

**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS  
OF OPERATIONS OF CHINA WIND POWER INTERNATIONAL CORP.  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2009**

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 nine months ended December 31, 2009 (the "third quarter"). This MD&A is supplemental to, and should be read in conjunction with the information contained in the unaudited consolidated interim financial statements and accompanying notes of the Company for the three and nine months ended December 31, 2009. These statements have been prepared in conformity with Canadian generally accepted accounting principles ("GAAP") 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 February 25, 2010. 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 546 MW over five development phases. The

Company's common shares are listed on the Toronto Venture Exchange under the symbol CNW. The Company has approximately 57.3 million shares outstanding.

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

China Wind's vision is to be the premier 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.

On July 16, 2009, the Company completed a reorganization. As a result of the reorganization, the Company issued 29,300,000 common shares to acquire 100% interest in Daqing Longjiang Wind Power Technology Co., Ltd. ("Longjiang WFOE") which has entered into certain contractual arrangements with Daqing Longjiang Wind Power Co., Ltd. ("Longjiang") and Longjiang's shareholders. These contractual arrangements allow the Company to effectively govern and administer the business operations and affairs of Longjiang, including entitlements to the economic benefits. As a result of these contractual arrangements, the Company is considered the primary beneficiary of Longjiang and consolidates Longjiang's results of operations in its financial statements. All of these companies are under common control prior to the reorganization. Therefore, the transaction is accounted for using continuity of interest method as if the Company holding structure as set out above has been in existence since the inception. All significant inter-company transactions and balances have been eliminated in the preparation of the consolidated financial statements of the Company.

On July 31, 2009, the Company completed a private placement financing for gross proceeds of \$27.3 million and completed its amalgamation with Berkshire Griffin Inc ("Berkshire"), pursuant to which every 16.51 issued common shares of Berkshire were exchanged for one common share of the amalgamated corporation, and every one common share of the Company was exchanged for one common share of the amalgamated corporation. The amalgamated corporation retained the name of the Company, changed its financial year end to March 31 and retained the directors and officers of the Company.

The amalgamation was a reverse takeover ("RTO") under the policies of the TSX Venture Exchange. The amalgamation is a recapitalization in substance rather than a business combination. Accordingly, this transaction was recorded as a RTO for accounting purposes. The Company was deemed to be the acquirer and these consolidated financial statements are a continuation of the financial statements of the Company.

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 with installed capacity of 49MW has been completed and started commercial production at the end of November 2009. The second phase with installed capacity of 49.5MW is currently under construction and is expected to be completed before May 2010.

Both Phase 1 and Phase 2 have among the top-ranked wind resources in Heilongjiang Province, are well located on flat grassland adjacent to existing transmission and transportation infrastructure, have full environmental certification and all required approvals and permits. A 50-year land lease for Phase 1 from Heilongjiang Ruihao Technology Group ("Ruihao"), a company controlled by one of directors of China wind) based on the "Land Use Right Certificate" which was issued to Ruihao by the local government is in place. 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 the duration of the wind farm on top of it 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 US\$10.4 million in revenues and US\$8.3 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 and carbon credit prices 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:

$$\text{Average Annual Revenue} = (\text{Tariff} + \text{Carbon Credit Price} \times \text{Emission Factor}) \times \text{Capacity Factor} \times \text{Total Nominal Power} \times 365.21 \text{ days} \times 24 \text{ hours}$$

where

- The feed in tariff is RMB 0.61 Yuan (C\$0.11 or US\$0.089) 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. .
- Carbon credit price is Euro €1.5 per tCO<sub>2e</sub> according to the Emissions Reduction Purchase Agreement (“**ERPA**”) entered with Goldman Sachs International for Wind Farm #1.
- 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 emission factor is 1.14608 tCO<sub>2</sub>/MWh for the Northeast China Grid.
- The Total Nominal Power for Phase 1 and Phase 2 is 49 MW and 49.5MW, respectively.

The Company plans a further 100MW of wind projects (Phase 3) in 2010 and 2011. By the end of 2011, management plans to have approximately 200MW of wind farms in production.

In Heilongjiang Province, the Company estimates it would take approximately 6 to 12 months to obtain all the necessary approvals and permits from government to be able to commence construction for a wind power project of 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.

Because all of the Longjiang wind projects in Du Mon County share approximately the same wind resource and use similar wind turbines, the capital cost per MW for each project is estimated to be similar.

The feed-in tariff will be fixed for the first 30,000 full-load hours accumulated from the first day of wind farm in production. After the first 30,000 full load hours, the feed-in tariff will be the market average feed-in tariff at that time, and the accurate number of the tariff will be determined by the government again.

### **Selected Consolidated Interim Financial Information**

The following selected consolidated interim financial information has been derived from our unaudited consolidated interim financial statements for the three and nine months ended December 31, 2009 and 2008 and our financial positions as at December 31, 2009 and March 31, 2009.

Operating result	Three months ended		Nine months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Electricity sales during testing phase	\$ 1,287,998	\$ -	\$ 2,622,223	\$ -
Less: recorded as recovery of wind farm power plant cost	(775,930)	-	(2,110,155)	-
Revenue	512,068	-	512,068	-
Amortization	(302,995)	(4,019)	(325,083)	(22,340)
Interest expenses	(286,575)	(474)	(288,428)	(474)
Stock based compensation	(486,759)	-	(2,808,765)	-
Other income	412,013	183,974	466,031	183,974
Net loss for the period	\$ (626,296)	\$ (169,432)	\$ (3,755,438)	\$ (618,476)
Net loss per share, basic and diluted	0.011	0.006	0.098	0.021
Other comprehensive income / (loss)				
From translation of foreign entity	\$ (1,619,621)	\$ 4,278,241	\$ (8,470,420)	\$ 5,192,934

### Financial position

	December 31, 2009	March 31, 2009
Current assets	7,366,116	15,662,651
Total assets	117,825,065	100,742,920
Current liabilities	26,696,053	12,453,173
Total liabilities	72,583,265	72,907,495
Total shareholders' equity	45,241,800	27,835,425

### Results of Operations

During the three months ended December 31, 2009, the Company generated \$0.8 million wind power revenue during the testing, tuning and calibration of Phase 1, which was recorded as a reduction to wind farm power plant cost. Since Phase 1 started commercial production at the end of November 2009, Phase 1 generated \$0.5 million wind power revenue. During the nine months ended December 31, 2009, the total wind power revenue generated was \$2.6 million, of which \$2.1 million was generated during testing, tuning and calibration of Phase 1 and was recorded as a reduction to property, plant and equipment.

The Company has incurred a net loss of \$0.6 million during the three months ended December 31, 2009 (three months ended December 31, 2008 - \$0.2 million) and has an accumulated deficit of \$5.4 million as at December 31, 2009 (March 31, 2009 - \$1.6 million). The increase in net loss for the three months ended December 31, 2009 was a combination of stock based compensation of \$0.5 million, interest expenses of \$0.3 million, amortization of \$0.3 million and increase in operation cost and general and administrative expenses of \$0.1 million netting off increase in revenue of \$0.5 million and other income of 0.2 million. Net loss for the nine months ended December 31, 2009 was \$3.8 million (nine months ended December 31, 2008 - \$0.6 million). Other than the stock based compensation of \$2.8 million, the increase in net loss for the nine months ended December 31, 2009 was a combination of interest expenses of \$0.3 million, amortization of \$0.3 million and increase in operation cost and general administrative expenses of \$0.5 million due to expenses related to the RTO and private placement in July 2009, netting off increase in revenue of \$0.5 million and other income of \$0.3 million.

In December 2009, the Finance Bureau of Heilongjiang Provincial Government granted a government subsidy of one million RMB Yuan (C\$155,000) to the Company to support and encourage the development of its wind energy projects. The Company's wind power project is one of only two key projects in Heilongjiang Province which were granted such a subsidy in 2009. In addition, the Du Mon County Government awarded the Company a 1.6 million RMB Yuan (C\$252,000) subsidy for its achievement in improving its wind farm control and monitoring systems.

Phase 1 generated more than 42.4 million KWh electricity by the end of January 2010.

Phase 2 will represent capacity of 49.5 MW when completed, with completion expected before May 2010. Upon completion, each phase is expected to run at approximately 60% production capacity for the first year in operation due to tuning and calibration, and to be in full production starting from the second year.

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.

## **Financial Condition**

### ***Liquidity***

As at December 31, 2009, the Company had cash of \$1.6 million, which will continue to be used to pay off its liabilities and to develop Phase 2. This cash is what remains, after the development costs through December 31, 2009, from the initial investment from Ruihao and Tianyi and the fixed assets bank loan from the Agriculture Development Bank of China, which loan totalled RMB 360 million Yuan (\$55.4 million).

The Company expects to incur additional debt financing from the Agriculture Development Bank of China to build Phase 2 and future wind power projects. 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 has a working capital deficiency of approximately \$19.3 million as of December 31, 2009 which is not sufficient to sustain operations over the next year and the Company may be unable to continue realizing its assets and discharge its obligations in the normal course.

The continued operations of the Company are dependent upon the ability of the Company to obtain necessary financing to repay the loan of \$55.4 million (RMB360million) to China Agricultural Development Bank Du Mon Branch by the repayment dates (the first repayment of \$4.6 million was repaid in January 2010 and the second repayment of \$4.9 million is planned on December 20, 2010), to complete the development and construction of the wind generated electrical projects, and to fund corporate overhead costs until future operations are profitable. Management's plan in this regard is to refinance through debt and raise equity financing as required.

### ***Assets and Liabilities***

As at December 31, 2009, the Company had total assets of \$117.8 million compared to \$100.7 million as at March 31, 2009, including net current liabilities (current liabilities less current assets) of \$19.3 million.

On January 24, 2008, the Company entered into a fixed-asset loan agreement to borrow \$55.4 million (RMB 360 million Yuan) from the Agricultural Development Bank of China, Du Mon Branch for a ten-year term expiring in 2017, 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 December 31, 2009 is 5.94% per annum. The loan is collateralized by the wind farm assets and the future revenue of Phase 1. Ruihao signed the Guarantee Agreement with the Agricultural Development Bank of China to be a joint surety for the debt, so did the Company's CEO and director Mr. Jun Liu and his spouse. The principal of the loan is planned to be repaid every year, from \$4.6 million (RMB 30 million Yuan) for the first year pay back after the construction period to \$7.1 million (RMB 46 million Yuan) to the ninth year. The long-term debt obligations of the Company will be repaid in 10 years. 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 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 thirty 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.

As at December 31, 2009, the Company has due to related parties balances totalling \$4,515,545 (March 31, 2009 - \$1,040,767) which represents the amounts owing to (1) Heilongjiang Ruihao Technology Group (“Ruihao”), a Company controlled by one of the directors, of \$4,297,601 (March 31, 2009 - \$630,958), (2) Daqing Zhongdan Energy Co., Ltd., a subsidiary of Ruihao, of \$130,815 (March 31, 2009 - \$347,890), (3) an officer of \$72,128 (March 31, 2009 - \$51,700) and (4) directors of \$15,001 (March 31, 2009 - \$10,219). These amounts are unsecured, non-interest bearing and without specific terms of repayment.

As at December 31, 2009, the Company has a due from related parties balance of \$38,475 (March 31, 2009 - \$74,781) which represents amounts due from directors.

During the three months ended December 31, 2009, the Company purchased wind blades from Ruihao totalling \$2,817,554 at Ruihao’s carrying value.

The Company rented office space from Ruihao free of charge for the period from May 18, 2007 to November 17, 2010.

All related party transactions above are recorded at the exchange amounts as agreed upon by the related parties except for otherwise disclosed.

### **Share Capital**

As at December 31, 2009, the Company had 57,331,745 common shares outstanding.

As mentioned in the “Overview” section, on July 31, 2009, the Company completed a private placement, amalgamation and reorganization.

The financing resulted in the issuance of 27,319,158 common shares of the Company (the “Shares”) at \$1.00 per Share, resulting in aggregate gross proceeds of \$27.3 million. The bulk of the proceeds of the financing were directed to be paid as equity into Longjiang through Ruihao on the Company’s behalf. In connection with the financing, the agents received a cash commission of \$360,000 and broker warrants exercisable for 360,000 Shares at an exercise price of \$1.00 per Share for a period of two years.

Through the reorganization, the Company issued 29,300,000 shares to Ruihao Trust in exchange for the 100% interest in Longjiang WOFE.

The Company also completed its amalgamation with Berkshire, pursuant to which every 16.51 issued common shares of Berkshire were exchanged for one common share of the amalgamated corporation, and

every one common share of the Company was exchanged for one common share of the amalgamated corporation. The amalgamated corporation retained the name of the Company, changed its financial year end to March 31 and retained the directors and officers of the Company.

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	42,619,158	67.88%
Shareholders of Berkshire	700,087	1.12%
Other investors under the financing	14,000,000	22.30%
Options exercised	12,500	0.02%
Warrants to Officers and Consultants	4,070,000	6.49%
Options to Directors and Officers	1,020,000	1.62%
Warrants held by the agents	360,000	0.57%
TOTAL:	62,781,745	100%

The Company's common shares began trading on TSX Venture Exchange on August 5, 2009.

### **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 Power Shares to the take-over bid. If such China Wind Power Shares are not tendered to or taken up under the bid, any China Wind Power 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***

The following options were granted under the Stock Option Plan as of August 5, 2009, the first day of trading of the Company's stock on the TSX Venture Exchange:

<b>Name</b>	<b>Securities, Under Options Granted (#)</b>	<b>% of Total Options/ Granted in the Financial Year</b>	<b>Exercise or Base Price (\$/Security)</b>	<b>Expiry Date</b>
Jun Liu	440,000	41.12%	1.00	August 5, 2014
Wendell Zhang	220,000	20.56%	1.00	August 5, 2014
Tianyang Liu	110,000	10.28%	1.00	August 5, 2014
Weili Liu	50,000	4.67%	1.00	August 5, 2014
Hongliang Xu	50,000	4.67%	1.00	August 5, 2011
Josh Gerstein	100,000	9.35%	1.00	August 5, 2011
Linda Dundas	100,000	9.35%	1.00	August 5, 2011
Total Options Granted to Employees	1,070,000	100%		

### ***Aggregated Options Exercised***

Up to December 31, 2009, there were 12,500 options exercised in respect of shares of the Company and 37,500 options forfeited.

### **Warrants Grants and Exercises**

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

<b>Name</b>	<b>Securities, Under Warrants to be Granted (#)</b>	<b>Exercise or Base Price (\$/Security)</b>	<b>Expiry Date</b>
Heracles Investment Corp <sup>(1)</sup>	2,200,000	1.00	August 5, 2014
Walter Huang <sup>(2)</sup>	1,650,000	1.00	August 5, 2014
Tianyang Liu <sup>(3)</sup>	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.

***Warrant Grants and Exercises***

There were no warrants granted or exercised in respect of shares of the Company up to December 31, 2009.

**Accounting Policies**

The Company prepares its financial statements in conformity with generally accepted accounting principles in Canada. The accounting policies used in the preparation of the unaudited consolidated interim financial statements conform with those in the Company's and Longjiang's March 31, 2009 audited annual financial statements except as noted below. The Company lists its significant accounting policies in Note 2 to the Company's and Longjiang's audited annual financial statements for the year ended March 31, 2009, of which the Company has identified the accounting policies, which are believed to be the most critical in fully understanding and evaluating the reported financial results.

***Stock based compensation***

The Company accounts for stock options and warrants using the fair value method. Under this method, compensation expense for stock options and warrants is measured at the fair value at the grant date using a Black-Scholes valuation model and recognized as expense in the statements of operations. The fair value of non-employment based warrants is recognized as expense when services are provided, with a corresponding credit to contributed surplus. The fair value of the employment based warrants and stock options is recognized as expense over the requisite service period in the statement of operations, with a corresponding credit to contributed surplus.

***VIE Accounting policy***

The Company follows the recommendation of CICA Accounting Guidelines ("AcG") 15, "Consolidation of Variable Interest Entity", to consolidate the accounts of variable interest entity ("VIE") where the Company is considered to be the primary beneficiary of such variable interest, using the continuity-of-interest method.

***Goodwill and intangible assets***

On April 1, 2009, the Company adopted CICA Handbook Section 3064, Goodwill and Intangible Assets and section 3450, Research and Development Costs. The new pronouncement establishes standards for the

recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of tangible assets by profit-oriented enterprises. The adoption of this new accounting standard has no impact on the Company's financial statements.

### ***Property, plant and equipment***

Property, plant and equipment are recorded at cost. Amortization is provided on the straight line basis over the estimated useful life of the assets commencing when the asset is brought into use as follows:

Wind power generating equipment	10 to 30 year
Building and road	30 years
Automobiles	8 to 10 year
Furniture and office equipment	5 year

Wind farm power plant is stated at cost, which comprises all direct costs of construction. Wind farm power plant costs are transferred to property, plant and equipment, and depreciation of the asset on a straight line basis commences when construction is complete.

### ***Credit risk and the fair value of financial assets and financial liabilities***

On April 1, 2009, the Company adopted EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance requires that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The adoption of this new accounting standard has no impact on the Company's financial statements.

### ***Financial Instruments***

In June 2009, the CICA revised section 3862 to include a hierarchy concept in measuring financial instruments, a requirement to provide disclosure concerning the fair value measurements of assets and liabilities for each hierarchy level and amendments to the liquidity disclosure requirements. The recommendations are effective for the Company's fiscal 2009-2010 annual reporting. The Company is in the process of evaluating the impact of this standard.

## **Future Accounting Standards**

### ***(i) International Financial Reporting Standards***

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the Company plans to adopt IFRS for its fiscal 2012 year beginning April 1, 2011. In order to have comparative numbers in fiscal 2012 for the fiscal 2011 year, our transition date under IFRS is planned for April 1, 2010 – the beginning of our fiscal 2011 year. The first reporting period under IFRS will be for the three months ending on June 30, 2011.

The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. A diagnostic assessment of the Company's current accounting policies, systems and processes to identify the differences between current Canadian GAAP and IFRS is in progress and the impact on our consolidated financial position and results of operations has not yet been determined. The Company is planning to complete the diagnostic assessment by the end of March 2010. The Company will disclose the major differences that

have impact on the Company's financial reporting in its annual MD&A for the year ending March 31, 2010.

**(ii) Business Combination**

In January 2009, the CICA issued Section 1582 Business Combinations, replacing Section 1581 Business Combinations. The new section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. The section is applicable to the annual and interim financial statements of the Company beginning on or January 1, 2011, with early adoption permitted. The Company is in the process of evaluating the impact of this standard.

**(iii) Consolidation and non-controlling interests**

In January 2009, the CICA issued Section 1601 Consolidations and Section 1602 Non-controlling Interests. CICA 1601 establishes standards for the preparation of consolidated financial statements. CICA 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These new standards are applicable to the annual and interim financial statements of the Company beginning on or after January 1, 2011, with early adoption permitted. These new standards will not have a material impact on its financial statements unless the Company enters into a business acquisition subsequent to January 1, 2011.

**Risk Factors Relating to the Company**

***The Company's projects are in early stages of development***

Only one of the Company's projects is completed and second one currently under construction and the remaining projects are at early stages of development and, 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 546MW 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 three 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 360 million Yuan 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 Wind Farm #1 assets 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 Wind Farm #1 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. The Company also has a fixed asset loan agreement with the Agricultural Development Bank of China for RMB 360 million Yuan 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.) 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 is subject to the tight market for turbine supply***

As a result of a number of factors, including the strong growth in demand for wind turbines in China and globally, the market for turbines was supply driven. In addition, pursuant to the Notice of the National Development and Reform Commission Concerning the Management of Construction of Wind Farms (NDRC Energy [2005] No.1204) issued on July 4, 2005 (referred to hereinafter as "**NDRC Notice No. 1204**"), the PRC government requires wind power project developers and operators to locally source at least 70% of their equipment and components. If demand continues to grow without additional supply, it may continue to result in long lead-times on turbine orders and/or the necessity to lock in turbine supply arrangements early in the development process. This supply/demand imbalance can also lead to increased cost and add to uncertainties in the Company's development process such as planning and grid connection. Any of these factors could have a material adverse effect on the business, financial position or 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 licences 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 Power Equipment (Daqing) Co. Ltd. ("**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 before May 2010. The Company is also seeking to obtain additional approvals from government and power purchase and grid connection agreements for its next projects. The Company will also be focused on moving 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 547 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 5.8 billion Yuan (US\$ 0.85 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:

<b>Phases</b>	<b>Construction Period (quarter/year)</b>	<b>Installed Capacity (MW)</b>	<b>Status</b>
Phase I	Q3/2007-Q4/2009	49.0	In production.
Phase II	Q2/2009-Q2/2010	49.5	Under construction
Phase III	Q2/2010-Q4/2011	100.0	All paperwork is finished. In the process of application for approval.
Phase IV	Q2/2011-Q4/2013	200.0	In the process of feasibility study.
Phase V	Q2/2012-Q4/2014	148.5	In the process of feasibility study and paperwork.
<b>Total</b>	<b>Q3/2007 – Q4/2014</b>	<b>547.0</b>	

The Company's current strategy also includes, where possible, retaining the carbon credits associated with the Clean Development Mechanism ("CDM") resulting from its renewable energy electricity generation in order to maximize its exposure to the emerging market for carbon credits. Management believes that the carbon credit market in China and in the world will continue to develop and, if so, may provide enhanced value to the Company.

As previously disclosed in November 2009, the Company has signed letters of intent to acquire two wind farm sites – one in Dongning County, in the east area of Heilongjiang Province, and the other in Anda City in the southwest area of Heilongjiang Province. Both wind farm sites to be acquired have obtained all necessary government pre-approvals and are in the process of obtaining final approvals.

In addition to its organic growth plan, Longjiang intends to opportunistically acquire wind farm projects in areas surrounding Daqing from entities that lack the financial ability or operational expertise to construct and operate wind farms.

# **China Wind Power International Corp.**

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

**For the three and nine months ended December 31, 2009**

# China Wind Power International Corp.

Consolidated Balance Sheets  
(Expressed in Canadian dollars)  
(Unaudited)  
(See Note 1 Going Concern)

	<u>December 31, 2009</u>	<u>March 31, 2009</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 1,648,000	\$ 9,664,644
Accounts receivable	1,666,932	530,532
Prepaid expenses and other receivable (Note 3)	1,704,807	3,542,357
Due from related parties (Note 8)	38,475	74,781
Value added tax recoverable, short term	2,307,902	1,850,337
<b>Total current assets</b>	<b>7,366,116</b>	<b>15,662,651</b>
Value added tax recoverable, long term	7,388,905	5,045,470
Rent deposit	21,992	21,992
Prepayments for construction of wind farm	14,781,012	21,553,894
Property, plant and equipment (Note 4)	71,048,454	349,207
Wind farm power plant construction in progress (Note 5)	17,218,586	58,109,706
<b>Total assets</b>	<b>\$ 117,825,065</b>	<b>\$ 100,742,920</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 11,891,390	\$ 5,050,963
Other payable (Note 6)	731,025	852,150
Current portion of other long-term liabilities	16,293	16,293
Current portion of long-term debt (Note 7)	9,541,800	5,493,000
Due to related parties (Note 8)	4,515,545	1,040,767
<b>Total current liabilities</b>	<b>26,696,053</b>	<b>12,453,173</b>
Long-term debt (Note 7)	45,862,200	60,423,000
Other long-term liabilities	25,012	31,322
<b>Total liabilities</b>	<b>72,583,265</b>	<b>72,907,495</b>
<b>Shareholders' Equity</b>		
Share capital (Note 9)	50,232,623	23,567,779
Contributed surplus	3,037,640	-
Accumulated other comprehensive income (loss)	(2,600,503)	5,869,917
Deficit	(5,427,960)	(1,602,271)
<b>Total shareholders' equity</b>	<b>\$ 45,241,800</b>	<b>\$ 27,835,425</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 117,825,065</b>	<b>\$ 100,742,920</b>
Commitments (Note 14)		

See accompanying notes to the financial statements

Approval by the Board of Directors:

Signed: Jun Liu  
Director

Signed: Walter Huang  
Director

## China Wind Power International Corp.

Consolidated Statements of Operations and Comprehensive Income (Loss)

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended December 31,		Nine months ended December 31,	
	2009	2008	2009	2008
Electricity sales	\$ 1,287,998	\$ -	\$ 2,622,223	\$ -
Less: recorded as recovery of wind farm power plant cost during testing phase	(775,930)	-	(2,110,155)	-
<b>Revenue (Note 5)</b>	<b>512,068</b>	<b>-</b>	<b>512,068</b>	<b>-</b>
<b>Expenses</b>				
Operation cost	41,578	-	41,578	-
General and administrative expenses	432,470	348,913	1,269,683	779,636
Amortization	302,995	4,019	325,083	22,340
Stock based compensation	486,759	-	2,808,765	-
	1,263,802	352,932	4,445,109	801,976
Loss before the following	(751,734)	(352,932)	(3,933,041)	(801,976)
<b>Other Income</b>				
Interest income	513	183,974	54,531	183,974
Government grant	407,000	-	407,000	-
Other income	4,500	-	4,500	-
	412,013	183,974	466,031	183,974
<b>Loss before interest and taxation</b>	<b>(339,721)</b>	<b>(168,958)</b>	<b>(3,467,010)</b>	<b>(618,002)</b>
Interest expenses	286,575	474	288,428	474
<b>Net loss for the period</b>	<b>\$ (626,296)</b>	<b>\$ (169,432)</b>	<b>\$ (3,755,438)</b>	<b>\$ (618,476)</b>
Net loss per share - basic and diluted (Note 10)	0.011	0.006	0.098	0.021
Other comprehensive income (loss)				
From translation of foreign entity	(1,619,621)	4,278,241	(8,470,420)	5,192,934
Comprehensive income (loss) for the period	\$ (2,245,917)	\$ 4,108,809	\$ (12,225,858)	\$ 4,574,458
Weighted average number of shares				
- Basic and diluted	57,323,412	29,300,000	38,498,831	29,300,000

See accompanying notes to the financial statements

## China Wind Power International Corp.

Consolidated Statements of Shareholders' Equity

(Expressed in Canadian dollars)

(Unaudited)

	Number of common shares	Share capital	Paid-in Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
Balance as at April 1, 2008	-	-	\$ 23,567,778	-	\$ 96,693	\$ (534,343)	\$23,130,128
Additions	-	-	1	-	-	-	1
Other comprehensive income from translation of foreign entity	-	-	-	-	5,192,934	-	5,192,934
Adjusting purchases from a related party to carrying value	-	-	-	-	-	(234,632)	(234,632)
Net loss	-	-	-	-	-	(618,476)	(618,476)
As at December 31, 2008	-	-	23,567,779	-	5,289,627	(1,387,451)	27,469,955
Other comprehensive income from translation of foreign entity	-	-	-	-	580,290	-	580,290
Net loss	-	-	-	-	-	(214,820)	(214,820)
As at March 31, 2009	-	-	23,567,779	-	5,869,917	(1,602,271)	27,835,425
Shares issued to Berkshire Griffin Inc. shareholders pursuant to the amalgamation agreement (note 1)	700,087	-	-	-	-	-	-
Shares issued to China Wind Power International Corp. shareholders pursuant to the amalgamation agreement (note 1)	29,300,000	23,567,778	(23,567,778)	-	-	-	-
Shares issued for private placement, net off issuance costs (note 9)	27,319,158	26,647,220	-	234,000	-	-	26,881,220
Share cancelled	-	-	(1)	-	-	-	(1)
Share issued on exercise of stock option	12,500	17,625	-	(5,125)	-	-	12,500
Net liabilities acquired in the reverse takeover transaction	-	-	-	-	-	(70,251)	(70,251)
Other comprehensive loss from translation of foreign entity	-	-	-	-	(8,470,420)	-	(8,470,420)
Net loss	-	-	-	-	-	(3,755,438)	(3,755,438)
Share based compensation	-	-	-	2,808,765	-	-	2,808,765
As at December 31, 2009	57,331,745	\$ 50,232,623	\$ -	\$ 3,037,640	\$ (2,600,503)	\$ (5,427,960)	\$45,241,800

See accompanying notes to the financial statements

## China Wind Power International Corp.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended		Nine months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
<b>Cash provided by (used in) operating activities</b>				
Net loss for the period	\$ (626,296)	\$ (169,432)	\$ (3,755,439)	\$ (618,476)
Stock based compensation	486,759	-	2,808,765	-
Interest on capital lease	863	474	2,716	474
Deferred lease inducement	(754)	13,073	(2,262)	13,073
Amortization	302,995	4,019	325,083	22,340
	163,567	(151,866)	(621,137)	(582,589)
Net change in non-cash working capital				
Accounts receivable	(599,119)	-	(599,119)	-
Prepaid expenses and other receivable	48,413	1,703,363	(123,591)	(256,648)
Accounts payable and accrued liabilities	93,493	(153,172)	143,260	92,827
Due from related parties	(4,199)	(57,922)	(26,730)	(69,876)
Due to related parties	15,193	(79,910)	23,969	(40,219)
	(282,652)	1,260,493	(1,203,348)	(856,505)
<b>Cash provided by (used in) investing activities</b>				
Loan given to a supplier	-	(265,334)	-	(3,173,334)
Cash received from acquisition	-	-	31	-
Rent deposit	-	(7,473)	-	(21,992)
Repayment of loan given to a supplier	-	-	1,542,240	-
Property and equipment	(8,341)	(36,592)	(22,283)	(46,632)
Recovery of wind farm power plant costs	837,864	-	1,806,054	-
Wind farm power plant costs	(1,995,944)	(7,199,937)	(10,206,803)	(23,612,973)
	(1,166,421)	(7,509,336)	(6,880,761)	(26,854,931)
<b>Cash provided by (used in) financing activities</b>				
Cash provided by related parties	552,370	430,766	1,101,504	440,388
Repayment to related parties	(108,612)	-	(312,188)	(1,468,095)
Cash received from exercise of stock option	12,500	-	12,500	-
Cash proceeds from private placement, net of commission (Note 9)	-	-	425,000	1
	456,258	430,766	1,226,816	(1,027,706)
Effect of exchange rate changes on cash	(81,568)	3,462,234	(1,159,351)	4,309,635
Decrease in cash	(1,074,383)	(2,355,843)	(8,016,644)	(24,429,507)
Cash, beginning of period	2,722,383	13,608,438	9,664,644	35,682,102
Cash, end of period	\$ 1,648,000	\$ 11,252,595	\$ 1,648,000	\$ 11,252,595
<b>Supplemental cash flow information</b>				
Interest paid in cash	\$ 838,702	\$ 1,265,560	\$ 2,656,349	\$ 3,410,170

See accompanying notes to the financial statements

# China Wind Power International Corp.

Notes to Consolidated Financial Statements

For the three and nine months ended December 31, 2009

(Unaudited)

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## 1. NATURE OF BUSINESS

The consolidated financial statements reflect the financial position and results of operations of China Wind Power International Corp. (the “Company”) and its subsidiaries. The Company was incorporated under Business Corporation Act (Ontario) on June 27, 2008.

On July 16, 2009, the Company completed a reorganization. As a result of the reorganization, the Company issued 29,300,000 common shares to acquire 100% interest in Daqing Longjiang Wind Power Technology Co., Ltd. (“Longjiang WFOE”) which has entered into certain contractual arrangements with Daqing Longjiang Wind Power Co., Ltd. (“Longjiang”) and Longjiang’s shareholders. These contractual arrangements allow the Company to effectively govern and administer the business operations and affairs of Longjiang, including entitlements to the economic benefits. As a result of these contractual arrangements, the Company is considered the primary beneficiary of Longjiang and consolidates Longjiang’s results of operations in its financial statements. All of these companies are under common control prior to the reorganization. Therefore, the transaction is accounted for using continuity of interest method as if the Company’s holding structure as set out above has been in existence since the inception. All significant inter-company transactions and balances have been eliminated in the preparation of the consolidated financial statements of the Company.

The contractual arrangements are further explained as below:

### *Exclusive Technical Consulting and Services Agreement*

Pursuant to the Exclusive Technical Consulting and Services Agreement entered into among Longjiang WFOE and Longjiang, Longjiang WFOE agrees to provide technical consulting and services to Longjiang. Longjiang agrees not to accept technical consulting and services for its business from any third party without the prior written consent of Longjiang WFOE. For such services, Longjiang agrees to pay to Longjiang WFOE a service fee of 5% to 100% of the total business income of Longjiang, to be determined on the basis of the following factors:

- (a) the technical difficulty and complexity of technical consulting and services;
- (b) the time taken by Longjiang WFOE’s employees for technical consulting and services;
- (c) the specific content and commercial value of the technical consulting and services; and
- (d) the market reference price of technical consulting and services of the same category.

If Longjiang shall fail to make payment for the service fees, Longjiang shall pay to Longjiang WFOE 0.05% of the delayed payment per day as liquidated damages. Longjiang WFOE has the right to appoint its employee or an accountant registered in the PRC or any other country, at its own expense, to inspect and audit the accounting books of Longjiang for the purpose of determining the amount or calculation method of services. Longjiang shall provide Longjiang WFOE with documents, accounting books, records and data required by Longjiang WFOE in order to audit the accounting books and determine the service fees. Unless an error of more than 5% shall occur in the income of Longjiang, the amount determined by Longjiang WFOE shall be the amount of the service fee.

### *Business Operations Agreement*

Pursuant to the Business Operations Agreement entered into among Longjiang WFOE, Longjiang, and Longjiang’s shareholders, Longjiang and its shareholders jointly confirm and agree that Longjiang will not conduct any transaction which may materially affect its assets, business, employment, obligations, rights or operations unless prior written consent is obtained from Longjiang WFOE or a third party appointed by Longjiang WFOE, including but not limited to, the following transactions:

# China Wind Power International Corp.

Notes to Consolidated Financial Statements

For the three and nine months ended December 31, 2009

(Unaudited)

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## 1. NATURE OF BUSINESS (cont'd)

- (a) to conduct any business which is beyond the normal business scope of Longjiang or conduct business in a way which is inconsistent with past practices or out of the ordinary course;
- (b) to borrow money or incur any debt from any third party;
- (c) to change or dismiss any directors or to dismiss or replace any senior management officers;
- (d) to sell to or acquire from any third party or dispose of in any other way any assets or rights having a value in excess of RMB 5,000,000 Yuan, including but not limited to any intellectual property rights;
- (e) to provide guarantees of the obligations of any third party with its assets or intellectual property rights or to provide any other guarantee or to place its assets under any other encumbrance;
- (f) to amend the articles of association of Longjiang or to change its scope of business;
- (g) to change the normal business process or modify any material bylaws;
- (h) to assign rights and obligations under the Business Operations Agreement to any third party;
- (i) to materially adjust the business model, marketing strategy, operational guidance or client or other business relationships;
- (j) to distribute any dividends in any form;
- (k) to increase compensation payable to any executive officers or senior management; and
- (l) to engage in any activity not permitted by the laws of PRC.

Longjiang and its shareholders also jointly agree to accept and strictly enforce the proposals in respect of the employment and dismissal of Longjiang's employees, the daily business management and financial management provided by Longjiang WFOE from time to time, and to appoint candidates designated by Longjiang WFOE as directors and officers of Longjiang.

Longjiang's shareholders also agree to execute a power of attorney pursuant to which they will irrevocably authorize personnel designated by Longjiang WFOE to exercise their shareholders' rights and their full voting rights as shareholders at Longjiang's shareholder meetings, and to immediately and unconditionally pay or transfer to Longjiang WFOE any bonus, dividends or any other income or benefits (regardless of the forms) obtained from Longjiang as the shareholders of Longjiang at the time were such payables occur and provide all necessary documents or take all necessary actions required by Longjiang to realize such payment or transfer.

### ***Equity Pledge Agreement***

Pursuant to an Equity Pledge Agreement entered into among Longjiang WFOE and Longjiang's shareholders, Longjiang's shareholders pledged 100% of their equity interest in Longjiang to Longjiang WFOE as security for Longjiang's performance of its obligations under all other related agreements by and between Longjiang WFOE and Longjiang. Longjiang's shareholders cannot transfer any of the pledged equity interest without the permission of Longjiang WFOE.

# China Wind Power International Corp.

Notes to Consolidated Financial Statements

For the three and nine months ended December 31, 2009

(Unaudited)

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## 1. NATURE OF BUSINESS (cont'd)

### *Option Agreement*

Pursuant to the Option Agreement entered into among Longjiang WFOE, Longjiang and Longjiang's shareholders, Longjiang WFOE has been granted an exclusive option to purchase from Longjiang's shareholders all of their equity interests in Longjiang at the lowest price permitted by PRC laws applicable at the time of exercise of such option right. The option right cannot be revoked or amended during the term of the Option Agreement. Longjiang may exercise the option in part or in full at anytime during the term of the Option Agreement. The Option Agreement has a term of 10 years.

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. The first two wind farms with total capacity of 98.5MW are currently under construction and testing. The Company has not earned significant revenues and is considered to be in the development stage.

On July 31, 2009, the Company completed its amalgamation with Berkshire Griffin Inc ("Berkshire"), pursuant to which every 16.51 issued common shares of Berkshire were exchanged for one common share of the amalgamated corporation, and every one common share of the Company was exchanged for one common share of the amalgamated corporation. The amalgamated corporation retained the name of the Company, changed its financial year end to March 31 and retained the directors and officers of the Company.

The amalgamation is a reverse takeover ("RTO") under the policies of the TSX Venture Exchange. The amalgamation is a recapitalization in substance rather than a business combination. Accordingly, this transaction was recorded as a RTO for accounting purposes. The Company was deemed to be the acquirer and these consolidated financial statements are a continuation of the financial statements of the Company.

### **Going concern**

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business.

The Company has incurred a net loss of \$626,296 for the three months ended December 31, 2009 (three months ended December 31, 2008 – \$169,432) and has an accumulated deficit of \$5,427,960 as at December 31, 2009 (March 31, 2009 – \$1,602,271). The Company has a working capital deficiency of \$19,329,937 as of December 31, 2009 which is not sufficient to sustain operations over the next year and the Company may be unable to continue realizing its assets and discharge its obligations in the normal course.

The continued operations of the Company are dependent upon the ability of the Company to obtain necessary financing to repay the loan of \$55,404,000 (RMB360,000,000) to China Agricultural Development Bank Du Mon Branch (Note 7) by the repayment dates (the first repayment of \$4,617,000 had been repaid in January 2010), to complete the development and construction of the wind generated electrical projects, and to fund corporate overhead costs until future operations are profitable. Management's plan in this regard is to refinance through debt and raise equity financing as required.

These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

# China Wind Power International Corp.

Notes to Consolidated Financial Statements

For the three and nine months ended December 31, 2009

(Unaudited)

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## 2. ACCOUNTING POLICIES

The accounting policies used in the preparation of these unedited consolidated interim financial statements conform with those in the Company and Longjiang's March 31, 2009 audited annual financial statements except as noted below. These consolidated interim financial statements do not include all of the disclosures included in the annual financial statements and accordingly should be read in conjunction with the annual financial statements.

### Stock based compensation

The Company accounts for stock options and warrants using the fair value method. Under this method, compensation expense for stock options and warrants is measured at the fair value at the grant date using a Black-Scholes valuation model and recognised as expense in the statements of operations. The fair value of non-employment based warrants is recognized as expense when services are provided, with a corresponding credit to contributed surplus. The fair value of the employment based warrants and stock options is recognized as expense over the requisite service period in the statement of operations, with a corresponding credit to contributed surplus.

### Variable interest entity accounting policy

The Company follows the recommendation of CICA Accounting Guidelines ("AcG") 15, "Consolidation of Variable Interest Entity", to consolidate the accounts of variable interest entity ("VIE") where the Company is considered to be the primary beneficiary of such variable interest, using the continuity-of-interest method (see Note 1).

### Goodwill and intangible assets

On April 1, 2009, the Company adopted CICA Handbook Section 3064, Goodwill and Intangible Assets and section 3450, Research and Development Costs. The new pronouncement establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of tangible assets by profit-oriented enterprises. The adoption of this new accounting standard has no impact on the Company's financial statements.

### Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is provided on the straight line basis over the estimated useful life of the assets commencing when the asset is brought into use as follows:

Wind power generating equipment	10 to 30 year
Building and road	30 years
Automobiles	8 to 10 year
Furniture and office equipment	5 year

Wind farm power plant is stated at cost, which comprises all direct costs of construction. Wind farm power plant costs are transferred to property, plant and equipment, and depreciation of the asset on a straight line basis commences when construction is complete.

### Credit risk and the fair value of financial assets and financial liabilities

On April 1, 2009, the Company adopted EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance requires that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The adoption of this new accounting standard has no impact on the Company's financial statements.

# China Wind Power International Corp.

Notes to Consolidated Financial Statements

For the three and nine months ended December 31, 2009

(Unaudited)

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## 2. ACCOUNTING POLICIES (cont'd)

### Financial instruments

In June 2009, the CICA revised section 3862 to include a hierarchy concept in measuring financial instruments, a requirement to provide disclosure concerning the fair value measurements of assets and liabilities for each hierarchy level and amendments to the liquidity disclosure requirements. The recommendations are effective for the Company's fiscal 2009-2010 annual reporting. The Company is in the process of evaluating the impact of this standard.

### Future Accounting Standards

(i) International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the Company plans to adopt IFRS for fiscal years beginning April 1, 2011.

The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. A diagnostic assessment of the Company's current accounting policies, systems and processes to identify the differences between current Canadian GAAP and IFRS is in progress and the impact on our consolidated financial position and results of operations has not yet been determined. The Company intends to update the critical accounting policies and procedures to incorporate the changes required by the conversion to IFRS and the impact of these changes on its financial disclosures.

(ii) Business combination

In January 2009, the CICA issued Section 1582 Business Combinations, replacing Section 1581 Business Combinations. The new section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. The section is applicable to the annual and interim financial statements of the Company beginning on or after January 1, 2011, with early adoption permitted. The Company is in the process of evaluating the impact of this standard.

(iii) Consolidation and non-controlling interests

In January 2009, the CICA issued Section 1601 Consolidations and Section 1602 Non-controlling Interests. CICA 1601 establishes standards for the preparation of consolidated financial statements. CICA 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These new standards are applicable to the annual and interim financial statements of the Company beginning on or after January 1, 2011, with early adoption permitted. These new standards will not have a material impact on its financial statements unless the Company enters into a business acquisition subsequent to January 1, 2011.

## China Wind Power International Corp.

Notes to Consolidated Financial Statements

For the three and nine months ended December 31, 2009

(Unaudited)

### 3. PREPAID EXPENSES AND OTHER RECEIVABLE

	December 31, 2009	March 31, 2009
Loan receivable	\$ 1,532,620	\$ 3,424,064
Other	172,187	118,293
	\$ 1,704,807	\$ 3,542,357

Loan receivable represents a short term unsecured loan of \$1,532,620 to a supplier which is non-interest bearing and due on demand.

### 4. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2009			March 31, 2009		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Wind power generating equipment	\$68,983,000	\$(284,262)	\$68,698,738	\$18,147	\$(1,762)	\$16,385
Buildings and roads	1,930,326	(5,130)	1,925,196	0	0	0
Automobiles	272,638	(43,604)	229,034	297,879	(28,757)	269,122
Furniture and office equipment	218,942	(23,456)	195,486	74,126	(10,426)	63,700
	\$71,404,906	\$(356,452)	\$71,048,454	\$390,152	\$(40,945)	\$349,207

### 5. WIND FARM POWER PLANT CONSTRUCTION IN PROGRESS

	Construction		Capitalized	Total
	In Progress	Equipment	Interest	
Balance – April 1, 2008	\$ 4,765,056	\$ 6,411,000	\$ 549,102	\$11,725,158
Addition	5,643,938	29,297,681	4,401,145	39,342,764
Cost recovery – sales of electricity during testing phase	-	(406,665)	-	(406,665)
Foreign currency translation adjustment	1,856,010	4,947,090	645,349	7,448,449
Balance - March 31, 2009	12,265,004	40,249,106	5,595,596	58,109,706
Addition	10,376,931	33,084,921	2,450,447	45,912,299
Cost recovery – sales of electricity during testing phase	-	(2,110,155)	-	(2,110,155)
Transferred to property, plant and equipment upon completion	(15,717,345)	(48,858,674)	(7,073,862)	(71,649,881)
Foreign currency translation adjustment	(2,399,924)	(9,671,278)	(972,181)	(13,043,383)
Balance – December 31, 2009	\$ 4,524,666	\$12,693,920	\$ -	\$17,218,586

## China Wind Power International Corp.

Notes to Consolidated Financial Statements

For the three and nine months ended December 31, 2009

(Unaudited)

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### 5. WIND FARM POWER PLANT CONSTRUCTION IN PROGRESS (cont'd)

The wind farm power plant was pledged as collateral for the long-term loan from the China Agriculture Development Bank Du Mon Branch (Note 7).

Electricity sales revenue generated during testing phase was recorded as cost recovery to wind farm power plant costs.

At the end of November 2009, construction of phase 1 wind farm was completed and commercial production was commenced. As at December 31, 2009, the company has phase 2 wind farm under development.

### 6. OTHER PAYABLE

Other payable represents a loan from an unrelated supplier which is unsecured, non-interest bearing and without specific terms of repayment.

### 7. LONG-TERM DEBT

In January 2008, the Company entered into a loan agreement to borrow \$ 55.4 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 commercial RMB loan interest rate published by People's Bank of China at that time. The interest rate as at December 31, 2009 was 5.94% per annum (March 31, 2009: 5.94%). The loan is collateralized by the wind farm power plant and the future revenue of the wind farm power plant.

The company is planning to repay the principal of the loan according to the following schedule:

December 20, 2009 (Note 15)	\$	4,617,000	RMB	30,000,000
December 20, 2010	\$	4,924,800	RMB	32,000,000
December 20, 2011	\$	5,694,300	RMB	37,000,000
December 20, 2012	\$	6,463,800	RMB	42,000,000
December 20, 2013	\$	6,463,800	RMB	42,000,000
December 20, 2014	\$	6,617,700	RMB	43,000,000
December 20, 2015	\$	6,617,700	RMB	43,000,000
December 20, 2016	\$	6,925,500	RMB	45,000,000
December 20, 2017	\$	7,079,400	RMB	46,000,000
		<b>55,404,000</b>		<b>360,000,000</b>
<b>Less: Current portion</b>	\$	9,541,800	RMB	30,000,000
		<b>45,862,200</b>		<b>330,000,000</b>

# China Wind Power International Corp.

Notes to Consolidated Financial Statements

For the three and nine months ended December 31, 2009

(Unaudited)

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## 8. RELATED PARTY BALANCE AND TRANSACTIONS

As at December 31, 2009, the Company has due to related parties balances totaling \$4,515,545 (March 31, 2009 - \$1,040,767) which represents the amounts owing to (1) Heilongjiang Ruihao Technology Group (“Ruihao”), a Company controlled by one of the directors, of \$4,297,601 (March 31, 2009 - \$630,958), (2) Daqing Zhongdan Energy Co., Ltd., a subsidiary of Ruihao, of \$130,815 (March 31, 2009 - \$347,890), (3) an officer of \$72,128 (March 31, 2009 - \$51,700) and (4) directors of \$15,001 (March 31, 2009 - \$10,219). These amounts are unsecured, non-interest bearing and without specific terms of repayment.

As at December 31, 2009, the Company has a due from related parties balance of \$38,475 (March 31, 2009 - \$74,781) which represents amount due from directors.

During the three months ended December 31, 2009, the Company purchased wind blades from Ruihao totaling \$2,817,554 at Ruihao’s carrying value.

The Company rented office space from Ruihao free of charge for the period from May 18, 2007 to November 17, 2010.

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.

One of the 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).

All related party transactions above are recorded at the exchange amounts as agreed upon by the related parties except for otherwise disclosed.

## 9. SHARE CAPITAL

### a) Authorized and issued shares

Authorized:	Unlimited common shares without par value	
Issued shares:	Shares	Amount
Shares issued to Berkshire Griffin Inc.’s shareholders pursuant to the amalgamation agreement	700,087	\$ 117,501
Shares issued to the Company’s shareholders pursuant to the amalgamation agreement	29,300,000	23,567,778
Proceeds from private placement in form of equipment (i)	26,319,158	26,456,220
Cash proceeds from private placement	1,000,000	1,000,000
Transfer Berkshire share capital to deficit		(117,501)
Cash commission		(575,000)
Share based commission (ii)		(234,000)
Stock options exercised	12,500	17,625
As at December 31, 2009	57,331,745	\$ 50,232,623

## China Wind Power International Corp.

Notes to Consolidated Financial Statements  
For the three and nine months ended December 31, 2009  
(Unaudited)

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### 9. SHARE CAPITAL (cont'd)

- (i) The proceeds have been invested into Longjiang through Ruihao on April 1 and July 13, 2009 (note 8).
- (ii) As part of the commission for the private placement, 360,000 warrants were issued to the underwriting syndicate for their services provided to the Company directly relating to the private placement.

#### b) Stock option plan

The Company has established a stock option 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.

As at December 31, 2009, the Company has the following options outstanding:

	<b>Number of shares</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Weighted average exercise price</b>
Options granted to employees and directors	1,070,000		\$1
Options forfeited	(37,500)		\$1
Options exercised	(12,500)		\$1
Options outstanding	1,020,000	3.8	\$1
Options exercisable	27,500	4.58	\$1

Although one fourth of granted options are vested on the day of grant, officers and directors signed agreements to lock up their options for six months.

#### c) Stock-based compensation

The Company measures compensation costs related to awards of stock options and warrants using the fair value based method of accounting. The Company estimates the fair value of stock options and warrants at the date of grant using the Black-Scholes Valuation model with the following major assumptions: volatility 149%, expected life 0.5 to 4 years, risk free interest rate 2.52%. The Company recorded stock based compensation expense for the three months ended December 31, 2009 in the amount of \$486,759.

## China Wind Power International Corp.

Notes to Consolidated Financial Statements

For the three and six months ended December 31, 2009

(Unaudited)

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### 9. SHARE CAPITAL (cont'd)

#### d) Special warrants

As part of the commission for the private placement, 360,000 warrants were issued to the underwriting syndicate. Each warrant is convertible to one common share at an exercise price of \$1. These warrants expire on August 5, 2011. The Company estimated the fair value of these warrants to be \$234,000 using the Black-Scholes valuation model and recorded it as a deduction to share capital. The Company used the following assumptions: volatility 149%, expected life 1.5 years, risk free interest rate 2.52% and expected dividend nil.

On August 5, 2009, the Company issued 2,200,000 and 220,000 warrants to Heracles Investment Corp (a Company controlled by Walter Huang, one of the directors) and Tianyang Liu, respectively, for the corporate development and finance services provided prior to August 5, 2009 in connection with taking 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 in the nine months ended December 31, 2009. The Company used the following assumptions: volatility 149%, expected life 3-3.5 years, risk free interest rate 2.52% and expected dividend nil.

The Company also issued 1,650,000 warrants to Walter Huang for his continuance 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, \$278,442 of which has been recorded as stock-based compensation expenses in three months ended December 31, 2009. The Company used the following assumptions: volatility 149%, expected life 3 years, risk free interest rate 2.52% and expected dividend nil.

## China Wind Power International Corp.

Notes to Consolidated Financial Statements

For the three and six months ended December 31, 2009

(Unaudited)

### 10. Loss per share

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

### 11. FINANCIAL INSTRUMENTS

#### *Categories of financial assets and liabilities*

The Company's financial instruments are classified into the following categories with balances as at December 31, 2009 and March 31, 2009 as follows:

	December 31, 2009	March 31, 2009
Held for trading (1)	\$ 1,648,000	\$ 9,664,644
Loans and receivables (2)	3,260,019	4,168,950
Other financial liabilities (3)	\$ 72,573,209	\$ 72,896,684

(1) Includes only cash.

(2) Includes accounts receivable, other receivable (excluding prepaid expenses), rent deposit and due from related party.

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

#### *Fair value of financial instruments*

The fair value of the Company's cash and cash equivalents, other receivables, accounts payable and accrued liabilities and other payable are estimated to approximate their carrying values as they are short term in nature. It's impractical to determine the fair value of due from related party and due to related parties with sufficient reliability due to the nature of the financial instrument, the absence of secondary markets and the significant cost of obtaining external appraisals.

The fair value of long-term debt is 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 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.

# China Wind Power International Corp.

Notes to Consolidated Financial Statements

For the three and six months ended December 31, 2009

(Unaudited)

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## 11. FINANCIAL INSTRUMENTS (cont'd)

### Currency risk

A substantial portion of the Company's business is carried out in Chinese Renminbi, and the Company maintains Renminbi denominated bank accounts, term-deposits, receivables and payables. Fluctuations in exchange rates among the Canadian dollar the Chinese Renminbi could have a material effect on the business, results of operations and financial condition of the company. A fluctuation of +/-1%, provided as an indicative range in currency movement, would, everything else being equal, have effects on net loss after tax for three months ended December 31, 2009 and net value of financial instruments as at December 31, 2009 of approximately \$1,640 and \$665,000, respectively.

### Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash, accounts receivable and other receivables. The carrying amount of assets included on the balance sheet represents the maximum credit exposure.

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

Other receivables as at December 31, 2009 include mainly a short term unsecured loan of \$1,532,620 [March 31, 2009: \$3,424,064] to one of its suppliers which is non-interest bearing. Accounts receivable as at December 31, 2009 represents receivable from one customer. All of the Company's revenue and accounts receivable 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 loss for the three months ended December 31, 2009 and property, plant and equipment as at December 31, 2009 of approximately \$46,560 and \$390,705 (effect on wind farm power plant cost as at March 31, 2009: \$659,160), respectively.

### Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. As at December 31, 2009, the Company was holding cash and cash equivalents of \$1,648,000. The contractual maturities of the Company's long-term debt were presented in Note 7. Given the current negative working capital position, there is a risk that the Company may not be able to meet obligations associated with financial liabilities. Management's plan in this regard is to refinance through debt and equity as required.

## 12. 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) and bank loan.

## China Wind Power International Corp.

Notes to Consolidated Financial Statements

For the three and six months ended December 31, 2009

(Unaudited)

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### 12. CAPITAL MANAGEMENT (cont'd)

Total managed capital was as follows.

	December 31, 2009	March 31, 2009
Shareholders' equity (excluding accumulated other comprehensive income)	\$ 47,842,303	\$ 21,965,508
Bank loan	55,404,000	65,916,000
	<u>\$ 103,246,303</u>	<u>\$ 87,881,508</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.

Longjiang WFOE was incorporated on September 4, 2008 with an approved registered capital of \$29.5 million. Pursuant to Article 30 of the Implementing Rules of PRC Wholly Foreign-Owned Enterprise Law, the first instalment of capital contribution of a WFOE of a minimum of 15% of the approved registered capital must be contributed within 90 days from the date of issuance of the business license of such enterprise, otherwise the approval certificate and business license for Longjiang WFOE shall become invalid or be revoked. The first instalment of the capital contribution of Longjiang WFOE has not yet been paid and the 90 day period has since expired. Longjiang WFOE has applied to the Bureau of Commerce in Daqing City and has been granted an extension which permits Longjiang WFOE to make its first capital contribution by March 31, 2010.

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.

### 13. 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.

## China Wind Power International Corp.

Notes to Consolidated Financial Statements

For the three and nine months ended December 31, 2009

(Unaudited)

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### 14. COMMITMENTS

#### Capital commitments

The Company has capital commitments to incur an additional \$32 million to complete the second wind farm power plants. The estimated period of this commitment is from January 1, 2010 to December 31, 2010.

#### Lease commitments

The Company has a non-cancellable operating lease that requires minimum annual payments as follows:

Year ended December 31,	
2010	\$ 82,966
2011	82,966
2012	82,966
2013	27,654
	<u>27,654</u>
	<u>\$ 276,552</u>

### 15. SUBSEQUENT EVENT

The Company repaid the loan principal of \$4,617,000 (RMB30,000,000) in January 2010 (note 7).