 December 2012
(Unit: RMB)

No.	Company Name	Registered Capital (RMB ten thousand)	Total Assets	Net Assets	Revenue from Operations	Net Profits Attributable to the Company
1	Beijing Goldwind Science & Creation Wind Power Equipment Co., Ltd.	99,000	4,951,894,104.70	1,301,782,304.38	3,731,006,638.40	(28,319,702.47)
2	Vensys Energy AG	EUR5 million	1,023,642,397.13	634,536,332.08	680,674,637.29	59,258,148.78
3	Gansu Goldwind Wind Power Equipment Manufacture Co., Ltd.	8,860	638,821,937.63	239,868,422.74	418,232,129.81	9,177,157.62
4	Jiangsu Goldwind Wind Power Equipment Manufacture Co., Ltd.	75,961	1,148,223,750.37	837,778,572.55	687,956,573.40	29,896,208.74
5	Beijing Techwin Electric Co., Ltd.	10,000	953,376,894.98	163,233,376.74	1,226,961,290.97	32,891,667.70
6	Beijing Tianrun New Energy Investment Co., Ltd.	48,160	8,074,923,990.06	1,161,022,158.96	195,527,530.98	187,043,355.17
7	Goldwind Investment Holding Co., Ltd.	100,000	1,074,787,717.18	1,040,109,924.63	42,344,022.45	7,749,156.05
8	Beijing Tianyuan Science & Creation Wind Power Technology Co., Ltd.	4,500	1,518,893,981.62	245,220,959.48	1,426,587,444.47	46,095,033.81

vi. Use of Proceeds

1. Use of H Share Proceeds

The Company was listed on the main board of 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 2012, the accumulated used proceeds were the equivalent of RMB5.648 billion in HKD, and the unused proceeds were the equivalent of RMB1.106 billion in HKD. The use of the Company's 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	2,434	281
R&D of WTGs and components	986	238	748
International business	1,972	1,895	77
Bank loan repayment	411	411	–
General working capital	670	670	–
Total	6,754	5,648	1,106

2. Use of A Share Proceeds

The Company was listed on the Small and Medium-sized Enterprise Board of 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 2012, the accumulated used proceeds were RMB1.687 billion, and the unused proceeds were RMB57.79 million. The use of the Company's A Share proceeds is as follows:

(Unit: RMB million)

Proceed Projects	Planned Investment	Actual Investment	Unused Amount
Capacity Expansion			
Beijing MW-level WTG high technology industrialisation project	150	150	–
Xinjiang MW-level WTG capacity expansion project	461	461	–
Inner Mongolia MW-level DDPM WTG industrialisation project	127	127	–
Nanjing MW-level WTG industrialisation project	25.45	25.45	–
Jiangsu Dafeng Offshore WTG R&D and manufacturing base	89.61	31.82	57.79
R&D Projects			
1.5MW WTG series	128	128	–
2.5MW DDPM WTG	160	160	–
3MW hybrid PM WTG	232	232	–
6MW DDPM WTG	50	50	–
Testing laboratory	40	40	–
Wind Farm Development and Sales			
Capital increase to FUHUI wind power for WULATE project	81.60	81.60	–
Tacheng Mayitasi 49.5MW Trial Demonstration Wind Farm	100	100	–
Goldwind Damao National Demonstration Wind Farm	100	100	–
Total	1,744.66	1,686.87	57.79

3. Use of Corporate Bond Proceeds

On 6 September 2011, the Company received the *Approval for Public Issuance of Corporate Bonds by Xinjiang Goldwind Science & Technology Co., Ltd. (Zheng Jian Xu Ke [2011] No.1397)* (關於核准新疆金風科技股份有限公司公開發行公司債券的批復 證監許可[2011]1397號)) from the China Securities Regulatory Commission, approving an issue of corporate bonds with an aggregate principal amount of not more than RMB5 billion ("**Corporate Bonds**") and the first tranche of not exceeding RMB4 billion. On 27 February 2012, the Company issued its first tranche of 3-year Corporate Bonds ("**12金風01**") with an aggregate principal amount of RMB3 billion and with a coupon rate of 6.63%. 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.

(Unit: RMB)

Date of Issuance	Method of Issuance	Total Proceeds	Purposes for Use of Proceeds	Total Proceeds Used During the Reporting Year	Accumulated Total of Used Proceeds	Total Unused Proceeds
27 February 2012	Corporate Bonds	2,974,720,888.88	Working capital	2,174,720,888.88	2,174,720,888.88	0
			Repayment of bank loans	800,000,000	800,000,000	0
Total				2,974,720,888.88	2,974,720,888.88	0

vii. Human Resource Management

As at 31 December 2012, the Group had a total of 3,558 employees, categorised as follows:

Item	Category	Number of Staff	Percentage of Total
Profession	Technical	820	23.05%
	Production	754	21.19%
	Sales	201	5.65%
	Services	1,013	28.47%
	Management	643	18.07%
	Finance	127	3.57%
	Total	3,558	100%
Education	Master and above	418	11.75%
	Bachelor	1,660	46.66%
	College	962	27.04%
	Below College	518	14.56%
	Total	3,558	100%

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

III. OPERATIONS PERFORMANCE AND ANALYSIS

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

Summary

For the financial year ended 31 December 2012, revenue from operations for the Group was RMB11,224.93 million, representing a decrease of 12.00% compared to RMB12,755.97 million for the financial year ended 31 December 2011. Net profit attributable to the shareholders of the Company was RMB153.05 million, representing a decrease of 74.77% compared to RMB606.71 million for the financial year ended 31 December 2011. Basic earnings per share of the Group were RMB0.06.

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 WTG R&D, Manufacturing and Sales is mainly generated through sales of WTGs and components. Revenue from Wind Power Services is mainly generated through services such as wind farm EPC, transportation, and maintenance. Revenue from Wind Farm Investment, Development and Sales is generated from the sale of power produced by our operating wind farms.

For the financial year ended 31 December 2012, the Group's revenue from operations was RMB11,224.93 million, representing a decrease of 12.00% compared to RMB12,755.97 million for the corresponding period of the preceding year. Details are set out below.

Unit: RMB thousand

	Year ended 31 December		Amount	Percentage
	2012	2011	Change	Change
Sales of WTGs and components	**10,580,843**	12,254,476	(1,673,633)	(13.66%)
Wind power services	**392,126**	362,661	29,465	8.12%
Wind farm development	**251,957**	138,833	113,124	81.48%
Total	**11,224,926**	12,755,970	(1,531,044)	(12.00%)

The decrease in revenue is mainly due to the decrease in sales of WTGs and components. The decrease of revenue generated by our sales of WTGs and components is mainly due to a decrease in sales volume for the Group's 1.5MW WTGs compared to the preceding year resulted from fierce competition in the market and changes in national industry policies.

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 2012	2011	Amount Change	Percentage Change
Raw materials and components	**8,361,234**	10,759,132	(2,397,898)	(22.29%)
Labour	**118,189**	120,527	(2,338)	(1.94%)
Depreciation and amortisation	**160,911**	120,561	40,350	33.47%
Other production costs	**488,963**	544,488	(55,525)	(10.20%)
Changes in inventories and transferred fixed assets	**503,303**	(845,530)	1,348,833	159.53%
Total	**9,632,600**	10,699,178	(1,066,578)	(9.97%)

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

Unit: RMB thousand

	Year ended 31 December 2012	2011	Amount Change	Percentage Change
Sales of WTGs and components	**9,196,400**	10,370,493	(1,174,093)	(11.32%)
Wind power services	**314,959**	274,293	40,666	14.83%
Wind farm development	**121,241**	54,392	66,849	122.90%
Total	**9,632,600**	10,699,178	(1,066,578)	(9.97%)

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 2012	2011	Amount Change	Percentage Change
Sales of WTGs and components	**1,384,443**	1,883,983	(499,540)	(26.52%)
Wind power services	**77,167**	88,368	(11,201)	(12.68%)
Wind farm development	**130,716**	84,441	46,275	(54.80%)
Total	**1,592,326**	2,056,792	(464,466)	(22.58%)

The Group's gross profit is derived primarily from WTG R&D, Manufacturing and Sales. For the two years ended 31 December 2011 and 2012, our overall gross profit margins were 16.12% and 14.19%, respectively, and the gross profit margins for WTG R&D, Manufacturing and Sales were 15.37% and 13.08%, respectively. The following table sets out the gross margins for our WTGs including the 1.5MW and 2.5MW models (prepared in accordance with PRC GAAP):

Gross Profit Margin

	Year ended 31 December		Change (percentage points)
	2012	2011	
750kW		32.93%	-
1.5MW Series	**13.92%**	14.60%	(0.68)
2.5MW	**12.60%**	2.95%	9.65
3MW		(15.28%)	-

As compared with the previous year, the 1.5MW unit remains as the main product among our WTG sales, representing 82.87% of revenue for sales of whole WTGs. In addition, our sales of 2.5MW WTGs increased significantly compared with the previous year.

During the reporting year, the gross profit margin for our 1.5MW WTGs modestly decreased compared to the corresponding period of the preceding year, mainly due to fiercer market competition and modestly lower average selling price of WTGs. The gross profit margin for our 2.5MW WTGs increased by 9.65 percentage points YoY, mainly due to increased sales volume and lower cost of goods sold attributed to technological optimisation.

Other Income and Gains

The Group's other income and gains primarily consist of gains from the sale of wind farms from Wind Farm Investment, Development and Sales (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 2012, the Group's total other income and gains was RMB585.55 million, representing a 23.97% decrease compared to RMB770.15 million for the financial year ended 31 December 2011. The decrease is mainly due to lower income related government subsidies and investment income from disposal of subsidiaries during the reporting year.

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 2012 amounted to approximately RMB876.46 million, representing a 11.50% decrease compared to RMB990.32 million for the corresponding period of the preceding year. The decrease is mainly attributed to a decrease in the provisions for warranty expenses and bidding service fees due to a decrease in sales of the Group.

Administrative Expenses

Administrative expenses primarily consist of R&D expenses, labour costs, taxes, depreciation, consultation fees, travel expenses, and other expenses. Administrative expenses of the Group decreased from RMB738.69 million for the financial year ended 31 December 2011 to RMB712.74 million for the financial year ended 31 December 2012. The decrease is mainly due to stricter cost controls on all expenses.

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 2012 was approximately RMB109.93 million, representing an increase of 39.52% compared to RMB78.79 million for the corresponding period of the preceding year. Increased expenses are mainly due to provisions made by the Group for the impairment of our 750kW WTGs.

Finance Costs

Finance costs of the Group for the financial year ended 31 December 2012 was RMB392.13 million, an increase of 52.02% from RMB257.95 million for the financial year ended 31 December 2011. The increase is mainly due to an increase in the Group's average borrowings during the year.

Income Tax Expenses

For the financial year ended 31 December 2012, the Group incurred income tax expenses of RMB41.39 million, a decrease of 71.74% compared to RMB146.45 million for the financial year ended 31 December 2011. The decrease is primarily attributed to the decrease of the Group's profit before tax.

Financial Position

As at 31 December 2012 and 31 December 2011, total assets of the Group was RMB32,396.50 million and RMB32,430.19 million, respectively. Current assets of the Group as at 31 December 2012 totalled RMB23,573.34 million, while current assets as at 31 December 2011 totalled RMB25,366.78 million. The percentage of current assets to total assets of the Group as at 31 December 2012 was 72.77% (31 December 2011 was 78.22%). Non-current assets of the Group as at 31 December 2012 and 31 December 2011 were RMB8,823.15 million and RMB7,063.41 million, respectively.

Total liabilities of the Group as at 31 December 2012 and 31 December 2011 was RMB19,110.87 million and RMB19,161.68 million, respectively. As at 31 December 2012 and 31 December 2011, current liabilities of the Group totalled RMB12,266.40 million and RMB15,712.90 million, respectively. Non-current liabilities of the Group as at 31 December 2012 and 31 December 2011 were RMB6,844.47 million and RMB3,448.78 million, respectively.

Net current assets and net assets of the Group as at 31 December 2012 was RMB11,306.94 million and RMB13,285.63 million, respectively, compared to RMB9,653.88 million and RMB13,268.51 million, respectively, as at 31 December 2011.

Cash and cash equivalents of the Group as at 31 December 2012 and 31 December 2011 were RMB6,817.93 million and RMB7,596.92 million, respectively. As of 31 December 2012 and 31 December 2011, interest-bearing bank loans and other loans of the Group amounted to RMB6,105.12 million and RMB8,042.23 million, respectively.

Financial Resources and Liquidity

Cash Flow Statement

Unit: RMB thousand

	Year ended 31 December	
	2012	2011
Net cash flows (for)/from operating activities	**2,499,938**	(4,133,442)
Net cash flows for investment activities	**(2,303,893)**	(3,356,277)
Net cash flows from financing activities	**(1,163,215)**	5,904,796
Net increase/(decrease) in cash and cash equivalents	**(967,170)**	(1,584,923)
Cash and cash equivalents at beginning of year	**7,554,630**	9,242,400
Net effect of foreign exchange rate changes	**16,868**	(102,847)
Cash and cash equivalents at end of year	**6,604,328**	7,554,630

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 2012, the Group reported net cash flows from operating activities of RMB2,499.94 million, principally comprised of profit before tax of RMB206.86 million, adjusted for a RMB392.13 million increase in finance costs, a RMB1,061.15 million decrease in inventories (as a result of stricter inventories management during the year, digesting significant levels of our inventories, and disposal of subsidiaries) and a RMB917.26 million increase in trade and bills receivable (due to the Group paying expenses through bills receivable more in order to increase cash flow). These cash inflows were offset by a RMB244.08 million decrease in revenue of disposal and derecognition of subsidiaries.

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

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 2012, the Group's net cash flows for investment activities was RMB2,303.89 million, principally due to purchases of property, plant and equipment and investment in wind farms in the amount of RMB2,585.79 million, and purchases of available-for-sale investments in the amount of RMB275.40 million, offset partly by a RMB446.66 million inflow from the disposal of subsidiaries (net of cash disposed of).

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

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 2012, the Group reported net cash flows for financing activities of RMB1,163.22 million, principally contributed by new bank loans and issuance of corporate bonds in the amount of RMB5,614.25 million, offset by RMB6,360.71 million used to repay bank loans, RMB311.18 million in interest payments, and RMB134.73 million in dividends paid to shareholders of the Company.

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

Capital Expenditures

Capital expenditures of the Group for the financial year ended 31 December 2012 was RMB3,260.45 million, a decrease of 1.99% compared to RMB3,326.58 million for the financial year ended 31 December 2011. Our primary sources of capital included bank loans, issuance of corporate bonds, and cash flows from operations of the Group.

IV. OUTLOOK FOR 2013

i. Industry Outlook

1. Industry Overview

According to the *Global Wind Energy Outlook 2012* jointly issued by Greenpeace, a global environmental protection organisation, and GWEC, wind power could supply up to 12% of global electricity by 2020, create 14 million new jobs, and reduce CO_2 emissions by 15 billion tons per year. By 2030, wind power could provide more than 20% of global electricity demand.

The white paper on *China's Energy Policy 2012* issued by the State Council Information Office of the PRC in October 2012 states that China is determined to develop new and renewable energy, and is targeting to increase the proportion of non-fossil energy in primary energy consumption and installed generating capacity to 11.4% and 30%, respectively, by the end of the Twelfth Five-Year Plan, further demonstrating the strategic importance of renewable energy. China is now shifting its energy mix from fossil fuels denominated to a more diversified portfolio, and non-fossil fuels will eventually represent a majority stake. Wind power will play an important role throughout this process. Wind power is a steady and important strategy for China's energy development and will become a green pillar for China's energy industry.

2. Competitive Environment

China's wind power industry entered a period of adjustment in 2011 after almost ten years of rapid development and competition intensified. In addition, quality and safety problems caused by the improper management of some companies during rapid development have become apparent, and their integrity has suffered. Every company within the wind power industry suffered major decreases in profits, with some of them unable to continue operations. Wind power manufacturers are now facing a more challenging market. However, competition is the motivation for every industry's growth. It will facilitate more rapid resource consolidation, eliminate weaker competitors, and stimulate the industry towards maturity. As wind power is a new energy industry, it is affected by industry policies to a large extent. With the growth of wind power industry currently experiencing a lack of confidence, the introduction of the *Wind Power Development under the Twelfth Five-Year Plan* (風電發展「十二五」規劃) was a much needed boost of confidence for the wind power industry. This demonstrates the government's determination to increase the pace of wind power development, and that the wind power industry may be gradually recovering from the slowdown, with an improved method of growth, a shift from scale to efficiency, from pace to quality, and from installed to generating capacity. The wind power industry will enter a new phase of sustainable, healthy and orderly development.

ii. Corporate Strategy

Goldwind strives to be a global leader in discovering and creating value for the development and utilisation of clean energy. Faced with the opportunities and challenges of the wind power industry's development path and competitive environment, we will continue to maintain our business concepts of technological, business, and management innovation. We will continue to strengthen our advantages in WTG R&D, manufacturing, sales, and services, whilst also accelerating our reach into sectors along the wind power value chain with more development value and potential, providing comprehensive wind power solutions to our customers that include WTGs, wind power services, and wind farm development. We will also continue to strengthen our global reach, further implement our strategy through the internationalisation of technology, markets, talents, and capital, and aim to become a global leader in our industry. Building upon our strong foundation in our primary wind power businesses, we will continue to explore the potential to combine wind power with other forms of renewable energy, actively pursue the development of wind and solar power generation, smart micro-grids, environmentally friendly and energy saving solutions, and other technical and operational areas. Backed by our current resources and competitive advantages, we will seek to nurture our new business models including power electronics and comprehensive power, guide the future development of wind and solar power, and stimulate the sustainable development of Goldwind.

iii. Operations Plan and Major Targets

1. Diversify our Product Portfolio

Every company is dependent on its products for survival. Developing products that satisfy market demand has always been the focus for us. In 2013, we seek to increase the competitiveness and economic value of our 2.5MW models, as well as continue to sustain the competitive advantages of our 1.5MW models. We will also increase the development of our 6MW WTG, preparing large capacity WTGs for the future.

2. Strengthen our Customer Base

We will seek to solidify our current customer base as well as further diversify our customer channels, to strengthen our relationship with major customers in our target markets, to explore further potential for growth by introducing our brand and products to the market through innovative partnerships and other strategies, strive to discover potential in domestic markets, and push forward our internationalisation strategy.

3. Innovative Sales Models

We will continue to pursue our diversified profit model and maintain our principle of maximising value for our customers. We will seek further innovative sales channels in 2013, satisfy our customers' different needs through multiple and comprehensive solutions, and utilise different methods to stimulate our WTG sales.

4. Strengthen our Business Core Capabilities

Building on the foundation of our businesses, we seek to improve the core capabilities of our business segments in 2013. We will seek to set our standards high, compete with the best, and strengthen our core competitive advantages.

5. Strengthen our Financial Management

Faced with the volatile development trend of the wind power industry and fierce competition, we need to strengthen the accounting and finance management related to our businesses, strengthen cost accounting, set more accurate and effective targets, establish effective motivation systems, and implement our management initiatives.

iv. Capital Requirements and Planned Capital Expenditures

According to our 2013 annual operations plan, our operating capital will mainly come from retained capital and bank loans. Given our strong credit rating, excellent reputation, and diversified sources of financing, we have ample access to capital.

v. Potential Risk Factors

1. Lower Market Demand

China's wind power industry entered a period of stability after the rapid development of the Eleventh Five-Year Plan. In 2011 and 2012, newly installed wind power capacity in China experienced a YoY decrease for two consecutive years. The decline in market demand and slowdown in the industry had a certain level of impact on Goldwind.

2. Market Competition

Although the average selling price of WTGs seems to have stabilised, many WTG manufacturers are already operating at a loss, and fierce competition is still evident. In addition to competition on prices, manufacturers have shifted their focus to product quality and the R&D of new products. Many have increased investment in the R&D of new large capacity WTGs in preparation for competition in the future and for the offshore market. As the world's largest wind power market, competition in China's wind power industry will continue to intensify and may affect the manufacturing business of Goldwind as well as preventing us from expanding our market share.

3. Grid Connection and Consumption

After five to six years of rapid development, some of the problems that developed in China's wind power industry began to surface, especially the grid connection bottleneck. According to *China Wind Power Outlook 2012* (中國風電發展報告2012), in 2011, more than 12% of wind power, or the equivalent of 3.3 million tonnes of coal, was curtailed from connection to the grid. The wind power industry has lost over RMB5 billion as a result of curtailment. If the problems of inadequate grid capacity and low capacity utilisation cannot be alleviated in the short-term, every section of the industry value chain will be significantly affected.

V. CORE COMPETITIVE ADVANTAGES

i. Leading Market Position

Goldwind is the oldest WTG manufacturer in China. After more than ten years of development, we have gradually matured into a leading WTG manufacturer in China and a leading global comprehensive wind power solutions provider. Our 1.5MW and 2.5MW DDPM WTG models, for which we own the intellectual property rights, represent the most promising technology in the global wind power industry. Goldwind ranks first in China's wind power equipment manufacturing industry and is also the largest DDPM WTG manufacturer in the world. We have sustained our industry leading position for many years.

ii. Advanced Products and Technology

Goldwind's DDPM WTGs are known for their superior performance, including high power generation efficiency, low maintenance and operating costs, are grid-friendly and have a high availability rate. Our products have been widely welcomed and recognised by our customers, and have been a guiding force for the development of global wind power technology. We have two major R&D centres in Germany and Beijing and nearly a thousand seasoned R&D personnel with extensive industry experience, contributing to the optimisation and innovation of our products and technology. We have developed a diversified product portfolio, including specialised WTGs for different geological and climatic conditions to satisfy the diversified needs of our customers. Currently, our product portfolio includes our matured and mainstream 1.5MW WTG series, 2.5MW WTG series and 3MW WTG. We have also prepared our 6MW DDPM WTG for our future offshore market. The marketing and development of these products have secured our market coverage. We currently have a large backlog of orders, demonstrating Goldwind's ability to ensure and increase our foreseeable revenue from operations, and that the superior quality of our products is widely recognised by the market.

iii. Excellent Brand Name and Reputation

Following several years of industry slowdown, and backed by our products' advanced technological, superior quality, highly efficient power generation, and excellent after-sales services, Goldwind has established an excellent brand name and gained a certain level of influence in the industry. We have been highly recognised by the government, our customers, business partners, and investors.

iv. Comprehensive Wind Power Solutions Provider

Backed by our advance technology, products, and our extensive experience in wind farm development, construction, operation and maintenance, we have always maintained our drive to become, and have successively become, a leading comprehensive wind power solutions provider. In addition to our sales of WTGs, we will continue to expand our alternative profit models that include wind farm development and sales, and wind power services. After several years of operation, our businesses have proved to be successful and became important complimentary profit channels for us. We have successfully faced the challenges of the market and improved our comprehensive and diversified competitive advantages.

v. Successful Internationalisation

As the first domestic wind power enterprise to enter the international markets, Goldwind has continued the pursuit of our internationalisation strategy over the years. Maintaining our principle of "internationalisation through localisation", we achieved several breakthroughs in our key target markets that include the Americas, Australia and Europe, and we have also proactively explored emerging markets that include Africa and Asia, achieving very encouraging results. So far, our projects are distributed in 20 countries, across six continents. Our superior WTGs have been welcomed and recognised by our domestic and overseas customers, and have laid a solid foundation for our future business development.

ESTIMATED OPERATING RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2013

Estimated operating results for January to March 2013: net profits to increase by more than 50% YoY

Range of percentage change in net profits attributable to owners of the Company for the three months ended 31 March 2013	400%	to	450%
Range of net profits attributable to owners of the Company for the three months ended 31 March 2013 (RMB million)	30.8852	to	33.9738
Net profits attributable to owners of the Company for the three months ended 31 March 2012 (RMB)	6,177,046.30		
Reasons for increase/decrease	1) Affected by industry adjustments, profits in the first quarter of 2012 were relatively low; 2) Realising the benefits from our optimisation of corporate management.		

COMPLICANCE WITH CORPORATE GOVERNANCE CODE

During the year of 2012, the Group has complied with all applicable code provisions under the Code on Corporate Governance Practices and Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for a deviation from Code Provision A.2.1 during the period from 23 March 2012 to 8 January 2013. Code Provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same person. During the period from 23 March 2012 to 8 January 2013, the Chairman of the Board and President of the Company have been performed by the same person, Mr. Wu Gang, following the resignation of Mr. Guo Jian, the former President, on 23 March 2012. Mr. Wu Gang is a founding member of the Group and has over 20 years of experience in the wind power industry and possesses a thorough knowledge of the operations and management of the Company. Given the circumstances at that time, the Board believed that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which is in the best interests of the Company. On 9 January 2013, Mr. Wang Haibo, an executive director and vice president of the Company, was promoted to be the President of the Company for the strengthening of our corporate governance and the further development of the Company. Since then, the roles of the chairman and chief executive of the Company have been performed by Mr. Wu Gang and Mr. Wang Haibo, respectively.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Board of the Company has discussed with the management of the Company and reviewed the consolidated financial statements of the Group for the year ended 31 December 2012.

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

During the financial year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company.

FINAL DIVIDEND

The Board has proposed to pay a final dividend of RMB0.055 per share (including tax) for the year ended 31 December 2012 in cash out of the Company's retained distributable profit as at 31 December 2012. 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, final dividend, 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, 22 March 2013

As of the date of this announcement, the executive directors of the Company are Mr. Wu Gang and Mr. Wang Haibo; the non-executive directors are Mr. Li Ying, Ms. Hu Yang, Ms. Ji Dongmei and Mr. Yu Shengjun; and the independent non-executive directors are Mr. Wang Yousan, Mr. Shi Pengfei and Dr. Tin Yau Kelvin Wong.

** For identification purpose only*