China WindPower 中国风电

China WindPower Group Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 182)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board of directors (the "Directors") of China WindPower Group Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011, together with the comparative figures for the corresponding period in 2010.

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2011 - Unaudited

	Note	2011 HK$'000	2010 HK$'000
Revenue	3	**258,290**	348,990
Other income	3	**4,589**	2,574
Other gains, net	4	**195,223**	1,276
Expenses			
Cost of construction and inventories sold		**(126,401)**	(200,200)
Employee benefit expense		**(74,902)**	(42,449)
Depreciation and amortisation		**(6,066)**	(2,465)
Operating lease payments in respect of land and buildings		**(3,660)**	(1,695)
Other expenses		**(26,019)**	(20,676)
Finance costs	5	**(23,323)**	(297)
Share of results			
- associates		**2,212**	3,227
- jointly controlled entities		**130,260**	61,843
Profit before income tax		**330,203**	150,128
Income tax expense	6	**(93,215)**	(16,963)
Profit for the period		**236,988**	133,165
Profit attributable to equity holders of the Company		**236,988**	133,165
Earnings per share attributable to the equity holders of the Company during the period	7		
Basic earnings per share		**3.21** HK cents	1.83 HK cents
Diluted earnings per share		**3.18** HK cents	1.81 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2011 - Unaudited

	2011 HK$'000	2010 HK$'000
Profit for the period	**236,988**	133,165
Other comprehensive income:		
Currency translation differences	**71,005**	26,621
Total comprehensive income for the period	**307,993**	159,786
Total comprehensive income attributable to equity holders of the Company	**307,993**	159,786

CONDENSED CONSOLIDATED BALANCE SHEET
as at 30 June 2011 - Unaudited

	Note	As at 30 June 2011 (Unaudited) *HK$'000*	As at 31 December 2010 (Audited) *HK$'000*
Assets			
Non-current assets			
Property, plant and equipment		**755,399**	1,585,434
Land use rights		**136,377**	121,645
Intangible assets		**1,292,264**	1,262,995
Interests in associates		**140,768**	135,919
Interests in jointly controlled entities		**1,594,590**	916,556
Deferred tax assets		**21,937**	23,182
		3,941,335	4,045,731
Current assets			
Inventories		**97,569**	44,425
Trade receivables	*9*	**167,863**	108,936
Prepayments, deposits and other receivables		**228,296**	139,258
Amounts due from associates		**10,381**	14,368
Amounts due from jointly controlled entities		**321,428**	339,982
Cash and cash equivalents		**1,418,017**	732,544
		2,243,554	1,379,513
Total assets		**6,184,889**	5,425,244
Liabilities			
Non-current liabilities			
Borrowings		**1,342,196**	802,057
Deferred tax liabilities		**2,120**	2,072
Deferred government grant		**17,831**	-
		1,362,147	804,129
Current liabilities			
Trade and bill payables	*10*	**151,484**	203,250
Other payables and accruals		**122,377**	158,338
Amounts due to jointly controlled entities		**28,806**	31,690
Borrowings		**171,682**	247,275
Tax payables		**97,604**	67,067
		571,953	707,620
Total liabilities		**1,934,100**	1,511,749
Net current assets		**1,671,601**	671,893
Total assets less current liabilities		**5,612,936**	4,717,624
Net assets		**4,250,789**	3,913,495
Equity			
Equity attributable to the owners of the Company			
Share capital	*11*	**73,946**	73,915
Reserves		**4,176,843**	3,839,580
Total equity		**4,250,789**	3,913,495

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2011 - Unaudited

	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Premium arising on acquisition of non-controlling interests *HK$'000*	Exchange reserve *HK$'000*	Other reserves *HK$'000*	Retained earnings *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2010	72,787	2,895,213	78,810	(35,481)	125,762	13,230	117,522	3,267,843
Comprehensive income								
Profit for the period	-	-	-	-	-	-	133,165	133,165
Other comprehensive income								
Currency translation differences	-	-	-	-	26,621	-	-	26,621
Total other comprehensive income	-	-	-	-	26,621	-	-	26,621
Total comprehensive income for the six months ended 30 June 2010	-	-	-	-	26,621	-	133,165	159,786
Transactions with owners								
Exercise of share options	14	1,189	-	-	-	(642)	-	561
Share-based compensation	-	-	-	-	-	17,051	-	17,051
Total transactions with owners	14	1,189	-	-	-	16,409	-	17,612
Balance at 30 June 2010	72,801	2,896,402	78,810	(35,481)	152,383	29,639	250,687	3,445,241

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2011 - Unaudited

	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Premium arising on acquisition of non-controlling interests *HK$'000*	Exchange reserve *HK$'000*	Other reserves *HK$'000*	Rretained earnings *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2011	73,915	2,977,754	78,810	(35,481)	229,991	43,761	544,745	3,913,495
Comprehensive income								
Profit for the period	-	-	-	-	-	-	236,988	236,988
Other comprehensive income								
Currency translation differences	-	-	-	-	71,005	-	-	71,005
Total other comprehensive income	-	-	-	-	71,005	-	-	71,005
Total comprehensive income for the six months ended 30 June 2011	-	-	-	-	71,005	-	236,988	307,993
Transactions with owners								
Exercise of share options	31	1,100	-	-	-	-	-	1,131
Share-based compensation	-	-	-	-	-	28,170	-	28,170
Total transactions with owners	31	1,100	-	-	-	28,170	-	29,301
Balance at 30 June 2011	**73,946**	**2,978,854**	**78,810**	**(35,481)**	**300,996**	**71,931**	**781,733**	**4,250,789**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 June 2011 - Unaudited

	2011	2010
	HK$'000	*HK$'000*
Cash flows from operating activities		
Cash generated from operations	**91,835**	192,383
Income tax paid	**(67,565)**	(14,006)
Net cash generated from operating activities	**24,270**	178,377
Cash flows from investing activities		
Net cash used in investing activities	**(488,961)**	(798,257)
Cash flows from financing activities		
Net cash generated from financing activities	**1,139,620**	450,694
Net increase/(decrease) in cash and cash equivalents	**674,929**	(169,186)
Cash and cash equivalents at beginning of the period	**732,544**	1,109,561
Exchange gain on cash and cash equivalents	**10,544**	1,089
Cash and cash equivalents at end of the period	**1,418,017**	941,464
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**1,418,017**	941,464

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010.

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 December 2010, except for adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective to the Group for accounting periods beginning on or after 1 January 2011. The adoption of the new HKFRSs has no material impact on the Group's results and financial position for the current or prior periods.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars and the functional currency of the Company is Renminbi. The Company uses Hong Kong dollars as its presentation currency because the Company is a public company incorporated in Bermuda with its shares listed on the Stock Exchange of Hong Kong Limited.

2 Segment information

Management has determined the operating segments based on the internal reports reviewed and used by executive directors for strategic decision making.

The executive directors consider the business from a product and service perspective. Summary of details of the operating segments is as follows:

- Consultancy and design - providing technical and consultancy services and securing wind power resources in renewable energy industry;
- Engineering and construction - undertaking electrical engineering and construction of wind power plant projects;
- Manufacture of tower tube equipments - manufacturing of tower tube equipments for wind power business;
- Operation and maintenance of wind power plants - providing operation and maintenance services to wind power plants; and
- Investment in wind power plant - investing in wind power plants.

The executive directors assess the performance of the operating segments based on a measure of adjusted earnings before interest and income tax. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as equity-settled share-based payments and unrealised gains/losses on financial instruments.

Segment assets comprise goodwill, interests in associates, interests in JCEs, property, plant and equipment, land use rights, other intangible asset, inventories, receivables and cash and cash equivalents which are related to the segments.

Segment liabilities comprise payables, borrowings and tax payables which are related to the segments.

Inter-segment sales and transfers are transacted at cost or with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The Company is domiciled in Bermuda. None of its revenue was generated from customers in Bermuda and no non-current assets are located in Bermuda.

Certain comparative figures have been reclassified to conform to the current period's presentation.

2 Segment information *(Continued)*

Business segments

For the six months ended 30 June 2011

	Consultancy and design HK$'000	Engineering and construction HK$'000	Tower tube equipment manufacturing HK$'000	Wind power plant operation and maintenance HK$'000	Investment in wind power plant HK$'000	Total HK$'000
Segment revenue						
Inter-segment sales	3,124	16,276	52,284	-	(71,684)	-
Sales to external customers	15,633	42,075	149,884	50,698	-	**258,290**
Segment results	5,117	6,425	41,439	24,372	107,868	**185,221**
Finance income	154	486	128	13	101	**882**
Other gains, net	-	219	272	2,632	195,223	**198,346**
Unallocated income						**584**
Unallocated expenses						**(31,507)**
Finance costs	-	(4,297)	(4,777)	-	(14,249)	**(23,323)**
Profit before income tax						**330,203**
Income tax expense	(2,848)	(6,020)	(47,814)	(190)	(36,343)	**(93,215)**
Profit for the period						**236,988**
Segment assets	168,386	789,506	601,221	217,293	4,205,304	**5,981,710**
Segment assets includes:						
Goodwill	16,619	46,048	33,169	76,728	1,117,749	
Interests in associates	209	-	-	-	140,559	
Interests in JCEs	-	-	-	-	1,475,762	
Unallocated assets						**203,179**
Total assets						**6,184,889**
Segment liabilities	(25,080)	(336,711)	(232,292)	(9,150)	(1,312,752)	**(1,915,985)**
Unallocated liabilities						**(18,115)**
Total liabilities						**(1,934,100)**

2 Segment information *(Continued)*

Business segments (Continued)

For the six months ended 30 June 2010

	Consultancy and design *HK$'000*	Engineering and construction *HK$'000*	Tower tube equipment manufacturing *HK$'000*	Wind power plant operation and maintenance *HK$'000*	Investment in wind power plant *HK$'000*	Total *HK$'000*
Segment revenue						
Inter-segment sales	2,813	58,604	-	-	(61,417)	-
Sales to external customers	26,626	101,943	194,231	26,190	-	348,990
Segment results	14,679	19,463	59,659	15,343	62,365	171,509
Finance income	1,662	147	446	27	292	2,574
Other gains, net						1,276
Unallocated expenses						(24,934)
Finance costs	-	-	(297)	-	-	(297)
Profit before income tax						150,128
Income tax expense	(2,052)	(9,332)	(5,414)	-	(165)	(16,963)
Profit for the period						133,165

As at 31 December 2010

Segment assets	140,871	733,475	365,011	176,426	3,936,825	5,352,608
Segment assets includes:						
Goodwill	16,242	45,003	32,416	74,986	1,092,385	
Interests in associates	204	-	6,753	-	128,962	
Interests in JCEs	-	-	-	-	916,556	
Unallocated assets						72,636
Total assets						5,425,244
Segment liabilities	(39,002)	(431,786)	(236,085)	(13,609)	(782,256)	(1,502,738)
Unallocated liabilities						(9,011)
Total liabilities						(1,511,749)

3 Revenue and other income

Revenue represents consultancy and construction income, the net invoiced value of goods sold and other services rendered during the period.

An analysis of revenue and other income is as follows:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Revenue	**258,290**	348,990
Other income		
Interest income	**1,466**	2,574
Others	**3,123**	-
	4,589	2,574

4 Other gains, net

An analysis of other gains, net is as follows:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Gain on disposal of subsidiaries *(Note 12)*	**195,275**	357
Net realised gains on disposal of financial assets at fair value through profit or loss	**(52)**	919
	195,223	1,276

5 Finance costs

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Interest on bank borrowings, wholly repayable within five years	**9,074**	297
Interest on guaranteed bond, wholly repayable within five years	**14,249**	-
	23,323	297

6 Income tax expense

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Current tax		
- PRC corporate income tax	**56,572**	25,033
- Withholding tax	**39,974**	2,052
Deferred tax	**(3,331)**	(10,122)
	93,215	16,963

PRC corporate income tax is provided for at the rate of 25% (2010: 25%) for the period of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC corporate income tax purpose. Certain subsidiaries of the Group are entitled to preferential tax treatments including two years exemption followed by three years of a 50% tax reduction.

As part of the restructuring for the listing of the tower tube manufacturing business, a subsidiary of the Group declared a dividend of RMB 301 million to its immediate holding company on 28 June 2011. Under the current PRC tax laws and regulations, the Group is subject to 10% withholding tax arising from dividend payments amounting to RMB30,078,000 (equivalent to approximately HK$35,856,000).

7 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company HK$236,988,000(2010:HK$133,165,000) by the weighted average number of 7,392,405,000(2010: 7,279,283,000) ordinary shares in issue during the period.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the period ended 30 June 2011, the Company has one dilutive potential ordinary share: share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The weighted average number of ordinary shares calculated is compared to the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2011	2010
Profit attributable to equity holders of the Company (HK$'000)	**236,988**	133,165
Weighted average number of ordinary shares in issue (thousands)	**7,392,405**	7,279,283
Adjustments for :		
- effect of dilutive potential shares issuable under the Company's share option scheme (thousands)	**68,242**	78,829
Weighted average number of ordinary shares used to determine diluted earnings per share (thousands)	**7,460,647**	7,358,112

8 Interim dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2011 (2010: Nil).

9 Trade receivables

At the balance sheet date, the ageing analysis of the trade receivables, based on invoice date, is as follows:

	As at 30 June 2011 *HK$'000*	As at 31 December 2010 *HK$'000*
Within 3 months	**117,692**	71,224
3 to 6 months	**25,004**	-
6 to 12 months	**16,090**	37,712
Over 12 months	**9,077**	-
	167,863	108,936

The Group's credit terms granted to customers range from 30 to 180 days. The carrying amounts of trade receivables approximate their fair values and are denominated in RMB.

10 Trade and bill payables

	As at 30 June 2011 *HK$'000*	As at 31 December 2010 *HK$'000*
Trade payables	**151,484**	190,605
Bill payables	**-**	12,645
	151,484	203,250

At the balance sheet date, the ageing analysis of the trade payables, based on invoice date, is as follows:

	As at 30 June 2011 *HK$'000*	As at 31 December 2010 *HK$'000*
Within 3 months	**63,958**	140,085
3 to 6 months	**44,164**	31,342
6 to 12 months	**36,011**	18,864
Over 12 months	**7,351**	314
	151,484	190,605

The carrying amounts of trade payables approximate their fair values and are denominated in RMB.

11 Share capital

A summary of the transactions during period with reference to the movements of the Company's ordinary share capital is as follows:

	No. of shares	Nominal value
	000's	*HK$'000*
Authorised:		
As at 31 December 2010 and 30 June 2011: 10,000,000,000 ordinary shares of HK$0.01 each	10,000,000	100,000
Issued and fully paid:		
As at 31 December 2010: 7,391,509,965 ordinary shares of HK$0.01 each	7,391,510	73,915
Issues of ordinary shares of HK$0.01 each on exercise of share options	3,130	31
As at 30 June 2011: 7,394,639,965 ordinary shares of HK$0.01 each	**7,394,640**	**73,946**

12 Disposal of subsidiaries

On 20 May 2011, the Group entered into a sale and purchase agreement with Jilin Power Share Co., Limited ("Jilin Power") and Jilin CPI Gether New Energy Co., Limited ("Jilin Xiehe"), pursuant to which the Group has agreed to dispose of its entire 51% equity interest in Gansu Guazhou Century Concord Wind Power Co., Limited ("Guazhou Company") to Jilin Power as to 46% and Jilin Xiehe as to 5%. Details of the disposal were disclosed in the Company's circular dated 29 July 2011. Since the disposal completion on 28 June 2011, the Group through its wholly-owned subsidiary of CWP Holdings Limited holds 49% of the issued capital of Guazhou Company and Jilin Xiehe (a jointly controlled entity which is held as to 49% by the Group) holds a 5% equity interest in Guazhou Company. Guazhou Company has ceased to be a subsidiary of the Group and is accounted for as a jointly controlled entity of the Group after the disposal. The Group record an unaudited gain of approximately HK$195,275,000 as a result of the disposal, being the excess of the consideration for the disposal over the carrying value of the 48.55% net assets of Guazhou Company attributable to the Group.

On 15 May 2010, the Group entered into sale and purchase agreements with Shanghai Shenhua Wind Power New Energy Co., Ltd. and Tianjin Deheng Investment Co., Ltd., respectively, pursuant to which the Group disposed of an aggregate of 54% equity interest in the Wuchuan County Yihe Wind Power Co., Ltd. ("Wuchuan"), for a consideration of HK$61,899,000. Wuchuan ceased to be a subsidiary and be accounted for as a jointly controlled entity.

On 8 February 2010, the Group entered into a sale and purchase agreement with Tianjin Deheng Investment Co., Ltd., pursuant to which the Group disposed of a 49% equity interest in the Kangbao Century Concord Wind Power Co., Ltd., ("Kangbao") for a consideration of HK$2,808,000.Kangbao ceased to be a subsidiary and be accounted for as a jointly controlled entity.

13 Commitment

Operating lease commitments

As lessee

The Group leases certain of its office and equipment under operating lease arrangements.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2011	As at 31 December 2010
	HK$'000	*HK$'000*
No later than 1 year	**7,618**	7,067
Later than 1 year and no later than 5 years	**4,089**	8,414
	11,707	15,481

Capital commitments

(a) At the balance sheet date, capital expenditure contracted for but not yet incurred is as follow:

	As at 30 June 2011	As at 31 December 2010
	HK$'000	*HK$'000*
Property, plant and equipment		
No later than 1 year	**286,931**	156,570
Later than 1 year and no later than 5 years	**-**	455,462
	286,931	612,032

(b) The Group has entered into a number of arrangements to develop wind power projects in the PRC. As at 30 June 2011, total equity contributions contracted but not provided for were HK$733,555,000 (2010: HK$950,538,000).

Other commitments

As at 30 June 2011, the Group, via its wholly-owned subsidiaries, committed with JV partners to pledge its share of the equity interests in Fuxin Century Concord-Shenhua Wind Power Co., Ltd., Fuxin Union Wind Power Co., Ltd., Fuxin Huashun Wind Power Co., Ltd., Taipusiqi Century Concord-Shenhua Wind Power Investment Co., Ltd., and Wuchuan County Yihe Wind Power Co., Ltd.as security for bank borrowings by the Group's JCEs.

14 Related party transactions

(a) Save as disclosed elsewhere in these consolidated financial statements, the following transactions were carried out by the Group with related parties:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Sales of goods and services to JCEs and associates *(Note (i))*	**107,230**	152,946
Loan interest income	**-**	246

Notes:

(i) The sales and purchases of goods were negotiated with related parties on normal commercial terms agreed by both parties.

(b) Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. It comprises nine (2010: eight) of the Executive Directors and three (2010: four) members of Senior Management Group. The total remuneration of the key management personnel is shown below:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**8,135**	6,038
Share-based compensation	**11,350**	6,963
	19,485	13,001

15 Events after the balance sheet date

There were no significant subsequent events after balance sheet date up to the date of approval of the financial statements.

16 Approval of the unaudited condensed consolidated interim financial statements

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Directors of the Company on 22 August 2011.

Management Discussions and Analysis

I. Operating Environment

The global economy development faced an even more complex and versatile environment in the first half of 2011. The situation posed a severe threat to the global economy recovery. The recovery of US economy was slow, while in China, Brazil and other emerging markets were forging ahead in a relatively more rapid pace. The Chinese economy maintained a robust growth rate of 9.6% in the first half of 2011. The high economic growth caused a surge in energy consumption and hence severe power shortage in some southern Chinese provinces. Although the per capital installed capacity in China grew in the first half of 2011, there was still a large gap between China and the US and other developed nations.

The Fukushima nuclear accident caused by the earthquake in Japan has urged countries to rethink their energy strategy. In May, the government of Germany announced to shut down all its nuclear power stations by 2022 and would become the first major industrial nation ceasing the use of nuclear power. The government of Switzerland promised not to build any new nuclear power stations or restore its existing 5 nuclear plants after the expiry of their maximum useful life. The people of Italy voted against the government's plan of restarting the nuclear stations within the next few years. The Japanese Prime Minister also proposed to abandon nuclear power. Renewable energies, represented by wind power have an even more prominent position in the future global energy supplies. The State Council of China has decided to revise its future energy development strategy, increasing the weighting of renewable energies such as wind power and solar power. In China, costs of fossil fuels including coal have been increasing massively, driving up the costs of thermal power. On the other hand, the costs of renewable energies, dominated by wind power, have been falling, due to progressive technological improvement. Renewable energies, ascribable to their clean, safe and sustainable attributes, have attained a raising strategic position.

The Chinese government has released "The State Council's Decision on Accelerating the Fostering and Development of New Strategic Industries", which set the alternative energy industry as a new strategic industry. Furthermore, the National Energy Bureau has demanded the grid companies to take effective measures to improve the power grid capabilities to accommodate wind power by optimizing the facilities and its operations; expanding the scope of wind power utilization; and establishing centralized power allocation and power peak control mechanism. The National Energy Bureau has also proposed improving load patterns of the power system by adopting the urban electric heat and thermal-dynamic heating technologies, so that the power system could take on more wind power capacity. In accordance to the smart grid construction plan disclosed by the State Grid, China will commence massive set-up of the smart grids during the 12th Five-year period. China will continue to build ultra high voltage transmission line and push forward the construction of the smart grids, so as to gradually address the issue of power transmission from large wind power bases. In the first half of 2011, the Chinese government, while proactively implementing the wind power strategy of "building large wind power bases and integrating into the large power grid", also initiated the concept to commingle development of large wind power bases and scattered wind power plants. The Chinese government has issued policies and measures to develop scattered wind power, which will greatly widen the scope for the development of wind power. Moreover, industrialization of solar power generation has begun in China. The National Development and Reform Commission (NDRC) of China issued the "Notice about Improving the Solar Energy On-grid Price Policy" setting the uniform on-grid tariff for solar power. The prospect of large scale commercialization of solar power generation has become clearer. With respect to project approvals, the Chinese government has begun to centralize the arrangement of grid connection with the provincial governments continuing to conduct and grand the approval for projects below 50MW, thus ensuring the grid connection and economic effectiveness of the wind power plants.

II. Business Review

During the reporting period, all segments of the Group were progressing smoothly and have maintained rapid development. The Group further improved its vertical integrated business model. While continuing to build power plants with our joint venture partners, the Group has also begun to build more wholly-owned power plants, adopting a "build and sell" strategy – build wholly-owned power plants and sell down a partial stake upon completion or operation. Such business strategy allows the Group to fully leverage on its strengths of wind power development and wind power plant construction, so as to attain a more reasonable premium.

During the reporting period, the Group's consolidated revenue amounted to HK$258,290,000 (1H 2010: HK$348,990,000), decreased by 26% as compared to the same period of last year. Of the power plants in construction during the reporting period, relatively greater portion were wholly-owned by the Group. Incomes from EPC services and tower tube sales had to be eliminated during consolidation and therefore resulted in a decrease in revenue. Also due to severe weather condition and delay in project approvals, some of the project constructions were also postponed, thus affected the sales revenue. Nevertheless, the overall profitability of the Group increased considerably. The Group achieved profit before tax of HK$330,203,000 (1H 2010: HK$150,128,000), representing an increase by 120% over the same period of last year. The net profit attributable to equity holders of the Group amounted to HK$236,988,000 (1H 2010: HK$133,165,000). The basic earnings per share were HK3.21cents (1H 2010: HK1.83 cents). The fully diluted earnings per share were HK3.18cents (1H 2010: HK1.81 cents).

At the end of the reporting period, the Group's net assets value totaled to HK$4,250,789,000(31 December, 2010: HK$3,913,495,000) and its cash and cash equivalents were HK$1,418,017,000 (31 December, 2010: HK$732,544,000).

(I). Wind Farms Investment and Operation Achieved New Breakthrough

1. The Group's attributable power generation growth leaped, with the average on-grid tariff maintained at a high level.

During the reporting period, the Group's wind power plants generated electricity output of 1,030.55 million kWh, of which output attributable to the Group was 538.48 million kWh. The total and attributable electricity output increased by 98% and 134%, respectively, over the same period of 2010.

In the first half of 2011, the Group refined the operation management of its wind power plants with the wind turbines operating stably. The electricity output generated exceeded the designed output of the plants and the planned output of the Group. The average capacity factor of the Group's power plants reached 1,127 hours in the first half of 2011. In particular, the 7 wind power plants in Fuxin, Liaoning Province, where the on-grid tariff is RMB 0.61, achieved an average capacity factor of 1,293 hours, with the best one reaching 1,521 hours.

During the reporting period, the weighted average on-grid tariff of the Group's wind power plants was RMB 0.586 per kWh (including VAT).

2. The power plants' installed capacity increased steadily.

During the reporting period, the Group newly built 5 wind power plants (total of 246MW) and 1 solar power plant (total of 30MW). As at the end of the reporting period, the Group had 11 wind power projects and 1 solar power project under construction with total capacity of 774MW, of which attributable capacity to the Group was 569MW.

In the first half of 2011, the joint ventured Kailu Wind Power Project - Phase I (49.5MW) commenced operation. At the end of the report period, the Group had 20 grid connected wind power plants with total capacity of 1,114MW and an attributable capacity of 535MW.

3. Continued to implement the "build and sell" business strategy. Gain from disposal of equity stake in wind power plants has become a regular recurring income.

In 2010, the Group's jointly controlled entity, Mengdong Century Concord New Energy Co., Ltd., sold partial stakes of two of its wind power plants and made an attributable disposal gain of HK$28,303,000. During the reporting period, the Group continued to implement the "build and sell" business strategy. It sold a partial stake of Gansu Guazhou Concord Wind Power Co., Ltd. (Guazhou Company), and made an unaudited disposal gain of HK$195,275,000. Since the completion of the partial sale of the Guazhou Company on 28 June 2011, the Guazhou Company has been accounted for as a jointly controlled entity with the Group effectively holding 51.45% interest.

The "build and sell" strategy has provided the Group with recurring incomes and cash inflows, which help to support the Group's continuous swift investment and development of renewable energy power plants.

4. Optimization of geographical layout for project development.

During the reporting period, in addition to the existing 16 branches and representative offices, the Group optimized the development layout by setting up another 8 branches or representative offices across China's southern provinces and other provinces which are suitable for renewable energies development. The Group upheld the strategy of "developing southward" by securing and investing in wind and solar resources in southern areas where grid connection and power consumption capacity are high.

During the reporting period, the Group attained 200MW of wind power project approvals from the NDRC. Another 400MW wind power projects and 40MW solar power projects had received project initiation approval from the NDRC. The Group secured additional 5GW of wind reserves in the south and signed 900MW of exclusive solar power development right agreement. As at the end of the reporting period, the Group's total exclusive wind reserves exceeded 21GW, and the total exclusive solar reserves exceeded 1.5GW. Solar power will gradually become another key area for the Group's renewable energies development.

5. Purchase price of wind power equipment reduced considerably.

During the reporting period, the Group made use of its scale advantage and influence in the industry, has continued to lower procurement costs through strategic cooperation and centralized tendering. The Group's average wind turbine purchase price decreased by 20.7% over the same period of last year, significantly reduced the cost of wind power plant investment and improved economic efficiency.

6. Distinct result in CDM registration and sales.

During the reporting period, the Group made great progress in its Clean Development Mechanism (CDM) registration. 5 CDM projects with total capacity of 399MW were successfully registered with the United Nations Executive Board (EB), 3 projects completed site verification of emission reduction amount, of which 1 project has already received the EB certificate.

The Group signed CER sales agreements for 12 wind power projects in the first half of 2011. As at the end of the reporting period, the Group has signed CER sales agreements for 32 wind power plants, 20 of which have received the approval from the NDRC and 12 projects have secured the United Nation registration.

7. Financial ability increased significantly.

After the Group obtained the project financing support from the International Finance Corporation (IFC), a member of the World Bank Group in 2010, the Group signed another loan agreement with Asian Development Bank (ADB) during the reporting period. ADB will provide the Group with a long-term loan of US$120 million (or equivalent) to support wind power project development. The loan is in RMB or USD dual currency which will be made available the Group's wind power projects in forms of project capital or shareholder's loan.

During the reporting period, the Group was enlisted as one of the 16 large wind power companies recognized by the head office of Industrial and Commercial Bank of China (ICBC). ICBC granted a 15-year non-guarantee project financing facility of RMB 600 million to the 100MW wind power projects of Fuxin Taihe Wind Power Co., Ltd., a wholly-owned subsidiary of the Group.

The Group also successfully issued a 3-year guaranteed off-shore RMB bonds totaling RMB 750 million with a fixed interest rates of 6.375% p.a.. The Group was the first wind power company issuing RMB bonds in the offshore capital market and the RMB proceeds have been remitted onshore for wind power plant investment, as approved by the People's Bank of China.

(II). Renewable Energy Services (EPC&M) Capability Improved Steadily

During the reporting period, the Group achieved satisfactory performance in consultancy and design, engineering and construction, operation and maintenance and other service segments. Service level and product quality have continued to improve.

During the reporting period, the Group expanded into the solar power generation, thus drove forward the development and expansion into consultancy and design, engineering and construction, operation and maintenance, equipment manufacturing and other service segments of solar power plant.

1. Consultancy and Design Services

During the reporting period, the Group's consultancy and design company enriched its ability to build capacity and expand business, continued to provide consultancy and design services such as wind power development planning, feasibility studies, construction drawings and after-project appraisal. The consultancy and design company has also begun to provide feasibility studies and construction drawings for solar power projects.

In the first half of 2011, the consultancy and design company provided all kinds of engineering designs and technical consultancy services for wind power projects and solar power projects invested by the Group and also to independent third parties. It completed 26 construction drawings and feasibility reports (including 5 feasibility reports for the solar power projects) and 156 wind resource appraisals and technical consultancies.

During the report period, the consultancy and design and project development service recorded revenue of HK$15,633,000 (1H 2010: HK$26,626,000).

2. Engineering and Construction Services

During the reporting period, the Group's engineering and construction company strengthened its business expansion, management and cost control abilities - fully implemented performance appraisal by key indicators; detailed designation of responsibility to create a stronger sense of accountability; raised awareness of cost to enhance profitability; comprehensively promoted the refinement of management; improved the production safety management to ensure safety and stable production; uplifted team and corporate culture to raise its core competitiveness. The engineering and construction company has obtained Class-B power project construction contract qualification and passed quality, environment and occupational health system certification.

In the first half of 2011, the Group's engineering and construction company undertook 10 power projects and 2 other engineering projects and generated revenue of HK$42,075,000(1H 2010: HK$101,943,000).

3. Power Plant Operation and Maintenance Services

The Group's power plant operation and maintenance company is able to provide services in wind power plant operation, maintenance, overhaul, repairs, and power farm asset management. As at the end of the reporting period, the Group has set up 4 operation and maintenance centers in Jilin, Liaoning, Inner Mongolia and Gansu to actively gain coverage across the local markets, which provides express repairs and examinations, regular turbine maintenance, replacement of large parts and components, and other services locally. At the same time, these centers also provide the human resources training and power plant operation management services.

At the end of the reporting period, the operation and maintenance company had undertaken on service contracts for 26 wind power plants, of which 6 are wind power plants not invested by the Group. In the first half of 2011, this business segment recorded revenue of HK$50,698,000 (1H 2010: HK$26,190,000).

(III). The Renewable Energy Equipment Manufacturing Business Faces Wide Prospects

The Group's Tianhe New Energy Equipment Limited (Tianhe) manufactured 143 tower tubes in the first half of 2011 and contributed revenue of HK$149,884,000 to the Group (1H 2010: HK$194,231,000).

During the reporting period, the Group reorganized the tower manufacturing business and established Tianhe New Energy Equipment Limited (Tianhe) as the holding company of the Group's wind power tower tube equipment manufacturing business. Tianhe also planned to gradually expand into the solar-energy related equipment manufacturing. On 20 June 2011, Tianhe submitted the main board listing application form (Form A1) to The Stock Exchange of Hong Kong.

III. Liquidity and Financial Resources

As at 30 June 2011, the Group had cash and cash equivalents of approximately HK$1,418,017,000 (31 December 2010: HK$732,544,000). As at that date, the current ratio was 3.92 times (31 December 2010: 1.95 times), gearing ratio (long term liabilities over shareholders' fund and long term liabilities) was 0.24 (31 December 2010: 0.17) and the Group's borrowings amounted to HK$1,513,878,000(31 December 2010: HK$1,049,332,000). Loans added during this period were mainly for the purpose of construction of wholly owned wind farm projects. The consolidated net assets of the Group stood at approximately HK$4,250,789,000 (31 December 2010: HK$3,913,495,000).

Foreign Exchange Risk

The financial statements of the Group are presented in Hong Kong dollars, and its income and expenditure (including capital expenditure) of its principal businesses are denominated in Renminbi. The Group did not engage in use of any financial instruments for hedging purpose.

Charge of Assets and Contingent Liabilities

As at 30 June 2011, office building with its land use rights and equipment of the Group with carrying value of RMB 156,400,000 were pledged as security for RMB 66,200,000 mortgage loan.

The Group, via its wholly-owned subsidiaries, had entered into joint venture agreements with JV partners in the PRC. Pursuant to the JV agreements, the Group was required to pledge its share of the equity interests in these jointly controlled entities as security for the bank loans of each of the respective jointly controlled entities. As at 30 June 2011, the Group has pledged its equity interests of jointly controlled entities, with total value of HK$333,373,000. (31 December 2010: HK$325,808,000)

Guazhou Company had entered into a loan agreement with IFC in respect of the provision of a loan from IFC to Guazhou Company in a principal amount of up to US$140,000,000. As at 30 June 2011, a loan from IFC with a principal amount of approximately US$99,555,000 was lent to Guazhou Company. Pursuant to a deed of guarantee entered into between the Company and IFC, the Company has provided the corporate guarantee in favour of IFC in respect of the loan. The Company provided IFC with a pledge on 49% of equity interest in Guazhou Company held by its subsidiary.

Save as mentioned above, the Group did not have any significant contingent liabilities as at 30 June 2011.

Commitments

As at 30 June 2011, the Group had capital commitments of HK$1,020,486,000 (31 December 2010: HK$1,562,570,000), which were not accounted for in the financial statements. The amount was mainly the capital committed for investment in wind power plants of HK$733,555,000 and the capital committed for the payment for equipment purchased by subordinate project companies of HK$286,931,000.

IV. Staffing and remunerations

The Group regards human resources as the key success factor for achieving its development goal. With its steady growth and development, the Group is increasingly attractive to high level of talents. During the reporting period, the Group has increased effort in recruitment. In order to fulfill the Group's increasing demand for expertise, the Group organized internal trainings to improve the professionalism and management skills of its staff. In addition, the Group also established the competency model, appraisal system and an E-HR system.

Staff remuneration consists of salaries and bonuses, the Group also granted share options as awards. The management will discuss and review staff remuneration policy (including share options), making sure that employees' remuneration level is in line with their performance and comparable to the market level. During the reporting period, the Group granted 200 million share options to 173 key employees.

The Group cares for and supports its staff. The Group has set up an employee's mutual support fund with donations from company and employees, in order to aid employees or employees' direct family who suffer from serious diseases or unexpected disasters.

As at June 30 2011, the Group was staffed with 1,653 (31 December 2010: 1,338) full-time employees including 200 for the Group's headquarter, 371 for project development and management, 60 for wind power consulting and design, 187 for engineering and construction, 383 for operation and maintenance and 452 for equipment manufacture. Compared to the previous years, the Group saw notable improvement in its staff quality. The Group now has 72 technicians with senior technological and professional qualifications and 131 employees with post graduate qualifications.

V. Corporate governance

During the reporting period, the Group has established the authorization system and work flow procedures to regulate and enhance the efficiency of the management. The Group also set up Strategic Development Committee, Investment Decision Committee, Remuneration Incentive Committee, Safety Management Committee, Tender Procurement Committee, Risk Management Committee, Expert Panel and Budget Management Committee. These committees will ensure the Group's rationality and effectiveness in decision-making and management.

With clear management goals, sound supervision mechanism, fair appraisal system and effective remuneration system, all segments of the Group are ready to move ahead efficiently. In terms of financial management, the Group continued to reinforce the top-down financial management structure to improve the capital efficiency and internal allocation capability, as well as to effectively control the financial risks. With respect to internal audit and control, the Group emphasized on the regular and irregular checks and audits on its subsidiaries and affiliates as well as off-office audits were emulated to prevent and control risks. Furthermore the Group has also taken steps to enhance the project budget management, project technical and economic analytical assessment, and the budget management of the headquarter and its subsidiaries.

During the reporting period, the Group strengthened the external promotion and building of corporate culture, in order to make the Group's strategic missions, management vision and core values reside within the hearts and minds of people. The Group marketed the scientific concepts of green, environment-friendly, energy-saving and emission-reducing so as to build up a good brand and national image for the Group.

VI. Social responsibility and environmental protection

The Group has continuously emphasized on its social responsibility, and the safety, health and competency of its employees. It has offered financial aid to wind power education in colleges and universities, improved economic development and academic level in underdeveloped regions. The Group has devoted itself to developing eco and environmental friendly energies to help combat pollution and climate change, in order to achieve the ecological sustainable economic growth.

During the reporting period, the Group worked hard on establishing the occupational health and safety management system, which covered the EMS and GB/T28001 training, preliminary assessment (including the identification of dangerous sources, risk appraisal, and access to the laws and regulations), system design and planning, documentation, system trial, internal audit and control.

On 25 May 2011, Guazhou Company was awarded with the OHSAS18001 (Occupational health and safety management system) certification. The Group has also been conducting a monitory scheme on the impact of the wind power projects on birds and nature reserves.

The Group made eminent achievements in emission reduction. Its wind power plants reduced carbon dioxide emission by 1.05 million tons, sulphur dioxide emission by 10,474 tons, and nitrogen oxide emission by 929 tons. Additionally, compared with coal-fired thermal plants, the Group's wind power plants saved 357,000 tons of standard coal and 2,965,000 tons of water. Up to the end of the report period, the Group's wind power plants had accumulated the reduction of carbon dioxide emission by 2.85 million tons, sulfur dioxide emission by 28,738 tons, and nitrogen oxide emission by 2,534 tons. It had saved 977,000 tons of standard coal and 8,085,000 tons of water.

VII. Prospect

The wind power and solar power are resourcefully most abundant, technologically most mature, and commercially most viable renewable energy in the world with the greatest potential for development. The development of renewable energy does not merely alleviate the growing climate problem, but also facilitate sustainable global economic growth and improve living standards. It is also one of the important strategies that are used by many governments to boost economic growth. With the abundant wind and solar resources as well as the strong need for economic development and higher standards of living in China, the Chinese government fully supports the development of renewable energy. It is expected that, with the foundation of existing incentive policies, the Chinese government will implement a series of fiscal and financial policies to further accelerate the nurture and development of renewable energy industry and also ensure the rapid and constant growth of the industry. The Group is confident that there is a huge capacity for growth due to its vast market in mainland China, professional investment and operation capability and an integrated business model.

So far, the wind power industry in China still faces some temporary bottlenecks:

1. There are issues such as limited power grid connection ability and grid curtailment in some Northern China regions. The construction pace of smart grids in northern China, such as Inner Mongolia still fails to meet the demand of wind power development in the short run.

2. The financial situation has become tight in China, with the interest rate rising and more difficult in getting loans, thus resulting in the rising cost of capital.

In light of these issues, we recommend taking the following measures:

1. In 2010, the Group initiated the strategy of "developing southward". Although the wind resources in south China are less windy than those in north China, the southern region has better connection to the power grids. Due to serious power shortage, the local authorities in south China are vigorously encouraging companies to develop renewable energies such as wind and solar power. With the advancement of technology, the costs of the wind turbines and solar modules have further reduced. The Group's overall strength has continued to grow, thus it has enhanced our bargaining power with suppliers. These factors can help to secure the Group's decent economic return from the wind and solar power plants in southern China. The Group currently owns more than 10GW wind resources in south China and has reserved solar power professionals, assuring the sustainable development of the Group.

2. The Group has made full use of the international and domestic financing channels to fulfill the capital requirement of the new power plants. Certain credit facilities remain undrawn and the Group

has not experienced any financing difficulty. The new business model adopted by the Group has also provided abundant cash inflow. Meanwhile, as the Group's capabilities progressively enhanced, banks and other financial institutions are now more willing to provide us with additional financial supports. Although the rising interest rate has increased the financing cost, the total investment costs of new power plants has dropped and utilization factors of the operational wind power plants have outperformed our forecasts. These factors have helped to offset the impact of the Group's increasing financing costs.

The issues are resolvable and temporary and the Group is well prepared to combat these potential challenges. In the second half of 2011, the Group will increase the resource development efforts and continue to maintain project development scale, and strive to achieve 900MW of approved capacity. We will continue to enhance our EPC&M capacity building and business expansion, strive to achieve completing construction of wind and solar power plant of 650MW. The Group will also carry out technical upgrade on the operational wind power plants to strengthen their safety production and further improve the wind turbine availability rates and capacity factors of the wind power plants, thus increasing profits.

The Group will also continue its "build and sell" strategy with the plan to sell 50 to 100MW attributable capacity within the year, so as to provide further recurring income and cash flow.

The Group will seize opportunities under the favourable international and domestic environment, through its splendid team, innovative business model, scientific management and advanced technologies, to become a first class international clean energy corporate.

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2011, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CGP Code") set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code Provision A.2.1

There was no separation of the role of chairman (the "Chairman") and chief executive officer (the "CEO"). Mr. Liu Shunxing, the CEO of the Group, has become of the Chairman of the Group since 10 June 2009, and has assumed the role of both the Chairman and the CEO of the Group. The Board considered that this structure could enhance efficiency in the formulation and implementation of the Company's strategies in this fast development stage. The Board will review the need of appointing suitable candidate to assume the role of the CEO when necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2011.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive Directors, Dr. Wong Yau Kar, David JP and Mr. Yap Fat Suan, Henry, and one non-executive Director, Mr. Tsoi Tong Hoo, Tony. Mr. Yap Fat Suan, Henry is the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the CGP Code. The Group's unaudited condenced consolidated financial statements for the six months ended 30 June 2011 have been reviewed by the Audit Committee.

For and on behalf of
China WindPower Group Limited
Liu Shunxing
Chairman and Chief Executive Officer

Hong Kong, 22 August 2011

As at the date of this announcement, the Board comprises Mr. Liu Shunxing, Mr. Ko Chun Shun, Johnson, Mr. Wang Xun, Mr. Yang Zhifeng, Ms. Liu Jianhong, Mr. Yu Weizhou, Mr. Zhou Zhizhong, Ms. Ko Wing Yan, Samantha and Mr. Chan Kam Kwan, Jason (who are executive directors), Mr. Tsoi Tong Hoo, Tony (who is non-executive director), and Dr. Zhou Dadi, Dr. Wong Yau Kar, David JP and Mr. Yap Fat Suan (who are independent non-executive directors).