



Second Quarter Report

Three months ended September 30, 2011

**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS OF
CHINA WIND POWER INTERNATIONAL CORP.
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2011**

The following Management's Discussion and Analysis ("MD&A") provides management's perspective on the financial condition and results of operations of China Wind Power International Corp ("China Wind" or the "Company") and its subsidiaries for the three and six months ended September 30, 2011. This MD&A is supplemental to, and should be read in conjunction with the information contained in the unaudited interim condensed consolidated financial statements and accompanying notes of the Company for the three and six months ended September 30, 2011. These statements have been prepared in conformity with International Financial Reporting Standards ("IFRS") and require management to make estimates and assumptions that affect amounts reported and disclosed in such financial statements and related notes. All dollar amounts in this MD&A are in Canadian dollars unless otherwise stated.

The Board of Directors approved the contents of this MD&A on November 28, 2011. Disclosure contained in this document is current to this date, unless otherwise stated.

Forward-Looking Statements

This MD&A contains "forward-looking information." Such statements may include, but are not limited to, statements addressing the results, events or activities that the Company expects or anticipates will or may occur in the future, including statements in respect of the growth of the business and operations, competitive strengths, strategic initiatives, planned capital expenditures, plans, and references to future operations and results, critical accounting estimates, and expectations regarding future capital resources and liquidity. Such statements relate to, among other things, the Company's objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates and can generally be identified by the use of statements that include words such as that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expect," "anticipate," "plan," "believe," "estimates", "intend", "likely", "will", "may", "could", "should", "would", "suspect", "outlook", "estimate", "forecast", "objective", "continue" (or the negative versions thereof) or similar words or phrases.

Forward-looking statements contained in this document reflect management's current estimates, expectations and projections, which it believes are reasonable as of the date of this MD&A. Readers are cautioned that forward-looking statements are not guarantees of future performance. The Company's actual results could differ from those discussed in the forward-looking statements. Factors that could cause or contribute to any differences include, but are not limited to, those discussed below and elsewhere in this MD&A, particularly under "Risk Factors Relating to the Company". Readers should not place undue importance on forward-looking statements and should not rely upon this information as of any other date.

Except as may expressly be required by law, the Company disclaims any obligation or undertaking to publicly release any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations, estimates and projections with regard thereto or any changes in events, conditions or circumstances on which any statement is based.

Company Overview

China Wind is an Ontario company (incorporated under the Business Corporation Act (Ontario) on June 27, 2008), that is uniquely positioned to capitalize on the growing demand for wind power in China. The Company indirectly holds the exclusive rights for wind energy development in Duerbert Mongolian Nationality Autonomous County (hereafter referred to as "Du Mon County" or the "County"), Heilongjiang Province, which has a demonstrated potential installed capacity of 1,150 MW of wind energy developable over an area of 612 square km. While 1,150 MW represents the Company's long-term potential for wind power in the area, its current plans are for building out approximately 800 MW over five development

phases. The Company's common shares are listed on the TSX Venture Exchange under the symbol CNW. The Company has approximately 63.9 million shares outstanding as at November 28, 2011.

The Company conducts its business as a single operating segment, being the development and operation of wind farm power plants in China. All of the Company's assets are located in China and all revenue will be generated from China at this time.

China Wind's vision is to be the largest independent developer, builder, owner and operator of wind farms to provide clean energy in China. The Company will seek to attain long-term sustainable cash flows through ownership and operation of wind power generating facilities.

Through a set of contractual agreements, the Company effectively governs and administers the business operations and affairs of Daqing Longjiang Wind Power Co., Ltd. ("Longjiang"), including entitlements to the economic benefits.

Longjiang was incorporated under the laws of the People's Republic of China ("China") on January 24, 2007. Longjiang is in the business of developing wind energy projects in China. Longjiang is focusing on wind energy development and to build, own and operate wind farms to provide clean energy. Since incorporation, the efforts of Longjiang have been devoted to the development of wind power projects in Du Mon County and surrounding areas. The first phase ("Phase 1") with installed capacity of 49MW had been completed and started commercial production at the end of November 2009. The second phase ("Phase 2"), which will have an installed capacity of 49.5MW, is currently under construction and is expected to be completed before the end of December 2011.

Both Phase 1 and Phase 2 have among the top-ranked wind resources in Heilongjiang Province; are located on flat grassland adjacent to existing transmission and transportation infrastructure; have full environmental certification and all required approvals and permits. The Company has a 30-year land lease for Phase 1 from Heilongjiang Ruihao Technology Group Co., Ltd. ("Ruihao"), a company controlled by the Chief Executive Officer and a director of China Wind, based on the "Land Use Right Certificate" issued to Ruihao by the local government. Longjiang has also obtained the "Land Use Right Certificate" for the land of 179,644 square meters used by Phase 2 from the local government. The land use right was allocated by government free of charge. The land status is "Public Infrastructure Land" and the lease term is for the duration that the wind farm on top of it remains in operation according to the related government regulations and laws in China. Phase 1 has a 20-year Power Purchase Agreement (PPA) with Daqing Electric Power Bureau, the branch of the State Grid Company of China, the largest monopoly power grid company in China, and is fully completed and generating power. Now that Phase 1 is fully operational, management expects that it will generate approximately US\$8.6 million in revenues (excluding 17% value-added tax) and US\$6.5 million in EBITDA per year on average for 20 years. Phase 2 is projected to have similar economics as the two phases are approximately identical in terms of location, installed capacity and wind resource.

Among all the elements which impact the revenue of a wind farm, the capacity factor and power price are the two most significant factors given the installed capacity of a wind farm. A wind farm's average annual revenue formula is expressed as:

Average Annual Revenue = Tariff x Capacity Factor x Total Nominal Power x 365.21 days x 24 hours

Where:

- The feed-in tariff is RMB 0.61 Yuan (C\$0.090 or US\$0.093) per kWh for all wind farms built in Heilongjiang Province according to The Notice Regarding Consummating the Policies of Wind Power's Feed-in Tariff (**NDRC Price [2009] #1906**) promulgated on July 20, 2009 by The National Development and Reform Commission (**NDRC**) and become effective on August 1, 2009.
- The Capacity Factor depends on the type of wind turbines used and the wind resource by which the turbines run. For Longjiang's Phase 1, the capacity factor is computed to be 26.31% using the "Wind Atlas Analysis and Application Program" (WASP) to simulate wind flow over terrain and estimate the

long-term energy production for the three different wind turbines running by the wind resources in that location. The Weighted Average Full Load Hours for Phase 1 was calculated to be 2,306.18 hours by averaging the results of the three type wind turbines. This number is only a simulation result and may differ from actual results.

- The Total Nominal Power for Phase 1 and Phase 2 is 49 MW and 49.5MW, respectively.

The Company's Phase 3 wind project started construction in September 2011. Phase 3 is fully permitted with planned installed capacity of 198MW consisting of four 49.5MW wind farms, each held by one project company incorporated in China (the "Project Companies"). It is being constructed under an engineering, procurement and construction (EPC) contract with China Ming Yang Wind Power Group Limited (NYSE: MY) ("Ming Yang"), a world-leading turbine manufacturer in China. No payments for construction, turbines and installation are due until one year after completion. The construction at Phase 3 has no immediate impact on working capital. Phase 3's construction is expected to be completed by the end of the second quarter of calendar 2012. By then, management expects to have approximately 300MW of wind farms in operation.

The Company has submitted approximately 300MW of wind farm projects ("Phase 4") for government approval in calendar year 2011, which are planned to be built commencing in 2012 and expected to be completed by mid-year 2013. In addition, the Company plans to build approximately 200MW of wind farms ("Phase 5") commencing in 2013 and expected to be completed by mid-year 2014. The above represents the Company's current plan to build out approximately 800 MW over five development phases.

In Heilongjiang Province, the Company estimates it would take approximately six to 12 months to obtain all the necessary approvals and permits from government to be able to commence construction for wind power projects totalling less than 50MW in installed capacity. After receipt of the government approvals, the power purchase and interconnection agreements are then signed with the power grid company.

Adoption of International Financial Reporting Standards

The Canadian Accounting Standards Board requires Canadian publicly-accountable enterprises to adopt IFRS in its annual financial statements for the first fiscal year beginning on or after January 1, 2011. Accordingly, the Company reported under IFRS for the three and six months ended September 30, 2011 and has provided comparative figures for 2010 using IFRS. Financial information disclosed in this MD&A for periods ending before and as at March 31, 2010 has been restated to IFRS.

Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are differences in recognition, measurement and disclosure. First-time adopters must apply IFRS 1, which requires full retrospective application of IFRS, providing certain mandatory exceptions and optional exemptions. Note 17 of the interim condensed consolidated financial statements provides a summary of the transitional exemptions and exceptions applied by the Company in its conversion to IFRS, as well as relevant differences in accounting policies between Canadian GAAP and IFRS. The note also provides reconciliations of shareholders' equity, net earnings and comprehensive income previously reported under Canadian GAAP to that reported under IFRS, if any.

The information provided in this MD&A and in the interim condensed consolidated financial statements with respect to the transition to IFRS reflects current views, assumptions and expectations. Circumstances may arise such as changes in IFRS standards or interpretations of existing IFRS standards before the preparation of the consolidated annual March 31, 2012 financial statements. Consequently, final accounting policy decisions for all standards and exemptions in effect at the date of transition will be made during the preparation of the consolidated financial statements as at March 31, 2012.

It is critical for readers of the Company's financial statements to understand that:

1. There was no impact on the Company's net profit (loss) from the adoption of IFRS;

2. There was no impact on the Company's cash flows statements from the adoption of IFRS;
3. There was no impact on the Company's financial covenants and existing lending agreements.

Selected Consolidated Financial Information

The following selected consolidated financial information has been derived from our interim condensed consolidated financial statements for the three and six months ended September 30, 2011 and 2010 and our financial positions as at September 30, 2011 and March 31, 2011.

Operating results

| | Three months ended September 30 | | Six months ended September 30 | |
|---|------------------------------------|--------------|----------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| REVENUE | \$ 1,174,619 | \$ 1,217,296 | \$ 3,351,961 | \$ 2,423,224 |
| Other Income | | | | |
| Interest income | 18,079 | 531 | 19,155 | 975 |
| Other income | 40,161 | 711,799 | 44,739 | 716,442 |
| | 58,240 | 712,330 | 63,894 | 717,417 |
| EXPENSES | | | | |
| Wind farm operating cost | 154,468 | 159,907 | 306,038 | 303,880 |
| Employee salaries and director fees | 311,414 | 235,218 | 543,551 | 467,754 |
| Amortization | 894,849 | 884,694 | 1,767,635 | 1,767,909 |
| Professional expenses | 84,173 | 30,340 | 159,469 | 85,505 |
| Stock-based compensation | 294,742 | 195,994 | 392,164 | 568,403 |
| Other expenses | 161,360 | 212,390 | 260,661 | 393,180 |
| | 1,901,006 | 1,718,543 | 3,429,518 | 3,586,631 |
| Profit (loss) before interest and taxation | (668,147) | 211,083 | (13,663) | (445,990) |
| Finance Costs | | | | |
| Interest expenses for long term debt | 769,223 | 779,598 | 1,550,989 | 1,527,927 |
| Loss for the period | \$(1,437,370) | \$ (568,515) | \$ (1,564,652) | \$ (1,973,917) |
| Loss per share – basic and diluted | \$ (0.02) | \$ (0.01) | \$ (0.02) | \$ (0.03) |
| Other comprehensive income/(loss) | | | | |
| Exchange differences on translation of foreign operations, net of tax | \$ 3,439,928 | \$ (31,831) | \$ 4,380,851 | \$ 1,408,595 |
| Adjusted EBITDA | \$ 521,444 | \$ 1,291,771 | \$ 2,146,136 | \$ 1,890,322 |

Quarterly financial data

| Fiscal year ended March 31, 2011 | First quarter | Second quarter | Third quarter | Fourth quarter | Full year |
|--|------------------|-------------------|------------------|-------------------|--------------|
| Revenue | \$ 1,205,928 | \$ 1,217,296 | \$ 2,429,602 | \$ 1,699,785 | \$ 6,552,611 |
| Adjusted EBITDA * | 598,551 | 1,291,771 | 1,897,875 | 1,009,352 | 4,797,549 |
| Net income (loss) | (1,405,401) | (568,515) | 92,177 | (623,094) | (2,504,833) |
| Earnings (loss) per share, basic and diluted | (0.02) | (0.01) | 0.002 | (0.01) | (0.04) |

| Fiscal year ended March 31, 2010 | First quarter | Second quarter | Third quarter | Fourth quarter | Full year |
|--|------------------|-------------------|------------------|-------------------|--------------|
| Electricity sales | \$ 629,063 | \$ 705,162 | \$ 1,287,998 | \$ 1,206,980 | \$ 3,829,203 |
| Less: recorded as recovery of wind farm power plant cost | (629,063) | (705,162) | (775,930) | - | (2,110,155) |
| Revenue | - | - | 512,068 | 1,206,980 | 1,719,048 |
| Adjusted EBITDA * | (383,500) | (393,627) | 450,033 | 816,973 | 481,958 |
| Net loss | (403,058) | (2,726,086) | (626,296) | (1,228,835) | (4,984,273) |
| Loss per share, basic and diluted | (0.014) | (0.057) | (0.011) | (0.021) | (0.104) |

*Adjusted EBITDA represents earnings (losses) before income tax expenses, interest expenses, amortization and stock based compensation.

Financial position

| | September 30, 2011 | March 31, 2011 | April 1, 2010 |
|----------------------------|---------------------------|-----------------------|----------------------|
| Current assets | \$ 22,530,445 | \$ 8,273,827 | \$ 5,430,101 |
| Total assets | 173,505,402 | 139,400,882 | 114,185,428 |
| Current liabilities | 28,079,298 | 21,008,282 | 26,498,197 |
| Total liabilities | 121,022,570 | 90,126,413 | 71,075,037 |
| Total shareholders' equity | \$ 52,482,832 | \$ 49,274,469 | \$ 43,110,391 |

Results of Operations

During the three months ended September 30, 2011, China Wind generated \$1.2 million in revenue and \$0.5 million in adjusted EBITDA. Less power was generated compared to the same quarter a year ago, as the Company did a major maintenance of Phase 1 wind farm in August 2011. For the three months ended September 30, 2010, China Wind generated sales of \$1.2 million and adjusted EBITDA of \$1.3 million. During the six months ended September 30, 2011, the Company generated \$3.4 million in revenue and \$2.1 million in adjusted EBITDA. During the six months ended September 30, 2010, the Company generated \$2.4 million in revenue and \$1.9 million in adjusted EBITDA.

The Company incurred a net loss of \$1.4 million for the three months ended September 30, 2011 (three months ended September 30, 2010 – loss of \$0.6 million). The increase in net loss for the three months ended September 30, 2011 was mainly because of increase in stock-based compensation of \$0.1 million due to new issued stock options and decrease of other income of \$0.7 million.

The Company incurred a net loss of \$1.6 million during the six months ended September 30, 2011 (six months ended September 30, 2010 - \$2.0 million). The decrease in net loss for the six months ended September 30, 2011 resulted from a combination of factors, including decrease in stock-based compensation of \$0.2 million and other income of \$0.6 million netted off the increase of revenue of \$0.9 million.

Phase 1 generated approximately 14.5 million KWh of electricity for the three months ended September 30, 2011 for an aggregate production to date of 175 million KWh as of September 30, 2011. Phase 2 will represent a capacity of 49.5 MW when completed, with completion expected by the end of December 2011. Upon completion, Phase 2 is expected to run at approximately 60% production capacity for the first year of operations due to tuning and calibration, and is expected to reach optimal production capacity starting from the second year of operations.

Cash flow

The Company had \$0.2 million in operating cash outflow for the three months ended September 30, 2011, which is \$0.1 million more than for the three months ended September 30, 2010.

The Company had \$0.06 million in operating cash inflow for the six months ended September 30, 2011, compared to operating cash outflow of \$0.6 million for the six months ended September 30, 2010.

The Company continues to invest in its wind farm development projects. For the three months ended September 30, 2011, \$7.0 million cash was invested on wind farm development. This amount is \$6.8 million higher than the three months ended September 30, 2010 because the Company started construction of Phase 3 wind farms which represent 198MW capacity. This also explains the increase in cash invested in wind farm development of \$7.3 million for the six months ended September 30, 2011 as comparing to the same period last year.

During the three months ended September 30, 2011, the Company received \$0.8 million from a related party loan, \$18.3 million from a supplier loan and repaid \$0.5 million in bank loans.

During the six months ended September 30, 2011, the Company received \$2.2 million from a related party loan, \$18.3 million from a supplier loan and repaid \$1.8 million in bank loans.

Capital expenditure

The Company is expecting to pay an additional \$19.5 million (of which \$9.5 million has been committed and \$10 million has been accrued) for the construction of Phase 2 in the fiscal year 2012. Such capital expenditure will be funded by the remaining tranches of a long-term bank loan of \$19.4 million (or RMB120 million) which has been conditionally approved by the Agriculture Development Bank of China. The total amount of this long-term bank loan is \$53.3 million (RMB330 million).

The Company is expecting to pay \$258.4 million to complete Phase 3, which will be financed 30% by supplier and 70% by bank loan.

Contractual obligations

Contractual obligations relating to our long-term debt including interest, long term payable including interest and purchase obligations as at September 30, 2011 are disclosed in the table below:

| | Within a year | In the 2nd and 3rd years | In the 4th and 5th years | After the 5th year | Total |
|------------------------|----------------------|-----------------------------|-----------------------------|-----------------------|-----------------------|
| Accounts payable | \$ 13,289,145 | -- | -- | -- | \$ 13,289,145 |
| Due to related parties | 5,886,658 | -- | -- | -- | 5,886,658 |
| Long-term debt | 14,279,617 | 31,391,729 | 28,570,103 | 28,817,953 | 103,059,402 |
| Long term payable | -- | 14,645,705 | 5,193,840 | 4,050,420 | 23,889,965 |
| Purchase obligation | 6,100,850 | 3,408,296 | -- | -- | 9,509,146 |
| Total | \$ 39,556,270 | \$ 49,445,730 | \$ 33,763,943 | \$ 32,868,373 | \$ 155,634,316 |

The total investment in each 49.5MW wind farm project in Phase 3 is approximately \$64.6 million (RMB400 million). Among other terms, Ming Yang agreed to finance and construct the Phase 3 wind projects by taking possession majority of the shares of these four entities as pledge. Within five years after

the last set of wind turbine passes the 240-hour testing inspection, Longjiang is obligated to purchase at least 51% of Ming Yang's equity interest in the Project Companies at the end of the first year and at least 10% in each of the following years until Longjiang has repurchased all the shares held by Ming Yang. After the last wind turbine passes testing, Longjiang has the right to purchase, with a 30-day notice, Ming Yang's shareholding in the Project Company, in whole or in part, as agreed by both parties. Ming Yang has agreed to sell such shares. Ming Yang will release the pledged shares back to the Company pro rata upon the payments are made. The Company also agreed to purchase wind power equipment and parts from Ming Yang up to \$19.4 million (RMB120 million) prior to the Company's first payment for the wind projects are made.

Financial Condition

Liquidity

As at September 30, 2011, the Company had cash of \$12.6 million, which will continue to be used to pay off its liabilities and to develop Phase 2 and 3.

The Company expects to incur additional debt financing from the Agriculture Development Bank of China to complete Phase 2. The Company intends to finance its Phase 3 and future projects through additional debt and equity financings with a target debt/equity structure of approximately 70:30 on average as usually a bank requires an equity investment representing 20%-30% of the total project cost to be in place to qualify for a fixed asset bank loan.

The Company has a working capital deficiency of approximately \$5.6 million as of September 30, 2011, of which \$9.3 million current liabilities were related to Phase 2 as the Company started construction of Phase 2 before obtaining bank financing. In addition, \$8.9 million is planned for the next repayment of the bank loan before September 30, 2012.

On May 12, 2010, the Company issued 4,150,953 common shares and received gross proceeds of \$4,359,520 at a price of \$1.05 per share through a non-brokered private placement and paid \$118,423 in commissions and finders' fees in connection with this offering. The proceeds were used for working capital, general corporate purposes and Phase 2.

On November 23, 2010, the Company closed a non-brokered private placement offering of 2,408,131 common shares of the Company at a price of \$1.80 per share for gross proceeds of \$4,334,637. The proceeds have been invested into Longjiang as capital injection and used for Phase 2 construction.

Assets and liabilities

As at September 30, 2011, the Company had total assets of \$173.5 million compared to \$139.4 million as at March 31, 2011.

On January 24, 2008, the Company entered into a fixed-asset loan agreement to borrow \$58.1 million (RMB 360 million) from the Agricultural Development Bank of China, Du Mon Branch, for a 10-year term expiring in February 2018, bearing an interest payable quarterly at a variable rate, which is adjusted annually on February 20 according to the commercial RMB loan interest rate published by the People's Bank of China at that time. The Company's current interest rate as at September 30, 2011 is 7.05% per year. The loan is collateralized by the wind farm assets and the future revenue of Phase 1. The Company's CEO and director Mr. Jun Liu and his spouse signed the Guarantee Agreement with the Agricultural Development Bank of China to be a joint surety for the debt.

In November 2010, the Company entered into a loan agreement to borrow \$22.6 million (RMB 140 million) from the Agricultural Development Bank of China Du Mon Branch for a 9-year term expiring in December 2019, bearing an interest payable monthly at a variable rate, which is adjusted every six months at January 21 and July 21 according to the interest rate for commercial loans denominated in Renminbi

published by People’s Bank of China at that time. The interest rate as at September 30, 2011 was 7.05% per year. The loan is collateralized by the Company’s certain wind power plant equipment of Phase 2 wind farm with an aggregate carrying value of \$37.9 million (RMB 234.8 million). In addition, Ruihao pledged certain of its wind power plant equipment for the loan.

In February 2011, the Company entered into a loan agreement to borrow \$19.4 million (RMB 120 million) from the Agricultural Development Bank of China Du Mon Branch for a 9-year term expiring in September 2019, bearing an interest payable monthly at a variable rate, which is adjusted every six months at January 21 and July 21 according to the interest rate for commercial loans denominated in Renminbi published by People’s Bank of China at that time. The interest rate as at September 30, 2011 was 7.05% per year. The loan is guaranteed by third parties. \$387,600 (RMB2.4 million) is charged as guarantee fee annually. The Company paid \$1.9 million (RMB12 million) to these third parties as deposit and recorded it as refundable deposits and prepayments. After Phase 2 wind farm is completed, the Company will pledge Phase 2 to the bank and remove this guarantee. The deposits will be refunded to the Company upon termination of the guarantee agreements. By September 30, 2011, \$11.3 million (RMB70 million) had been released to the Company. The loan will be used for construction of Phase 2 wind farm.

On September 3, 2007, Ruihao obtained a long-term land lease with respect to the site for the Phase 1 Project from the government. The lease offered 137,780 square meters of land to Phase 1 by the government free of charge for a term of duration of the wind farm on top of the land in operation according to related government regulations and laws. Ruihao subsequently entered into a land use agreement with Longjiang to grant the land use right to Longjiang free of charge for 30 years from October 1, 2007 to December 31, 2037 for construction and operation of Phase 1.

On May 20, 2009, Longjiang obtained the “Land Use Right Certificate” for the land of 179,644 square meters used by Phase 2 from the local government. The land status is “Public Infrastructure Land” and the land lease is granted free of charge for a term of duration of the wind farm on top of the land in operation according to related government regulations and laws.

Since Longjiang acquired the land leases for free, they were not capitalized.

Related party transactions

In addition to the above land lease agreement between Ruihao and Longjiang, the following is a summary of the related party transactions.

The Company had “Due to related parties” and “Due from related parties” balances listed in the following table.

| | September 30, 2011 | March 31, 2011 | April 1, 2010 |
|--|-----------------------|-------------------|------------------|
| Due from related parties | | | |
| Daqing Zhongdan Wind Power Co., Ltd. (1) | \$ 1,664,671 | \$ 1,766,498 | \$ -- |
| Chairman and CEO | 10,869 | 8,993 | -- |
| A director | -- | -- | 37,450 |
| | \$ 1,675,540 | \$1,775,491 | \$ 37,450 |
| Due to related parties | | | |
| Heilongjiang Ruihao Technology Group Co., Ltd. (2) | \$ 5,880,039 | \$ 3,386,477 | \$9,018,775 |
| An officer | 6,619 | 5,938 | 76,730 |
| Daqing Zhongdan Energy Co., Ltd. (3) | -- | -- | 22,425 |
| Chairman and CEO | -- | -- | 22,758 |
| | \$ 5,886,658 | \$3,392,415 | \$ 9,140,688 |

(1) It represents the amounts owed by Daqing Zhongdan Wind Power Co., Ltd., a subsidiary of Ruihao.

(2) It represents loan from Heilongjiang Ruihao Technology Group Co., Ltd. (“Ruihao”), a Company controlled by the CEO and Chairman of the Board of Directors of the Company.

(3) It represents amounts owed to Daqing Zhongdan Energy Co., Ltd., a subsidiary of Ruihao.

These amounts are unsecured, non-interest bearing and without specific terms of repayment.

Ruihao provided a guarantee for the Company’s \$22.6 million (RMB 140 million) Phase 2 bank loan by pledging certain of its equipment.

The Company rented office space from Ruihao free of charge.

The remuneration of directors and other members of key management personnel for the three and six months ended September 30, 2011 and 2010 were as follows:

| | Three months ended September 30, | | Six months ended September 30, | |
|---------------------------------------|-------------------------------------|------------|-----------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Salaries for key management personnel | \$ 137,500 | \$ 137,223 | \$ 275,000 | \$ 275,169 |
| Director fees | 38,917 | 20,000 | 55,917 | 36,250 |
| Stock-based compensation | 117,811 | 195,994 | 215,233 | 568,403 |
| | \$ 294,228 | \$ 353,217 | \$ 546,150 | \$ 879,822 |

Stock-based compensation expenses were measured at grant date fair value.

In addition, the Company has unpaid salaries and fees to certain key management personnel and directors at each reporting date as follows:

| | September 30, 2011 | March 31, 2011 | April 1, 2010 |
|---|-----------------------|-------------------|------------------|
| Unpaid salaries to key management personnel | \$ 382,136 | \$ 200,470 | \$ 246,667 |
| Unpaid directors’ fees | \$ 32,250 | \$ 23,750 | \$ 10,833 |

Financial Instruments

Categories of financial assets and liabilities

The Company’s financial instruments are classified into the following categories with balances as at the respective period end dates as follows:

| | September 30, 2011 | March 31, 2011 | April 1, 2010 |
|--|-----------------------|-------------------|------------------|
| FVTPL (1) | \$ 12,585,176 | \$ 635,008 | \$ 373,280 |
| Loans and receivables (2) | 9,573,664 | 7,787,061 | 2,677,816 |
| Other financial liabilities and interest bearing loans and borrowings (3) | \$ 121,022,572 | \$ 90,126,413 | \$ 71,065,734 |

(1) Includes cash.

(2) Includes trade receivable, other receivables (excluding prepaid expenses), refundable deposits and prepayments and due from related parties.

(3) Includes accounts payable and accrued liabilities, other payable, due to related parties, long-term debt long term payable and other long term liabilities.

Fair value of financial instruments

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 7, Financial Instruments: Disclosures (“IFRS 7”).

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity.

As required by IFRS 7, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company’s cash is Level 1 financial assets and the Company does not have Level 2 or 3 financial assets. As of April 1, 2010, March 31, 2011 and September 30, 2011, the Company did not have financial liabilities measured at fair value on a recurring basis.

The fair value of the Company’s cash, trade receivable, other receivable (excluding prepaid expenses), refundable deposits and prepayments, due from related parties, other receivables, accounts payable and accrued liabilities, other payable and due to related parties are estimated to approximate their carrying values as they are short term in nature.

The fair value of long-term debt and other long-term liabilities are estimated using discounted cash flow analysis, based upon the Company’s current borrowing rate and approximates to its carrying value.

Risks arising from financial instruments and risk management

In the normal course of business, the Company is exposed to various types of market risks, including changes in foreign exchange rates, interest rates and material price, that may potentially impact its operating results. The Company employs risk management strategies with a view to mitigating these risks on a cost-effective basis.

Currency risk

Majority of the Company’s operations is in China. Most revenue, expenditures, assets and liabilities are in RMB. Currency risk from operation is remote.

Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash, trade receivables and other receivables. The carrying amount of assets presented on the statement of financial position represents the maximum credit exposure.

The Company has deposited cash with reputable financial institutions, from which management believes the risk of loss to be remote.

Other receivables as at September 30, 2011 include mainly a short-term unsecured loan of \$962,305 (March 31, 2011- \$883,652; April 1, 2010 - \$890,802) to one of its suppliers which has an interest rate of 8.83% per annum prior to July 1, 2009 and an interest rate of nil after July 1, 2009. Trade receivables as at September 30, 2011 represent receivables from one customer. All of the Company’s revenue and trade

receivables are from one customer, which is controlled by government. Management manages credit risk by assessing and monitoring its receivables specifically. Management believes the risks of loss are remote.

Interest rate risk

The Company's long term debt is subject to interest rate risk. Interest fluctuation of +/-100 basis points, would, everything else being equal, have effects on the Company's net income for the three months ended September 30, 2011 and wind farm power plant construction in progress as at September 30, 2011 of approximately \$113,700 and \$85,000, respectively (effect on the Company's net loss for year ended March 31, 2011 and on wind farm power plant construction in progress as at March 31, 2011 - \$495,700 and \$72,600, respectively; effect on the Company's net loss for three months ended September 30, 2010 and on property, plant and equipment as at March 31, 2010 - \$127,132 and \$940,850, respectively). The Company did not use financial instruments to hedge interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. As at September 30, 2011, the Company had cash of \$12.6 million and planned bank financing of \$19.4 million (RMB120 million). The Company expects that continued cash flows from operations in the following year, together with cash and planned bank financing will be sufficient to fund its requirement for financial liabilities.

Share Capital

As at September 30, 2011, the Company had 63,890,829 common shares outstanding.

The fully diluted share capital of the Company is as follows:

| Description | Number of Shares | Percentage of Shares on a Fully-Diluted Basis |
|--|------------------|---|
| Ruihao Trust | 43,569,561 | 61.55% |
| Other investors | 20,321,268 | 28.71% |
| Warrants to Officers and Consultants | 4,070,000 | 5.75% |
| Options to Directors, Officers and Employees | 2,831,300 | 3.99% |
| TOTAL: | 70,792,129 | 100% |

Stock Option Plan

The Company has adopted a stock option plan ("Stock Option Plan") which enables the directors, officers, employees and consultants of the Company and its affiliates to participate in the growth and development of the Company by providing such persons with the opportunity, through options to purchase the Company's shares, to acquire an increased proprietary interest in the Company that is aligned with the interests of the shareholders.

The Stock Option Plan is administered by the Board of Directors which may grant options to directors, officers, employees and consultants of the Company and its affiliates. The Board of Directors has the discretion to determine to whom options will be granted, the number and exercise price of such options and the terms and time frames in which the options will vest and be exercisable. Options, however, may only be exercisable for a maximum of ten calendar years from the date of grant and the exercise price of the options must be no less than the volume-weighted average trading price of the Company's shares on the Exchange for the five trading days preceding the date on which the granting of an option is approved by the Board of Directors.

Notwithstanding the maximum ten-year term (or any shorter term determined by the Board of Directors), the Stock Option Plan contains provisions which address the circumstance in which an option expires during a time when the Company is under a self-imposed blackout period which prevents officers, directors, employees and consultants from exercising options. The Company intends to adopt policies which mandate trading blackouts in certain circumstances, such as preceding the release of financial results. The Stock Option Plan provides that if the expiration date for an option occurs during a blackout period applicable to the relevant optionee, or within 10 business days after the expiry of a blackout period applicable to the relevant optionee, then the expiration date for that option shall be the date that is the tenth business day after the expiry date of the blackout period (the “**Blackout Expiration Term**”).

The Blackout Expiration Term will only be available when there is a blackout period self-imposed by the Company and the Blackout Expiration Term will be available to all eligible participants under the Stock Option Plan, under the same terms and conditions.

In the absence of the alternative resolution of the Board of Directors at the time of the granting of options to a grantee, the options issued to a grantee will vest as to one third of the number of options granted immediately and as to one third of the number of options granted on each of the one year and two year anniversaries of the date of grant.

The number of the Company’s shares to be reserved for issuance under the Stock Option Plan is 10% of the issued and outstanding shares, from time to time. The maximum number of options (and corresponding the Company Shares reserved for issuance upon exercise of such options) that may be issued to any one person under the Stock Option Plan during any one-year period, together with any other securities based compensation arrangement, is 10% of the issued and outstanding shares (on a non-diluted basis) at the date of the grant of the option. The maximum number of options (and corresponding shares reserved for issuance upon the exercise of such options) that may be reserved for issuance to insiders of the Company under the Stock Option Plan, together with any other securities based compensation arrangement, is 10% of the issued and outstanding shares (on a non-diluted basis) at the date of the grant. The total number of options which may be granted to any one insider of the Company within a one year period shall not exceed 5% of the issued and outstanding shares.

In addition to the limits set forth above, the Stock Option Plan imposes limits on the number of options that may be issued to consultants and employees who perform investor relations activities. The maximum number of options that may be granted to any one consultant of the Company within a one year period shall not exceed 2% of the issued and outstanding shares (on a non-diluted basis) at the date of the grant. Similarly, the maximum number of options that may be granted within a one year period to an employee conducting investor relations activities shall not exceed 2% of the issued and outstanding shares (on a non-diluted basis) at the date of the grant.

An option is personal to the grantee of the option and is non-transferable and non-assignable. The Stock Option Plan does not provide for or contemplate the provision of financial assistance to facilitate the exercise of options and the issuance of the Company’s shares. If the employment or appointment of an option holder with the Company or its affiliates is terminated by either party for any reason other than termination for cause, the options held by such option holder must be exercised within 90 days of the date of termination of the option holder’s employment or appointment with the Company or its affiliates should have one-year in case of death. If terminated for cause, the options held by such option holder terminate and are cancelled upon the holder ceasing to be a director, officer or employee of the Company or its affiliates.

The Stock Option Plan contains standard adjustment and anti-dilution provisions for changes in the capital structure of the Company. If, during the term of an option, the Company is merged into or amalgamated with any other entity, or the Company sells all or substantially all of its assets, and as a result of such transactions the shareholders would receive securities of another issuer in substitution for the Company’s shares, the options would be modified so that the holder would receive that number of securities of the successor issuer that he or she would have received as a result of such merger, amalgamation or sale as if the option holder had exercised the options to purchase the Company’s shares immediately prior to the

transaction. However, if the employment or appointment of an option holder with the Company, its affiliates or a successor issuer is terminated for any reason (other than for cause or the death of the holder) within 90 days of merger, amalgamation or sale as described above, the option holder may exercise all of his or her options within 90 days of such termination, whether or not such options would have otherwise been vested or exercisable. Additionally, if a take-over bid that is not exempt from the take-over bid requirements of the *Securities Act* (Ontario) is made for the Common Shares, holders of options have the right to immediately exercise all unexercised options held by such holder, whether vested or not at such time, in order to tender such China Wind Shares to the take-over bid. If such China Wind Shares are not tendered to or taken up under the bid, any China Wind Shares so acquired by the holder of the exercised options are deemed to be cancelled and returned to the Company and the options and the consideration paid by the holder to exercise such options will be returned to the holder.

The Stock Option Plan took effect on August 5, 2009.

Option grants and exercises

On August 5, 2009, the Company granted 1,070,000 options to directors and officers. These options have a five year term commencing from the grant date and are exercisable at a price of \$1.00 per share. These options will vest 25% on the grant date, 25% on the first anniversary of the grant date, 25% on the second anniversary of the grant date, 25% on the third anniversary of the grant date.

On July 12, 2011, the Company granted 1,811,300 stock options to directors, officers and employees. These options have a five year term commencing from the grant date and are exercisable at a price of \$1.00 per share. The options vest 25% on the grant date, 25% on the first anniversary of the grant date, 25% on the second anniversary of the grant date, and 25% on the third anniversary of the grant date.

Aggregated options exercised

There were no options exercised or forfeited during the three months ended September 30, 2011.

Warrants

The following warrants were granted on August 5, 2009, the first day of trading of the Company's stock on the TSX Venture Exchange:

| Name | Securities, Under Warrants to be Granted (#) | Exercise or Base Price (\$/Security) | Expiry Date |
|---|---|---|--------------------|
| Heracles Investment Corp ⁽¹⁾ | 2,200,000 | 1.00 | August 5, 2014 |
| Walter Huang, an officer and director of the Company ⁽²⁾ | 1,650,000 | 1.00 | August 5, 2014 |
| Tianyang Liu ⁽³⁾ | 220,000 | 1.00 | August 5, 2014 |
| Warrants to agents | 360,000 | 1.00 | August 5, 2011 |
| Total Warrants Granted | 4,430,000 | | |

Notes:

(1) The 2,220,000 warrants were earned by Heracles Investment Corp., a company controlled by Walter Huang, for the corporate development and finance services previously provided by Walter Huang, to the Company and its subsidiary companies.

(2) The 1,650,000 warrants were issued in consideration for Walter Huang's continued service to the Company post-Closing.

(3) The 220,000 warrants were earned by Tianyang Liu for his prior services to the Company.

During the three months ended September 30, 2011, 360,000 warrants granted to agents expired.

Warrant exercises

There were no warrants exercised in respect of shares of the Company up to September 30, 2011.

Accounting Policies

Prior to the adoption of IFRS, the Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The interim condensed consolidated financial statements of the Company and its subsidiaries for the three months ended June 30, 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements for the three months ended June 30, 2011 have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting and IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"). The accounting policies of the Company are based on the IFRS that the Company expects to be applicable at March 31, 2012 and encompass individual IFRS standards and interpretations made by the International Financial Reporting Interpretations Committee ("IFRIC") and the Standing Interpretations Committee ("SIC").

The disclosures of the elected transition exemptions, reconciliation and explanation of accounting policy compared to Canadian GAAP have been provided in Note 17 to these financial statements. The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and effective as at the date the Board of Directors approved these financial statements for issue. Any subsequent changes to IFRS could result in a restatement of these financial statements, including the transition adjustments recognized on conversion to IFRS.

IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its financial statements for the year ending March 31, 2012.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2 to these financial statements.

Risk Factors Relating to the Company

The Company's projects are in early stages of development

Only Phase 1 of the Company's projects is completed. Phase 2 and 3 are currently under construction and the remaining projects are at early stages of development. As a result, the Company may not be able to obtain necessary environmental and regulatory permits and licenses, land tenure or leases, power purchase agreements, grid connection agreements, wind turbines or required local government support on acceptable terms or at all for one or more of the Company's future projects. Any failure to obtain these items may have an adverse effect on a particular project and, in turn, on the business, financial position or results of operations of the Company.

The Company may fail to execute on its business plan

Although management of the Company have developed a business plan which calls for the development and operation of up to 800MW in installed capacity of wind power projects in Duerbert Mongolian Nationality Autonomous County (“**Du Mon County**”) of Heilongjiang Province, China, there can be no assurance that the business plan will succeed in whole or in part. The success of the Company’s business plan will depend on a number of factors. As Longjiang has only been in business for four years and has not made any profits since its inception, there can be no assurance that the Company will be able to achieve planned growth. There can be no assurance that the Company’s expansion strategy will be successful, that modifications to its strategy will not be required or that the Company will be able to effectively market and/or manage and enhance profitability.

In addition, such growth could place a significant strain on the Company’s management, operational, financial, and other resources. The Company’s ability to manage its growth effectively will require it to develop its management information systems capabilities and improve its operational and financial systems. Moreover, the Company will need to train, motivate, and manage its employees and attract senior managers and technical professionals. Any failure to expand these areas and implement and improve such systems, procedures, and controls in an efficient manner at a pace consistent with the Company’s business could have a material adverse effect on the Company’s business, financial condition, and results of operations.

The Company has targeted the wind power market in Heilongjiang Province, China, and more specifically Du Mon County, as a focus for its business. There can be no assurance that this market will develop as projected by the Company and, given the Company’s limited experience and operating history in this market, that the Company’s investment and efforts in this market will be successful. Failure to succeed in this market may adversely affect the Company’s future business, financial condition, and operating results.

The Company will require substantial additional financing to develop its business

The development of the business of the Company according to its business plan will require substantial additional financing. The Company’s future capital requirements will depend upon many factors, including maintenance, project expansion and unexpected capital cost increases. Failure to obtain sufficient financing may result in delaying, scaling back, elimination or indefinite postponement of the Company’s business plan. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. Lending may be obtained from Canadian banks, Chinese banks, or other debt and equity markets.

There is no assurance that the Company’s business will generate sufficient cash flow from operations in the future to service its debt (including the current RMB 508 million fixed asset loan from the Agricultural Development Bank of China) and make necessary capital expenditures, in which case the Company may seek additional financing, dispose of certain assets, or seek to refinance some or all of its debt. The Company’s Phase 1 assets and certain assets of Phase 2 have been pledged to the Agricultural Development Bank of China in order to secure the fixed asset loan, and if the Company defaults on its loan obligations, the Agricultural Development Bank may enforce its security and seize the Company’s Phase 1 and 2 assets.

Although Chinese banks are in the midst of reform, the basis on which they can lend money is not transparent and they do not often lend money to foreign invested enterprises. Obtaining financing from a Chinese bank will, to a certain extent, involve leveraging personal relationships. There is no guarantee that the Company will continue to have the right relationships if and when it requires further financing. The Chinese government may articulate a need to try and control the rate of economic growth in China or may impose different policies to encourage growth due to the current global economics crisis. Therefore, Chinese government lending policies may change from time to time, and this too could affect the Company’s ability to obtain future bank financing.

If the Company raises additional funds through the issuance of equity or equity-linked securities, dilution to existing shareholders will result. Depending on the amount of capital the Company raises through the sale

of equity or equity-linked securities, the dilution may be substantial. Depending on the state of the equity capital markets and the wind power industry in general, and the state of the Company's business in particular, the Company may need to obtain funds through arrangements with others on unfavourable terms. The failure to fund the Company's capital requirements would have a material adverse effect on the Company's business, financial condition and results of operations and the Company's ability to continue operations.

The Company's projects are subject to construction and development risks

The wind turbines for the Company's projects will need to be manufactured, shipped to the project site, installed and tested. There is a risk that the construction at the Company's projects may not be completed or may be substantially delayed, or that material cost over-runs may be incurred. As the Company's wind power projects are located in north eastern China, seasonal and weather conditions, such as high winds and snow/ice, may delay completion of construction at a project site. Failure to complete construction or delays or cost over-runs in such construction, may have a material adverse effect on the business, financial position or results of operations of the Company.

The Company's assessment of wind resource and production may be inaccurate

Longjiang's majority shareholder, Ruihao, has carried on wind assessment at the project sites since 2005. However, the strength and consistency of the wind resource at a project site once the project is in operation may vary from the estimates set out in the wind study for such project. Weather patterns could change or the historical data could prove to be an inaccurate reflection of the strength and consistency of the wind in the future. The conclusions of the wind studies are based on a particular methodology and a set of assumptions about the existence of certain conditions and that such conditions will continue in the future. The following is a list of considerations which may contribute to actual energy production being different, possibly materially, than the energy production estimates set out in the wind studies:

- the extent to which the limited time period of the site-specific wind data accurately reflects long-term wind speeds;
- the extent to which historical data accurately reflects the strength and consistency of the wind in the future;
- the strength of the correlation between the site-specific wind data and the longer-term regional wind data;
- the potential impact of climatic factors;
- the accuracy of assumptions on a variety of factors, including but not limited to weather, icing and soiling of wind turbines, site access, wake and line losses and wind shear;
- the accuracy with which anemometers measure wind speed, and the difference between the hub height of the wind turbines and the height of the meteorological towers used for data collection;
- the inherent variability of wind speeds;
- the lack of independent verification of the turbine power curve provided by the turbine manufacturer;
- the potential impact of topographical variations, turbine placements and local conditions, including vegetation;

- the inherent uncertainty associated with the specific methodologies and related models, in particular future orientated models, used to project the wind resource; and
- the potential for electricity losses to occur before delivery.

If the actual wind resources for a particular project varies from the estimates in the wind study or wind data collected it could have a material adverse effect on a particular project and, in turn, on the business, financial position or results of operations of the Company.

The Company's electricity is dependent on variable wind resource

Wind is naturally variable. Therefore, the level of electricity production from the Company's wind power projects will also be variable. If there is insufficient wind resource at any portion of the Company's wind power projects sites, the amount of electricity expected to be generated by the Company's wind power projects may not be met and the business, financial position or results of operations of the Company may be materially adversely affected.

The Company's business is dependent on certain key commercial agreements

Electricity production from the Company's Phase 1 is being sold to the Daqing Electric Power Administration through a power purchase agreement and connected to the power grid through a grid connection agreement with Longjiang. The Company will also sell CER credits to Goldman Sachs International pursuant to an emissions reduction purchase agreement when feasible. The Company also has a fixed asset loan agreement with the Agricultural Development Bank of China for RMB 298 million to finance the construction of Phase 1. Future wind power projects to be developed by the Company will also require similar power purchase, grid connection and financing arrangements. The failure to secure or the termination of any one or more such contracts could have a material adverse effect on the business, financial position or results of operations of the Company.

The Company sources its wind turbines and other components for Phase 1 and Phase 2 from Wuhan Guoce Nordic New Energy Co. Ltd., Daqing Deta Electric Co. Ltd., Harbin Power Equipments Corporation (ordered through Hanwei Wind Power Equipment (Daqing) Co., Ltd. ("Hanwei Wind")) and Lianyungang Zhongfu Lianzhong Composite Material Group Co., Ltd., and will continue to need to source wind turbines from one or multiple of these and other suppliers for the Company's future wind power projects. If for any reason these turbine suppliers are unable or unwilling to fulfill their contractual obligations under the applicable turbine supply agreement and any warranty and maintenance agreements, it may have a material adverse effect on the Company. If these suppliers cease business operations prior to the cessation of operations at the Company's current and future wind power projects, spare parts for the Company's current and future wind power projects may be unavailable and operation of the wind turbines at the Company's current and future wind power projects may be adversely affected, which may have a material adverse effect on the business, financial condition and results of operations of the Company.

The operations of the Company are highly dependent upon the Company being able to enter into key agreements on economic terms and upon parties to certain commercial agreements fulfilling their contractual obligations, especially the wind turbine suppliers, and the counter parties to power purchase, grid connection and emissions reduction purchase agreements. An inability or failure by any such party to meet its contractual commitments may have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company has made significant prepayments to its suppliers for future equipment deliveries

The market for turbines was supply driven. In order to lock in turbine supply arrangements as early as possible so as to obtain turbines and other key components and services in time, it was common practice in the wind power industry in China to prepay in advance part of the payment of turbines to the suppliers. As a result, the Company made significant amounts of prepayments to its suppliers for future equipment

deliveries and this may lead to increased financial cost and risk. If the equipment deliveries are not made on time, or if the turbine suppliers experience financial difficulties, the prepayments made by the Company may be at risk. The occurrence of any of these events could have a material adverse effect on the business, financial position or results of operations of the Company.

The Company's future returns are dependent on the prices of turbines, towers and other equipment

As prices for raw materials and energy have significantly fluctuated in China and are expected to continue to fluctuate in the future, the price for wind turbines, towers, blades and other major equipment may change for the Company's future projects. Any price increases may negatively impact the Company's future returns and may have an adverse effect on the business, financial position or results of operations of the Company.

The Company may face unanticipated significant delays in turbine delivery from the Company's suppliers

The Company's direct or indirect wind turbine and equipment suppliers including, without limitation, Wuhan Guoce Nordic New Energy Co. Ltd., Daqing Deta Electric Co. Ltd., Harbin Power Equipments Corporation (ordered through Hanwei Wind Power Equipment (Daqing) Co., Ltd.) may run into funding, supply chain, technical, and/or other difficulties. As a result, they could be unable to deliver wind turbines in time, and could cause significant delays in the completion of the Company's planned wind farms. Any significant delivery delays could negatively impact the Company's future revenue and may have a material adverse effect on the business, financial position or results of operations of the Company.

The Company needs to obtain the requisite permits, leases, licenses and land tenures to operate its wind power projects

The Company will be required to meet certain conditions and fulfill certain covenants to keep its permits, licenses, land tenures, leases and agreements in good standing. The failure to meet any such conditions, the failure to fulfill certain covenants or the inability of the Company to remedy such failures may result in the termination or loss of the Company's rights under such permits, licenses, land tenures, leases and agreements. Any of the foregoing events could have a material adverse effect on a particular project and, in turn, on the business, financial position or results of operations of the Company.

To the knowledge of management of the Company, the Company currently holds all the approvals, licenses and permits required in connection with the construction and operation of Phase 1 and Phase 2. However, government requirements for approvals, licenses and permits may be changed from time to time. As soon as the Company is made aware of any new approvals, licenses and permits that may be needed, the Company will use its best efforts to fulfill the requirements and obtain such approvals, licenses and permits. The failure to obtain all necessary licenses or permits, including renewals thereof or modifications thereto, could result in the construction of one or more of the Company's projects not being completed or could otherwise have a material adverse effect on the Company.

Chinese permits to be issued in connection with the Company's projects may contain conditions that need to be satisfied prior to construction, during construction, and during and after the operation of the applicable project. It is not possible to forecast the conditions imposed by such permits or the cost of mitigating measures required by such permits. Any such conditions could have a material adverse effect on the business, financial condition and results of operations of the Company.

The land use right has been granted by the government to Ruihao, which has in turn leased the land to the Company

All documentation, permits and approvals, including the land lease for Phase 1 were initiated by Ruihao before the incorporation of the Company. For this reason, the land use right for Phase 1 was granted initially to Ruihao by the government free of charge. Subsequently, Ruihao and Longjiang entered into an

agreement whereby Ruihao further granted the land use right to Longjiang free of charge for 30 years from October 1, 2007 to September 30, 2037. Phase 2's land use right is held by the Company. Because the Company does not directly hold the land use right from the government for Phase 1, if the land use agreement between Ruihao and Longjiang shall be held unlawful, void or for any reason unenforceable, it may have material adverse effect on the business of the Company.

Cost overruns may adversely impact the Company

The total costs to design, develop and construct the Company's projects and commence commercial electricity production and operations at its projects have not been and will not be fully determined until projects are completed. Further, there can be no assurance that development or construction activities will commence in accordance with expectations or at all. Delays are likely to increase project costs. Any information concerning the capital costs to be incurred by the Company for the development of the projects as presently configured or under revised plans for development is only an estimate. There is no assurance that capital cost overruns will not occur. If significant increases in operating costs are incurred, it may have a material adverse effect on the Company.

It should be anticipated that actual costs may vary from the Company's estimates and any such variances may be significant. In the event of cost overruns, the Company may not have enough capital to (i) commence the development or construction of all of the projects, or (ii) continue with the development or construction of, or complete one or more of the Company's projects if development or construction activities are already underway. The Company does not hold project delay/cost overrun insurance and, even if such insurance is available at a reasonable cost and obtained, there can be no assurance that the coverage amount will be sufficient for all cost overruns, that the operator will be able to satisfy the conditions to making a claim under such insurance, that the operator will be successful in asserting any claim under such insurance, or that any claims under insurance will be paid in a timely fashion. If any of these events occurs, it may have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company's revenues are dependent on sales of electricity and green credits to two customers

The Company's revenues will be dependent entirely on sales of electricity to the Daqing Electric Power Administration and sales of CERs to Goldman Sachs International for Phase 1. The operations of the Company are highly dependent upon the Daqing Electric Power Administration fulfilling their contractual obligations under the power purchase agreement and Goldman Sachs fulfilling their obligations under the emissions reduction purchase agreement with the Company, and on the ability of the Company to enter into similar agreements with these counter parties for its future wind power projects. An inability or failure by such customers to meet their contractual commitments may have a material adverse effect on the business, financial position or results of operations of the Company.

The Company's revenues are dependent on sales of green credits under the CDM that may change after 2012

The Company's revenues will be dependent on sales of green credits under the Clean Development Mechanism ("CDM"), an arrangement under the Kyoto Protocol. The Kyoto Protocol is an agreement made under the United Nations Framework Convention on Climate Change (UNFCCC). It was adopted for use on December 11, 1997 by the 3rd Conference of the Parties in Kyoto and entered into force on February 16, 2005. The first commitment period of the Kyoto Protocol ends on December 31, 2012, and international talks began in May 2007 on a subsequent commitment period. The emissions reduction purchase agreement entered into between the Company and Goldman Sachs International is valid until December 31, 2012. The uncertainty on whether CDM will be carried on in the same way after December 31, 2012 or whether a new mechanism will be introduced for the green credits trade will impact significantly on the sales of green credits and the Company's future revenues after the end of 2012. These effects on the revenues of the Company may have a material adverse effect on the business, financial position or results of operations of the Company.

Sales of green credits depend on successful registration with the CDM Executive Board as a CDM Project

The Company needs to register its project to the CDM Executive Board as a CDM Project before it is qualified to sell green credits under CDM. The registration requires approvals by the Chinese government, and verification and certification undertaken by a “Designated Operational Entity” that is designated by the Conference of the Parties to the UNFCCC serving as the Meeting of the Parties to the Kyoto Protocol. Any failure with the approvals, verification, certification or registration will cause the Company to be unable to sell its green credits, and that may have a material adverse affect on the business, financial position or results of operations of the Company.

The payment of green credits depends on financial stability of the green credits buyer

Pursuant to the emissions reduction purchase agreement entered between Longjiang and Goldman Sachs International, Goldman Sachs Group, Inc. has unconditionally guaranteed the prompt and complete payment when due of all obligations and liabilities of Goldman Sachs International, a subsidiary of the Goldman Sachs Group, to Longjiang arising out of or under the emissions reduction purchase agreement. However, if Goldman Sachs Group Inc. shall file for bankruptcy, enter into creditor relief proceedings, or otherwise become unable to fulfill its obligations under the emissions reduction purchase agreement, the business, financial condition and results of operations of the Company may be materially adversely affected.

The Company’s future revenues are dependent on prices for electricity and CERs and subject to price control

In China, on-grid tariff is controlled by the Chinese central government. The National Development and Reform Commission (“NDRC”) is currently the government agency responsible for issuing related regulations or circulars to control the electricity price nationwide. The Company’s future revenues are dependent on the price of electricity and green credits. The market rates of electricity and availability and pricing of green credits may be affected by changes in regulations and government policy, and in demand and capacity supply, including cyclical changes, as well as the overall economy. Electricity markets are also subject to regulatory developments in China, and more specifically Heilongjiang Province, where the Company operates (or intends to operate) or sells electricity, and other external factors outside the control of the Company, which developments or factors may negatively impact electricity markets, pricing, transmission development and investment. These effects on the revenue of the Company may have a material adverse effect on the business, financial position or results of operations of the Company.

The Company’s electricity production is subject to transmission constraints

The electricity transmission systems are subject to regulation and other external factors that are beyond the control of the Company. In addition, the transmission system is subject to outages, failures and other potential availability constraints that may reduce the Company’s ability to transport electricity. Any transmission constraints may have a material adverse effect on the viability of the Company’s projects and/or the timing of such projects, which may have a material adverse effect on the business, financial position or results of operations of the Company.

The Company may be exposed to third party credit risk

The Company may be exposed to third party credit risk through its contractual arrangements with third parties. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material adverse effect on the business, financial condition and results of the operations of the Company.

The Company operates in a competitive environment

While the Company has exclusive rights to develop wind energy in Du Mon County, it also actively competes for acquisitions, leases, licences, power purchase agreements and concessions, equipment and skilled industry personnel with a substantial number of other renewable energy companies, many of which have significantly greater financial resources than the Company. The Company's competitors include major energy companies and numerous other independent wind energy focused companies and individual producers and operators.

The Company's ability to construct wind power projects and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its current and future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment. This competition may have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company's business is dependent on the continued service of key members of management

The Company's future prospects depend to a significant extent on the continued service of its key executives. Furthermore, the Company's continued growth and future success depends on its ability to identify, recruit and retain key management personnel. The competition for such employees is intense and there can be no assurance that the Company will be successful in identifying, recruiting or retaining such personnel. If any of these events occur, it may have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company operates in a highly regulated industry

The profitability of the Company will be in part dependent upon the continuation of a favourable regulatory climate with respect to the continuing operations and the future growth and development of the independent renewable power industry in China. Government regulations, incentives, potential green credit markets and market design currently have a favourable impact on the building of wind power facilities. Should the current Chinese governmental regulations, incentive programs or the design of the market be modified, the Company's wind power projects may be adversely affected, which may have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company's insurance coverage may be insufficient

While the Company believes that the insurance coverage obtained for the Company's wind projects addresses material insurable risks, provides coverage that is similar to what would be maintained by a prudent owner/operator of similar facilities at a similar stage of development, and is subject to deductibles, limits and exclusions which are customary or reasonable given the cost of procuring insurance, current operating conditions and insurance market conditions, there can be no assurance that such insurance will continue to be offered on an economically feasible basis, nor that all events that could give rise to a loss or liability are insured for, nor that the amounts of insurance are sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Company. If any of these events occurs it may have a material adverse effect on the business, financial condition and results of operations of the Company.

The occurrence of a significant event which disrupts the ability of the Company's wind projects to produce or sell power for an extended period, including events which preclude existing customers from purchasing power, may have a material adverse effect on the business, financial position or results of operations of the Company.

The turbines purchased by the Company may not be able to withstand all weather conditions at the project sites or perform to their specifications

Turbines selected by the Company for its current wind power projects were chosen because of their advanced design, reasonable price, fast and easy-to-access maintenance and repair services and their expected ability to withstand anticipated local weather conditions, as well as to satisfy Chinese regulations for the sourcing of locally manufactured equipment and components. However, there can be no assurance that these turbines will be able to withstand all weather conditions that may be experienced, or that extreme weather will not otherwise materially impact the production of electricity considering that the Company's wind farms are and will be located in the northernmost part of China where winter temperatures range from -32°C to -17°C in January.

China's wind turbine manufacturing industry is relatively new and experiencing rapid growth. Certain of the Company's turbine suppliers are new to the industry and their products are unproven. In particular, one of the turbine suppliers, Daqing Deta Electric Co. Ltd. (which was acquired by Hanwei Energy Services Corp.), has a further contract with Hanwei Wind to manufacture turbine equipment for the Company. Hanwei Wind itself is new to the wind power business. Wuhan Guoce Nordic New Energy Co., Ltd. is a joint venture between Chinese Wuhan Guoce Science & Technology Co., Ltd. and Swedish Deltawind AB. Even though Swedish Deltawind AB has been in business for a number of years, the joint venture was founded in 2006 in Wuhan, China and is new to the Chinese market. There is no assurance that the turbines purchased by the Company will be able to perform according to their specifications. In the event that they do not and cannot be corrected in an efficient manner, there may be an adverse effect on the production of electricity by the Company's current and future wind power projects.

The wind turbines comprising the Company's wind power projects may break down from time to time and may degrade over time. Breakdowns and degradation will adversely affect the operations and increase the expenses of, and decrease the revenues from, the Company's current wind power projects. In addition, any equipment breakdown after expiry of the applicable warranty period will increase the expenses of the Company's current wind power projects.

In the event that the turbine suppliers fail to provide operations and maintenance support, the Company will be required to make arrangements for operation and maintenance of the Company's wind power projects. There can be no assurance that an alternative provider of operations and maintenance services will be available on terms acceptable to the Company, or at all. If any of these events occurs it may have a material adverse effect on the business, financial condition and results of operations of the Company.

PRC economic, political and social conditions as well as government policies could adversely affect the Company's business

The Company carries on substantially all of its business in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including structure, government involvement, level of development, economic growth rate, government control of foreign exchange, allocation of resources and balance of payment position. The PRC economy has been transitioning from a planned economy to a more market-oriented economy, and as a key market in the global economy, is also influenced by worldwide economic conditions including the recent global economic slowdown. For the past two decades the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. Some of these measures will benefit the overall PRC economy, but may have a negative effect on the Company.

The Company's business, financial condition and results of operations may be adversely affected by:

- changes in PRC political, economic and social conditions;
- changes in policies of the PRC government, including without limitation, changes in policies affecting private business, foreign investment and regulation of the wind power industry;

- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad.

The PRC government has previously taken actions to stabilize the country's economy and any possible social unrest. It has implemented various measures intended to strengthen and improve macroeconomic regulation and is slowly pushing forward reform programs to create stable momentum and growth. The Company cannot assure that such growth will be sustained in the future. Nor can the Company assure that any initiatives from the PRC government are necessarily applied or complied with at a local level. Macroeconomic initiatives that are beneficial to the region in which the Company's projects are located may not be complied with at a local level. In addition to any adverse effect this could have, the Company may be challenged in deciding whether to follow central or local interpretations of applicable laws and regulations. Following local interpretations of applicable laws and regulations may prove to be necessary in practice but could be inconsistent with PRC government interpretations and applications of the same laws and regulations, exposing the Company to potential future liability.

The Company's operations are subject to the uncertainty of the PRC legal system

The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new, and due to the limited volume of published cases and judicial interpretation and their lack of precedential force, interpretation and enforcement of these laws and regulations involve significant uncertainties. In addition, PRC government policies and internal rules (some of which are not published on a timely basis or at all) may have retroactive effect. As a result, the Company may breach one or more such policies and internal rules without being aware of such breach. Because these laws and regulations may not be comprehensive, and because of the limited volume of published cases and judicial interpretations and the nonbinding nature of prior court decisions, the interpretation and enforcement of these laws, regulations and legal requirements involve some uncertainty. Additionally, China does not have a treaty with Canada for reciprocal enforcement of court judgments. Such uncertainty may make it difficult for the Company to enforce its contractual and other rights. The Company cannot provide any assurance that changes in such laws and regulations, or in their interpretation or enforcement, will not have a material adverse effect on its business, financial condition and results of operations.

The Company is subject to risks presented by fluctuations in foreign currencies

The Company publishes its financial statements in Canadian dollars, while most of its revenue is denominated in Renminbi. Since 1994, the conversion of Renminbi into Canadian and U.S. dollars has been based on rates set by the People's Bank of China, which rates are set daily based on the previous day's PRC interbank foreign exchange market rate and current exchange rates on the world financial markets. The PRC government has indicated that it intends to ultimately make the Renminbi freely convertible. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. However, the Company cannot predict when the PRC government will allow free conversion of Renminbi into foreign currencies. Renminbi devaluation and exchange rate fluctuations may adversely affect its results of operations and financial condition and may result in foreign exchange losses. In addition, the Company may not be able to increase the Renminbi prices of its domestic sales to offset fully any depreciation of the Renminbi due to political, competitive or social factors.

Any significant fluctuation in the exchange rates between the Renminbi and other currencies, such as the Canadian dollar, U.S. dollar, Euro or Hong Kong dollar may have an adverse impact on the Company's results of operations.

Cost of material and labour have been rising in China

Labour costs in PRC have traditionally been significantly less than those in other more developed countries. However, such costs have begun to rise and there is no guarantee that they will not continue to rise. The cost of building materials and other components necessary for the Company's wind power projects in China are also increasing, due in part to greater demand as a result of the high level of building activity in China. Any such increased cost could have an adverse effect on the Company.

The Company's net profitability is subject to changes in PRC tax treatment

PRC currently has a number of tax laws imposed by both national and regional government authorities. Applicable PRC taxes include, among others, enterprise sales tax including city construction tax and education surcharge, enterprise income tax, value-added tax, withholding tax for dividends, and land use tax.

The Company currently enjoys certain tax preferences granted by Chinese government. These tax preferences may change from time to time or be cancelled altogether. These changes along with other future changes in PRC tax treatment could have a negative impact on the Company.

Outlook

In the near term, the Company intends to grow by completing construction of Phase 2 by the end of calendar 2011. The Company is also seeking to obtain additional approvals from government and power purchase and grid connection agreements for its next projects. The Company remains focused on moving forward with the remainder of its development pipeline. Based on its existing portfolio of wind power development projects, the Company expects strong growth in installed wind power production capacity over the next five years.

Longjiang plans to have approximately 800 MW in capacity of wind farms fully-constructed and producing power within five years. The total investment for this development is projected to be RMB 6.6 billion Yuan (US\$ 1 billion), approximately 70% to 80% of which will be financed by bank loans and 20% to 30% financed by equity investment. Longjiang's five year development plan is as follows:

| Phases | Construction Period (quarter/calendar year) | Installed Capacity (MW) | Status |
|---------------|--|------------------------------------|--|
| Phase I | Q3/2007-Q4/2009 | 49.0 | In production. |
| Phase II | Q2/2009-Q4/2011 | 49.5 | Under construction |
| Phase III | Q3/2011-Q2/2012 | 198.0 | Under construction |
| Phase IV | Q2/2012-Q2/2013 | ~ 300 | In the process of application for approval |
| Phase V | Q2/2013-Q2/2014 | ~ 200 | In the process of feasibility study and paperwork. |
| Total | Q3/2007 – Q2/2014 | ~ 800 | |

In addition to organic growth, we continue to consider growth by acquisition as an option. Future potential acquisitions might include Longjiang opportunistically purchasing wind farm projects in areas surrounding Daqing from entities that lack the financial ability or operational expertise to construct and operate wind farms. Working in collaboration with Longjiang's strategic partners, future potential acquisition targets might also include wind farm projects in North America.

China Wind Power International Corp.

**Interim Condensed Consolidated Financial Statements
(Expressed in Canadian dollars)**

**September 30, 2011
(Unaudited)**

China Wind Power International Corp.

Interim Condensed Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

| | <u>September 30, 2011</u> | | <u>March 31, 2011</u> | | <u>April 1, 2010</u> |
|---|-------------------------------|----|-----------------------|----|----------------------|
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash | \$ 12,585,176 | \$ | 635,008 | \$ | 373,280 |
| Trade receivables (Note 4) | 4,240,647 | | 2,636,118 | | 1,663,551 |
| Prepaid expenses and other receivables (Note 3) | 1,684,356 | | 1,373,041 | | 980,141 |
| Due from related parties (Note 8) | 1,675,540 | | 1,775,491 | | 37,450 |
| Value added tax recoverable, short term | 2,344,726 | | 1,854,169 | | 2,375,679 |
| Total current assets | 22,530,445 | | 8,273,827 | | 5,430,101 |
| Value added tax recoverable, long term | 9,578,101 | | 9,516,749 | | 8,398,742 |
| Refundable deposits and prepayments (Note 7) | 2,053,140 | | 2,037,240 | | 21,992 |
| Prepayments for construction of wind farm | 12,167,308 | | 8,282,920 | | 2,734,534 |
| Property, plant and equipment (Note 5) | 68,734,997 | | 64,878,494 | | 68,902,939 |
| Wind farm power plant construction in progress (Note 6) | 58,441,411 | | 46,411,652 | | 28,697,120 |
| Total assets | \$ 173,505,402 | \$ | 139,400,882 | \$ | 114,185,428 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Current Liabilities | | | | | |
| Accounts payable and accrued liabilities | \$ 13,289,145 | \$ | 9,594,424 | \$ | 11,847,090 |
| Other payable | -- | | -- | | 710,126 |
| Current portion of other long-term liabilities | -- | | 13,243 | | 16,293 |
| Current portion of long-term debt (Note 7) | 8,903,495 | | 8,008,200 | | 4,784,000 |
| Due to related parties (Note 8) | 5,886,658 | | 3,392,415 | | 9,140,688 |
| Total current liabilities | 28,079,298 | | 21,008,282 | | 26,498,197 |
| Long-term debt (Note 7) | 73,138,505 | | 69,107,800 | | 44,551,000 |
| Long term payable (Note 1) | 19,804,767 | | -- | | -- |
| Other long-term liabilities | -- | | 10,331 | | 25,840 |
| Total liabilities | \$ 121,022,570 | \$ | 90,126,413 | \$ | 71,075,037 |
| Shareholders' Equity | | | | | |
| Share capital (Note 9) | \$ 58,604,452 | \$ | 58,604,452 | \$ | 50,232,623 |
| Contributed surplus | 4,635,002 | | 4,242,838 | | 3,448,167 |
| Accumulated other comprehensive income (loss) | 3,883,262 | | (497,589) | | -- |
| Deficit | (14,639,884) | | (13,075,232) | | (10,570,399) |
| Total shareholders' equity | \$ 52,482,832 | \$ | 49,274,469 | \$ | 43,110,391 |
| Total liabilities and shareholders' equity | \$ 173,505,402 | \$ | 139,400,882 | \$ | 114,185,428 |
| Commitments (Note 16) | | | | | |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

On behalf of the Board of Directors:

Signed: Jun Liu
Director

Signed: Walter Huang
Director

China Wind Power International Corp.

Interim Condensed Consolidated Statements of Comprehensive Income

(Expressed in Canadian dollars)

(Unaudited)

| | Three months ended September 30 | | Six months ended September 30 | |
|--|------------------------------------|--------------|----------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenue | \$ 1,174,619 | \$ 1,217,296 | \$ 3,351,961 | \$ 2,423,224 |
| Other Income | | | | |
| Interest income | 18,079 | 531 | 19,155 | 975 |
| Other income | 40,161 | 711,799 | 44,739 | 716,442 |
| | 58,240 | 712,330 | 63,894 | 717,417 |
| Expenses | | | | |
| Wind farm operating cost | 154,468 | 159,907 | 306,038 | 303,880 |
| Employee salaries and director fees | 311,414 | 235,218 | 543,551 | 467,754 |
| Amortization | 894,849 | 884,694 | 1,767,635 | 1,767,909 |
| Professional expenses | 84,173 | 30,340 | 159,469 | 85,505 |
| Stock-based compensation | 294,742 | 195,994 | 392,164 | 568,403 |
| Other expenses | 161,360 | 212,390 | 260,661 | 393,180 |
| | 1,901,006 | 1,718,543 | 3,429,518 | 3,586,631 |
| Profit (loss) before interest and taxation | (668,147) | 211,083 | (13,663) | (445,990) |
| Finance Costs | | | | |
| Interest expenses for long term debt | 769,223 | 779,598 | 1,550,989 | 1,527,927 |
| Income tax expenses – current | -- | -- | -- | -- |
| – future | -- | -- | -- | -- |
| Loss for the period | \$ (1,437,370) | \$ (568,515) | \$ (1,564,652) | \$ (1,973,917) |
| Loss per share – basic and diluted (Note 11) | \$ (0.02) | \$ (0.01) | \$ (0.02) | \$ (0.03) |
| Other comprehensive income, net of tax | | | | |
| Exchange differences on translation of foreign operations, net of taxes of nil | 3,439,928 | (31,831) | 4,380,851 | 1,408,595 |
| Comprehensive income (loss), net of taxes of nil | \$ 2,002,558 | \$ (600,346) | \$ 2,816,199 | \$ (565,322) |
| Weighted average number of shares – basic and diluted | 63,890,829 | 61,482,698 | 63,890,829 | 60,547,593 |

The accompanying notes are an integral part of these consolidated financial statements.

China Wind Power International Corp.

Interim Condensed Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

(Unaudited)

| | Number of Common Shares | Share Capital | Contributed Surplus | Accumulated Other Comprehensive Income (Loss) | Deficit | Total |
|--|-------------------------------|------------------|------------------------|--|-----------------|--------------|
| As at April 1, 2010 | 57,331,745 | \$ 50,232,623 | \$ 3,448,167 | \$ - | \$ (10,570,399) | \$43,110,391 |
| Shares issued for private placements, net off issuance costs | 4,150,953 | 4,059,615 | - | - | - | 4,059,615 |
| Other comprehensive income from translation of foreign entities | - | - | - | 1,408,595 | - | 1,408,595 |
| Loss for the period | - | - | - | - | (1,973,917) | (1,973,917) |
| Stock-based compensation | - | - | 568,403 | - | - | 568,403 |
| As at September 30, 2010 | 61,482,698 | \$ 54,292,238 | \$ 4,016,570 | \$ 1,408,595 | \$ (12,544,316) | \$47,173,087 |
| Shares issued for private placements, net off issuance costs | 2,408,131 | 4,312,214 | - | - | - | 4,312,214 |
| Other comprehensive loss from translation of foreign entities | - | - | - | (1,906,184) | - | (1,906,184) |
| Loss for the period | - | - | - | - | (530,916) | (530,916) |
| Stock-based compensation | - | - | 226,268 | - | - | 226,268 |
| As at March 31, 2011 | 63,890,829 | \$ 58,604,452 | \$ 4,242,838 | \$ (497,589) | \$ (13,075,232) | \$49,274,469 |
| Other comprehensive income from translation of foreign entities | - | - | - | 4,380,851 | - | 4,380,851 |
| Loss for the period | - | - | - | - | (1,564,652) | (1,564,652) |
| Stock-based compensation | - | - | 392,164 | - | - | 392,164 |
| As at September 30, 2011 | 63,890,829 | \$ 58,604,452 | \$ 4,635,002 | \$ 3,883,262 | \$ (14,639,884) | \$52,482,832 |

The accompanying notes are an integral part of these consolidated financial statements.

China Wind Power International Corp.

Interim Condensed Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

| | Three months ended September 30, | | Six months ended September 30, | |
|--|-------------------------------------|--------------|-----------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Cash provided by (used in) operating activities | | | | |
| Loss for the period | \$ (1,437,370) | \$ (568,515) | \$ (1,564,652) | \$ (1,973,917) |
| Stock-based compensation | 294,742 | 195,994 | 392,164 | 568,403 |
| Interest on capital lease | -- | 727 | -- | 1,502 |
| Deferred lease inducement | -- | (8,548) | -- | (9,302) |
| Gain on disposal of equipment | -- | -- | (1,181) | -- |
| Amortization | 894,849 | 884,694 | 1,767,635 | 1,767,909 |
| | (247,779) | 504,352 | 593,966 | 354,595 |
| Net change in non-cash working capital | | | | |
| Trade receivables | (285,982) | (822,839) | (1,270,463) | (1,224,454) |
| Prepaid expenses and other receivables | (110,296) | (95,977) | (212,299) | (132,908) |
| Value-added tax recoverable | 199,685 | 206,940 | 569,999 | 404,236 |
| Accounts payable and accrued liabilities | 174,921 | 94,648 | 309,261 | 70,366 |
| Due from related parties | 66,160 | -- | 67,368 | 37,450 |
| Due to related parties | 2,621 | (15,857) | 4,561 | (75,579) |
| | (200,670) | (128,733) | 62,393 | (566,294) |
| Cash used in investing activities | | | | |
| Rent deposit | 3,000 | (3,000) | 3,000 | (3,000) |
| Additions to property, plant and equipment | 5,478 | (1,052) | 4,519 | (1,052) |
| Recovery of wind farm power plant costs | -- | -- | -- | 347,070 |
| Wind farm power plant construction in progress | (7,003,747) | (147,193) | (7,551,491) | (612,951) |
| | (6,995,269) | (151,245) | (7,543,972) | (269,933) |
| Cash provided by (used in) financing activities | | | | |
| Cash provided by related parties | 843,336 | 987,460 | 2,221,278 | 987,460 |
| Repayment to related parties | -- | (2,286,216) | -- | (2,805,104) |
| Cash provided by a supplier (Note 1) | 18,316,800 | -- | 18,316,800 | -- |
| Repayment of bank loan | (457,920) | -- | (1,798,620) | -- |
| Proceeds from private placement, net of commission | -- | -- | -- | 4,059,615 |
| | 18,702,216 | (1,298,756) | 18,739,458 | 2,241,971 |
| Effect of exchange rate changes on cash | 689,119 | (758) | 692,289 | 10,102 |
| Increase (decrease) in cash | 12,195,396 | (1,579,492) | 11,950,168 | 1,415,846 |
| Cash, beginning of period | 389,780 | 3,368,618 | 635,008 | 373,280 |
| Cash, end of period | \$ 12,585,176 | \$ 1,789,126 | \$ 12,585,176 | \$ 1,789,126 |
| Supplemental cash flow information | | | | |
| Interest paid in cash | \$ 1,329,044 | \$ 770,623 | \$ 2,619,761 | \$ 1,526,391 |
| Increase in accounts payable and accrued liabilities related to wind farm power plant construction | \$ 2,379,909 | \$ 273,986 | \$ 2,433,043 | \$ 14,796,127 |

The accompanying notes are an integral part of these consolidated financial statements.

China Wind Power International Corp.

Notes to Interim Condensed Consolidated Financial Statements
Three and six months ended September 30, 2011 and 2010
(Expressed in Canadian dollars)
(Unaudited)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

China Wind Power International Corp. (the “Company” or “CNW”) was incorporated under the Business Corporation Act (Ontario) on June 27, 2008. Through its subsidiaries, the Company’s core business is developing and operating wind energy projects in the People’s Republic of China (“China” or “PRC”).

The address of the Company’s corporate office is 110 Yonge Street, Suite 502, Toronto, Ontario, M5C 1T4, Canada and the principal place of business is in Daqing, Heilongjiang, China.

Basis of Presentation

Prior to the adoption of IFRS, the Company’s financial statements were prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The interim condensed consolidated financial statements of the Company and its subsidiaries for the three and six months ended September 30, 2011 and 2010 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These interim condensed consolidated financial statements for the three and six months ended September 30, 2011 have been prepared in accordance with International Accounting Standard (“IAS”) 34 and Interim Financial Reporting and IFRS 1, First-time Adoption of International Financial Reporting Standards (“IFRS 1”). The date of transition to IFRS is April 2010. The accounting policies of the Company are based on the IFRS that the Company expects to be applicable at March 31, 2012 and encompass individual IFRS standards and interpretations made by the International Financial Reporting Interpretations Committee (“IFRIC”) and the Standing Interpretations Committee (“SIC”).

The disclosures of the elected transition exemptions, reconciliation and explanation of accounting policy compared to Canadian GAAP have been provided in Note 17 to these financial statements. The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and effective as at the date the Board of Directors approved these financial statements for issue. Any subsequent changes to IFRS could result in a restatement of these financial statements, including the transition adjustments recognized on conversion to IFRS.

IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its financial statements for the year ending March 31, 2012.

The interim condensed consolidated financial statements have been prepared on a going concern basis, under the historical basis for all its recognized assets and liabilities, and are presented in Canadian dollars, except when otherwise indicated.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

The interim condensed consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors dated on November 28, 2011.

China Wind Power International Corp.

Notes to Interim Condensed Consolidated Financial Statements

Three and six months ended September 30, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The policies set out below were consistently applied to all the periods presented.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries, which are presented in the following table:

| Subsidiary | Location | Ownership | Percentage | Status |
|---|------------------------|---------------------|-------------------|---------------|
| International Wind Power Holdings Corp. | British Virgin Islands | Subsidiary | 100% | Consolidated |
| Hong Kong International Wind Power Holdings Limited | Hong Kong | Subsidiary | 100% | Consolidated |
| Daqing Longjiang Wind Power Technology Co., Ltd. ("WOFE") | China | Subsidiary | 100% | Consolidated |
| Daqing Longjiang Wind Power Co., Ltd. ("Longjiang") | China | Contractual control | 0% | Consolidated |
| Daqing Zhongdan Ruihao Wind Power Co., Ltd. ("ZDRH") | China | Contractual control | 11.11% | Consolidated |
| Daqing Dumon Hujitumo Wind Power Co., Ltd. ("Hujitumo") | China | Subsidiary | 100% | Consolidated |
| Daqing Dumon Huzhen Nainiuchang Wind Power Co., Ltd. ("Huzhen") | China | Subsidiary | 100% | Consolidated |
| Daqing Dumon Nainiuchang Wind Power Co., Ltd. ("Nainiuchang") | China | Subsidiary | 100% | Consolidated |

Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company does not own any shares of Longjiang. However, the Company has a set of contractual agreements with Longjiang and its shareholders which allow the Company to effectively govern and administer the business operations and affairs of Longjiang, including entitlements to the economic benefits.

During the six months ended September 30, 2011, Longjiang has entered into various agreements (the "Agreements") with China Ming Yang Wind Power Group Limited ("Ming Yang") to construct its Phase 3 wind project, consisting of four wind farms held by four entities, ZDRH, Hujitumo, Huzhen, Nainiuchang, collectively, the "Project Companies", each with a total output of 49.5MW located in Du Mon County, Heilongjiang Province, China. The total investment in each 49.5MW wind farm project is approximately \$64.6 million (RMB400 million).

Ming Yang agreed to finance and construct the Phase 3 wind projects by taking possession of the majority of the shares of these four entities as pledge. The Project Companies agreed to purchase 132 sets of wind turbines for Phase 3 from Ming Yang. Ming Yang is entitled to receive an annual construction management fee of \$0.3 million (RMB2 million) from each Project Company. Ming Yang agreed to provide 20% to 30% of the total investment as financing and is also responsible for obtaining bank loans or providing financing for the remaining investment. Within five years after the last set of wind turbine passes the 240-hour testing inspection, Longjiang is obligated to purchase at least 51% of Ming Yang's equity interest in the Project Companies at the end of the first year and at least 10% in each of the following years until Longjiang has repurchased all the shares held by Ming Yang (the "Buyback").

China Wind Power International Corp.

Notes to Interim Condensed Consolidated Financial Statements

Three and six months ended September 30, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

After the last wind turbine passes testing, Longjiang has the right to purchase, with a 30-day notice, Ming Yang's shareholding in the Project Company, in whole or in part, as agreed by both parties. Ming Yang has agreed to sell such shares. Ming Yang will release the pledged shares back to Longjiang pro rata upon the payments are made. Longjiang agreed to pay 15% interest per year for the outstanding financing (up to \$13 million or RMB80 million per each Project Company) Ming Yang has provided as agreed by both parties.

The net profits of the Project Companies are firstly used to pay bank loans and interest then the Buyback as well as the construction management fees and other operating expenses. The remaining profits are accumulated in the Project Companies and are declared to Longjiang after Longjiang has completed the Buyback. If Longjiang is not able to buy back the shares, Ming Yang has the right to sell the four wind projects. The proceeds are firstly used to pay back Ming Yang, with any remaining proceeds being paid to Longjiang. Longjiang is responsible for the loss should a loss occur in such sale. The board of directors of the each Project Companies consist of five directors, two from Longjiang and three from Ming Yang. Once Longjiang has purchased over 51% of shares from Ming Yang, the board of directors of the each Project Companies consist of three directors appointed by Longjiang and two directors appointed by Ming Yang. Any major decisions regarding operation and financial matters have to be approved by all directors.

Longjiang also agreed to purchase wind power equipment and parts from Ming Yang for up to \$19.4 million (RMB120 million) prior to the Company's first payment for the wind projects are made. Longjiang and the Project Companies have agreed to contract Ming Yang to provide maintenance services for the Project Companies for ten years, commencing at the expiration date of the three-year warranty provided by Ming Yang.

The Company consolidates the Project Companies because the Company is entitled to all economic benefits and risks of the Project Companies in accordance with SIC12 Consolidation – Special Purpose Entities.

During the three months ended September 30, 2011, Ming Yang has provided financing of \$19.8 million (RMB120 million) into ZDRH to construct Phase 3 wind farms. 88.89% of ZDRH shares is currently held as pledge by Ming Yang until financing is paid back by the Company. Among the \$19.4 million (RMB120 million) financing, \$13 million (RMB80 million) bears an interest rate of 15% per annum. Such supplier financing was recorded in long term payable and the interests were capitalized in Phase 3 construction cost.

All significant inter-company balances and transactions have been eliminated on consolidation.

The Company's interim results are not necessarily indicative of its results for a full year.

China Wind Power International Corp.

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(Unaudited)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign Currency Translation

The functional currency for each subsidiary of the Company is the currency of the primary economic environment in which the entity operates. The Canadian dollar is the functional currency of the parent company and all intermediate holding companies, and the Chinese Renminbi (“RMB”) is the functional currency of the Company’s subsidiaries. The Canadian dollar is the reporting currency of the Company. Since the RMB is not a fully convertible currency, all foreign exchange transactions involving RMB must take place either through the People’s Bank of China or other institutions authorized to buy and sell RMB.

Transaction amounts denominated in foreign currencies are translated into the Company’s functional currency at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates in effect at the period end dates. Non-monetary assets and liabilities carried at historical costs are translated at exchange rates at the date of the transaction, unless such items are measured at fair value, in which case, they are translated using the exchange rates at the date when the fair value was determined.

On consolidation, the results of foreign operations are translated into Canadian dollars as follows:

- assets and liabilities are translated at the closing rate at the period end date;
- income and expenses for each statement of comprehensive income (loss) are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised in other comprehensive income.

The Company treats inter-company loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. When a foreign entity is disposed, such exchange differences are recognized in the statement of comprehensive income as part of the gain or loss on sale.

Property, Plant and Equipment, Wind Farm Power Plant Construction in Progress, and Amortization

(i) Recognition and measurement:

On initial recognition, property, plant and equipment are recorded at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs.

Assets in the course of construction (wind farm power plant construction in progress) are shown in a separate category and are also recognized at cost. On completion, the costs of construction are transferred to the appropriate category of property, plant and equipment.

Property, plant and equipment are subsequently measured at cost, net of accumulated amortization and/or accumulated impairment losses, if any.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (components) of property, plant and equipment.

China Wind Power International Corp.

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1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ii) Subsequent costs:

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Gains and losses:

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit and loss.

(iv) Amortization:

Amortization of property, plant and equipment is recorded on a straight-line basis over their estimated useful lives as follows:

| | |
|---------------------------------|----------------|
| Wind power generating equipment | 10 to 30 years |
| Buildings and roads | 30 years |
| Automobiles | 8 to 10 years |
| Furniture and office equipment | 5 years |

Wind farm power plant construction in progress is not amortized until the assets are ready for their intended uses, at which point, they are transferred to property, plant and equipment.

Impairment of Long-lived Assets

The Company reviews and evaluates at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and recognizes an impairment loss. Impairment assessments are conducted at the level of cash-generating units, which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. An impairment loss, if any, would be recorded as the excess of the carrying amount of the asset over its recoverable amount, which is the greater of its fair value less costs to sell and value in use. The fair value less costs to sell is estimated by calculating the discounted future cash flows expected related to the asset.

Financial Instruments

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL"). Financial assets classified as loans and receivables are measured at amortized cost less impairment. The Company has classified its other receivables, refundable deposits and prepayments, and due from related parties as loans and receivables.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company has classified its cash as FVTPL. Financial assets classified as held-to-maturity are measured at amortized cost. The Company has no financial assets classified as held-to-maturity.

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1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has no financial assets classified as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or classified as other financial liabilities.

Financial liabilities classified as other financial liabilities and interest-bearing loans and borrowings are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization from the effective interest method is included in finance cost. The Company has classified its accounts payable and accrued liabilities, other payables, other long-term liabilities, and due to related parties as other financial liabilities and long-term debt as interest-bearing loans and borrowings.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income or loss. The Company has no financial liabilities classified as FVTPL.

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

Cash

Cash includes cash on hand and deposits with banks.

Trade and Other Receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost, less provision for doubtful receivables. Collectability of trade receivables is reviewed on an ongoing basis. Trade and other receivables which are known to be uncollectible are written off as impaired. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due to it. The amount of the provision is the difference between the asset's carrying amount and the present value of future cash flows. The charge to establish the provision is recognized in the consolidated financial statements.

Revenue Recognition

The Company recognizes electricity sales revenue at the time of generation and delivery to the purchasing party as metered at the point of interconnection with the transmission system and when collection is reasonably assured. Electricity sales revenue generated during testing phase was recorded as cost recovery to wind farm power plant costs.

Interest income is recognized as earned.

China Wind Power International Corp.

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1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Taxes

Current tax for each taxable entity is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the period end date and includes adjustments to tax payable or recoverable in respect to previous periods. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Company uses the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on “temporary differences” (differences between the accounting basis and the tax basis of the assets and liabilities) at the reporting date, and are measured using the substantively enacted tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any deferred income tax asset to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Income tax expense or benefit is the sum of the Company’s provision for current income taxes and the difference between the opening and ending balances of the deferred income tax assets and liabilities. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change is substantively enacted.

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

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

Government Assistance

Government assistance is recorded as a reduction of the cost of the applicable assets or credited in the statement of operations as determined by the terms and conditions of the agreement under which the assistance is provided to the Company when there is reasonable assurance that the Company has complied with all conditions necessary to receive the grants and collectability is reasonably assured.

Finance Cost

Finance cost comprises interest expense, which is recognized as it accrues in profit or loss, using the effective interest method, and impairment losses recognized on financial assets, if any. Interest incurred on borrowings directly attributable to fund the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale is capitalized as part of the cost of the respective asset. Borrowing costs that are not attributable to a qualifying asset are expensed in the periods in which they are incurred and reported within interest expense in the consolidated statement of comprehensive income.

China Wind Power International Corp.

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1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Share-based Payments

Equity-settled share-based payments for directors, officers, employees and consultants are measured at fair value at the date of grant and recorded as compensation expense in the interim condensed consolidated financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period of each tranche separately based on the Company's estimate of options that will eventually vest, with a corresponding increase to contributed surplus. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments, and the related amount transferred from contributed surplus are credited to share capital.

Compensation expense on warrants and options granted to non-employees is measured at the fair value of the services delivered unless that fair value cannot be estimated reliably, and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the fair value of goods or services received in exchange for the share-based payment cannot be reliably estimated, fair value is measured by using the Blake-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Earnings (Loss) Per Share ("EPS")

Basic EPS is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated using the treasury stock method, which assumes that all outstanding stock option and warrant grants are exercised, if dilutive, and the assumed proceeds are used to purchase the Company's common shares at the average market price during the period.

Accounting Standards Issued but not yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are not yet effective for the three months ended September 30, 2011, and have not been applied in preparing these consolidated financial statements. The most significant of these are as follows, and are all effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted, unless otherwise specified:

| | |
|--------------------|--|
| IFRS 9 | Financial Instruments |
| IFRS 7 (Amendment) | Financial Instruments : Disclosure |
| IAS 12 (Amendment) | Income Taxes |
| IFRS 10 | Consolidated Financial Statements |
| IFRS 11 | Joint Arrangements |
| IFRS 12 | Disclosure of Interests in Other Entities |
| IFRS 13 | Fair Value Measurement |
| IAS 27 (Amendment) | Separate Financial Statements |
| IAS 28 (Amendment) | Investments in Associates and Joint Ventures |

The Company anticipates that the application of these standards and amendments will not have a material impact on the results and financial position of the Company.

China Wind Power International Corp.

Notes to Interim Condensed Consolidated Financial Statements

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2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the periods in which the estimates are revised and in any future periods affected. Significant areas of estimation in applying accounting policies that have significant effects on the amounts recognized in the consolidated financial statements are as follows:

(i) Impairment of Long-lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

(ii) Amortization Expense

The Company's property, plant and equipment are amortized over their estimated useful economic lives. Useful lives are based upon management's estimates of the length of time that the assets will generate revenue, which is reviewed at least annually for appropriateness. Changes to these estimates can result in variations in the amounts charged for amortization and in the assets' carrying amounts.

(iii) Income Taxes

Provisions for income taxes are based on domestic and international statutory income tax rates and tax planning opportunities available to the Company in the jurisdictions in which it operates. Significant judgment is required determining income tax provisions and the recoverability of deferred tax assets. The calculation of current and deferred income tax balances requires management to make estimates regarding the carrying values of assets and liabilities that include estimates of future cash flows and income related to such assets and liabilities, the interpretation of income tax legislation in the jurisdictions in which the Company operates, and the timing of reversal of temporary differences. The Company establishes additional provisions for income taxes when, despite management's opinion that tax positions are fully supportable, there is sufficient complexity or uncertainty in the application of legislation that certain tax positions may be reassessed by tax authorities. The Company adjusts these additional accruals in light of changing facts and circumstances.

(iv) Share-based Payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Determining fair value for share-based payment transactions requires the use of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The determination of fair value requires estimating the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating fair value or share-based payment transactions are disclosed in note 10.

China Wind Power International Corp.

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2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

The critical judgements that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

(i) Consolidation of Special Purpose Entities ("SPE")

The Company exercises significant judgement in assessing whether potential voting rights contribute to control and whether the substance of the relationship between the Company and an SPE indicates that the Company controls the SPE. The Company examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other contractual arrangements whether considered individually or in combination) in evaluating a particular arrangement and to determine whether the Company should consolidate the SPE.

(ii) Classification of Value-Added Tax ("VAT") Recoverable

The Company classifies the VAT recoverable expected to offset against revenue to be generated in the next 12 months as current. Significant judgements exist in assessing the wind farm project completion date, the capacity factor, as well as the electricity to be generated in the next 12 months. The Company makes the assessment based on historical experience and the wind study data.

3. PREPAID EXPENSES AND OTHER RECEIVABLES

| | September 30, 2011 | March 31, 2011 | April 1, 2010 |
|-------------------|-----------------------|-------------------|------------------|
| Loan receivable | \$ 962,305 | \$ 883,652 | \$ 890,802 |
| Other receivables | 642,031 | 454,560 | 64,021 |
| Prepaid expenses | 80,020 | 34,829 | 25,318 |
| | \$ 1,684,356 | \$ 1,373,041 | \$ 980,141 |

Loan receivable represents a short term unsecured loan of \$962,305 to a supplier which has an interest rate of 8.83% per annum prior to July 1, 2009 and an interest rate of nil after July 1, 2009.

4. TRADE RECEIVABLES

The aging of trade receivables at each reporting date was as follows:

| | September 30, 2011 | March 31, 2011 | April 1, 2010 |
|--------------------|-----------------------|-------------------|------------------|
| Current to 90 days | \$ 1,243,776 | \$ 1,602,882 | \$ 806,818 |
| 91 to 180 days | 1,070,551 | 1,033,236 | 547,385 |
| 181 to 365 days | 1,926,320 | -- | 309,348 |
| | \$ 4,240,647 | \$ 2,636,118 | \$ 1,663,551 |

China Wind Power International Corp.

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5. PROPERTY, PLANT AND EQUIPMENT

| | Wind power generating equipment | Buildings and roads | Automobiles | Furniture and office equipment | Total |
|-------------------------------------|------------------------------------|---------------------|-------------------|-----------------------------------|----------------------|
| Cost | | | | | |
| April 1, 2010 | \$ 67,763,482 | \$ 1,879,282 | \$ 264,843 | \$ 216,317 | \$ 70,123,924 |
| Additions | -- | -- | -- | 27,885 | 27,885 |
| Disposals | -- | -- | -- | -- | -- |
| Foreign exchange differences | (575,183) | (1,637) | (3,988) | (1,736) | (582,544) |
| March 31, 2011 | 67,188,299 | 1,877,645 | 260,855 | 242,466 | 69,569,265 |
| Additions | -- | -- | -- | 6,592 | 6,592 |
| Disposals | -- | -- | (16,176) | (33,801) | (49,977) |
| Foreign exchange differences | 5,980,348 | 167,127 | 22,275 | 17,989 | 6,187,739 |
| September 30, 2011 | \$ 73,168,647 | \$ 2,044,772 | \$ 266,954 | \$ 233,246 | \$ 75,713,619 |
| Accumulated amortization | | | | | |
| April 1, 2010 | \$ 1,117,821 | \$ 20,431 | \$ 48,835 | \$ 33,898 | \$ 1,220,985 |
| Additions | 3,429,914 | 62,455 | 26,280 | 42,951 | 3,561,600 |
| Disposals | -- | -- | -- | -- | -- |
| Foreign exchange differences | (88,480) | (1,585) | (970) | (779) | (91,814) |
| March 31, 2011 | 4,459,255 | 81,301 | 74,145 | 76,070 | 4,690,771 |
| Additions | 1,705,431 | 33,273 | 6,948 | 17,614 | 1,763,266 |
| Disposals | -- | -- | -- | (16,023) | (16,023) |
| Foreign exchange differences | 517,921 | 9,597 | 7,171 | 5,919 | 540,608 |
| September 30, 2011 | \$ 6,682,607 | \$ 124,171 | \$ 88,264 | \$ 83,580 | \$ 6,978,622 |
| Carrying amount | | | | | |
| April 1, 2010 | \$ 66,645,661 | \$ 1,858,851 | \$ 216,008 | \$ 182,419 | \$ 68,902,939 |
| March 31, 2011 | \$ 62,729,044 | \$ 1,796,344 | \$ 186,710 | \$ 166,396 | \$ 64,878,494 |
| September 30, 2011 | \$ 66,486,040 | \$ 1,920,601 | \$ 178,690 | \$ 149,666 | \$ 68,734,997 |

Phase 1 wind farm and the future revenue of phase 1 wind farm are pledged as collateral for the bank loan obtained from Agriculture Development Bank of China (note 7).

6. WIND FARM POWER PLANT CONSTRUCTION IN PROGRESS

| | Construction In Progress | Equipment | Capitalized Interest | Total |
|--|-----------------------------|---------------|-------------------------|---------------|
| Balance – April 1, 2010 | \$ 8,496,515 | \$ 20,200,605 | \$ - | \$ 28,697,120 |
| Addition | 1,181,433 | 16,676,491 | 486,266 | 18,344,190 |
| Foreign currency translation adjustment | (93,917) | (525,156) | (10,585) | (629,658) |
| Balance – March 31, 2011 | 9,584,031 | 36,351,940 | 475,681 | 46,411,652 |
| Addition | 5,403,353 | 1,195,157 | 1,492,470 | 8,090,980 |
| Return to supplier | -- | (629,962) | -- | (629,962) |
| Foreign currency translation adjustment | 1,172,935 | 3,252,720 | 143,086 | 4,568,741 |
| Balance – September 30, 2011 | \$ 16,160,319 | \$ 40,169,855 | \$ 2,111,237 | \$ 58,441,411 |

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6. WIND FARM POWER PLANT CONSTRUCTION IN PROGRESS (CONT'D)

Bank loans of \$22.6 million (RMB140 million) and \$11.3 million (RMB70 million) (note 7) was borrowed solely for the construction of Phase 2 wind farm development, and therefore all interest expenses related to these bank loans were capitalized in wind farm power plant construction in progress.

During the three months ended September 30, 2011, the Company obtained \$19.4 million (RMB120 million) supplier financing to construct Phase 3 wind farms (note 1). Pursuant to the agreements, the amount of RMB80 million out of the RMB120 million bears an interest rate of 15% per year. As at September 30, 2011, interest in the amount of \$424,767 (March 31, 2011 – nil, April 1, 2010 – nil) related to Phase 3 wind farm and interest in the amount of \$1,686,470 (March 31, 2011 – \$475,681, April 1, 2010 – nil) related to Phase 2 wind farm were capitalized in wind farm power plant construction in progress.

As at September 30, 2011, the Company's Phase 2 and Phase 3 wind farms were under construction.

7. LONG-TERM DEBT

In January 2008, the Company entered into a loan agreement to borrow \$58.1 million (RMB 360 million) from China Agricultural Development Bank Du Mon Branch for a ten-year term expiring in February 2018, bearing an interest payable quarterly at a variable rate, which is adjusted annually at February 20 according to the interest rate for commercial loans denominated in Renminbi published by People's Bank of China at that time. The interest rate as at September 30, 2011 was 7.05% per year (March 31, 2011 – 6.14%, April 1, 2010 – 5.94%). The loan is collateralized by the Company's phase 1 wind farm with an aggregate carrying value of approximately \$68 million (RMB429 million) as at September 30, 2011 and the future revenue of phase 1 wind farm. The CEO and Chairman of the Board of Directors of the Company and his spouse provided guarantees for the loan free of charge (note 8).

The Company planned to repay the principal of the loan according to the following schedule:

| | | |
|------------------------------|----------------------|------------------------|
| December 20, 2011 | 5,975,500 | 37,000,000 |
| December 20, 2012 | 6,783,000 | 42,000,000 |
| December 20, 2013 | 6,783,000 | 42,000,000 |
| December 20, 2014 | 6,944,500 | 43,000,000 |
| December 20, 2015 | 6,944,500 | 43,000,000 |
| December 20, 2016 | 7,267,500 | 45,000,000 |
| December 20, 2017 | 7,429,000 | 46,000,000 |
| | 48,127,000 | 298,000,000 |
| Less: Current portion | 5,975,500 | 37,000,000 |
| | \$ 42,151,500 | RMB 261,000,000 |

In November 2010, the Company entered into a loan agreement to borrow \$22.6 million (RMB 140 million) from China Agricultural Development Bank Du Mon Branch for a 9-year term expiring in September 2019, bearing an interest payable monthly at a variable rate, which is adjusted every six months at January 21 and July 21 according to the interest rate for commercial loans denominated in Renminbi published by People's Bank of China at that time. The interest rate as at September 30, 2011 was 7.05% per year (March 31, 2011 – 6.40%). The loan is collateralized by the Company's certain wind power plant equipment of Phase 2 wind farm with an aggregate carrying value of \$37.9 million (RMB 234.8 million). In addition, Heilongjiang Ruihao Technology Group Co., Ltd. ("Ruihao") (note 8), pledged certain of its wind power plant equipment for the loan.

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7. LONG-TERM DEBT (Cont'd)

The Company planned to repay the principal of the loan according to the following schedule:

| | | | | |
|------------------------------|-----------|-------------------|------------|--------------------|
| December 20, 2011 | \$ | 342,380 | RMB | 2,120,000 |
| June 20, 2012 | | 1,233,860 | | 7,640,000 |
| December 20, 2012 | | 1,233,860 | | 7,640,000 |
| June 20, 2013 | | 1,301,690 | | 8,060,000 |
| December 20, 2013 | | 1,301,690 | | 8,060,000 |
| June 20, 2014 | | 1,233,860 | | 7,640,000 |
| December 20, 2014 | | 1,233,860 | | 7,640,000 |
| June 20, 2015 | | 1,283,925 | | 7,950,000 |
| December 20, 2015 | | 1,283,925 | | 7,950,000 |
| June 20, 2016 | | 1,335,605 | | 8,270,000 |
| December 20, 2016 | | 1,335,605 | | 8,270,000 |
| June 20, 2017 | | 1,542,325 | | 9,550,000 |
| December 20, 2017 | | 1,542,325 | | 9,550,000 |
| June 20, 2018 | | 1,610,155 | | 9,970,000 |
| December 20, 2018 | | 1,610,155 | | 9,970,000 |
| June 20, 2019 | | 1,592,390 | | 9,860,000 |
| September 26, 2019 | | 1,592,390 | | 9,860,000 |
| | | 22,610,000 | | 140,000,000 |
| Less: Current portion | | 1,576,240 | | 9,760,000 |
| | \$ | 21,033,760 | RMB | 130,240,000 |

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(Unaudited)

7. LONG-TERM DEBT (Cont'd)

In February 2011, the Company entered into a loan agreement to borrow \$19.4 million (RMB 120 million) from China Agricultural Development Bank Du Mon Branch for a 9-year term expiring in September 2019, bearing an interest payable monthly at a variable rate, which is adjusted every six months at January 21 and July 21 according to the interest rate for commercial loans denominated in Renminbi published by People's Bank of China at that time. The interest rate as at September 30, 2011 was 7.05% per year (March 31, 2011 – 6.40%). The loan is guaranteed by third parties. \$387,600 (RMB 2.4 million) is charged as guarantee fee annually. Guarantee fee is capitalized in wind farm power plant construction in progress. For the three and six months ended September 30, 2011, guarantee fees of \$91,560 (RMB 600,000) and \$182,220 (RMB1,200,000) (three and six months ended September 30, 2010 – nil, nil), respectively, were included in wind farm power plant construction in progress. As of September 30, 2011, guarantee fees of \$452,200 (RMB2,800,000) (year ended March 31, 2011 - \$593,200 or RMB4,000,000) were included in prepaid expenses (current portion) and refundable deposits and prepayments (long-term portion). The Company paid \$1,938,000 (RMB 12,000,000) to these third parties as deposits. The deposits have been recorded as refundable deposits and prepayments and will be refunded to the Company upon termination of the guarantee agreements. By September 30, 2011, loan proceeds of \$11.3 million (RMB 70 million) had been released to the Company.

The Company planned to repay the principal of the loan according to the following schedule:

| | | | | |
|------------------------------|-----------|-------------------|------------|-------------------|
| December 20, 2011 | \$ | 293,930 | RMB | 1,820,000 |
| June 20, 2012 | | 1,057,825 | | 6,550,000 |
| December 20, 2012 | | 1,057,825 | | 6,550,000 |
| June 20, 2013 | | 1,115,965 | | 6,910,000 |
| December 20, 2013 | | 1,115,965 | | 6,910,000 |
| June 20, 2014 | | 1,057,825 | | 6,550,000 |
| December 20, 2014 | | 1,057,825 | | 6,550,000 |
| June 20, 2015 | | 1,101,430 | | 6,820,000 |
| December 20, 2015 | | 1,101,430 | | 6,820,000 |
| June 20, 2016 | | 1,145,035 | | 7,090,000 |
| December 20, 2016 | | 1,145,035 | | 7,090,000 |
| June 20, 2017 | | 54,910 | | 340,000 |
| | | 11,305,000 | | 70,000,000 |
| Less: Current portion | | 1,351,755 | | 8,370,000 |
| | \$ | 9,953,245 | RMB | 61,630,000 |

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8. RELATED PARTY BALANCE AND TRANSACTIONS

The Company had “Due to related parties” and “Due from related parties” balances listed in the following table:

| | September 30, 2011 | March 31, 2011 | April 1, 2010 |
|--|-----------------------|---------------------|---------------------|
| Due from related parties | | | |
| Daqing Zhongdan Wind Power Co., Ltd. (1) | \$ 1,664,671 | \$ 1,766,498 | \$ -- |
| Chairman and CEO | 10,869 | 8,993 | -- |
| A director | -- | -- | 37,450 |
| | \$ 1,675,540 | \$ 1,775,491 | \$ 37,450 |
| Due to related parties | | | |
| Heilongjiang Ruihao Technology Group Co., Ltd. (2) | \$ 5,880,039 | \$ 3,386,477 | \$9,018,775 |
| An officer | 6,619 | 5,938 | 76,730 |
| Daqing Zhongdan Energy Co., Ltd. (3) | -- | -- | 22,425 |
| Chairman and CEO | -- | -- | 22,758 |
| | \$ 5,886,658 | \$ 3,392,415 | \$ 9,140,688 |

(1) It represents the amounts owed by Daqing Zhongdan Wind Power Co., Ltd., a subsidiary of Ruihao.

(2) It represents amounts owed to Ruihao, a Company controlled by the CEO and Chairman of the Board of Directors of the Company.

(3) It represents amounts owed to Daqing Zhongdan Energy Co., Ltd., a subsidiary of Ruihao.

These amounts are unsecured, non-interest bearing and without specific terms of repayment.

Ruihao provided a guarantee for the Company’s \$22.6 million (RMB 140 million) Phase 2 bank loan by pledging certain of its equipment free of charge.

The Company rented office space from Ruihao free of charge.

The Company used 137,780 square meters of land owned by Ruihao to build the wind farm free of charge from October 1, 2007 to September 30, 2037.

The CEO and Chairman of the Board of Directors of the Company and his spouse provided guarantees of the loan from China Agricultural Development Bank Du Mon Branch free of charge (note 7).

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8. RELATED PARTY BALANCE AND TRANSACTIONS (CONT'D)

The remuneration of directors and other members of key management personnel for the three and six months ended September 30, 2011 and 2010 were as follows:

| | Three months ended September 30, | | Six months ended September 30, | |
|---------------------------------------|-------------------------------------|------------|-----------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Salaries for key management personnel | \$ 137,500 | \$ 137,223 | \$ 275,000 | \$ 275,169 |
| Director fees | 38,917 | 20,000 | 55,917 | 36,250 |
| Stock-based compensation | 117,811 | 195,994 | 215,233 | 568,403 |
| | \$ 294,228 | \$ 353,217 | \$ 546,150 | \$ 879,822 |

Stock-based compensation expenses were measured at grant date fair value.

In addition, the Company has unpaid salaries and fees to certain key management personnel and directors at each reporting date as follows:

| | September 30, 2011 | March 31, 2011 | April 1, 2010 |
|---|-----------------------|-------------------|------------------|
| Unpaid salaries to key management personnel | \$ 382,136 | \$ 200,470 | \$ 246,667 |
| Unpaid directors' fees | \$ 32,250 | \$ 23,750 | \$ 10,833 |

9. SHARE CAPITAL

- a) Authorized and issued shares

Authorized: Unlimited common shares
without par value

- b) Issued shares

| | Shares | Amount |
|---------------------------------------|------------|---------------|
| As at September 30 and March 31, 2011 | 63,890,829 | \$ 58,604,452 |

All shares issued as at September 30, 2011 were fully paid.

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10. SHARE-BASED PAYMENTS

a) Stock options plan

The Company has established a stock options plan which took effect on August 5, 2009. Under this plan, the aggregate number of common shares that may be reserved for issuance pursuant to options shall not exceed 10% of the outstanding common shares at the time of granting an option. Options may only be exercisable for a maximum of ten calendar years from the date of grant and the exercise price of the options must be no less than the volume-weighted average trading price of the Company's shares on the exchange for the five trading days preceding the date on which the granting of an option is approved by the board of directors. The options granted under this plan may not be assigned or transferred. The board of directors shall determine the manner in which an option shall vest and become exercisable.

The following is a summary of option transactions:

A summary of the Company's options outstanding and exercisable is presented below as at September 30, 2011:

| | Options outstanding | Remaining life (years) | Exercise price per share |
|---|------------------------|---------------------------|-----------------------------|
| Balance, March 31, 2011 | 1,020,000 | 2.8 | \$1 |
| Granted | 1,811,300 | 4.8 | \$1 |
| Balance, September 30, 2011 | 2,831,300 | 4.1 | \$1 |
| Options exercisable, September 30, 2011 | 1,217,825 | 3.5 | \$1 |

| | Number of options | Weighted average grant date fair value | Grant date fair value |
|---|----------------------|---|-----------------------------|
| Granted on August 5, 2009 | 1,020,000 | \$0.73 | \$780,800 |
| Granted on July 12, 2011 | 1,811,300 | \$0.45 | \$814,059 |
| Options exercisable, September 30, 2011 | 1,217,825 | \$0.62 | \$752,649 |

There was no option exercised or forfeited during from April 1, 2010 to September 30, 2011. 1,020,000 options were granted on August 5, 2009 and 1,811,300 options were granted on July 12, 2011.

The Company estimated the fair value of stock options at the date of grant using the Black-Scholes valuation model. For options granted on August 5, 2009, the Company used the following major assumptions: volatility 149%, expected life 0.5 to 4 years, risk free interest rate 2.52%, forfeiture rate nil and expected dividend nil. For options granted on July 12, 2011, the Company used the following major assumptions: volatility 109%, expected life 1.5 to 4 years, risk free interest rate 1.92%, expected dividend nil and forfeiture rate nil for directors and officers and 10% for employees.

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10. SHARE-BASED PAYMENTS (Cont'd)

b) Warrants

A summary of the Company's warrants outstanding and exercisable is presented below as at September 30, 2011:

| | Warrants outstanding | Remaining life (years) | Exercise price per share |
|---|---------------------------------|-----------------------------------|-------------------------------------|
| (i) Services provided prior to August 5, 2009 | 2,420,000 | 3.1 | \$1 |
| (ii) Employment | 1,650,000 | 3.1 | \$1 |
| Warrants outstanding and exercisable | 4,070,000 | | |

There was no warrant granted, exercised or forfeited from April 1, 2010 to September 30, 2011. 360,000 warrants which were issued to underwriting syndicate expired on August 5, 2011.

- (i) On August 5, 2009, the Company issued 2,200,000 and 220,000 warrants to Heracles Investment Corp (a Company controlled by Walter Huang, an officer and director of the Company, and Tianyang Liu, respectively, for the corporate development and finance services provided prior to August 5, 2009 in connection with the Company going public. Each warrant is convertible to one common share at an exercise price of \$1 and expires on August 5, 2014. The Company estimated the fair value of these warrants to be \$1,969,000 using the Black-Scholes valuation model and has recorded it as stock-based compensation expense in the year ended March 31, 2010. The Company used the following assumptions: volatility 149%, expected life 3-3.5 years, risk free interest rate 2.52% and expected dividend nil.
- (ii) The Company also issued 1,650,000 warrants to Walter Huang for his continuing service to the Company to be provided after August 5, 2009. These warrants have been treated as stock options to employees and directors. The Company estimated the fair value of these warrants to be \$1,336,500 using the Black-Scholes valuation model, of which \$519,750 has been recorded as stock-based compensation expense in year ended March 31, 2011 (year ended March 31, 2010 - \$742,500). The Company used the following assumptions: volatility 149%, expected life 3 years, risk free interest rate 2.52% and expected dividend nil.

11. EARNINGS (LOSS) PER SHARE

The basic and diluted earnings (loss) per share are the same because including the additional potential common share equivalents would have an anti-dilutive effect on the earnings (loss) per share calculation.

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12. FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities

The Company's financial instruments are classified into the following categories with balances as at the respective period end dates as follows:

| | September 30, 2011 | March 31, 2011 | April 1, 2010 |
|---|-----------------------|-------------------|------------------|
| FVTPL (1) | \$ 12,585,176 | \$ 635,008 | \$ 373,280 |
| Loans and receivables (2) | 9,573,664 | 7,787,061 | 2,677,816 |
| Other financial liabilities and interest bearing loans and borrowings (3) | \$ 121,022,572 | \$ 90,126,413 | \$ 71,065,734 |

(1) Includes cash.

(2) Includes trade receivable, loan receivable, other receivables, refundable deposits and prepayments and due from related parties.

(3) Includes accounts payable and accrued liabilities, other payable, due to related parties, long-term debt, long term payable and other long term liabilities.

Fair value of financial instruments

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 7, Financial Instruments: Disclosures ("IFRS 7").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity.

As required by IFRS 7, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's cash is Level 1 financial assets and the Company does not have Level 2 or 3 financial assets. As of April 1, 2010, March 31, 2011 and September 30, 2011, the Company did not have financial liabilities measured at fair value on a recurring basis.

The fair value of the Company's cash, trade receivable, loan receivable, other receivables, refundable deposits and prepayments, due from related parties, accounts payable and accrued liabilities, other payable and due to related parties are estimated to approximate their carrying values as they are short term in nature.

The fair value of long-term debt and other long-term liabilities are estimated using discounted cash flow analysis, based upon the Company's current borrowing rate and approximates to its carrying value.

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12. FINANCIAL INSTRUMENTS (cont'd)

Risks arising from financial instruments and risk management

In the normal course of business, the Company is exposed to various types of market risks, including changes in foreign exchange rates, interest rates and material price, that may potentially impact its operating results. The Company employs risk management strategies with a view to mitigating these risks on a cost-effective basis.

Currency risk

Majority of the Company's operations is in China. Most revenue, expenditures, assets and liabilities are in RMB. Currency risk from operation is remote.

Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash, trade receivables and other receivables. The carrying amount of assets presented on the statement of financial position represents the maximum credit exposure.

The Company has deposited cash with reputable financial institutions, from which management believes the risk of loss to be remote.

Other receivables as at September 30, 2011 include mainly a short-term unsecured loan of \$962,305 (March 31, 2011 - \$883,652; April 1, 2010 - \$890,802) to one of its suppliers which has an interest rate of 8.83% per annum prior to July 1, 2009 and an interest rate of nil after July 1, 2009. Trade receivables as at September 30, 2011 represent receivables from one customer. All of the Company's revenue and trade receivables are from one customer, which is controlled by government. Management manages credit risk by assessing and monitoring its receivables specifically. Management believes the risks of loss are remote.

Interest rate risk

The Company's long term debt is subject to interest rate risk. Interest fluctuation of +/-100 basis points, would, everything else being equal, have effects on the Company's net income for the three months ended September 30, 2011 and wind farm power plant construction in progress as at September 30, 2011 of approximately \$113,700 and \$85,000, respectively (effect on the Company's net loss for year ended March 31, 2011 and on wind farm power plant construction in progress as at March 31, 2011 - \$495,700 and \$72,600, respectively; effect on the Company's net loss for three months ended September 30, 2010 and on property, plant and equipment as at March 31, 2010 - \$127,132 and \$940,850, respectively). The Company did not use financial instruments to hedge interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. As at September 30, 2011, the Company had cash of \$12.6 million and planned bank financing of \$19.4 million (RMB120 million). The Company expects that continued cash flows from operations in the following year, together with cash and planned bank financing will be sufficient to fund its requirement for financial liabilities.

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13. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to achieve and maintain an optimal capital structure to reduce the overall cost of capital and to preserve the Company's capacity to deploy capital to pursue its strategy of growth and provide returns to shareholders and other stakeholders. The Company intends to finance its other projects through additional debt and equity financings with a target debt/equity structure of approximately 70:30 on average as usually a bank requires an equity investment representing of 20%-30% of the total project cost to be in place to qualify for a fixed asset bank loan.

The Company defines capital as shareholders' equity (excluding accumulated other comprehensive income), bank loans, long term payable and other long term liabilities.

| | September 30, 2011 | March 31, 2011 | April 1, 2010 |
|---|-----------------------|-----------------------|----------------------|
| Shareholders' equity (excluding accumulated other comprehensive income) | \$ 48,599,570 | \$ 49,772,058 | \$ 43,110,391 |
| Bank loan | 82,042,000 | 77,116,000 | 49,335,000 |
| Long term payable | 19,804,767 | -- | -- |
| Other long term liabilities | -- | 10,331 | 25,840 |
| | <u>\$ 150,446,337</u> | <u>\$ 126,898,389</u> | <u>\$ 92,471,231</u> |

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to adjust the amount of debt outstanding, issue new shares, adjust the amount of dividends to shareholders or return capital to its shareholders.

According to the Ruihao Wind Farm Project Development Agreement and related supplemental agreements entered into between Ruihao and Du Mon County and transferred to Longjiang, Longjiang is required to reinvest its profits obtained up to December 31, 2010 to wind farms, renewable energy, tourism, local products or public welfare projects in Du Mon County.

The Company is not subject to other externally imposed minimum capital requirements.

14. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment, being the development and operation of wind farm power plant. All of the Company's assets are located in China and all revenue is generated from China.

15. SEASONALITY OF OPERATIONS

The Company does not earn its revenue evenly throughout the year, although expenses, with the exception of certain sales expenses, are relatively constant from period to period. Wind power sales have historically been lower in the second and fourth quarter because of low wind in summer and winter. Wind power sales are relatively higher in the first and third quarter, due to high wind in spring and fall.

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16. COMMITMENTS

In addition to commitments disclosed in note 1, the Company has capital commitments to incur an additional \$9.5 million to complete the second wind farm power plant. The estimated period of this commitment is from October 1, 2011 to December 31, 2012.

17. TRANSITION TO IFRS

The Company's audited financial statements for the year ending March 31, 2012 will be the first annual financial statements that will be prepared in accordance with IFRS. As a result, application of IFRS 1 is required. IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, providing certain optional exemptions and mandatory exceptions. Prior to the transition to IFRS, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

In preparing the Company's opening IFRS statement of financial position, the Company has adjusted amounts previously reported in the financial statements prepared in accordance with Canadian GAAP. The IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS are described below:

(a) Optional exemptions:

Business combinations: The Company has elected to not apply IFRS 3 Business Combinations and, therefore, has not restated any business combination or reverse takeover transaction prior to April 1, 2010.

Cumulative translation differences: The Company has elected to not apply IAS 21 The Effects of Changes in Foreign Exchange Rates and to set the previously accumulated translation account, \$3,913,604, which was included in accumulated other comprehensive income (loss), to zero at the date of transition and charged the balance to deficit.

Share-based payment transactions: The Company has elected not to apply IFRS 2 Share based Payment to equity instruments that were granted after November 7, 2002 but vested prior to April 1, 2010.

(b) Mandatory exemptions:

Estimates: Hindsight was not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

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17. TRANSITION TO IFRS (cont'd)

(c) Reconciliation of Canadian GAAP to IFRS:

Statement of financial position restatement

The Company has elected to set the previously accumulated translation amount, \$3,913,604, which was included in accumulated other comprehensive income (loss), to zero at the date of transition and charged the balance to deficit.

Statement of comprehensive income and statement of cash flows

There was no change to statement of comprehensive income.

Changes to statement of cash flows were not material as a result of the conversion to IFRS and, accordingly, no reconciliation is made for the interim condensed consolidated statements of cash flows.

Reconciliation of equity as reported under Canadian GAAP to IFRS

The following is a reconciliation of the Company's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS on the transition date, April 1, 2010, March 31, 2011 and September 30, 2011.

| | September 30, 2011 | March 31, 2011 | April 1, 2010 |
|--|--------------------|----------------|---------------|
| Total shareholders' equity under Canadian GAAP | \$ 52,482,832 | \$ 49,274,469 | \$ 43,110,391 |
| Change in reported amounts | -- | -- | -- |
| Total shareholders' equity under IFRS | \$ 52,482,832 | \$ 49,274,469 | \$ 43,110,391 |