China WindPower Group (0182.HK) - 2012 Interim Results Presentation

August 2012

cwp 中国风电

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1H2012 Financial Summary

		As at 30th Jun 12 (unaudited)	As at 30th Dec 11	Change %	
Balance Sheet	Net assets	HK$ 4,413.2 mil	HK$ 4,474.4 mil	-1.4 %	
	Cash and cash equivalent	HK$ 771.2 mil	HK$ 1,063.5 mil	-27.5%	
	Debt ratio	0.41	0.40	2.5%	
		1H 2012 (unaudited)	**1H 2011 (unaudited)**	**Change %**	**FY 2011**
Consolidated P&L	Revenue	HK$ 401.8 mil	HK$ 258.3 mil	+55.6%	HK$ 959.0 mil
	Profit	HK$ 24.8 mil	HK$ 237.0 mil	-89.5%	HK$ 372.2 mil
	Fully diluted EPS	0.34HK cents	3.18HK cents	-89.3%	5.00HK cents
Segment Results	Profit from power plant investment	HK$ 43.0mil	HK$ 107.9mil	-60.1%	HK$ 121.8 mil
	Power plant disposal gain	HK$ 44.8lmil	HK$ 195.2 mil	-77.0%	HK$ 283.9 mil
	Engineering, procurement and construction (EPC)	HK$ -17.2mil	HK$ 11.5 mil	249.6%	HK$ 53.0 mil
	Operation & maintenance (O&M)	HK$ 26.1mil	HK$ 24.4 mil	+7.0%	HK$ 32.0 mil
	Equipment manufacturing	HK$ 6.5 mil	HK$ 41.4 mil	-84.3%	HK$ 106.5 mil

1H2012 Operational Summary

		1H2012		1H2011		Change		FY 2011	
Power Investment		Total	Equity	Total	Equity	Total	Equity	Total	Equity
	Total capacity in operation	1,457MW	705MW	1,114MW	535MW	30.8%	31.8%	1,310MW	659MW
	-Wind	1,409MW	662MW	1,114MW	535MW	26.5%	23.7%	1,262MW	611MW
	- Solar	48MW	43MW	-	-	-	-	48MW	48MW
	Total newly added capacity	147MW	72MW	49.5MW	24.3MW	197%	196%	246MW	148MW
	- Wind	147MW	72MW	49.5MW	24.3MW	197%	196%	198MW	100MW
	- Solar	-		-	-	-	-	48MW	48MW
Power Generation	Total power generation	951m kWh		1,031m kWh		-7.7%		1,746 mil kWh	
	Total attributable power generation	471m kWh		538m kWh		-12.6%		881 mil kWh	
	Weighted average tariff								
	-Wind	RMB 0.569/kWh		RMB 0.586/kWh		-2.9%		RMB 0.57/kWh	
	-Solar	RMB 1.354/kWh		-				-	
	Weighted average wind farm capacity factor	787 hours		1,127 hours		-30.2%		1,773 hours	
	Weighted average solar farm capacity factor	772 hours		-		-		-	
	Turbines availability rate	97.37%		96.56%		0.84%		96.5%	
	Grid curtailment	35.93%		16.3%		120.4%		22.48%	
Service Businesses (EPC&M + equipment manufacturing)	No. of projects constructed	5		12		-58.3%		27	
	No. of design & consultancy reports provided	149		156		-4.5%		241	
	No. of O &M service projects	39		26		+50%		35	
	No. of tower tubes manufactured	18		143		-87.4%		283	
Human Resources	Total no. of employees	1,880		1,653		+13.7%		2,012	
Emission Reduction	Total tons of CO2 emission reduction	880,000		1,050,000		-16.2%		1,810,000	

1H2012 Operational Environment

	1H2012 Operational Environment	Impact
Wind Power Project Approvals	- NEA centralized the wind power project approvals, requiring all projects to first endorsed by NEA in order to be eligible for grid connection approval and subsidies from RE fund - NEA issued the 2nd batch of planned wind power project approval of 16.76GW in March 2012	- Increase difficulties in attaining project approval and prolonged project approval process - Reduce newly installed capacity - Ensure wind power develops at the same pace as grid development - In the long term, help to support a more healthy and sustainable wind power development environment
Solar Power	- PV module prices continue to drop significantly	- Investment returns in solar farm increase at the fixed feed-in tariff
Grid	- Heavy grid curtailment and grid connection difficulties in the north in 1H2012 - NEA published the "Notice of Strengthening the Requirements of Wind Power Consumption and Grid Connection" with the intent to solve the conflicts between wind power planning and grid power consumption - China invested RMB139.3 billion in grid construction, especially in the construction of the ultra-high voltage transmission lines in the northwest regions	- The grid curtailment and connection problems in the north are not expected to look too promising in the immediate future - The construction of the ultra-high voltage transmission lines will have a significant impact to the power transmission of the wind farm base in the northwest regions - In the long term, this helps to enhance the utilization of wind power plants , allowing the grid to more efficiently take on more wind power.
Wind Speed	- Lower wind speed in northern China in 1H2012 - Large blades turbine have been developed successfully and major turbine manufacturers has started to launch wind turbines that are tailored specifically for lower wind speed	- Affect the revenue and profit of wind farms located in the north - This helps to enhance investment returns in lower wind speed areas and increase the developable wind resource reserves.
Financing	- PBOC lowered reserve requirements ratio and cut loan and deposit rates, which signal a declining cycle for the interest rate and looser financing environment	- Financing environment became more favorable, lowering the difficulties and financing cost in attaining project finance for renewable energy project. Thus, investment return on the operational power plants is expected to rise

2012 Results Summary

- In March 2012, the NEA issued the "Notice of the Schedule for the Second Batch of Wind Farm Project Approvals under the 12th Five-Year Plan" with 16.76GW of wind power projects listed in the schedule. Grid companies and PDRCs must review the project and grant final approval according to such schedule and the required approval procedures. Majority of these projects are expected to be approved in the second half of this year. Therefore, the revenue and profit from ECP and equipment manufacturing was reduced in 1H 2012

- CWP attained 13 wind power projects (650MW) in the 2nd batch approval schedule, ranked sixth among all the wind power developers in China. 11 of the 13 wind power projects are in southern regions with good construction and grid connection conditions

- In 1H2012, due to more severe grid curtailment and lower wind speed in northern China, revenue and profit from power generation reduced significantly

- CWP decided to postpone investment in 10 approved projects in areas with heavy curtailment problem

- Gain from disposal of equity interest of power plants are less than the same period in 2011. 3 wind power plants were disposed at around 13 to 15% equity premium

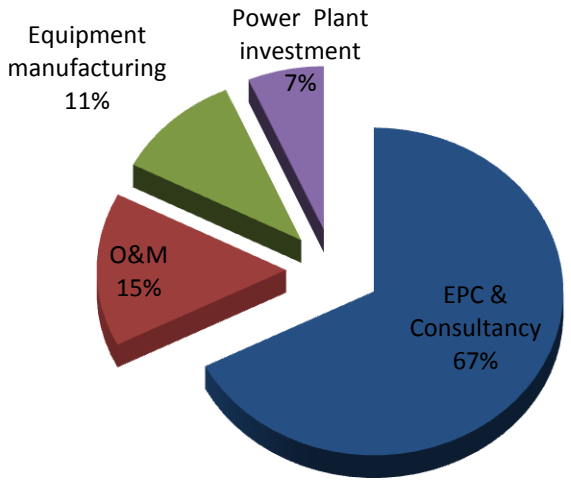
- Two additional wind power projects have been successfully registered under CDM by EB

2012 Business Target & Strategy

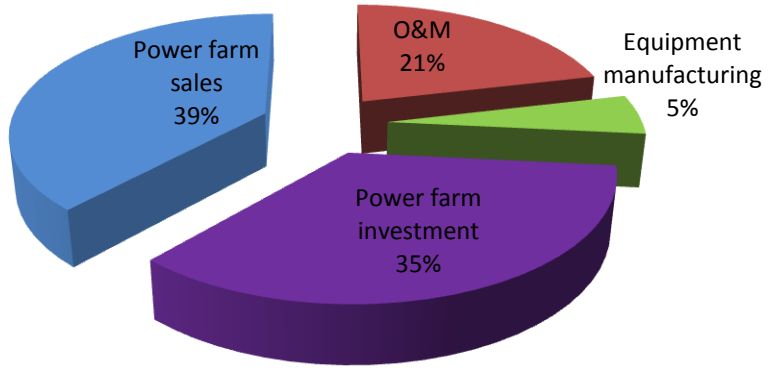
Power Plant Investment	- Give priority to the development of wind resources in southern regions – Anhui, Shandong, Hunan, Hubei, Jiangsu, etc. - Focus on investment in solar power projects in northwest and southwest China – Yunnan, Qinghai, etc. - Plan to commence construction on over 400MW new wind and solar power projects in 2H 2012 - Strive to achieve the target of 800MW approved capacity in 2012
Power Generation	- Strengthen safety production and electric power marketing, reduce the losses caused by grid curtailment, and improve the availability rate of wind turbines and the weighted average utilization hours of power plants
Optimizing Asset Quality	- Dispose equity interests in power plants located in northern areas with severe curtailment problems, and construct new power plants in southern areas with no curtailment problems, to improve asset qualities
Costs Cutting	- Adjust the Group's organization structure, downsizing, and pay cuts
Business Opportunities	- Pay more attention to overseas and other renewable projects

Revenue & Profit Distribution

Revenue distribution (1H2012)

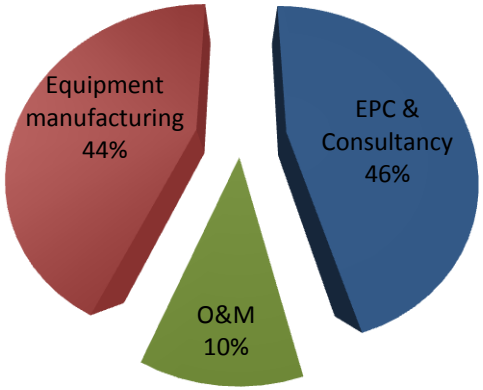


Profit distribution (1H2012)*

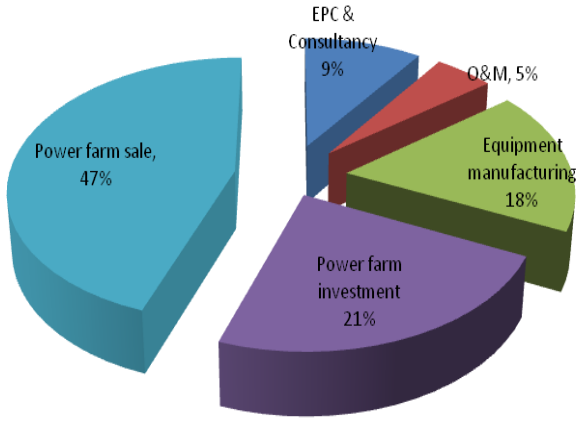


Note：losses in EPC & Consultancy in1H 2012 amount to 【HK$ 17.2 M】

Revenue distribution (FY 2011)



Profit distribution (FY 2011)*



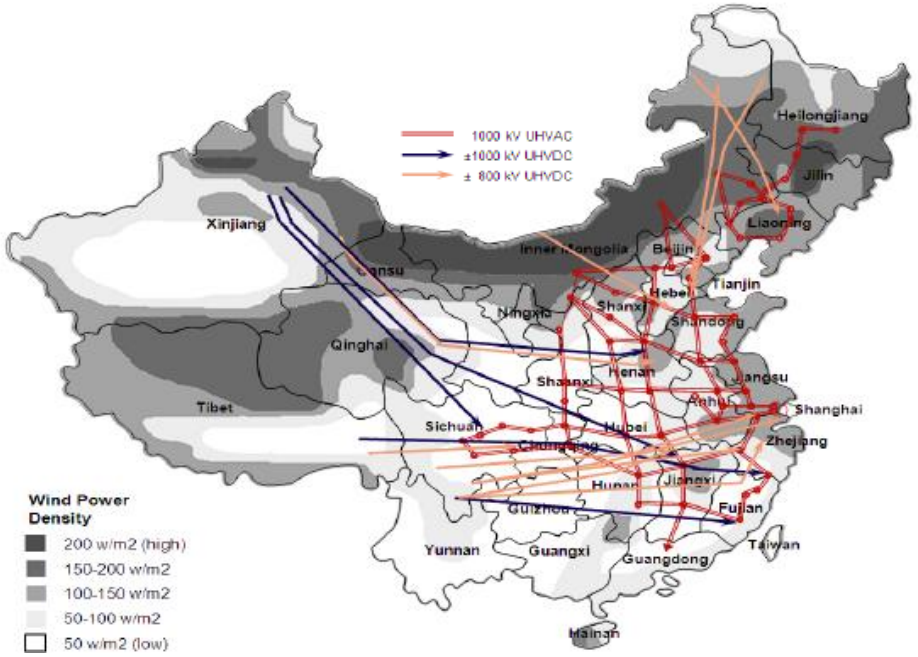
*Profit before tax and unallocated expenses

Updates on China's Renewable Energy Policy Outlook

- NDRC's Energy Research Institute is planning on a renewable energy quota system to encourage active use of local renewable energies, expected to announce in 2012

- China has announced plans to invest RMB500bn for investment in UHV and lower-voltage transmission grid expansion over the course of the 12th Five-Year Plan, with the aim of bolstering the grid's reach and bandwidth into remote wind, hydro and thermal power bases, and improving the interconnectivity between various provinces

Transmission Line Projects	Status
Hami-Zhengzhou ±800KV UHV DC	Under Construction
Xinjiang-Northwest main grid 750KV phrase II	Under Construction
Yushu-Qinghai main grid 330KV	Under Construction
Shannxi-Gansu 750KV phrase II	Commence Construction in 2012
Hami-Chongqing ±800KV UHV DC	Commence Construction in 2012
Zhundong-Sichuan ±1100KV UHV DC	Commence Construction in 2012



China WindPower Group Limited (0182.HK)

- Total share outstanding: 7.4 bn*
- Total assets: HKD 7.3 bn*
- 1H2012 Revenue: HKD 401.8mil
- 1H2012 Profit: HKD 24.8 mil

(* as of 30 June 2012)

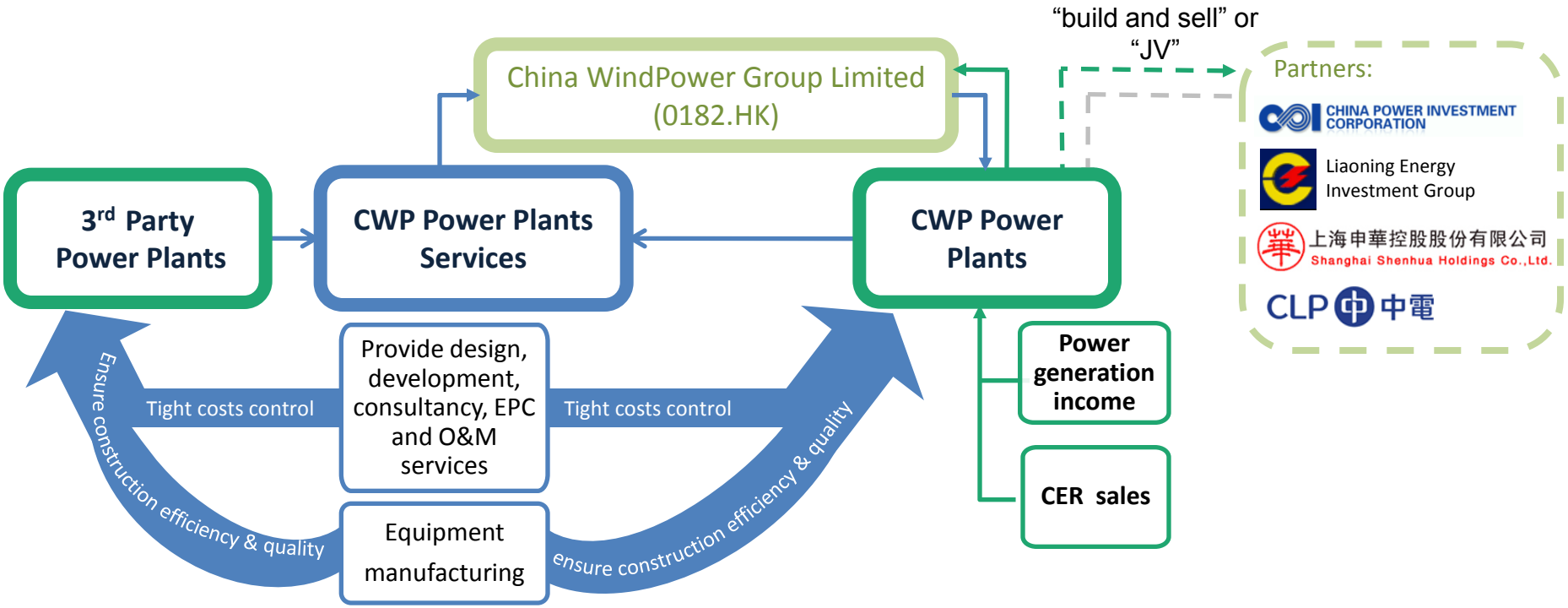
Power Plants Investment

- 951GWh total power (471GWh attributable) produced in 1H2012
- 26 wind power and 3 solar power plants in operation (total capacity =1,457MW, attributable = 705MW)
- 3 new wind farms in operation in 1H2012 (total capacity = 147MW, attributable = 72MW)

Power Plants Services

- Services for wind and solar power
- Engineering, procurement and construction (EPC)
- Operation and Maintenance (O&M)
- Equipment manufacturing - wind power tower tubes and solar power mounting brackets

Vertically Integrated Business Model



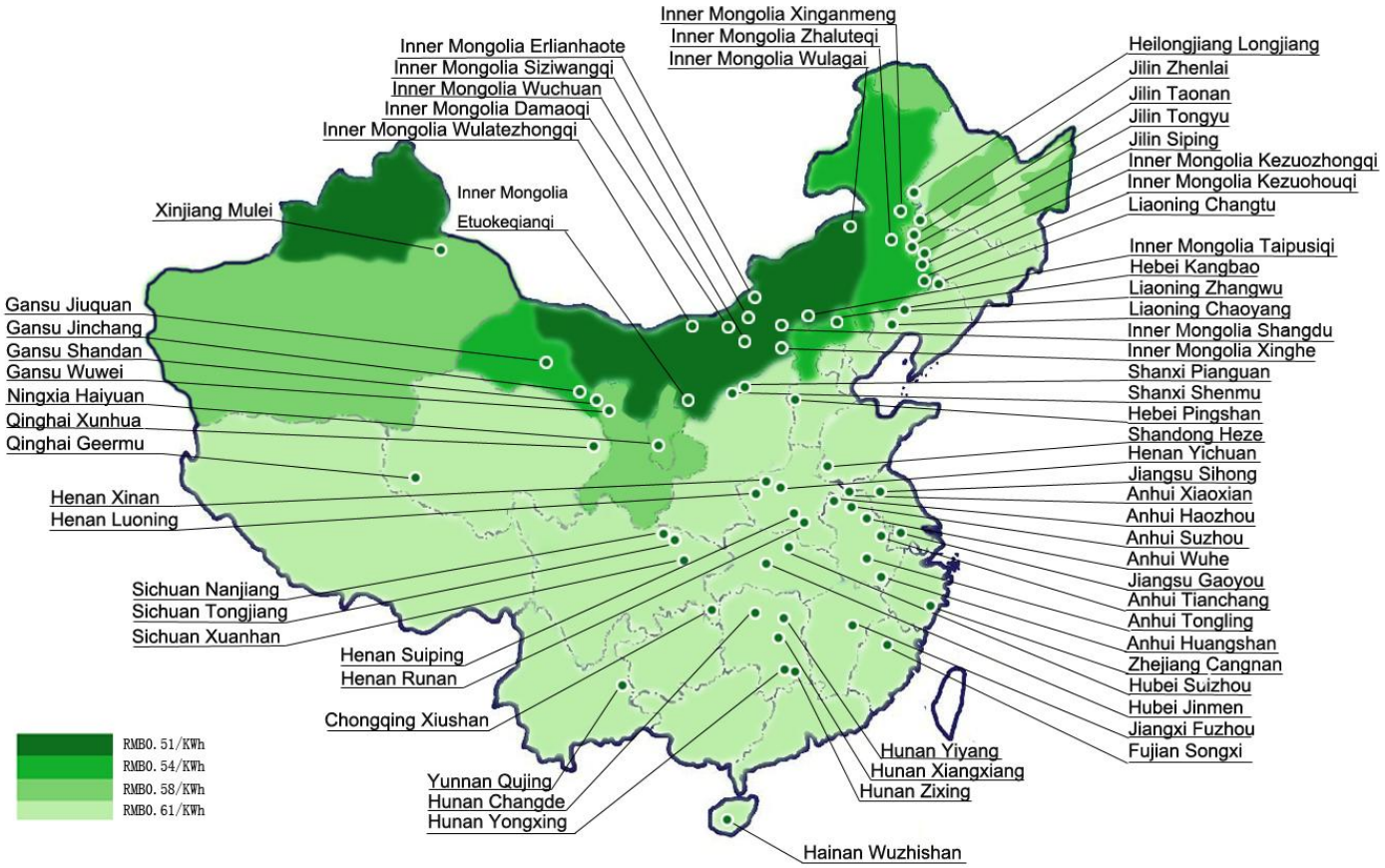
Benefits of having integrated services and manufacturing:

- CWP maintains greater control over the availability of equipments, construction time, costs, and quality when developing wind and solar power projects
- Higher output efficiency due to experienced O&M team
- Better cash flow from the power plants services business

"Joint Venture" & "Build and Sell" Strategy

	Description	Advantages	Disadvantages
"Joint Venture" Strategy (at early project dev stage)	- Set up and invest in power project companies with strong JV partners, such as China Power Investment, Liaoning Energy, etc. - JV partners can help to seek and provide the guarantee on the project financing and CWP run the project with the support of our EPC&M	- Enjoy financial and occasionally more favorable government support brought by the JV partners - JV partners help to seek and provide the guarantee on project financing - Revenue from EPC services sales to JV partners can be reflected in the consolidated account	- Can't enjoy equity premium - Management process is complex as there are more parties involved
"Build and Sell" Strategy (in the midst of construction or upon operation)	- CWP wholly-owns the power project companies and builds up the projects solely - Sell down a partial stake of the power plants in the midst of construction or upon operation	- Complete control on project's pace and quality - Fully leverage on CWP's project pipeline and development capabilities - Enjoy equity premium	- Larger capital requirement initially from CWP - CWP has to seek its own project financing
Both strategies allow the Group to use less amount of capital to build up more capacity. CWP will agilely balance between the 2 strategies based on its financing and capital position to maintain its swift development and high investment return			

28GW of Exclusive Wind Reserves

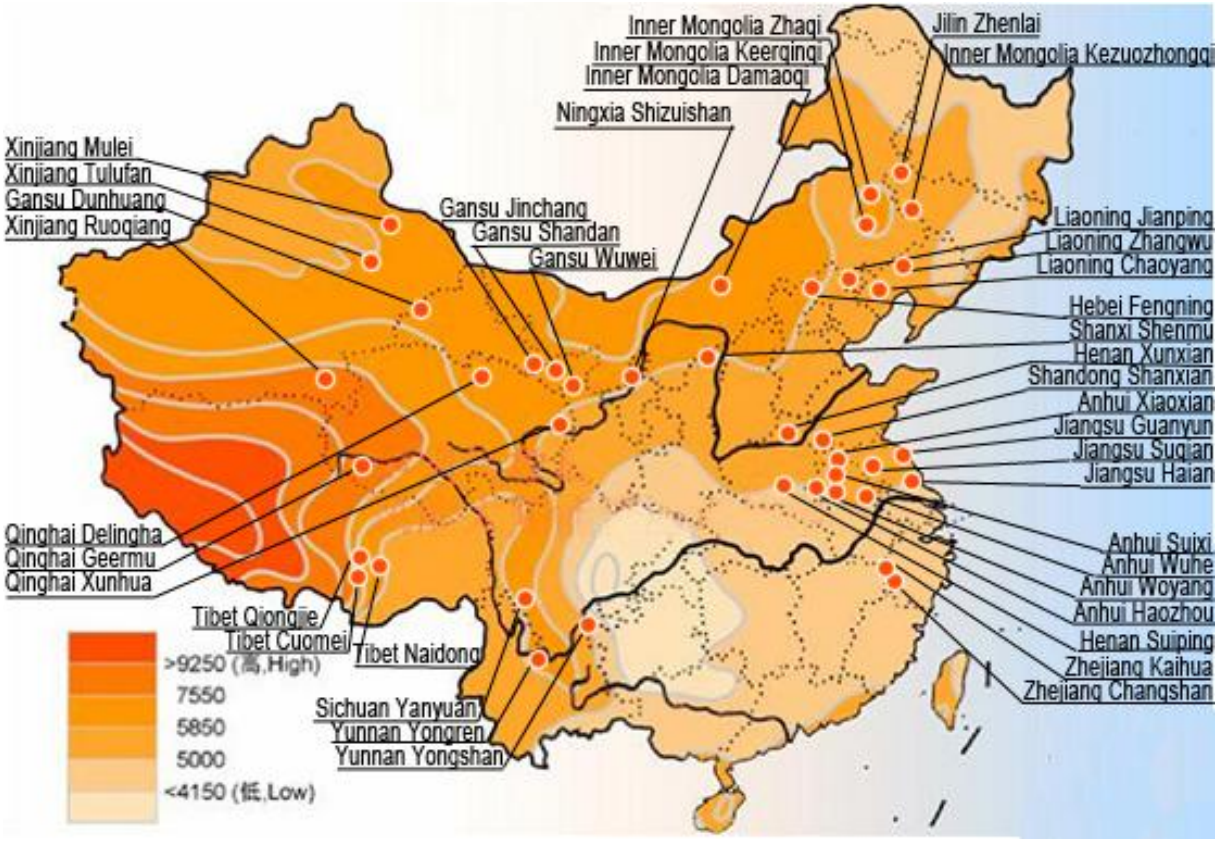


Northern China
15.4 GW

Southern China
12.6 GW

- The feed-in tariff is divided into four levels by NDRC, which is RMB0.51/KWh, RMB0.54/KWh, RMB0.58/KWh and RMB0.61/KWh based on the wind resources at each region
- China's wind power targets: 100GW by 2015, 200+GW by 2020
- Expected equity IRR >10% +

5GW of Exclusive Solar Reserves



- On July 24, 2011, the NDRC announced a nationwide RMB1.15/kWh (incl. tax) feed-in tariff for solar power projects completed by Dec 31, 2011 and RMB1.0/kWh completed after Dec 31, 2011
- China's solar power target: 21GW by 2015; 50GW by 2020
- Expected equity IRR >15% +

Professional and Experienced Management Team

EXECUTIVE DIRECTORS:

Mr. Liu Shunxing, Chairman & CEO – Council member of China Energy Research Institute of NDRC; Possesses more than 10 years of experience in renewable energy industry. He once worked in NDRC and was formerly a vice-president of China Energy Conservation Investment Corporation for eight years, where he participated in developing 400+ all types of power projects, including hydro, biomass, coal, wind, solar, nuclear etc. Mr Liu left the SOE in 2005 and decided to focus in wind power development where he sees the most potential.

Mr. Ko Chun Shun, Johnson, Vice Chairman – Also Chairman of Hong Kong-listed companies DVN (Holdings) Ltd. , Varitronix Int'l Ltd, and ReOrient Group Ltd..

Mr. Wang Xun, Executive Director & Executive Vice President – Former senior manager of Golden Concord Ltd.; he was responsible for renewable energy sector, engaged in wind power industry since 1999. Formerly held senior positions at Beijing Shenzhen Wind Power Co. Ltd, Farsight Croup, etc..

Mr. Yang Zhifeng, Executive Director & Vice President – Former General Manager of Asset Management and Operation Dept in China Energy Conservation Investment Corporation, possesses 7 years of experience in wind power industry.

Ms. Liu Jianhong, Executive Director & Vice President – Former Chief Legal Officer of China Energy Conservation Investment Corporation, possessing 7 years of experience in wind power industry.

Dr. Yu Weizhou, Executive Director & Vice President – Former Deputy Chief Engineer of Guohua Energy Investment Ltd. Also previously served at State Electricity Regulatory Commission of the PRC (SERC) and the Nation's Electric Dept. Possesses strong power industry knowledge and many years of experience in wind power project development.

Mr. Zhou Zhizhong, Executive Director & Vice President He is in charge of EPC business; former Chairman of Nanjing Power Supply Bureau, the General Manager of Jiangsu Power Construction Company and the VP of the Golden Concord Group. National registered 1st class construction engineer. Possesses over 20 years of power engineering experience.

Ms. Ko Wing Yan, Samantha, Executive Director – Former director of structured credit and fund solutions department at HSBC, over 7 years experience in investment and financing.

Mr. Chan Kam Kwan, Jason, Executive Director & Company Secretary – Member of the American Institute of Certified Public Accountants.

NON-EXECUTIVE DIRECTOR:

Mr. Tsoi Tong Hoo, Tony – CEO of Varitronix Int'l Ltd.. Former Vice-Chairman of the Listing Committee of Stock Exchange HK.

Professional and Experienced Management Team

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. Zhou Dadi – Vice Chairman of China Energy Experts Consulting Committee, former President of NDRC Energy Research Institution. He is a famous and respectable energy research expert, particularly on energy strategy, sustainable energy and climate change research.

Mr. Yap Fat Suan, Henry – Former Managing Director of Johnson Matthey Hong Kong Ltd. and former General Manager of Sun Hung Kai China Development. Member of the HK Institute of CPA.

Dr. Wong Yau Kar, David – President of the Chinese Manufacturers' Association of Hong Kong and Council Member of the Hong Kong Institute of Directors.

OTHER MANAGEMENT:

Mr. Liu Dongyan, Vice President – Former Head of Enterprise Investment Department of China Energy Conversation Investment Co. He is in charge of enterprise management and cooperation business.

Mr. Luo Maofeng, Vice President – MICE, Ceng., Mr. Luo is in charge of international business.

Mr. Wang Yaobo, Vice President – Mr. Wang is in charge of power plant construction. He has more than 30 years experience in power system planning and engineering, and had served as the Vice Chief Engineer of Jilin Electric Bureau.

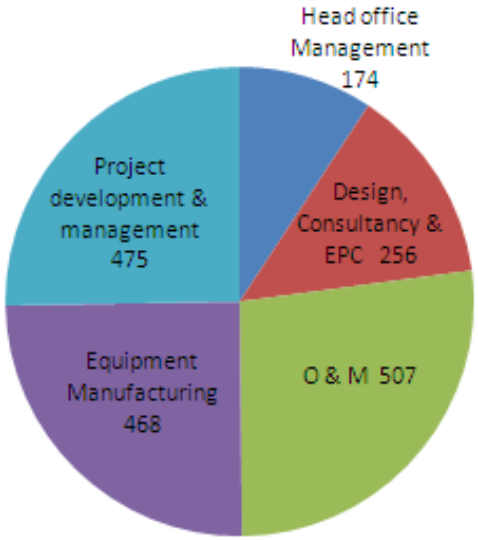
Mr. Hu Mingyang, CFO – Mr. Hu is a CPA. He was the Director of Finance Office and General Office directly under China Council for the Promotion of International Trade, and the General Manager of Finance Dept of China Patent Agent (H.K.) Ltd.

Dr. Xie Jianmin, Chief Engineer – Former General Manager of Ningxia Huarui Wind Power Co. Ltd., Professor at South East University where he conducted advance research in the wind power industry, possesses over 10 years experience in the operation of wind power plants and wind resource evaluation.

Mr. Lu Yichuan, Chief Technology Officer – Mr Lu previously served as CTO at Siemens PTI and General Manager at East China Grid Company Limited. Possesses more than 8 years of off shore/on shore wind power experience.

Human Resource Distribution:

As at 30 June of 2012, total number of staff is 1,880



Appendix

CWP's Reserves

Wind Reserves	Province	Capacity (MW)	Tariffs (RMB/kwh)
North China Total: 15.4GW	Liaoning	2500	0.61
	Jilin	3200	0.58/0.61
	Heilong-jiang	500	0.58/0.61
	Inner Mongolia	5500	0.54 (east) 0.51 (west)
	Xinjiang	700	0.51/0.58
	Hebei	1000	0.58
	Gansu	2000	0.52
Southern China Total: 12.6GW	Ningxia	500	0.58
	Qing Hai	500	0.61
	Jiangsu	700	0.61
	Tibet	200	0.61
	Zhejiang	900	0.61
	Anhui	3500	0.61
	Jiangxi	500	0.61
	Henan	2300	0.61
	Shandong	200	0.61
	Hubei	1500	0.61
	Hunan	100	0.61
	Guangxi	150	0.61
	Sichuan	1000	0.61
	Yunnan	400	0.61
	Gui Zhou	150	0.61
	Total	**28,000**	

Solar Reserves	Province	Capacity(MW)
	Liaoning	150
	Jilin	100
	Gansu	290
	Inner Mongolia	660
	Ningxia	200
	Qinghai	730
	Tibet	370
	Xinjiang	700
	Jiangsu	300
	Zhejiang	50
	Anhui	300
	Henan	60
	Yunnan	250
	Others	840
	Total	**5,000**

CWP's Operational Power Plants

Operational Capacity
- total 1457MW (705MW attributable)

Year	Project name	Power Type	Province	Capacity (MW)	CWP's stake	Tariff (RMB/kWh)	Total (MW)	Attributable (MW)
2006	Changtu Phase I*	Wind	Liaoning	50.25	25%	0.64		
2008	Taiqi Phase I*	Wind	Inner Mongolia	49.5	49%	0.52	120.75	47.11
2008	Erlianhaote Phase I*	Wind	Inner Mongolia	21	49%	0.51		
2009	Linchang Phase I*	Wind	Jilin	49.5	49%	0.61		
2009	Mazongshan *	Wind	Liaoning	49.5	24.5%	0.61		
2009	Qujiagou *	Wind	Liaoning	49.5	24.5%	0.61		
2009	Zhaqi Phase I*	Wind	Inner Mongolia	49.5	49%	0.54		
2009	Heiyupao Phase I*	Wind	Jilin	49.5	49%	0.61	445.5	210.87
2009	Julonghu *	Wind	Liaoning	49.5	60%	0.61		
2009	Qianfoshan *	Wind	Liaoning	49.5	60%	0.61		
2009	Xidayingzi *	Wind	Liaoning	49.5	50%	0.61		
2009	Dongfanghong *	Wind	Liaoning	49.5	60%	0.61		
2010	Pingandi *	Wind	Liaoning	49.5	60%	0.61		
2010	Wuchuan Yihemei *	Wind	Inner Mongolia	49.5	46%	0.51		
2010	Huadeng Phase I	Wind	Inner Mongolia	49.5	49%	0.54		
2010	Huadeng Phase II	Wind	Inner Mongolia	49.5	49%	0.54	498	252.9
2010	Zhalute Phase II	Wind	Inner Mongolia	49.5	49%	0.54		
2010	Zhalute Phase III	Wind	Inner Mongolia	49.5	49%	0.54		
2010	Guazhou*	Wind	Gansu	201	51.45%	0.52		
2011	Kailu	Wind	Inner Mongolia	49.5	49%	0.54		
2011	Touzhijian	Wind	Inner Mongolia	49.5	51%	0.51		
2011	Maniuhu *	Wind	Liaoning	49.5	30%	0.61		
2011	Gulibengao*	Wind	Liaoning	49.5	30%	0.61	245.87	122.48
2011	Delingha	Solar	Qinghai	30	100%	1.15		
2011	Suqian	Roof top solar	Jiangsu	9.0	49%	2.40		
2011	Wuwei	Solar	Gansu	8.87	100%	1.15		
2012	Heiyupao Phase III	Wind	Jilin	49.5	49%	0.61		
2012	Heiyupao Phase IV	Wind	Jilin	49.5	49%	0.61	147	72
2012	Gaoyouhu*	Wind	Anhui	48	49%	0.61		

*CDM approved

Summary of Financial Statements

P/L (HK$'000)	1H 2012	1H 2011	FY2011
Revenue	401,842	258,290	959,046
Other Income	6,372	4,589	18,093
Other gain, net	46,968	195,223	283,865
Expenses			
-Cost of construction and inventories sold	(279,073)	(126,401)	(568,542)
-Employee benefit expense	(63,724)	(74,902)	(190,236)
-Depreciation and amortization	(17,653)	(6,066)	(14,729)
-Operating lease payments in respect of land and buildings	(5,397)	(3,660)	(7,956)
-Other expenses	(52,448)	(26,019)	(81,389)
-Finance costs	(40,845)	(23,323)	(64,899)
Share of results			
-Associates	1,933	2,212	1,391
-JCE	33,674	130,260	169,646
Profit before income tax	31,649	330,203	504,290
Income tax expense	(6,807)	(93,215)	(132,081)
Profit form continuing operation	24,842	236,988	372,209
Profit for the period	24,842	236,988	372,209
Basic earning/(loss) per share (HK cents)	0.34	3.21	5.03
Diluted earnings/(loss) per share (HK cents)	0.34	3.18	5.00

Asset (HK$'000)	1H2012	1H2011	FY 2011
Current assets	2,361,465	2,243,554	2,684,552
Non-current assets	4,913,396	3,941,335	4,816,941
Current liabilities	1,875,095	571,953	2,032,533
Non-current liabilities	986,572	1,362,147	994,578
Net current assets	486,370	1,671,601	652,019
Net Asset	4,413,194	4,250,789	4,474,382
Share Capital	73,936	73,946	73,936
Reserves	4,339,258	4,176,843	4,400,446

Cash Flow (HK$'000)	1H2012	1H2011	FY 2011
Net cash from operating activities	17,926	24,270	329,766
Net cash used in investing activities	(221,584)	(488,961)	(1,441,804)
Net cash from financing activities	(68,532)	1,139,620	1,433,701
Net increase in cash and cash equivalents	(272,190)	674,929	321,663
Cash and cash equivalents	771,202	1,418,017	1,063,541

Thank you for your interest in CWP

www.cwpgroup.com.hk

Please feel free to contact us for any inquiries:

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