China WindPower 中国风电

中国风电集团有限公司*
China WindPower Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 182)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2009

The board of directors (the "Board") of China WindPower Group Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2009, together with the comparative figures for 2008. The consolidated results have been reviewed by the Company's audit committee.

* *for identification purposes only*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Continuing operations			
Revenue	3	**379,389**	216,344
Other income	3	**15,673**	23,118
Other gain, net	12(b)	**28,098**	15,204
Expenses			
Cost of construction and inventories sold		**(244,173)**	(104,565)
Employee benefit expense		**(32,148)**	(15,236)
Depreciation and amortisation		**(4,463)**	(872)
Operating lease payments in respect of land and buildings		**(3,189)**	(2,136)
Other expenses		**(26,894)**	(21,950)
Finance costs	4	**(5,507)**	(5,274)
Share of results			
— associates		**4,779**	3,032
— jointly controlled entities		**10,461**	(2,265)
Profit before income tax		**122,026**	105,400
Income tax expense	5	**(3,973)**	—
Profit for the year from continuing operations		**118,053**	105,400
Discontinued operations			
(Loss)/profit from discontinued operations		**(1,983)**	2,687
Profit for the year		**116,070**	108,087
Attributable to:			
Equity holders of the Company		**116,766**	100,064
Minority interests		**(696)**	8,023
		116,070	108,087
Earnings/(loss) per share from profit/(loss) attributable to the equity holders of the Company during the year			
Basic earnings/(loss) per share			
From continuing operations	7	**2.06 HK cents**	2.82 HK cents
From discontinued operations	7	**(0.03) HK cents**	0.08 HK cents
		2.03 HK cents	2.90 HK cents
Diluted earnings/(loss) per share			
From continuing operations	7	**1.81 HK cents**	1.85 HK cents
From discontinued operations	7	**(0.03) HK cents**	0.05 HK cents
		1.78 HK cents	1.90 HK cents

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**47,838**	13,455
Land use right		**642**	—
Intangible assets	*12(a)*	**1,218,469**	903,142
Interests in associates		**99,921**	71,313
Interests in jointly controlled entities		**321,048**	425,738
Deferred tax assets		**6,008**	—
		1,693,926	1,413,648
Current assets			
Inventories		**63,594**	54,970
Trade receivables, net	*8*	**38,802**	43,270
Prepayments, deposits and other receivables		**31,666**	210,438
Amounts due from associates		**19,704**	—
Amounts due from jointly controlled entities		**1,483**	137,819
Cash and cash equivalents		**745,061**	335,531
		900,310	782,028
Assets of disposal group classified as held for sale and discontinued operations	*11*	**50,493**	—
		950,803	782,028
Current liabilities			
Trade payables	*9*	**65,687**	22,100
Other payables and accruals		**40,733**	18,092
Amounts due to jointly controlled entities		**9,791**	67,029
Borrowings		**14**	6,578
Tax payable		**1,399**	—
		117,624	113,799
Liabilities of disposal group classified as held for sale and discontinued operations	*11*	**19,299**	—
		136,923	113,799
Net current assets		**813,880**	668,229

	Notes	**2009**	2008
		HK$'000	*HK$'000*
Total assets less current liabilities		**2,507,806**	2,081,877
Non-current liabilities			
Convertible notes		**23,205**	133,930
Borrowings		**31**	123
		23,236	134,053
Net assets		**2,484,570**	1,947,824
Capital and reserves attributable to the equity holders of the Company			
Share capital	*10*	**62,545**	45,545
Reserves		**2,408,420**	1,891,730
		2,470,965	1,937,275
Minority interests		**13,605**	10,549
		2,484,570	1,947,824

NOTES

1. Summary of significant accounting policies

The consolidated financial statements 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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, the following amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's accounting period beginning on or after 1 April 2008.

HKAS 39	Finance Instruments: Recognition and measurement — amendment on reclassification of financial assets
HK(IFRIC)-Int 11	HKFRS 2 Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

On 5 March 2009, The Company entered into a sale and purchase agreement to dispose of the entire equity interests in Nam Pei Hong Sum Yong Drugs Company Limited, NPH Sino-Meditech Limited, Poo Yuk Loong Limited and 保玉龍食品(深圳)有限公司 (Poo Yuk Loong (Shenzhen) Limited*) (collectively, "NPH Group"). The disposal of NPH Group represents a discontinued operation and the details of the results of the discontinued operations are disclosed in Note 11.

Summary of details of the business segments is as follows:

(a) Continuing operations

Wind power business — the engineering, procurement and construction ("EPC"), operation and maintenance of wind power plants, and manufacture of wind power equipments and wind power related business.

(b) Discontinued operations

Nam Pei Hong — the sum yung and pharmaceutical products segment sells Chinese and other medicines, pharmaceutical products, health products and dried seafood products to wholesalers and retailers as well as Chinese clinical services.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

* *for identification purposes only*

(a) ***Business segments***

The following table presents the revenue, profit/(loss) for the Group's business segments for the year ended 31 March 2009. The comparative figures have been reclassified to conform with the current year's presentation.

2009	**Continuing operations Wind power business** *HK$'000*	**Discontinued operations Nam Pei Hong** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue:			
Sales to external customers	**379,389**	**89,034**	**468,423**
Segment results	**118,563**	**(1,983)**	**116,580**
Finance income			**13,806**
Unallocated income			**770**
Unallocated expenses			**(20,846)**
Finance costs			**(5,507)**
Share of profit of associates			**4,779**
Share of profit of jointly controlled entities			**10,461**
Profit before income tax			**120,043**
Income tax expense			**(3,973)**
Profit for the year			**116,070**
Segment assets	**2,148,329**	**50,493**	**2,198,822**
Interests in associates			**99,921**
Interests in jointly controlled entities			**321,048**
Unallocated assets			**24,938**
Total assets			**2,644,729**
Segment liabilities	**(111,509)**	**(19,299)**	**(130,808)**
Unallocated liabilities			**(29,351)**
Total liabilities			**(160,159)**
			Unallocated
Other segment information:			
Capital expenditure	**41,064**	**870**	**9**
Depreciation	**3,694**	**1,566**	**434**
Amortisation of intangible asset and land use right	**335**	**—**	**—**
Loss on disposal of fixed assets	**—**	**202**	**—**
Share-based compensation	**2,233**	**—**	**3,450**

2008	Continued operations Wind power business	Discontinued operations Nam Pei Hong	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Sales to external customers	216,344	81,468	297,812
Segment results	98,900	2,687	101,587
Interest and dividend income			16,588
Unallocated income			6,499
Unallocated expenses			(12,080)
Finance costs			(5,274)
Share of profit of associates			3,032
Share of loss of jointly controlled entities			(2,265)
Profit before income tax			108,087
Income tax expense			—
Profit for the year			108,087
Segment assets	1,418,800	51,803	1,470,603
Interests in associates			71,313
Interests in jointly controlled entities			425,738
Unallocated assets			228,022
Total assets			2,195,676
Segment liabilities	(90,791)	(18,326)	(109,117)
Unallocated liabilities			(138,735)
Total liabilities			(247,852)
			Unallocated
Other segment information:			
Capital expenditure	9,805	2,299	1,338
Depreciation	1,392	617	255

(b) Geographical segments

The following table presents revenue and certain assets and expenditures information for the Group's geographical segments.

2009	**The PRC**	**Hong Kong**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenue:			
Sales to external customers	**379,389**	**89,034**	**468,423**
Other segment information:			
Segment assets	**2,569,298**	**75,431**	**2,644,729**
Capital expenditures	**41,064**	**879**	**41,943**

2008	The PRC	Hong Kong	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Sales to external customers	216,344	81,468	297,812
Other segment information:			
Segment assets	1,915,815	279,861	2,195,676
Capital expenditures	9,805	3,637	13,442

3. Revenue and other income

Revenue represents consultancy and construction income; the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of maintenance and other services rendered during the year.

An analysis of revenue and other income is as follows:

	2009 *HK$'000*	2008 *HK$'000*
Continuing operations		
Revenue		
Wind power engineering consultancy and construction income	**379,389**	216,344
Other income		
Interest income	**13,806**	13,223
Dividend income on financial assets at fair value through profit or loss	**—**	3,365
Net realised gains on disposal of financial assets at fair value through profit or loss	**—**	6,499
Others	**1,867**	31
	15,673	23,118

4. Finance costs

	2009 *HK$'000*	2008 *HK$'000*
Interest on convertible notes	**3,925**	4,993
Interest on amounts due to associates	**1,115**	—
Interest on bank borrowings, wholly repayable within five years	**461**	—
Interest on finance lease	**6**	4
Interest on convertible preference shares	**—**	277
	5,507	5,274

5. Income tax expense

	2009	2008
	HK$'000	*HK$'000*
Current tax:		
— Overseas taxation — The PRC	**9,981**	—
Deferred tax	**(6,008)**	—
	3,973	—

6. Dividend

No dividend was paid or proposed during the year 2009, nor has any dividend been proposed since the balance sheet date (2008: Nil).

7. Earnings/(loss) per share

(a) Basic

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

	2009	2008
Weighted average number of shares in issue (thousands)	**5,770,087**	3,447,141
Profit from continuing operations attributable to equity holders of the Company (HK$ thousands)	**118,749**	97,377
Basic earnings per share from continuing operations attributable to equity holders of the Company (HK cents per share)	**2.06**	2.82
(Loss)/profit from discontinued operations attributable to equity holders of the Company (HK$ thousands)	**(1,983)**	2,687
Basic (loss)/earnings per share from discontinued operations attributable to equity holders of the Company (HK cents per share)	**(0.03)**	0.08
Profit attributable to equity holders of the Company (HK$ thousands)	**116,766**	100,064
Basic earnings per share attributable to equity holders of the Company (HK cents per share)	**2.03**	2.90

(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 two categories of dilutive potential ordinary shares: convertible notes and share options. The convertible notes are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expenses. For the 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 the outstanding share options. The number of shares calculated as above is compared to the number of shares that would have been issued assuming the exercise of the share options. The effects of the assumed conversion of the share options were anti-dilutive.

	2009	2008
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**116,766**	100,064
Interest expenses on convertible notes	**3,925**	4,993
Profit used to determine diluted earnings per share	**120,691**	105,057
Weighted average number of ordinary shares in issue (thousands)	**5,770,087**	3,447,141
Adjustment for		
— assumed conversion of convertible preference shares (thousands)	**—**	735,635
— assumed conversion of convertible notes — issued (thousands)	**1,001,071**	673,401
— assumed conversion of convertible note — to be issued (thousands)	**—**	673,401
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**6,771,158**	5,529,578

8. Trade receivables, net

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**38,802**	43,564
Less: provision for impairment of receivables	**—**	(294)
	38,802	43,270

An aged analysis of the trade receivables, based on invoice date, as at the balance sheet date, net of provision, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Within 3 months	**24,652**	43,107
3 to 6 months	**14,150**	132
6 to 12 months	**—**	31
	38,802	43,270

Credit terms granted to customers range between 30 and 180 days. The carrying amounts of trade receivables approximate their fair values and all are denominated in RMB.

9. Trade payables

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Within 3 months	**39,047**	19,272
3 to 6 months	**11,156**	1,399
6 to 12 months	**11,990**	1,291
Over 12 months	**3,494**	138
	65,687	22,100

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

10. Share capital

	2009	2008
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 (2008: 10,000,000,000) ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
6,254,470,578 (2008: 4,554,470,578) ordinary shares of HK$0.01 each	**62,545**	45,545

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

	No. of shares	Nominal value
	'000	*HK$'000*
Authorised:		
As at 31 March 2009 and 31 March 2008: 10,000,000,000 ordinary shares of HK$0.01 each	10,000,000	100,000
Issued and fully paid:		
At 31 March 2008: 4,554,470,578 ordinary shares of HK$0.01 each	4,554,471	45,545
Issues of ordinary shares at HK$0.01 each on conversion of convertible notes *(Note)*	1,700,000	17,000
At 31 March 2009: 6,254,470,578 ordinary shares of HK$0.01 each	6,254,471	62,545

Note:

On 14 July 2008, 1,700,000,000 ordinary shares par value HK$0.01 each of the Company were issued as a result of the conversion of convertible notes with a principal amount of HK$168,300,000.

11. Assets and liabilities of disposal group classified as held for sale and discontinued operations

Discontinued operations represents a separate major line of business or geographical area of operation disposed of in the current year.

On 5 March 2009, The Company entered into the sale and purchase agreement to dispose of the entire equity interests in China Windpower Group Limited, which in turn, directly and indirectly, holds each of the entire issued share capital of NPH Group. Details of the disposal were disclosed in the Company's circular dated 27 March 2009. The disposal of NPH Group represents a discontinued operations. The assets and liabilities related to NPH Group have been classified as held for sale. The transaction was completed on 19 May 2009.

	2009
	HK$'000
(a) Assets of disposal group classified as held for sale and discontinued operations	
Property, plant and equipment	**1,880**
Inventories	**10,708**
Trade receivables	**2,706**
Other current assets	**7,002**
Cash and cash equivalents	**28,197**
Total	**50,493**

	2009
	HK$'000
(b) Liabilities of disposal group classified as held for sale and discontinued operations	
Trade and other payables	**7,646**
Borrowings	**7,509**
Other current liabilities	**3,436**
Provisions	**708**
Total	**19,299**

	2009	2008
	HK$'000	*HK$'000*
(c) Analysis of the result of discontinued operations, the disposal group, is as follows:		
Revenue	**89,034**	81,468
Other income	**2,247**	4,364
Cost of revenue	**(60,814)**	(52,672)
Expenses	**(32,450)**	(30,473)
(Loss)/profit before tax of discontinued operations	**(1,983)**	2,687
Tax	**—**	—
(Loss)/profit after tax of discontinued operations	**(1,983)**	2,687

12. Acquisition and Disposal of subsidiaries

(a) Acquisition of subsidiaries

Pursuant to a conditional sale and purchase agreement (the "S&P Agreement") entered by the Company with China Wind Power Investment Limited, under which the Company agreed to acquire the entire issued share capital of China Wind Power Holdings Limited ("China Wind Power"). The consideration for the acquisition was settled by the issuance of the 1st tranche convertible note with principal amount of HK$100,000,000 and fair value of HK$640,750,000 on 1 August 2007. The Company also recorded a contingent consideration of HK$333,060,000 at 31 March 2008, being the estimated fair value of the 2nd tranche convertible note with principal amount of another HK$100,000,000. The acquisition was completed on 1 August 2007 and the amount of the goodwill arising as a result of the acquisition was recorded at HK$901,142,000 for the year ended 31 March 2008.

The 2nd tranche convertible note was issued on 19 June 2008. It was valued by an independent valuer and measured at fair value on the day of its issuance. This valuation of the 2nd tranche convertible note resulted in a fair value adjustment of HK$252,470,000, which was adjusted as an additional consideration for the acquisition of China Wind Power and hence resulting in a corresponding increase in the amount of goodwill. After adjusting for exchange differences of HK$62,957,000, goodwill as at 31 March 2009 was HK$1,216,569,000.

(b) *Disposal of subsidiaries*

On 16 March 2009, the Group entered into a sale and purchase agreement ("JV-S&P Agreement") with CLP Power China (Northeast) Limited, pursuant to which the Group disposed of a 50% equity interest in the CLP-CWP Wind Power Investment Limited, for a consideration of HK$101,300,504, which in turn holds the entire issued share capital of CWP Development Ltd. ("CWPD") at completion of the JV-S&P Agreement. Upon completion, CWPD ceased to be a subsidiary and was accounted for as a jointly controlled entity.

On 25 September 2008, the Company entered into a sale and purchase agreement to dispose of the entire equity interest in Great Grand Limited for a consideration of HK$25,600,000. Great Grand Limited ceased to be a subsidiary upon completion of the disposal.

	2009
	HK$'000
Carrying value of net assets/(liabilities) disposed of:	
Investments in jointly controlled entities	**74,215**
Prepayment and other receivables	**39**
Financial assets at fair value through profit or loss	**24,830**
Other payables and accruals	**(281)**
	98,803
Gain on disposal of subsidiaries	**28,098**
	126,901
Satisfied by:	
Cash	**126,901**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The financial crisis swept across the world in 2008. However, despite facing drastic changes the Group adopted a very prudent business strategy and kept focus on its core wind power business. Notwithstanding the challenging macro-environment and drawing on its flexible and responsive approaches and unique business model which integrates wind farm construction and operation, equipment manufacturing and investment in wind power plants, the Group managed to achieve profit growth and strong cash flow and the Group has laid the foundation for achieving rapid growth in the years immediately ahead. During the year, the wind power business recorded consolidated revenue of HK$379,389,000 (2008: HK$216,344,000), representing an increase of 75% from last year. Cash and cash equivalents were HK$745,061,000 (2008: HK$335,351,000). At the end of the financial year, the Group's net assets value amounted to HK$2,484,570,000 (2008: HK$1,947,824,000), representing a growth of 27% from last year. Profit attributable to equity holders of the Company was HK$116,766,000 (2008: HK$100,064,000), representing an increase of 17% as compared with last year. Basic earnings per share from the continuing operations were 2.06 HK cents (2008: 2.82 HK cents) and its fully-diluted earnings per share were 1.81 HK cents (2008: 1.85 HK cents).

Wind Power Business

During the year, the Group strengthened its wind power business and made significant progress in securing wind power resources, investment in wind power plants, project design and consultancy, engineering and construction, operation and maintenance, and equipment manufacturing as compared with the previous year.

1. Wind Power Resources

The Group continued to build up quality wind power resources. During the year, it signed exclusive development agreements with local governments for wind power resources of 1,550MW, which include 200MW in Jilin Province, 300MW in Longjiang, Heilongjiang Province, 200MW in Damaoqi, Inner Mongolia Autonomous Region, 300MW in Xinghe, Inner Mongolia Autonomous Region, 200MW each in Kangbao and Guyuan in Hebei Province and 150MW in Cangnan County in Zhejiang Province. The Group now has reserves of wind power resources of 7,600MW in aggregate, which lay a solid base for accomplishing future growth. The rapid development of the wind power industry has turned quality wind resources in China increasingly valuable and the intrinsic value of such wind resources is growing. This phenomenon becomes the competitive advantage of the Group with a rich holding of wind power resources. The Group will continue to explore and enrich its reserve of wind resources to secure sufficient supply.

2. Investment in wind power plants

As at 31 March 2009, the Group had invested in 12 wind power plants with aggregate capacity of 565.5 MW, of which 286 MW is attributable to the Group. Four of the 12 wind power plants are on grid and five are being constructed and will commence operation in the second quarter. Preparations for the commencement of construction of the remaining three are well underway.

During the year, the Group generated on-grid electricity of 225,520,000 kWh, representing a 329% increase from last year.

The eight wind power investment projects undertaken by the Group during the year were backed by secured bank loans at the most favorable interest rates. Various wind power plants of the Group including Erlianhaote, Taipusiqi, Zhenlai Linchang and Zhenlai Heiyupao, FuXin Union and Fuxin Shenhua Xiehe wind power plants had VAT rebates approved by relevant government department and about RMB100,016,000 has been received.

The 12 wind power plants of the Group had all signed CER sales agreements by way of open tender and CDM registration for the plants are being processed. The Changtu Wind Power Project reported CDM revenue of RMB11,762,000 for 2008 and 2009. As for the Erlianhaote Wind Power Project, its application has been published on the United Nations website meaning registration will soon be completed. Four other projects of the Group have been approved by

National Development and Reform Commission ("NDRC") and passed the audit of independent authorities, and are currently reviewed by the United Nations Framework Convention on Climate Change. The Group expects approval to be imminent.

The Group signed an agreement with a subsidiary of CLP Holdings Limited to set up a 50-50 joint venture to invest and develop wind power business in Liaoning Province and Heilongjiang Province, China. The cooperation will allow the two partners to fully realize their respective competitive strengths, which will help speed up development of wind power resources. During the year, the joint venture acquired the Group's interests in Fuxin Shenhua Xiehe Wind Power Plant and FuXin Union Wind Power Plant.

3. Wind Power Consultancy and Design

The Group aggressively built up its wind power construction service capacity during the year. It now has a wind power design and consultancy team with 39 professional engineers and designers. During the year, the team processed 45 wind resource assessment reports, 25 wind power planning reports and 12 feasibility study reports and provided engineering design service to 7 wind power projects. It also offered plans for optimization of wind power plants that the Group invested in and thus helped these plants to enhance their overall efficiency.

4. Wind Power Engineering and Construction Service

Another core business of the Group, wind power engineering and construction service made good progress during the year. The electrical engineering construction company under the Group secured Grade 2 Chief Electrical Engineering and Construction Contractor Qualification, which allows it to undertake contracts for wind power projects of any size and grid construction projects of up to 220KV. Moreover, the Group increased headcount of this business arm with an expanded full-time workforce of 120 employees. The engineering and construction company provided services to 8 wind power plants during the year and generated revenues of HK$125,447,000. (2008: HK$94,018,000)

5. Wind Power Plant Operation and Maintenance Service

The Group accomplished a rapid growth for the business during the year. It signed an agreement with a world leading British renewable energy technology consultation company — Sgurr Energy Ltd. wherein the two parties pledged to cooperate in areas including wind power equipment operation and maintenance, and wind power plant technology consultancy service. During the year, the Group undertook operations and maintenance services of four wind power plants, bringing in revenues of HK$9,316,000 (2008: HK$1,425,000). The Group has signed contracts with four other wind power plants.

6. Manufacturing of Wind Power Equipment

The Group acquired from an independent third party a wind power equipment production line during the year. The acquisition has enabled the Group to expand production capacity for tower tubes and boost its regional competitiveness. Armed with increased production capacity, the Group has been able to expand rapidly its equipment manufacturing business. Apart from meeting the needs for tower tubes of the wind power plants it invested in, the Group has also participated actively in bids for power tube manufacturing contracts of other companies and secured a number of orders from well-known power groups. During the year, it generated revenues of HK$227,273,000 from manufacture of tower tubes (2008: HK$93,740,000).

7. Others

To ensure smooth construction of wind power projects at the lowest construction costs without compromising quality, the Group centralizes purchases of all critical equipment and raw materials through its own professional procurement centre. The arrangement has allowed it to achieve economies of scale and significant cost saving in purchasing.

Nam Pei Hong

The Group believes this is the golden age for developing wind power business and focusing on the business will be more conducive to its growth. Thus, as stated in an announcement on 6 March 2009, the Group agreed to dispose of its entire interest in NPH Group to Mr. Ko Chun Shun, Johnson, Chairman of the Group, at the total consideration of HK$34,000,000. The completion of the transaction means that the Group can now concentrate and focus all of its resources in the wind power business.

Liquidity and financial resources

As at 31 March 2009, the Group had cash or cash equivalents of approximately HK$745,061,000 (2008: HK$335,531,000). At that date the current ratio was 6.94 times (2008: 6.87 times) and gearing ratio (long term debts over equity and long term debts) was 0.01 (2008: 0.06). The consolidated net assets of the Group stood at approximately HK$2,484,570,000 (2008: HK$1,947,824,000).

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 business are denominated in Renminbi. The Group did not engage in the use of any financial instruments for hedging purposes.

Capital structure

On 19 June 2008, the Company issued the 2nd tranche convertible note with principal amount of HK$100,000,000 to settle contingent consideration for the acquisition of China Wind Power (Note 12(a)). The convertible note, with 1% coupon rate, are convertible at the option of the holder, in whole or in part on or before 1 August 2012, into new shares of the Company at the conversion price of HK$0.099 per share, subject to adjustment. Details of the transaction were disclosed in the Company's circular dated 13 July 2007.

On 14 July 2008, 1,700,000,000 ordinary shares par value HK$0.01 each of the Company were issued as a result of the conversion of convertible notes with a principal amount of HK$168,300,000.

Charge of assets

As at 31 March 2009, the Group had, via its wholly-own subsidiaries entered into joint venture agreements with a joint venture partner in the PRC.

Pursuant to the joint venture agreements, the Group was required to pledge its share of the equity interests in jointly controlled entities as security for bank loans of the jointly controlled entities. As at the close of business on 31 March 2009, the Group had pledged its share of the equity interests in jointly controlled entities namely "Tongliao Taihe Wind Power Co., Ltd.", "Jilin CWP-milestone Wind Power Co, Ltd."and "Jilin Taihe Wind Power Co., Ltd." as securities for the bank loan of these jointly controlled entities. The Group's aggregate equity interests in jointly controlled entities pledged amounted to approximately HK$249,991,000.

Contingent liabilities

Save as disclosed in charge of assets above, the Group did not have any significant contingent liabilities as at 31 March 2009 and 31 March 2008.

Commitments

As at 31 March 2009, the Group has capital commitments of HK$67,873,000 (2008: HK$197,036,000) which were not accounted for in the financial statements. The amount was mainly capital committed for investment in wind power plants.

As at 31 March 2009, rental payments under non-cancellable operating leases amounted to HK$8,487,000 (2008: HK$19,145,000).

Staff and Remuneration

As at 31 March 2009, the Group had 516 full-time employees (2008: 318). During the year, several influential power industry veterans joined the senior management team of the Group. Moreover, the Group also perfected its middle management structure, resulting in improved operational efficiency.

The remuneration packages of employees include salary and discretionary bonus. The Group also grants share options as incentive to employees. The staff remuneration policy and packages, including share options, of the Group are reviewed regularly by the management to ensure employees are rewarded according to their performance and that the Group's remuneration policy is competitive in the market.

CORPORATE GOVERNANCE

At the same time as it pushes for rapid growth, the Group has also relentlessly striven to raise its corporate governance standard. During the year, it laid down 132 sets of rules and regulations and systems to facilitate effective running of all operations. For risk management and control, it set up a collective decision making mechanism and a system of regular checking by the internal control and legal departments. For more efficient cross-regional management, the Group has set up branch offices in the provinces where its business operations cluster, such as Liaoning Province, Jilin Province, Inner Mongolia Autonomous Region and Gansu Province, to ensure its businesses are well-coordinated and cost efficient and respond promptly to market needs.

In the aspect of financial management, the Group continued to strengthen its vertical financial management structure, improve utilization of funds and allocation of internal resources so as to effectively mitigate financial risks.

Apart from strengthening its systems and target-oriented management, the Group also puts considerable attention on nurturing a strong corporate culture with fostering growth of the Group and its staff as the goal.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to developing clean renewable energy to aid the combat of global climate change. As the development of wind power boasts the clear advantages of helping to lower green house gas emission, improve the energy supply structure and protect the environment, it is deemed as a current effort that can benefit the world for generations to come. The Group has, through its wind power plants, helped to reduce emission of 200,000 tonnes of carbon dioxide, 3,710 tonnes of sulphur dioxide, 8,240 tonnes of cinder, 1,198 tonnes of ash flushing water, 412 tonnes of nitrogen dioxide, 38 tonnes of carbon oxide and 15 tonnes of hydrocarbon. In addition, compared with coal-powered supply operating on unit consumption of 350g of coal per kWh and designed water consumption of 288,000 tonnes per 100,000,000 kWh, the Group saved 386,000 tonnes of standard coals and 3,170,000 tonnes of water for the country.

The wind power plants and equipment manufacturing facilities and corporations such as EPC related to the Group are located in northeastern, northern and northwestern China. Investment of the Group in those areas has driven local employment and economic development and been commended by local governments.

The Group has also set up scholarships, grants and other subsidies for students and teachers of the North China Electric Power University, contributing to nurturing talents for the electricity sector.

PROSPECT

Despite the sluggish global economy, climate change has continued to be a concern among countries all over the world. Countries and regions such as China, the European Union and US continued to support and encourage development of clean and renewable energy. And, many countries are banking on new energy sources to reinvigorate their economies. As wind power boasts the most potential for large-scale development, it has been developing at tremendous speed and has shown vast room for future growth.

The Chinese Government has identified the wind power industry as a major focus and pledged support to its development. The Group expects the country to raise the target of planned installed wind power generation capacity in China notably to more than 100 GW by 2020. The introduction of PRC Renewable Energy Law and Mid-Long term Development Plan for Renewable Energy and other complementary policies and measures are also going to facilitate long-term rapid development of wind power.

Supporting recent government efforts to speed up power grid construction and realize its "millions megawatt wind power" plan, the State Grid Corporation of China has come up with corresponding transmission provisions including the transmission of wind power from remote but wind power rich zones to high power consumption regions using extra-high voltage power grid. The marked increase of the planned wind power generation target is going to see construction of wind power projects and ancillary power grids proceeding quickly and cohesively.

As for the wind power equipment manufacturing business, it has seen domestic production technologies becoming more mature and reliable, supply capability of equipment significantly enhanced and costs considerably lowered. For wind power plants, this means less investment will be required, construction cycle can be shortened and their economic returns can be enhanced. The Group expects this trend to persist for a certain period of time.

The Group anticipates continuous fast growth over a longer period for the wind power industry in China, hence is positive about the prospect of the industry. Looking to 2009, backed by increasingly favorable policies and wind power equipment of improved quality and lower prices, and lower financing costs, transmission of wind power to power grids will improve. The Group plans to hasten investment in wind power projects in 2009 and continue to enhance its core competitiveness in wind power business. It will focus on investing in Liaoning Province, Jilin Province and eastern part of the Inner Mongolia Autonomous Region where power grid connection conditions are more favorable and wind power resources are more abundant, and in Gansu Province in the coming year. It also plans to commence construction of wind power projects of capacity between 500 to 600 MW this year to quickly boost attributable installed capacity.

The Group will continue to focus on development of wind power business in the future, aiming to become a first-rate provider of clean energy and professional wind power construction and operation services. Capitalizing on its unique advantages namely its abundant wind power resources, top-notch professionals and all-round operational chain spanning from wind power development and design, wind power plant construction, supply of key equipment to wind power plants to provision of operation and maintenance services, the Group will continue to ensure its business and operational cost-effectiveness will grow quickly together while contributing to a better ecological environment for mankind.

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

During the year ended 31 March 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors of the Company, Mr. Ho Tak Man, Billy, Dr. Wong Yau Kar, David and Mr. Yap Fat Suan. Mr. Yap Fat Suan is the chairman of the Audit Committee. The Audit Committee has adopted the terms of references which are in line with the Code on Corporate Governance Practices. The Audit Committee has reviewed the Group's annual results for the year ended 31 March 2009.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2009 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 on the preliminary announcement.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 March 2009, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions in the Code on Corporate Governance Practices set out in Appendix to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry of all directors of the Company, all directors confirmed that they had complied with the required standard set out in the Model Code throughout the year under review.

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.

By order of the Board
Ko Chun Shun, Johnson
Chairman

Hong Kong, 10 June 2009

As of the date hereof, the Board of directors of the Company comprises Mr. Ko Chun Shun, Johnson, Mr. Liu Shunxing ,Mr Wang Xun, Mr. Yang Zhifeng, Ms. Liu Jianhong and, Mr. Chan Kam Kwan, Jason (who are executive directors), Mr. Tsoi Tong Hoo, Tony (who is non-executive director), Mr. Ho Tak Man, Billy, Mr. Yap Fat Suan, Dr. Wong Yau Kar, David (who are independent non-executive directors).