China WindPower Group Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 182)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the "Board") of China WindPower Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012, together with the comparative figures for the year ended 31 December 2011. The consolidated results have been reviewed by the Company's audit committee.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 HK$'000	2011 HK$'000 (Restated)
Revenue	3	1,099,819	959,046
Other income	3	24,821	18,093
Other gains, net	4	200,054	283,865
Exchange gains, net	4	38	21,923
Expenses			
Cost of construction and inventories sold		(791,738)	(568,542)
Employee benefit expense		(157,349)	(190,236)
Depreciation and amortisation		(46,672)	(14,729)
Operating lease payments		(16,738)	(7,956)
Other expenses		(114,333)	(103,312)
Finance costs	5	(85,985)	(64,899)
Share of results			
- associates		7,278	1,391
- jointly controlled entities		(6,123)	169,646
Profit before income tax		113,072	504,290
Income tax expense	6	(72,160)	(132,081)
Profit for the year		40,912	372,209
Profit attributable to:			
Equity holders of the Company		40,386	372,209
Non-controlling interests		526	-
		40,912	372,209
Earnings per share attributable to equity holders of the Company during the year			
Basic earnings per share	7(a)	0.55 HK cents	5.03 HK cents
Diluted earnings per share	7(b)	0.55 HK cents	5.00 HK cents
Dividend	8	-	73,936

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 HK$'000	2011 HK$'000
Profit for the year	40,912	372,209
Other comprehensive (loss)/income:		
Currency translation differences		
- Group	(812)	101,959
- Associates	520	6,750
- Jointly controlled entities	(1,623)	59,890
- Loss of control over subsidiaries	(7,409)	(33,008)
- Partial disposal of jointly controlled entities	(1,687)	-
Total other comprehensive (loss)/income for the year, net of tax	(11,011)	135,591
Total comprehensive income for the year	29,901	507,800
Total comprehensive income attributable to:		
Equity holders of the Company	29,373	507,800
Non-controlling interests	528	-
	29,901	507,800

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,247,670	1,286,961
Leasehold lands and land use rights		148,947	154,710
Intangible assets		1,324,790	1,324,891
Interests in associates		302,859	142,924
Interests in jointly controlled entities		1,507,111	1,880,630
Available-for-sale financial assets		2,775	-
Prepayments and deposits		23,528	-
Deferred tax assets		14,669	26,825
		4,572,349	4,816,941
Current assets			
Inventories		209,880	308,448
Trade and bill receivables	9	367,204	499,761
Prepayments, deposits and other receivables		591,680	228,856
Amounts due from associates		31,887	6,199
Amounts due from jointly controlled entities		1,003,859	577,747
Cash and cash equivalents		731,167	1,063,541
		2,935,677	2,684,552
Total assets		7,508,026	7,501,493
LIABILITIES			
Non-current liabilities			
Borrowings		1,298,218	974,146
Deferred tax liabilities		5,544	2,511
Deferred government grant		17,177	17,921
		1,320,939	994,578

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2012

	Note	2012 HK$'000	2011 HK$'000
Current liabilities			
Trade and bill payables	10	1,007,791	843,588
Other payables and accruals		390,778	696,223
Amounts due to associates		158,749	24,385
Amounts due to jointly controlled entities		35,491	276,696
Borrowings		83,869	156,890
Current income tax liabilities		55,411	34,751
		1,732,089	2,032,533
Total liabilities		3,053,028	3,027,111
Net current assets		1,203,588	652,019
Total assets less current liabilities		5,775,937	5,468,960
Net assets		4,454,998	4,474,382
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		73,936	73,936
Reserves			
Proposed final dividend		-	73,936
Others		4,380,070	4,326,510
		4,454,006	4,474,382
Non-controlling interests		992	-
Total equity		4,454,998	4,474,382

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 HK$'000	2011 HK$'000
Cash flows from operating activities		
Cash generated from operations	375,494	505,786
Income tax paid	(54,914)	(176,020)
Net cash generated from operating activities	320,580	329,766
Cash flows from investing activities		
Purchases of property, plant and equipment	(705,581)	(1,870,595)
Purchases of leasehold lands and land use rights	-	(39,647)
Capital injection to jointly controlled entities	(104,470)	(294,530)
Capital reduction from a jointly controlled entity	18,805	-
Net proceeds received from joint venture partners	145,796	716,212
Net proceeds from disposal of subsidiaries	3,220	-
Acquisition of subsidiaries, net of cash acquired	(48,305)	-
Prepayment for acquisition of a subsidiary	(4,316)	-
Net proceeds from disposal of property, plant and equipment	462	344
Net proceeds from disposal of financial assets at fair value through profit or loss	1,585	762
Dividends received from jointly controlled entities	11,062	18,805
Loan granted to associates	(24,029)	-
Loan repayments received from associates	61,453	-
Loan granted to jointly controlled entities	(307,456)	-
Loan repayments received from jointly controlled entities	242,577	-
Loan granted to third parties	(48,683)	-
Loan repayments received from third parties	2,000	-
Receipt of government grants	-	21,165
Interest received	8,458	5,680
Net cash used in investing activities	(747,422)	(1,441,804)
Cash flows from financing activities		
Repurchase of ordinary shares	-	(2,333)
Net proceeds from exercise of share options	-	3,310
Proceeds from borrowings	400,248	1,791,112
Repayment of borrowings	(156,318)	(293,489)
Dividend paid to equity holders of the Company	(73,936)	-
Interest paid	(76,138)	(64,899)
Net cash generated from financing activities	93,856	1,433,701
Net (decrease)/increase in cash and cash equivalents	(332,986)	321,663
Cash and cash equivalents at beginning of the year	1,063,541	732,544
Exchange gain on cash and cash equivalents	612	9,334
Cash and cash equivalents at end of the year	731,167	1,063,541
Analysis of balances of cash and cash equivalents		
Cash and bank balances	731,167	1,063,541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value. There are no HKFRSs that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

The following new standards, amendments to standards and interpretation which have been issued by the HKICPA as of 31 December 2012 may impact to the Group in future years but are not yet effective for the year ended 31 December 2012 and have not early adopted in these financial statements:

		Applicable accounting period to the Group
HKAS 1 (Amendment)	Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income	2013
HKAS 19 (2011)	Employee Benefits	2013
HKAS 27 (2011)	Separate Financial Statements	2013
HKAS 28 (2011)	Investment in Associates and Joint Ventures	2013
HKAS 32 (Amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	2014
HKFRS 7 (Amendment)	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities	2013
HKFRS 9	Financial Instruments	2015
HKFRS 10	Consolidated Financial Instruments	2013
HKFRS 11	Joint Arrangements	2013
HKFRS 12	Disclosures of Interest in Other Entities	2013
HKFRS 13	Fair Value Measurements	2013
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine	2013
Annual Improvements 2009-2011 Cycle		2013

The Group has commenced an assessment of the impact of these new, amended and revised HKFRSs but is not yet in a position to state whether they would have a significant impact of its results of operations and financial position.

Restatement

The comparative figures in the Group's consolidated income statement relating to the exchange gains, net which have been previously classified under "other expenses", have been separately presented in order to conform to the current year's presentation for a better presentation of the Group's activities. This reclassification has no effect on the Group's consolidated balance sheets as at both 31 December 2012 and 2011, or the Group's profit and cash flows for the years ended 31 December 2012 and 2011.

2 Segment information

(a) Business segments

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 perspectives. Summary of details of the operating segments is as follows:

- Engineering, procurement and construction - providing technical and consultancy services, securing power resources in renewable energy industry, undertaking electrical engineering and construction of power plant projects;
- Manufacture of equipment - manufacturing of tower tube and gear box equipments for power business;
- Operation and maintenance of power plants - providing operation and maintenance services to power plants; and
- Investment in power plants - investing in 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 income and expenditure from the operating segments.

Segment assets comprise goodwill, interests in associates, interests in jointly controlled entities, property, plant and equipment, leasehold lands and land use rights, other intangible asset, available-for-sale financial assets, inventories, receivables and cash and cash equivalents which are related to the segments.

Segment liabilities comprise payables, borrowings, current income tax liabilities and deferred government grant 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.

For the year ended 31 December 2012

	Engineering, procurement and construction HK$'000	Equipment manufacturing HK$'000	Power plant operation and maintenance HK$'000	Investment in power plants HK$'000	Total HK$'000
Segment revenue					
Inter-segment sales	328,374	23,640	4,473	(356,487)	-
Sales to external customers	815,909	91,532	129,314	63,064	1,099,819
Segment results	(32,071)	4,895	48,348	(17,579)	3,593
Finance income	2,297	814	34	1,477	4,622
Other gains, net	-	(6,542)	-	205,011	198,469
Unallocated income					21,784
Unallocated expenses					(95,093)
Finance costs	(8,627)	(5,805)	-	(5,871)	(20,303)
Profit before income tax					113,072
Income tax expense	(25,363)	(32,863)	(2,360)	(11,574)	(72,160)
Profit for the year					40,912
Segment assets	1,462,323	484,372	295,307	5,135,378	7,377,380
Unallocated assets					130,646
Total assets					7,508,026
Segment liabilities	(1,435,426)	(109,888)	(10,514)	(559,419)	(2,115,247)
Unallocated liabilities					(937,781)
Total liabilities					(3,053,028)

Other segment information					Unallocated	Total
Additions to non-current assets (other than financial instruments and deferred tax assets)	15,769	3,108	6,141	382,436	3	407,457
Depreciation of property, plant and equipment	22,755	7,537	3,111	29,117	293	62,813
Amortisation of other intangible asset and prepaid operating lease payment	5,214	501	-	-	119	5,834
Loss on disposal of property, plant and equipment	446	5	-	-	-	451
Share-based compensation	11,396	700	1,014	6,703	4,374	24,187

For the year ended 31 December 2011

	Engineering, procurement and construction HK$'000	Equipment manufacturing HK$'000	Power plant operation and maintenance HK$'000	Investment in power plants HK$'000	Total HK$'000	
Segment revenue						
Inter-segment sales	810,162	22,805	40,274	(873,241)	-	
Sales to external customers	440,151	417,781	101,114	-	959,046	
Segment results	53,014	106,521	32,041	121,785	313,361	
Finance income	2,490	708	35	1,047	4,280	
Other gains, net	-	(13,551)	-	296,654	283,103	
Unallocated income					14,575	
Unallocated expenses					(94,301)	
Finance costs	(9,940)	(6,788)	-	-	(16,728)	
Profit before income tax					504,290	
Income tax expense	(41,019)	(55,146)	(605)	(35,311)	(132,081)	
Profit for the year					372,209	
Segment assets	1,794,413	694,302	199,750	4,712,214	7,400,679	
Unallocated assets					100,814	
Total assets					7,501,493	
Segment liabilities	(1,427,061)	(172,181)	(11,707)	(487,098)	(2,098,047)	
Unallocated liabilities					(929,064)	
Total liabilities					(3,027,111)	
Other segment information					Unallocated	Total
Additions to non-current assets (other than financial instruments and deferred tax assets)	67,299	120,878	4,629	2,144,783	57	2,337,646
Depreciation of property, plant and equipment	14,979	6,282	2,466	3,786	551	28,064
Amortisation of other intangible asset and prepaid operating lease payment	3,573	435	-	154	117	4,279
Loss on disposal of property, plant and equipment	-	144	2	-	-	146
Share-based compensation	16,120	1,632	1,804	9,112	23,442	52,110

(b) Geographical segments

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

Management considers the geographical segments with revenue derived from different locations, which determined by the country in which the customer is operated. Engineering, procurement and construction is operated in three main geographical segments, including the People's Republic of China (the "PRC"), Canada and Ghana. The Group's equipment manufacturing and power plant operation and maintenance activities are operated in the PRC, while investment in power plants is operated in the PRC and the United States of America. There are no sales between geographical segments.

Total assets and capital expenditures are allocated based on the geographical location of the assets, mainly located in the PRC and the locations including the United States of America, Canada, Ghana and Philippines.

The Group's revenue, total assets and capital expenditures by locations are analysed as follows:

	2012			2011		
	Revenue HK$'000	Total assets HK$'000	Capital expenditures HK$'000	Revenue HK$'000	Total assets HK$'000	Capital expenditures HK$'000
The PRC	1,025,615	6,083,236	411,272	959,046	7,150,777	2,336,697
Others	74,204	1,424,790	2,096	-	350,716	949
	1,099,819	7,508,026	413,368	959,046	7,501,493	2,337,646

(c) Major customers

Two (2011: three) single external customers contribute more than 10% revenue of the Group. These revenues are attributable to the engineering, procurement and construction and equipment manufacturing segments. The revenues of these customers are summarised below:

	2012 HK$'000	2011 HK$'000
Customer A	308,506	N/A
Customer B	207,650	167,646
Customer C	N/A	158,994
Customer D	N/A	139,581

3 Revenue and other income

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

An analysis of revenue and other income is as follows:

	2012 HK$'000	2011 HK$'000
Revenue	1,099,819	959,046
Other income		
Interest income	13,485	5,680
Subletting income	4,019	8,245
Government grants (Note)	6,267	3,617
Others	1,050	551
	24,821	18,093

Note:

For the year ended 31 December 2012, the Group obtained government grants of HK$5,530,000 and recognised as income from the PRC government to subsidise for technical development and support. For the year ended 31 December 2011, the Group obtained government grants of HK$3,047,000 and recognised as income from the PRC government to subsidise for investments in the PRC. In addition, another government grant of HK$18,118,000 was received from the PRC government during the year of 2011 as financial subsidies for investments in the PRC and HK$737,000 (2011: HK$570,000) has been recognised as income over the expected useful life of the relevant properties of 20 years.

4 Other gains, net and exchange gains, net

An analysis of other gains, net and exchange gains, net are as follows:

	2012 HK$'000	2011 HK$'000 (Restated)
Other gains, net		
Gain on businesses or assets contribution to jointly controlled entities	127,132	296,693
Gain on partial disposal of jointly controlled entities	51,330	-
Gain/(loss) on disposal of subsidiaries, net	26,549	(39)
Other professional fees	(6,542)	(13,551)
Net realised gains on disposal of financial assets at fair value through profit or loss	1,585	762
	200,054	283,865
Exchange gains, net		
Exchange gain on partial repayments of shareholders' loans	-	20,903
Others	38	1,020
	38	21,923

5 Finance costs

	2012 HK$'000	2011 HK$'000
Interest expenses:		
- Bank borrowings, wholly repayable within five years	14,432	16,728
- Bank borrowings, wholly repayable over five years	5,871	-
- Guaranteed bond, wholly repayable within five years	65,682	48,171
- Other loans, not wholly repayable within five years	-	28,612
	85,985	93,511
Less: Interest capitalised (Note)	-	(28,612)
	85,985	64,899

Note:

For the year ended 31 December 2011, borrowing costs have been capitalised at various applicable rates ranging from 4.58% to 7.74% per annum for qualifying assets classified as construction in progress under property, plant and equipment.

6 Income tax expense

	2012 HK$'000	2011 HK$'000
Current tax		
- PRC corporate income tax	39,710	94,778
- Withholding tax	3,923	44,640
- Adjustments in respect of prior years (Note)	31,894	958
	75,527	140,376
Deferred tax	(3,367)	(8,295)
	72,160	132,081

7 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012	2011
Profit attributable to equity holders of the Company (HK$'000)	40,386	372,209
Weighted average number of ordinary shares in issue (thousands)	7,393,595	7,394,195
Basic earnings per share attributable to equity holders of the Company (HK cents per share)	0.55	5.03

(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.

The Company has one category of dilutive potential ordinary shares: 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 with the number of shares that would have been issued assuming the exercise of the share options.

	2012	2011
Profit used to determine diluted earnings per share (HK$'000)	40,386	372,209
Weighted average number of ordinary shares in issue (thousands)	7,393,595	7,394,195
Adjustment for :		
- effect of dilutive potential shares issuable under the Company's share option scheme (thousands)	-	50,069
Weighted average number of ordinary shares used to determine diluted earnings per share (thousands)	7,393,595	7,444,264
Diluted earnings per share attributable to equity holders of the Company (HK cents per share)	0.55	5.00

8 Dividend

The directors do not recommend the payment of a dividend for the year ended 31 December 2012.

A final dividend of HK1.0 cent per ordinary share, amounting to a total dividend of HK$73,936,000, in respect of the year ended 31 December 2011, was approved by the shareholders of the Company at the annual general meeting on 31 May 2012. These consolidated financial statements have not reflected this dividend payable as at 31 December 2011. The final dividend in respect of the year ended 31 December 2011 was distributed and paid during the year ended 31 December 2012.

9 Trade and bill receivables

	2012 HK$'000	2011 HK$'000
Trade receivables	353,042	499,761
Bill receivables	14,162	-
	367,204	499,761

As at 31 December 2012, the ageing analysis of the trade receivables, based on invoice date, was as follows:

	2012 HK$'000	2011 HK$'000
Within 3 months	143,013	430,387
3 to 6 months	23,979	27,676
6 to 12 months	26,651	7,244
Over 1 year	143,463	34,211
Over 2 years	15,936	243
	353,042	499,761

The Group's credit terms granted to customers range from 30 to 180 days. On certain construction revenue and equipment sales projects, the Group generally grants project final acceptance period and retention period to its customers range from 1 to 2 years from the date of acceptance according to the sales agreements signed between the Group and customers.

The carrying amounts of trade and bill receivables approximate their fair values and majority of trade and bill receivables are denominated in Renminbi.

10 Trade and bill payables

	2012 HK$'000	2011 HK$'000
Trade payables	698,856	839,887
Bill payables	308,935	3,701
	1,007,791	843,588

As at 31 December 2012, the ageing analysis of the trade payables, based on invoice date, was as follows:

	2012 HK$'000	2011 HK$'000
Within 3 months	469,466	745,378
3 to 6 months	62,995	26,690
6 to 12 months	110,014	17,909
Over 1 year	37,620	49,581
Over 2 years	18,761	329
	698,856	839,887

The carrying amounts of trade and bill payables approximate their fair values and majority of trade and bill payables are denominated in Renminbi.

11 Events after the balance sheet date

On 28 January 2013, the Group entered into a sale and purchase agreement with a joint venture partner of the Group, Tianjin Deheng Investment Co., Ltd. ("Tianjin Deheng"), pursuant to which the Group acquired a 49% equity interest in Kangbao Century Concord Wind Power Co., Ltd. ("Kangbao"), for a consideration of RMB5,900,000 (equivalent to approximately HK$7,276,000), Century Concord Wind Power Co., Ltd. in turn holds the entire issued share capital of Kangbao at the completion of the transaction. Upon the completion of the transaction on 31 January 2013, Kangbao ceased to be a jointly controlled entity of the Group and Tianjin Deheng and then became a wholly-owned subsidiary of the Group.

On 1 March 2013, the Group entered into sale and purchase agreements with an independent party, Guodian Northeast New Energy Development Ltd., pursuant to which the Group disposed of its 60% equity interests in four jointly controlled entities, namely Fuxin Julonghu Wind Power Co., Ltd. ("Julonghu"), Fuxin Qianfoshan Wind Power Co., Ltd. ("Qianfoshan"), Fuxin Juyuan Wind Power Co. Ltd. ("Juyuan") and Fuxin Juhe Wind Power Co., Ltd. ("Juhe"), for a consideration of RMB225,403,500 (equivalent to approximately HK$278,517,000) in total. Upon the completion of the transaction, Julonghu, Qianfoshan, Juyuan and Juhe ceased to be the jointly controlled entities of the Group.

On 1 March 2013, the Group entered into a sale and purchase agreement with an independent party, China Power (Tianjin) New Energy Development Co., Ltd., pursuant to which the Group disposed of its entire equity interest in Beijing Huaxun New Energy Technology Development Co., Ltd. ("Huaxun"), a wholly-owned subsidiary of the Group, which holds entire equity interest in Siziwangqi Century Concord Xiari Wind Power Co., Ltd. ("Siziwangqi"), for a consideration of RMB26,500,000 (equivalent to approximately HK$32,744,000). Upon the completion of the transaction, Huaxun and Siziwangqi ceased to be the subsidiaries of the Group.

Save as disclosed above, there were no significant subsequent events after the balance sheet date up to the date of approval of the consolidated financial statements.

Management Discussion and Analysis

I Operating Environment

In 2012, the recovery of global economy remained slow. The European debt crisis was unsettled, the economy in the US and Japan decelerated, and the economic growth in emerging and most developing countries declined significantly. Different measures were adopted towards the renewable energy industry globally. The US and China promoted the industry as an important measure to stimulate the economy, while European countries reduced government support because of the economic crisis.

In the first three quarters of 2012, the economic growth rate in China trended downward. However, along with a series of positive policies and measures to ensure a stable growth, China's economy modestly recovered in the fourth quarter.

In 2012, the operating environment of renewable energy industry in China had the following characteristics:

1) Rapid growth in wind and solar power installed capacity

According to the data released by National Energy Administration (NEA), in 2012, newly added wind power capacity in China was 15.37GW with a growth rate of 32.7%; which accounted for more than a third of new added wind power capacity all over the world. China continued to claim the first in the industry for four successive years since exceeding the US in 2009. As at the end of 2012, wind power installed capacity was 62.37GW in China, and wind has become the third largest source of power generation after thermal power and hydropower. In 2012, newly added solar power gird-connected capacity in China was 3.28GW, increased by 47.8% compared to 2011. The growth rate of solar power capacity exceeded wind power for the first time.

2) Growth in electricity demand at a 4-year low and severe grid curtailment in the northern regions of China

In 2012, the overall whole society power consumption in China amounted to 4,959.1 billion KWh, up 5.5% compared to 2011. The growth rate decreased by 6.2% compared to 2011, and was the lowest in recent 4 years since the economic crisis in 2008. The growth rate of power consumption in Jilin and Liaoning was only 1.09% and 2.06%, respectively. , The curtailment problem in northeast regions was further exacerbated given the excess growth in total installed power capacity over power consumption.

From October 2012, the growth rate of whole society power consumption increased for three consecutive months, and reached 11.5% in December, which signaled the stabling of China's economy.

3) Increased difficulties in attaining wind power project approvals and prolonged approval cycle

According to the "Interim Measures for the Development and Construction of Wind Power Projects" issued by the NEA, every provincial Development and Reform Commission (PDRC) should submit the proposed project approval to the NEA. After getting approval from the NEA, and grid-connected approval from State Grid Corporation of China (SGCC), the PDRC can approve such project; and only then allows such wind power plant to enjoy tariff subsidy from the national renewable energy fund.

4) Grid construction restricted the development of renewable energy

In 2012, China invested RMB 369.3billion in grid construction which was basically flat compared to last year. Hami-Zhengzhou ±800kV UHVDC Transmission Project and the Second Xinjiang-Northwest Main Grid 750kV HVDC Transmission Line commenced construction, which will have a significant impact to the power transmission of the wind farm based in the northwest regions. However, the curtailment problem in northeast regions cannot be fundamentally resolved within a short time.

In addition, the power output transmission line requires a separate approval and the transmission line need to be invested and constructed by local grid companies in most regions. The lagging of approval and construction of transmission line restricted the construction schedule of wind and solar power projects.

5) Meaningful technical advancement in renewable energy

In 2012, quality of wind turbines improved further. More larger blade turbines have been developed successfully and major turbine manufacturers have started to produce wind turbines that are tailored specifically for lower wind speed, which help to enhance the investment returns in lower wind speed areas.

Conversion efficiency of PV modules also improved further, the production costs declined, and the price of PV modules continued to fall sharply which lowered the construction costs of solar farm significantly.

6) Industry policy promoted the rapid development of solar power industry

In July 2012, NEA issued the "12th Five-Year Plan for the Development of Solar Power Industry" to encourage construction of grid-connected solar farm and promote distributed solar power in Qinghai, Gansu, Xinjiang, Inner Mongolia, Tibet, Ningxia, Shanxi, Yunnan and other appropriate areas in the north and northeast China. Regional solar power feed-in tariff subsidy was introduced in Jiangsu, Shandong, Hebei, etc., which may make investment in solar farm in these regions economically attractive. SGCC announced the "Suggestions for the Grid Connection Service Work of Distributed Power", which gives a green channel for the development of distributed power and provides free grid connection.

7) Looser financing environment and interest rate declined

In 2012, People's Bank of China lowered reserve requirement ratio twice by 1% in total and cut loan and deposit rates twice by 0.5% in total. Financing environment was looser and financing costs for new projects were lowered.

8) Market price of Certified Emission Reduction (CERs) dropped dramatically

Buyers of carbon credit shrank due to the European economic crisis. In 2012, price of CERs continued to decline significantly, thus largely affected the net profit of power plants.

II Business Review

In 2012, the Group's consolidated revenue amounted to HK$1,099,819,000 (2011: HK$959,046,000), increased by 14.68% compared to last year; profit attributable to equity holders of the Company totaled to HK$40,386,000 (2011: HK$372,209,000), decreased by 89.15% compared to last year. The Group's basic earnings per share were 0.55 HK cents (2011: 5.03 HK cents).

At the end of 2012, the Group's net asset value totaled to HK$4,454,998,000 (2011: HK$4,474,382,000) and its cash and cash equivalents were HK$731,167,000 (2011: HK$1,063,541,000).

During the year, the revenue increased due to the growth of equipment procurement business, and profit fell significantly because: 1) substantial dropped in profit from power generation owing to lower wind speed and heavy grid curtailment in northern regions of China; 2) lesser EPC projects as the Group decided to postpone investment in ten approved projects in areas with severe curtailment problem, thus results from EPC deteriorated; 3) gain from disposal of equity interest of power plants was less than 2011; 4) costs was high relative to current scale of business; and 5) loss from derecognition of the CERs of receivables of jointly controlled entities.

The Group's taxation charge amounted to HK$ 72,160,000 (2011: HK$ 132,081,000). A decrease in tax was mainly due to the decrease in taxable profit and decrease in withholding tax charged on interest income.

Several business segments resulted in losses, as a result income tax expenses lowered and consolidated net profit dropped substantially.

(1) Power Plant Investment Development and Operation Business

1) Power Plant Generations

In 2012, the Group's power plants generated electricity output of 2,043.68 million kWh in total, up 17.0% compared to 2011, of which wind power generation was 1,982.46 million kWh and solar power generation was 61.22 million kWh. The output attributable to the Group was 998.63 million kWh, representing an increase of 13.3% compared to 2011. Attributable electricity output generated by wind power plants and solar power plants was 942.30 million kWh and 56.33 million kWh, respectively.

In 2012, the profit from wholly owned power plants was HK$23,784,000 (2011: Nil). The Group recorded share of results in associates and jointly controlled entities of HK$1,155,000 (2011: HK$ 171,037,000).

In 2012, the availability rate of wind turbines achieved 97.06%, increased by 0.56% compared to 2011. However, due to the heavy grid curtailment in the northern regions, the weighted average utilization hours of the Group's wind power plants decreased significantly to 1,568 hours, a 11.6% drop compared to 2011. The availability rate of the Group's solar power plants is 99.12%, and the weighted average utilization hours were 1,598 hours. The average grid curtailment rate of the Group's power plant reached 26.9%.(2011: 22.5%).

On top of this, the weighted average tariff rate of the Group's wind farms was RMB 0.5704/kWh (including VAT) (2011: 0.5703/kWh). The weighted average tariff rate of the Group's solar farms was RMB1.271/kWh (including VAT).

2) Disposal of Equity Interests in Power Plants

In 2012, the Group achieved gain of HK$193,939,000 (2011: HK$296,693,000) from the disposal of four wind power plants with attributable capacity of 58MW and Joint Venture partners were brought in to 11 developing wind power projects with attributable capacity of 266 MW.

3) Newly Added Installed Capacity

The approval process has become more cumbersome, and the projects approvals have been delayed, which affected the project construction progress in 2012. In addition, the Group decided to postpone the construction projects with severe curtailment problem in the northern regions, thus the number of new project under construction decreased significantly.

In 2012, there were 5 continued projects and 7 new projects under construction with capacity of 197.5MW and 244.6MW, respectively. The total under construction capacity was 442MW, of which attributable capacity was 242MW. The Group also had 7 new power plants commenced operation, with total capacity of 199MW, attributable capacity of 112MW, including 2 solar power projects in the US with 1.9MW total installed capacity.

As at the end of 2012, the Group has 33 grid-connected wind and solar power plants, with a total installed capacity of 1,509MW, attributable installed capacity of 721MW.

4) Project Development and Resource Reserves

In 2012, the Group had 22 projects with total capacity of 1,123MW obtained approvals from the provincial energy authorities, including 14 wind power projects with total capacity of 803MW, and 8 solar power projects with total capacity of 320MW. 17 of the 22 projects are in southern regions with good construction and grid connection conditions, which are expected to generate good return after completion.

In addition, the Group also attained initiation approvals for 45 power projects with total capacity of 2,332MW by the provincial energy authorities, which include 31 wind power projects of 1,532MW and 14 solar power projects of 800MW.

In 2012, the Group signed additional 3,750MW onshore wind power, 300MW off-shore wind power and 1,370MW solar power exclusive development right agreements. As at the end of 2012, the Group's wind resources reserve amounted to 28GW and solar power resources reserve totaled to 5GW, which ensure the sustainable development of the Group.

In 2012, the Group put its emphasis on the screening and assessment of wind and solar resources and the development of priority projects. Also strived hard to ensure more projects will be listed in the third batch wind farm approval schedule under the 12th Five-Year Plan.

5) Clean Develop Mechanism (CDM) Development

In 2012, 9 CDM projects were registered successfully with the United Nations' Executive Board (EB), with a total installed capacity of 424.5MW.

At the end of 2012, 32 projects have been approved by China's NDRC and 24 projects have been registered with the United Nations.

The European economic crisis has led to a shrinkage in the carbon credit market, thus price of CERs continued to decline significantly. In 2012, the Group accounted for HK$31,408,000 of loss due to the derecognition of CER receivables of jointly controlled entities .

6) Financing

In 2012, the Group's subsidiaries, associates and joint controlled entities obtained additional RMB2.45 billion loans from various financial institutions, increased RMB0.17billion compared to 2011, and the average new loan interest rate declined to 5.95%, lowered by 0.91% compared to 2011.

(2) Renewable Energy Service Business

In 2012, investment in new wind power projects dropped substantially due to the more cumbersome approval process and lagging grid construction. The Group also reduced its investment in new projects. Being impacted by lower installed capacity, the profit from EPC and equipment manufacturing businesses declined significantly.

1) Engineering, Procurement ,Construction & Manufacturing (EPC & M)

In 2012, the Group's EPC company undertook 13 EPC projects, completed equipment procurement for 12 projects, and finished 197 feasibility studies and various design consultancy services to internal and external customers.

In 2012, the Group's construction company obtained level two power facilities installation （repair & test） construction permit, and was awarded "2012 Excellent Construction Enterprise in National Power Construction". Touzhijian project constructed by the company also won the "China Electric Power Quality Engineering Award".

Influenced by the reduced investment in wind power plants in northern regions, the operating performance of Group's renewable energy equipment manufacturing company – Tianhe - declined significantly. In 2012, Tianhe manufactured and sold 24 unit of tower tubes (2011: 283) and of 81MW (2011: 38.7MW) of PV mounting brackets.

In 2012, the Group's EPC&M company generated a total revenue of HK$907,441,000 (2011: HK$857,932,000), of which Tianhe company generated a total revenue of HK$91,532,000 (2011: HK$417,781,000). The increase in EPC&M revenue was mainly resulted from the rise of equipment procurement business which generally has high turnover, but low profit margin comparing design, consultancy & construction, thus, profit of EPC&M did not reflect the same growth.

2) Power Plant Operation and Maintenance (O&M)

In 2012, the Group's power plant O&M company focused on strengthening its capability and made more effort in external marketing. It provided full O&M services, equipment preventive tests, technical renovation overhaul, wind power forecast and other services to internal and external power plants, as well as carried out warranty period inspection and maintenance services contracted by turbine manufacturers. As a result, the revenue and profit of Group's power plant O&M company increased steadily in 2012.

In 2012, the Group's O&M unit had provided services to 42 wind and solar power plants, 13 of which were to external wind power plants. In addition, 16 scheduled inspection service contracts were signed with turbine manufacturers, and 14 service contracts for preventive tests, technical renovation overhaul and wind power forecast were signed with external wind power plants. This business segment contributed revenue of HK$ 129,314,000 (2011: HK$ 101,114,000) to the Group.

III. Liquidity and Financial Resources

As at the end of 2012, the Group had cash and cash equivalents of approximately HK$731,167,000 (31 December 2011: HK$1,063,541,000). As at that date, the current ratio was 1.69 times (31 December 2011: 1.32 times), gearing ratio (long term liabilities divided by owner's equity) was 0.30 (31 December 2011: 0.22). At the end of the reporting period, the Group's borrowings amounted to HK$1,382,087,000 (31 December 2011: HK$1,131,036,000), and the consolidated net assets of the Group stood at approximately HK$4,454,998,000 (31 December 2011: HK$4,474,382,000).

Foreign Exchange Risk

In 2012, the Group's principal businesses are dominated in Renminbi. The Group did not engage in the use of any financial instruments for hedging purpose.

Charge of Asset

As of 31 December 2012, equipment of the Group and office building with its land use rights were pledged as security for outstanding loan of RMB 293,910,000 and RMB 51,000,000, respectively.

Contingent Liabilities

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 those jointly controlled entities as security for the bank loans of each of the respective jointly controlled entities.

As at 31 December 2012, the Group has pledged its share of entity interests of five jointly controlled entities (2011: five) with total value of its share of registered capital held by the Group amounted to HK$341,913,000(2011: HK$341,976,000) as security for the bank loans of jointly controlled entities.

Gansu Guazhou Century Concord Wind Power Co.,Ltd ("Guazhou") , a jointly controlled entity of the Group, signed a loan agreement with total amount of US$140,000,000 with International finance corporation ("IFC") . As at 31 December 2012, IFC lended US$99,556,000 to Guazhou company. Pursuant to the guarantee agreement sign with IFC, the Group has provided the corporate guarantee to IFC and pledged its subsidiary's 49% equity interests of Guazhou company, with total value of HK$404,352,000 (2011: HK$404,427,000).

Save as mentioned above, the Group did not have any significant contingent liabilities as at 31 December 2012.

Commitments

As at 31 December 2012, the Group had capital commitments of HK$566,434,000 (31 December 2011: HK$534,443,000) which were not accounted for in the financial statements. The amount was mainly the capital committed for investment in power plants of HK$343,892,000 (31 December 2011: HK$515,905,000) and capital committed for the payment for equipment purchased by subordinate project companies of HK$222,542,000 (31 December 2011: HK$18,538,000).

IV. Staff and Remunerations

As of 31 December 2012, the Group had 1,586 (31 December 2011: 2,012) full-time employees - 163 for the Group's headquarter, 430 for project development and project management, 519 for EPC&M, 474 for O&M.

During the reporting period, the staff cost is HK$157,349,000 (2011: HK$190,236,000), representing a 17.29% drop compared to 2011.

V. Social Responsibility and Environmental Protection

In 2012, the Group revised the "Administrative Manual on Environment, Health, Safety and Social Management System of China WindPower" according to new businesses and polices, and strengthened the Group's spirit in social responsibility, safety, health and environment protection. In 2012, the Group's subsidiary-Gansu Guazhou Century Concord Wind Power Limited passed the external audit on the continuous effectiveness of "OHSAS18001 Occupational Health And Safety Management Certification Certificate".

In terms of social responsibility, the Group donated money for education development in the remote and poor areas near its power plant sites, and sponsored scholarships in North China Electric Power University. The staffs also voluntarily supported the Hope School and under privileged students. The Group's charity fund assisted several employees, who faced living difficulties due to severe illness or accidents, to lighten their financial burden, share the warmth from the corporate family, and be more confident to conquer the difficulties.

The Group has made eminent achievements in emission reduction through its investments in wind and solar power projects. During the year, the Group's wind power plants reduced carbon dioxide emission by 2,120,000 tons, sulfur dioxide emission by 20,916 tons, and nitrogen oxide emission by 1,855 tons. Moreover, in contrast to coal-fired thermal plants, the Group's wind and solar power plants saved 712,900 tons of standard coal and 5,921,100 tons of water. At the end of the reporting period, the Group's wind and solar power plants had cumulatively reduced carbon dioxide emission by 5,730,000 tons, sulfur dioxide emission by 57,054 tons, and nitrogen oxide emission by 5,045 tons. They had saved 1,942,100 equivalent tons of standard coal and 16,100,800 tons of water.

VI. Prospect

In 2013, it is expected that the China's economy will continue to grow and the power consumption will rise.The Chinese Government plans to add 18GW wind power capacity and 10GW solar power capacity, which is a good news to the industry, particularly for the solar power industry. The Group also faces a good development opportunity.

In 2013, the Group will put more effort on project approval, strive to achieve more than 900MW of approvals and increase investments and constructions of wind power projects in the South and solar power projects.

In 2013, the main business strategies of the Group are as follows:

1) Maintaining and implementing "southward development" strategy. In 2013, the Group's new constructed projects will be located mainly in the southern regions where curtailment is not a problem. Meanwhile, the Group will sell assets in the North and replaced them with assets in the South. Through these measures, the Group's asset quality will be improved promptly.
2) Developing solar power to become one of the Group's core businesses. The Group will increase its investments in solar power projects to capture the higher returns in solar power projects due to the low solar PV module price .
3) Improving the efficiency of the power plants operation. Strengthen production safety management, increase the technical operational standard of power plants and adopt various effective measures to improve the utilization hours of the power plants and reduce the loss caused by curtailment.
4) Continuing to implement various measures to control costs. The Group will continue to adjust organization structure and optimize human resource.

As a emerging strategic and sunrise industry, the development of renewable energy industry has a bright future. We believe, through the implementation of above business strategies and with the joint efforts of all staff, the Group will seize the opportunities to deliver a stronger and better new year, and achieve a long term sustainable development.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's independent auditor, PricewaterhouseCoopers Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers Hong Kong on the preliminary announcement.

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

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

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2012, 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 deviations:

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.

Code Provision A.6.7

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Due to other pre-arranged business commitments, not all the non-executive director and independent non-executive director of the Company have attended the annual general meeting of the Company.

DIRECTORS' SECURITIES

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 year ended 31 December 2012.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive Directors, Dr. Wong Yau Kar, David, BBS, 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 consolidated financial statements for the year ended 31 December 2012 have been reviewed by the Audit Committee.

APPRECIATION

The Board wishes to take this opportunity to express gratitude to our employees for their contribution and dedication to the Group. We also thank our shareholders, customers and business partners for their continuous support.

For and on behalf of
China WindPower Group Limited
Liu Shunxing
Chairman and Chief Executive Officer
Hong Kong, 22 March 2013

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,BBS,JP, Mr Yap Fat Suan, Dr.Shang Li and Ms Huang Jian (who are independent non-executive Directors).