

**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 2008**

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 2008, together with the comparative figures for 2007. The consolidated results have been reviewed by the Company’s audit committee.

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 March 2008*

	<i>Notes</i>	<b>2008</b> <b>HK\$’000</b>	2007 <i>HK\$’000</i>
Revenues	4	<b>324,936</b>	59,483
Other net income		<b>15,181</b>	44,693
Expenses			
Cost of inventories sold		<b>(162,577)</b>	(36,986)
Employee benefit expenses		<b>(26,778)</b>	(10,119)
Depreciation		<b>(2,264)</b>	(700)
Operating lease payments in respect land and buildings		<b>(10,969)</b>	(10,672)
Liquidation expenses		—	(1,434)
Other expenses		<b>(24,916)</b>	(9,314)
Finance costs	5	<b>(5,293)</b>	(1,353)
Share of results			
— associates		<b>3,032</b>	—
— jointly controlled entities		<b>(2,265)</b>	—
Profit before income tax		<b>108,087</b>	33,598
Income tax expense	6	—	—
Profit for the year		<b>108,087</b>	33,598
Attributable to:—			
Equity holders of the Company		<b>100,064</b>	33,598
Minority interests		<b>8,023</b>	—
		<b>108,087</b>	33,598
Earnings per share for profit attributable to the equity shareholders of the Company during the year			
— basic	8	<b>2.90 HK cents</b>	2.67 HK cents
— diluted	8	<b>1.90 HK cents</b>	2.24 HK cents

\* *for identification purposes only*

## CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		13,455	1,880
Intangible assets		903,142	—
Interests in associates		71,313	—
Interests in jointly controlled entities		425,738	—
		<u>1,413,648</u>	<u>1,880</u>
<b>Current assets</b>			
Inventories		54,970	9,124
Trade receivables, net	9	43,270	2,030
Prepayments, deposits and other receivables		210,438	3,518
Financial assets at fair value through profit or loss		—	3,124
Amounts due from jointly controlled entities		137,819	—
Cash and cash equivalents		335,531	22,669
		<u>782,028</u>	<u>40,465</u>
<b>Current liabilities</b>			
Trade payables	10	22,100	8,109
Other payables and accruals		18,092	5,983
Amounts due to jointly controlled entities		67,029	—
Borrowings		6,578	—
		<u>113,799</u>	<u>14,092</u>
<b>Net current assets</b>		<u>668,229</u>	<u>26,373</u>
<b>Total assets less current liabilities</b>		<u>2,081,877</u>	<u>28,253</u>
<b>Non-current liabilities</b>			
Convertible notes		133,930	—
Convertible preference shares		—	10,790
Borrowings		123	—
		<u>134,053</u>	<u>10,790</u>
<b>Net assets</b>		<u>1,947,824</u>	<u>17,463</u>
<b>Capital and reserves attributable to the equity share holders of the Company</b>			
Share capital	11	45,545	9,503
Reserves		1,891,730	7,960
		<u>1,937,275</u>	<u>17,463</u>
Minority interests		10,549	—
		<u>1,947,824</u>	<u>17,463</u>

## NOTES

### 1. Corporate information

The Company is a limited liability company incorporated in Bermuda. During the year, the Group were involved in the following principal activities:

- Design and consultancy, engineering, procurement and construction, operation and maintenance of wind power plants, and manufacture of wind power equipment
- Wholesale and retail of Chinese and other medicines, health products and dried seafood products
- Provision of Chinese clinical services

### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) *Basis of preparation*

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 (the “Hong Kong Stock Exchange”). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

#### (A) *Adoption of new/revised HKFRS effective from 1 April 2007*

The HKICPA has issued a number of new and revised HKFRS and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company. There have been no significant changes to the accounting policies applied in these financial changes to the accounting policies applied in these financial statements for the years presented as a result of these developments.

As a result of the adoption of HKFRS 7, Financial Instruments: Disclosures and there have been some additional disclosures relating to financial instruments and do not have any impact on the classification and valuation of the Group’s financial instruments.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group’s and the company’s objectives, policies and processes for managing capital.

(B) *New/revised HKFRS that have been issued but are not yet effective.*

The following new/revised HKFRS, potentially relevant to the Group's operations, have been issued and are mandatory for accounting period beginning after 1 April 2008, these have not been early adopted by the Group.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combination
HKFRS 8	Operating Segments
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

- (b) In light of current development of the Group, the management have re-evaluated and decided that it would better serve users of the financial information of the Group to adopt and present the Group's overall expenses by nature in the consolidated income statement. And in this regard, certain comparative figures including the analysis of expenses have been re-classified to conform with current year's presentation.

### 3. Segment information

During the year, the Group has redefined its classification of business segments so as to better align its segment information disclosure to its current operations. The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide.

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.

Summary details of the business segments are as follows:

- (a) 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) Nam Pei Hong — the sum yung and pharmaceutical products segment includes 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.

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.

**(a) Business segments**

The following table presents the revenue, profit/(loss) for the Group's re-defined business segments for the year ended 31 March 2008. The comparative figures have been reclassified to conform with the current year's presentation.

<b>2008</b>	<b>Nam Pei Hong HK\$'000</b>	<b>Wind power business HK\$'000</b>	<b>Eliminations HK\$'000</b>	<b>Consolidated HK\$'000</b>
Segment revenue:				
Sales to external customers	81,110	216,344	—	297,454
Other revenue	2,671	31	—	2,702
	<u>83,781</u>	<u>216,375</u>	<u>—</u>	<u>300,156</u>
Total revenue				
Segment results	<u>1,012</u>	<u>98,900</u>		99,912
Interest and dividend income				18,281
Unallocated revenue				6,499
Unallocated expenses				<u>(12,079)</u>
Finance costs				(5,293)
Share of profits of associates				3,032
Share of losses of jointly controlled entities				<u>(2,265)</u>
Profit before income tax				<u>108,087</u>
Income tax expense				<u>—</u>
Profit for the year				<u>108,087</u>
Segment assets	51,803	1,418,800		1,470,603
Interests in associates				71,313
Interests in jointly controlled entities				425,738
Unallocated assets				<u>228,022</u>
Total assets				<u>2,195,676</u>
Segment liabilities	(18,326)	(90,791)		(109,117)
Unallocated liabilities				<u>(138,735)</u>
Total liabilities				<u>(247,852)</u>
Other segment information:				
Capital expenditure	2,299	9,805		
Depreciation	<u>617</u>	<u>1,392</u>		

2007	Nam Pei Hong HK\$'000	Wind power business HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:				
Sales to external customers	<u>58,369</u>	<u>—</u>	<u>—</u>	<u>58,369</u>
Total revenue	<u><u>58,369</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>58,369</u></u>
Segment results	<u>(2,404)</u>	<u>—</u>		(2,404)
Interest income				1,018
Unallocated revenue				47
Gain on restructuring				44,830
Unallocated expenses				(8,540)
Finance costs				<u>(1,353)</u>
Profit before income tax				33,598
Income tax expense				<u>—</u>
Profit for the year				<u><u>33,598</u></u>
Segment assets	41,982	—		41,982
Unallocated assets				<u>363</u>
Total assets				<u><u>42,345</u></u>
Segment liabilities	(12,196)	—		(12,196)
Unallocated liabilities				<u>(12,686)</u>
Total liabilities				<u><u>(24,882)</u></u>
Other segment information:				
Capital expenditures	1,867	—		
Depreciation	<u>697</u>	<u>—</u>		

**(b) Geographical segments**

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

<b>2008</b>	<b>Hong Kong HK\$'000</b>	<b>PRC HK\$'000</b>	<b>Consolidated HK\$'000</b>
Segment revenue:			
Sales to external customers	<u>81,110</u>	<u>216,344</u>	<u>297,454</u>
Other segment information:			
Segment assets	279,861	1,915,815	2,195,676
Capital expenditures	<u>3,637</u>	<u>9,805</u>	<u>13,442</u>
<b>2007</b>	<b>Hong Kong HK\$'000</b>	<b>PRC HK\$'000</b>	<b>Consolidated HK\$'000</b>
Segment revenue:			
Sales to external customers	58,369	—	58,369
Other segment information:			
Segment assets	41,982	—	41,982
Capital expenditures	<u>1,867</u>	<u>—</u>	<u>1,867</u>

**4. Revenues**

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

An analysis of revenue and other revenue is as follows:

	<b>Group</b>	
	<b>2008 HK\$'000</b>	<b>2007 HK\$'000</b>
Revenue		
Wind power business	216,344	58,147
Nam Pei Hong	<u>81,110</u>	<u>222</u>
	<u>297,454</u>	<u>58,369</u>
Other revenue		
Interest income	14,916	1,018
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	<u>2,702</u>	<u>96</u>
	<u>27,482</u>	<u>1,114</u>
Total revenue	<u>324,936</u>	<u>59,483</u>

## 5. Finance costs

	<b>Group</b>	
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loan, wholly repayable within five years	17	1,030
Interest on convertible notes	4,993	—
Interest on convertible preference shares	277	322
Interest on finance lease	4	1
Others	2	—
	<hr/>	<hr/>
	<b>5,293</b>	<b>1,353</b>
	<hr/> <hr/>	<hr/> <hr/>

## 6. Income tax expense

No Hong Kong profits tax has been provided as the Group has sufficient tax losses brought forward to set off against the assessable profits for the year (2007: Nil). In 2008, the Group's subsidiaries in the People's Republic of China ("PRC") were exempted from PRC Enterprise Income Tax.

## 7. Dividends

No dividend was paid or proposed during the year 2008, nor has any dividend been proposed since the balance sheet date (2007: Nil).

## 8. Earnings per share

### (a) Basic

The calculation of earning per share is based on the profit attributable to the equity holders of HK\$100,064,000 (2007: HK\$33,598,000) and the weighted average of 3,447,141,000 shares (2007: 1,259,697,000 shares) in issue during the year.

### (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 preference shares and convertible notes. The convertible preference shares are assumed to have been converted into ordinary shares as at 1 April 2007. The convertible notes are assumed to have been converted into ordinary shares as at the completion date of the acquisition of China Wind Power Holdings Limited and its subsidiaries, and the net profit is adjusted to eliminate the interest expenses.

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<b>100,064</b>	33,598
Interest expenses on convertible preference shares and convertible notes	<b>4,993</b>	266
Profit used to determine diluted earnings per share	<b>105,057</b>	33,864
Weighted average number of ordinary shares in issue (thousands)	<b>3,447,141</b>	1,259,697
Adjustment for		
— assumed conversion of convertible preference shares (thousands)	<b>735,635</b>	254,247
— assumed conversion of convertible notes — issued (thousands)	<b>673,401</b>	—
— assumed conversion of convertible notes — to be issued (thousands)	<b>673,401</b>	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>5,529,578</b>	1,513,944
Diluted earnings per share	<b>1.90 cents</b>	2.24 cents

#### 9. Trade receivables, net

	<b>Group</b>	
	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables	<b>43,564</b>	2,304
Less: provision for impairment of receivables	<b>(294)</b>	(274)
	<b>43,270</b>	2,030

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

	<b>Group</b>	
	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within 3 months	<b>43,107</b>	1,909
4 to 6 months	<b>132</b>	100
7 to 12 months	<b>31</b>	—
Over 12 months	<b>—</b>	21
	<b>43,270</b>	2,030

The carrying amount of trade receivables are approximate their fair value. Approximately 90% of the total carrying amounts are denominated in Renminbi and 10% denominated in Hong Kong dollars.

## 10. Trade payables

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

	<b>Group</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 3 months	<b>19,272</b>	6,967
4 to 6 months	<b>1,399</b>	927
7 to 12 months	<b>1,291</b>	28
Over 12 months	<b>138</b>	187
	<u><b>22,100</b></u>	<u>8,109</u>

The carrying amount of trade payables are approximate their fair value and approximately 60% of the total carrying amount is denominated in Renminbi and 40% in Hong Kong dollars.

## 11. Share capital

	<b>Group</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	<b>HK\$'000</b>
Authorised: 10,000,000,000 (2007: 3,500,000,000) ordinary shares of HK\$0.01 each	<u><b>100,000</b></u>	<u>35,000</u>
Issued and fully paid: 4,554,470,578 (2007: 950,379,699) ordinary shares of HK\$0.01 each	<u><b>45,545</b></u>	<u>9,503</u>

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 '000's	Nominal value HK\$'000
Authorised:		
At 1 April 2007: 3,500,000,000 ordinary shares of HK\$0.01 each	3,500,000	35,000
Increase in authorised share capital	<u>6,500,000</u>	<u>65,000</u>
As at 31 March 2008: 10,000,000,000 new ordinary shares of HK\$0.01 each	<u><b>10,000,000</b></u>	<u><b>100,000</b></u>
Issued and fully paid:		
At 1 April 2007: 950,379,669 ordinary shares of HK\$0.01 each	950,380	9,503
Subscription of new ordinary shares at HK\$0.01 each	1,260,000	12,600
Issues of ordinary shares at HK\$0.01 each on conversions of convertible preference shares	<u>2,344,091</u>	<u>23,442</u>
At 31 March 2008: 4,554,470,578 ordinary shares of HK\$0.01 each	<u><b>4,554,471</b></u>	<u><b>45,545</b></u>

## ***Share capital***

During the year, the Company has the following movements in the share capital:

### *(a) Increase in authorised share capital*

The Company's authorised share capital was increased to HK\$60,000,000 and then to HK\$100,000,000 by creation of 2,500,000,000 and 4,000,000,000 new ordinary shares of HK\$0.01 each. Details of the increase in authorised share capital were disclosed in the Company's circulars dated 19 March 2007 and 13 July 2007 respectively.

### *(b) Subscription of new shares*

Pursuant to a placing and subscription agreement executed by the Company, on 3 July 2007, a total of 800 million ordinary shares were issued at an issue price of HK\$0.50 per share, raising a net proceed of approximately HK\$387 million. Details of the transaction were disclosed in the Company's announcement dated 23 May 2007.

Pursuant to a placing and subscription agreement executed by the Company on 30 July 2007, a total of 460 million ordinary shares were issued at an issue price of HK\$1.20 per share, raising a net proceed of approximately HK\$536 million. Details of the transaction were disclosed in the Company's announcement dated 31 July 2007.

### *(c) Conversion of convertible preference shares*

On 25 May 2007, 1,350,000,000 ordinary shares par value HK\$0.01 each of the Company were issued as a result of the conversion of 1,350,000,000 convertible preference shares.

On 30 July 2007, 200,000,000 ordinary shares par value HK\$0.01 each of the Company were issued as a result of the conversion of 162,962,963 convertible preference shares.

On 12 October 2007, 188,000,000 ordinary shares par value HK\$0.01 each of the Company were issued as a result of the conversion of 153,185,185 convertible preference shares.

On 2 November 2007, 50,000,000 ordinary shares par value HK\$0.01 each of the Company were issued as a result of the conversion of 40,740,741 convertible preference shares.

On 12 November 2007, 556,090,909 ordinary shares par value HK\$0.01 each of the Company were issued as a result of the conversion of 453,111,111 convertible preference shares.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Operations Review**

The Group acquired China Wind Power Holdings Limited ("China Wind Power") on 1 August 2007, the details of which were contained in the circular of the Company dated 13 July 2007. During the year, the Group made solid progress in the development of its wind power business. The Group's Chinese medicine and healthcare product operation under the "Nam Pei Hong" brand also achieved a satisfactory turnaround during the year.

During the year under review, the Group recorded a consolidated turnover of HK\$324,936,000, compared to HK\$59,483,000 in the previous year. The wind power business accounted for 67% of the Group's total turnover. Profit attributable to equity holders was HK\$100,064,000 (2007: HK\$33,598,000). Basic earnings per share were 2.90 HK cents (2007: 2.67 HK cents) and fully diluted earnings per share were 1.90 HK cents (2007: 2.24 HK cents).

## **Wind Power Business**

This segment recorded a turnover of HK\$216,344,000 and net profit of HK\$98,900,000.

The Group's wind power business made remarkable progress and achievements in the following areas:

### ***1. Investment in wind power plants:***

During the year, the Group invested HK\$362 million in the equity capital of seven wind power plants.

In mid-August 2007, the Group commenced construction of wind power plants in Taipusiqi and Erlianhaote in Inner Mongolia, and Zhenlai in Jilin. Construction of these three wind power plants was substantially completed in March 2008, and fine-tuning of power grid connection configuration is currently underway. The plants are expected to begin commercial operation imminently. Construction of the other four wind power plants is progressing on schedule for completion in calendar 2008.

Chang Tu Wind Power plant, in which the Group owns a 25% equity interest, started generation in January 2007. By the end of December 2007, it had generated around 70,000,000Kwh.

The electricity output of the plant for the year was affected by two major factors. Firstly, since it was in its first year of operation, fine-tuning was required in connection with the power grid. Secondly, 2007 was a poor year in terms of wind. Most of the wind power plants in Northeastern, Northern and Western China reported below average generation output during 2007.

Improved wind conditions are expected in 2008. In April 2008, the Chang Tu Wind Power plant generated 12,000,000Kwh of electricity. (Seasonally, April has very favourable wind conditions). It is expected that the designed power generation capacity will be achieved in 2008.

Last year, the Group increased its wind power resources by approximately 1,000MW. The Group's wind power resources now total approximately 6,000MW in Northern, Northeastern and Northwestern China. The Group secured these wind resources through exclusive development agreements with local government authorities.

## **2. *Wind power engineering, procurement and construction service (“EPC”):***

The Group substantially completed construction of three wind power plants during the financial year and recorded HK\$94,018,000 in turnover. The average construction period was seven months, including four months of winter. Winter last year was harsh, posing a lot of challenges to the construction team.

On the wind power technical consultation and services front, the Group completed seven wind power projects in the financial year, translating into turnover of HK\$27,160,000.

In respect of maintenance service provision, the wind power maintenance company of the Group is among the first batch of professional maintenance service providers in the country. Currently, the Group provides maintenance services for four wind power plants and is exploring cooperation opportunities with certain international well-known professional wind power maintenance companies to expand its business.

## **3. *Manufacturing and other:***

During the year, the Group manufactured 95 wind tower tubes for three wind power plants.

The Group’s associated company in Zheng Zhou has completed the design of gearboxes for 750KW and 1,500KW wind turbines.

The Group has established a procurement centre to oversee the purchase of equipment and raw materials. The Group centralized the control of construction services and equipment procurement in order to lower cost, and improve the monitoring of construction progress so as to ensure efficiency and quality. The Group purchased critical equipment and materials such as wind turbines and steel for six wind power plants in December 2007. This has lowered procurement costs and will ensure smooth construction progress of its wind power plants.

The Group set up an electricity engineering design company during the year. The Company is able to provide high value-added services such as feasibility studies, technical consultancy, engineering design and micro-site selection. Apart from providing technical support to the four existing wind power projects of the Group, it also seeks to offer its services to the rapidly growing wind power service market.

## **Nam Pei Hong**

The well-known “Nam Pei Hong” brand of the Group operates wholesale and retail of Chinese medicines, healthcare products and dried seafood and provides Chinese medical out-patient service. During the year, it recorded turnover of HK\$83,781,000 and net profit of HK\$1,012,000. The turnover and net loss for last year were HK\$58,369,000 and HK\$2,404,000 respectively.

Nam Pei Hong achieved growth due to the enhanced business strategy of the Group. During the year, the Group continued to consolidate and rationalize its retail network, control costs, maximize sales through quality products and services at competitive prices. Looking ahead, the Group will actively seek to expand its distribution channels and expand its product mix to sustain growth.

### **Acquisition and Disposal of subsidiaries**

On 29 April 2007, the Company entered into a conditional Sale and Purchase Agreement (“the S&P Agreement”) with China Wind Power Investment Limited (“Vendor”), under which the Company agreed to acquire the entire issued share capital of China Wind Power Holdings Limited (“China Wind Power”), a limited liability company incorporated in the British Virgin Islands, and its subsidiaries. The minimum consideration for the acquisition is HK\$100,000,000 and the maximum consideration is HK\$200,000,000 depending on the audited net consolidated profit of the China Wind Power and its subsidiaries for the period from the completion date of acquisition to 31 March 2008 or the year immediately following the completion of the S&P Agreement. The consideration for the acquisition was settled by the issue of the convertible notes. The acquisition was completed on 1 August 2007 and the amount of the goodwill and intangible asset arising as a result of the acquisition was approximately HK\$903,142,000. Details of the transactions are disclosed in the Company’s circular dated 13 July 2007.

China Wind Power is principally engaged in the operation, management and investment in wind power electricity generating facilities in PRC. China Wind Power is also engaged in the development, manufacture and sale of wind power electricity generating facilities.

During the year ended 31 March 2008, the Group disposed of 50% of its investment in Century Concord Energy Investment Limited to an independent third party, and disposed of the investment in Healthy Form Investments Limited to another independent third party, for considerations of \$36 million and HK\$28.6 million respectively. As a result of the disposals, the Group recognised a net gain of HK\$15 million.

### **Liquidity and financial resources**

As of 31 March 2008, the Group had cash or cash equivalents of around HK\$335,531,000 (2007: HK\$22,669,000). The current ratio of the Group was 6.87 times (2007: 2.87 times). Its gearing ratio (long term debts over equity and long term debts) was 0.06 compared to 0.38 at 31 March 2007. The Group’s consolidated net assets value stood at around HK\$1,948,000,000 (2007: HK\$17,500,000).

### **Foreign Exchange Risk**

The Group’s financial statements are presented in Hong Kong dollars. The income and expenditure (including capital expenditure) of certain of its principal businesses are denominated in Renminbi. As at the balance sheet date, the Group’s net borrowing amounted to HK\$6,701,000 (2007: nil). The Group did not engage in the use of any other financial instruments for hedging purposes but the Directors do not expect that there is material exchange risk.

## **Capital Structure**

On 1 August 2007, the Company issued first tranche convertible notes of HK\$100,000,000 to settle part of the consideration for the acquisition of China Wind Power. The convertible notes, 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 are disclosed in the Company's circular dated 13 July 2007.

Pursuant to the S&P Agreement for the acquisition of Wind Power Group, the Company shall issue the second tranche convertible notes of another HK\$100,000,000, subject to the agreed profit target is met. It is anticipated the second tranche convertible note will be issued subsequent to the date hereof. A total of 2,020,202,020 ordinary shares of HK\$0.01 each will be issued upon the full conversion of the first and second tranche convertible notes of aforesaid.

## **Charge of assets**

At the balance sheet date, the Group did not have any charges of assets.

## **Contingent liabilities**

The Group did not have any significant contingent liabilities as at 31 March 2008 and 31 March 2007.

## **Commitments**

As at 31 March 2008, the Group had made capital commitments of 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.

Also as at 31 March 2008, rental payments under non-cancellable operating lease payable within one year amounted to HK\$19,145,000.

## **Staff and Remuneration**

As at 31 March 2008, the Group had 318 full-time employees, of whom approximately 220 were in China and 98 were in Hong Kong. The remuneration of employees includes salary and discretionary bonus. The Group also grants share options to provide incentive to employees.

The staff remuneration policy and package, including share options, of the Group is reviewed regularly by the management to ensure that employees are remunerated according to merit and performance and to ensure that the Group's remuneration policy is competitive compared with market level.

## **Prospects**

The wind power business has developed very rapidly since its acquisition and this momentum is expected to continue. As a result, the Board expects that the wind power business will represent an even more significant portion of the turnover and asset of the Group in future.

The Group currently has wind resources with power electricity generation capacity of approximately 6,000MW. This total includes a 200MW wind power project in Jiuquan, Gansu province awarded by the National Development and Reform Commission. Developing these resources will sustain rapid growth of our business.

In 2008, the Group plans to build six to eight wind power plants via joint ventures, each with an installed capacity of around 50MW. Our projects will be supported by the design, engineering, construction, tower tubes manufacturing and maintenance arms of the Group. Given the Group's accelerating development of its wind resources, these various arms of the Group are being expanded by recruitment and in-house training and in the case of the tower tubes manufacturing arm, by expansion of its production capacity. The Group will also monitor the demand and supply of other wind power related equipment market to identify potential business opportunities in the rapidly growing wind power market in China. In addition, the Group's wind power service company will also be actively developing market coverage and rendering professional wind power services to other projects.

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

During the year ended 31 March 2008, 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, 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 2008.

#### **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2008 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 2008, 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, except with the following deviation:

### Code Provision A.2.1

There is no separation of the role of chairman and chief executive officer ("CEO") as set out in the code provision A.2.1 until 12 July 2007. Mr. Liu Shunxing was appointed as an executive director and the CEO of the Company with effect from 13 July 2007.

From 13 July 2007, the roles of the Chairman and the CEO have been segregated and exercised by different individuals.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers ("Model Code") set out in the Appendix 10 of the Listing Rules. All directors of the Company have confirmed that they have complied with the required standards set out in the Model Code during the year.

## 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, 17 June 2008

*As of the date hereof, the Board of Directors 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).*