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**China WindPower Group Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 182)**

**RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

The board of directors (the "Directors") of China WindPower Group Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010, together with the comparative figures for the nine months ended 31 December 2009. The consolidated results have been reviewed by the Company's audit committee. The financial information in the announcement has been agreed by the Group's external auditor, PricewaterhouseCoopers.

**CONSOLIDATED INCOME STATEMENT**  
**For the year ended 31 December 2010**

		For the year ended 31 December 2010 HK\$'000	For the nine months ended 31 December 2009 HK\$'000
	<i>Note</i>		
<b>Continuing operations</b>			
Revenue	4	1,236,020	562,597
Other income	4	7,329	3,912
Other gains, net	5	1,888	17,552
Expenses			
Cost of construction and inventories sold		(713,719)	(323,899)
Employee benefit expense		(101,276)	(57,895)
Depreciation and amortisation		(9,633)	(4,749)
Operating lease payments in respect of land and buildings		(8,955)	(3,775)
Other expenses		(55,129)	(33,338)
Finance costs	6	(4,465)	(1,729)
Share of results			
- associates		4,483	4,020
- jointly controlled entities		192,464	31,700
Profit before income tax		<u>549,007</u>	194,396
Income tax expense	7	(121,784)	(12,654)
Profit for the year/period from continuing operations		<u>427,223</u>	181,742
<b>Discontinued operations</b>			
Loss from discontinued operations		-	(506)
Profit for the year/period		<u><u>427,223</u></u>	<u><u>181,236</u></u>
Profit attributable to equity holders of the Company		<u><u>427,223</u></u>	<u><u>181,236</u></u>
Earnings/(loss) per share from continuing and discontinued operations attributable to the equity holders of the Company during the year/period	8	HK cents	HK cents
Basic earnings/(loss) per share			
From continuing operations		5.85	2.66
From discontinued operations		-	(0.01)
		<u><u>5.85</u></u>	<u><u>2.65</u></u>
Diluted earnings/(loss) per share			
From continuing operations		5.78	2.59
From discontinued operations		-	(0.01)
		<u><u>5.78</u></u>	<u><u>2.58</u></u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2010**

	<b>For the year ended 31 December 2010 HK\$'000</b>	For the nine months ended 31 December 2009 HK\$'000
Profit for the year/period	427,223	181,236
Other comprehensive income:		
Currency translation differences	104,229	4,017
Total comprehensive income for the year/period	531,452	185,253
Total comprehensive income attributable to equity holders of the Company	531,452	185,253

**CONSOLIDATED BALANCE SHEET**  
**As at 31 December 2010**

		As at 31 December 2010 HK\$'000	As at 31 December 2009 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,585,434	123,215
Land use rights		121,645	209
Intangible assets		1,262,995	1,220,735
Interests in associates		135,919	93,421
Interests in jointly controlled entities		916,556	742,001
Deferred tax assets		23,182	16,590
		<u>4,045,731</u>	<u>2,196,171</u>
<b>Current assets</b>			
Inventories		44,425	52,221
Trade receivables	10	108,936	48,947
Prepayments, deposits and other receivables		139,258	39,276
Amounts due from associates		14,368	22,229
Amounts due from jointly controlled entities		339,982	37,400
Cash and cash equivalents		732,544	1,109,561
		<u>1,379,513</u>	<u>1,309,634</u>
<b>Total assets</b>		<u>5,425,244</u>	<u>3,505,805</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings		802,057	-
Deferred tax liabilities		2,072	-
		<u>804,129</u>	<u>-</u>
<b>Current liabilities</b>			
Trade and bill payables	11	203,250	96,415
Other payables and accruals		158,338	61,565
Amounts due to jointly controlled entities		31,690	34,875
Borrowings		247,275	34,072
Tax payables		67,067	11,035
		<u>707,620</u>	<u>237,962</u>
<b>Total liabilities</b>		<u>1,511,749</u>	<u>237,962</u>
<b>Net current assets</b>		<u>671,893</u>	<u>1,071,672</u>
<b>Total assets less current liabilities</b>		<u>4,717,624</u>	<u>3,267,843</u>
<b>Net assets</b>		<u>3,913,495</u>	<u>3,267,843</u>

**CONSOLIDATED BALANCE SHEET (continued)**  
As at 31 December 2010

		As at 31 December 2010 HK\$'000	As at 31 December 2009 HK\$'000
<b>Equity</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	12	73,915	72,787
Reserves		<u>3,839,580</u>	<u>3,195,056</u>
<b>Total equity</b>		<u><u>3,913,495</u></u>	<u><u>3,267,843</u></u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2010

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Premium arising on acquisition of non-controlling interests HK\$'000	Exchange reserve HK\$'000	Other reserves HK\$'000	(Accumulated losses) /retained earnings HK\$'000	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 April 2009	62,545	2,137,413	78,810	(35,481)	121,745	169,647	(63,714)	2,470,965	13,605	2,484,570
<b>Comprehensive income</b>										
Profit for the period	-	-	-	-	-	-	181,236	181,236	-	181,236
<b>Other comprehensive income</b>										
Currency translation differences	-	-	-	-	4,017	-	-	4,017	-	4,017
Total other comprehensive income	-	-	-	-	4,017	-	-	4,017	-	4,017
<b>Total comprehensive income</b>	-	-	-	-	4,017	-	181,236	185,253	-	185,253
<b>Transactions with owners</b>										
Subscription of new ordinary shares	7,000	572,906	-	-	-	-	-	579,906	-	579,906
Exercise of share options	7	682	-	-	-	(345)	-	344	-	344
Issuance of ordinary shares upon conversions of convertible notes	3,235	184,212	-	-	-	(163,667)	-	23,780	-	23,780
Loss of control over a subsidiary	-	-	-	-	-	-	-	-	(13,605)	(13,605)
Share-based compensation	-	-	-	-	-	7,595	-	7,595	-	7,595
<b>Total transactions with owners</b>	10,242	757,800	-	-	-	(156,417)	-	611,625	(13,605)	598,020
Balance at 31 December 2009	72,787	2,895,213	78,810	(35,481)	125,762	13,230	117,522	3,267,843	-	3,267,843
<b>Comprehensive income</b>										
Profit for the year	-	-	-	-	-	-	427,223	427,223	-	427,223
<b>Other comprehensive income</b>										
Currency translation differences	-	-	-	-	104,229	-	-	104,229	-	104,229
Total other comprehensive income	-	-	-	-	104,229	-	-	104,229	-	104,229
<b>Total comprehensive income</b>	-	-	-	-	104,229	-	427,223	531,452	-	531,452
<b>Transactions with owners</b>										
Subscription of new ordinary shares	1,011	76,689	-	-	-	-	-	77,700	-	77,700
Exercise of share options	117	5,852	-	-	-	(1,474)	-	4,495	-	4,495
Forfeiture of share options	-	-	-	-	-	(406)	-	(406)	-	(406)
Share-based compensation	-	-	-	-	-	32,411	-	32,411	-	32,411
<b>Total transactions with owners</b>	1,128	82,541	-	-	-	30,531	-	114,200	-	114,200
<b>Balance at 31 December 2010</b>	<b>73,915</b>	<b>2,977,754</b>	<b>78,810</b>	<b>(35,481)</b>	<b>229,991</b>	<b>43,761</b>	<b>544,745</b>	<b>3,913,495</b>	<b>-</b>	<b>3,913,495</b>

**CONSOLIDATED CASH FLOW STATEMENT**  
For the year ended 31 December 2010

	For the year ended 31 December 2010 HK\$'000	For the nine months ended 31 December 2009 HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	330,835	251,898
Income tax paid	(70,079)	(13,281)
<b>Net cash generated from operating activities</b>	<b>260,756</b>	<b>238,617</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(1,467,316)	(83,512)
Purchases of land use rights	(121,871)	(34)
Proceeds from disposal of property, plant and equipment	1,678	58
Loss of control over a subsidiary	-	(24,821)
Acquisition of interest in a jointly controlled entity	-	(39,904)
Capital injection to associates	(42,265)	(36,870)
Capital injection into jointly controlled entities	(182,724)	(393,302)
Net proceeds received from joint venture partners	51,691	-
Proceeds from disposal of subsidiaries	-	34,000
Proceeds from disposal of an associate	-	51,323
Proceeds from disposal of financial assets at fair value through profit or loss	1,527	1,611
Dividends received from associates	5,334	-
Dividends received from jointly controlled entities	15,849	-
Interest received	3,384	3,541
<b>Net cash used in investing activities</b>	<b>(1,734,713)</b>	<b>(487,910)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from issuance of new ordinary shares	77,700	579,906
Net proceeds from exercise of share options	4,495	344
Proceeds from borrowings	1,402,240	80,638
Repayment of borrowings	(388,163)	(46,566)
Interest paid	(4,465)	(1,149)
Interest element on finance lease payments	-	(4)
Capital element of finance lease payments	-	(45)
<b>Net cash generated from financing activities</b>	<b>1,091,807</b>	<b>613,124</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(382,150)</b>	<b>363,831</b>
Cash and cash equivalents at beginning of the year/period	1,109,561	745,061
Exchange gain on cash and cash equivalents	5,133	669
<b>Cash and cash equivalents at end of the year/period</b>	<b>732,544</b>	<b>1,109,561</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>732,544</b>	<b>1,109,561</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 Change of financial year end date

The financial year end date of the Company and the Group has been changed from 31 March to 31 December in year 2009 so as to be coterminous with the statutory financial year end date of our principal operating subsidiaries, which are mainly situated in the People's Republic of China ("PRC"). Accordingly, the comparative figures for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and related notes thereto are not comparable, as the current financial period covers a twelve-month period from 1 January 2010 to 31 December 2010 and the comparative figures cover a nine-month period from 1 April 2009 to 31 December 2009.

### 2 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"), 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.

#### Application of new and revised HKFRSs

In the current year, the Group has adopted the new and amended HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1 January 2010.

HKAS 17 (Amendment)	Leases
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 28 (Revised)	Investments in Associates
HKAS 31 (Revised)	Interests in Joint Ventures
HKAS 36 (Amendment)	Impairment of Assets
HKAS 38 (Amendment)	Intangible Assets
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations
HK - Int 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on a Demand Clause

### 3 Segment information

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

#### Continuing operations

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

- Consultancy and design – providing technical and consultancy services and securing wind power resources in renewable energy industry;



- Engineering and construction – undertaking electrical engineering and construction of wind power plant projects;
- Manufacture of tower tube equipments – manufacturing of tower tube and gear box equipments for wind power business;
- Operation and maintenance of wind power plants – providing operation and maintenance services to wind power plants; and
- Investment in wind power plant – investing in wind power plants.

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

Segment assets comprise goodwill, interests in associates, interests in jointly controlled entities, property, plant and equipment, land use rights, other intangible asset, inventories, receivables and cash and cash equivalents which are related to the segments identified as continuing operations.

Segment liabilities comprise payables, borrowings and tax payables which are related to the segments identified as continuing operations.

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

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

One (2009: Nil) single customer contributes more than 10% revenue of the Group. Revenues of approximately HK\$212,641,000 (2009: Nil) are derived from a single external customer. These revenues are attributable to the tower tube equipment manufacturing segment.

### **Discontinued operations**

On 5 March 2009, the Company entered into a sale and purchase agreement to dispose of the entire equity interests in China Windpower Group Limited, (a wholly-owned subsidiary of the Company incorporated in British Virgin Islands (“BVI”), which in turn directly and indirectly, held the entire issued share capital of each of Nam Pei Hong Sum Yung Drugs Company Limited, NPH Sino-Meditech Limited, Poo Yuk Loong Limited and Poo Yuk Loong (Shenzhen) Limited (collectively, “NPH Group”). As a result, the NPH Group represented a discontinued operation. The disposal was completed on 19 May 2009.

**Business segments**  
**For the year ended 31 December 2010**

	Consultancy and design HK\$'000	Engineering and construction HK\$'000	Tower tube equipment manufacturing HK\$'000	Wind power plant operation and maintenance HK\$'000	Investment in wind power plant HK\$'000	Total HK\$'000
Segment revenue						
Inter-segment sales	16,810	183,220	(21,631)	10,362	(188,761)	-
Sales to external customers	73,169	517,313	591,428	54,110	-	<b>1,236,020</b>
Segment results	42,430	129,798	179,974	19,020	201,079	<b>572,301</b>
Finance income	1,183	332	753	48	1,068	<b>3,384</b>
Other gains, net	412	135	241	388	712	<b>1,888</b>
Unallocated income						<b>3,945</b>
Unallocated expenses						<b>(28,046)</b>
Finance costs	-	(588)	(3,857)	-	(20)	<b>(4,465)</b>
Profit before income tax						<b>549,007</b>
Income tax expense	(14,067)	(76,331)	(23,689)	(2,368)	(5,329)	<b>(121,784)</b>
Profit for the year						<b>427,223</b>
Segment assets	140,871	733,475	365,011	176,426	3,936,825	<b>5,352,608</b>
Segment assets includes:						
Goodwill	16,242	45,003	32,416	74,986	1,092,385	
Interests in associates	204	-	6,753	-	128,962	
Interests in jointly controlled entities	-	-	-	-	916,556	
Unallocated assets						<b>72,636</b>
Total assets						<b>5,425,244</b>
Segment liabilities	(39,002)	(431,786)	(236,085)	(13,609)	(782,256)	<b>(1,502,738)</b>
Unallocated liabilities						<b>(9,011)</b>
Total liabilities						<b>(1,511,749)</b>
Other segment information						Unallocated
Additions to non-current assets (other than financial instruments and deferred tax assets)	3,329	53,364	14,141	39,456	1,355,991	1,035
Depreciation	599	4,506	2,352	1,321	1,197	545
Amortisation of intangible asset and land use rights	-	98	285	-	49	129
Loss on disposal of property, plant and equipment	-	(46)	143	-	-	-
Share-based compensation	4,449	24,842	1,078	1,636	-	-

**Business segments**  
**For the nine months ended 31 December 2009**

	Consultancy and design HK\$'000	Engineering and construction HK\$'000	Tower tube equipment manufacturing HK\$'000	Wind power plant operation and maintenance HK\$'000	Investment in wind power plant HK\$'000	Total HK\$'000
Segment revenue						
Inter-segment sales	34,218	(15,435)	-	-	(18,783)	-
Sales to external customers	49,561	227,968	270,071	14,997	-	562,597
Segment results	24,476	53,046	81,857	5,610	35,439	200,428
Finance income	3,021	241	185	14	80	3,541
Other gains, net						17,552
Unallocated income						371
Unallocated expenses						(25,767)
Finance costs	(693)	(88)	(948)	-	-	(1,729)
Profit before income tax						194,396
Income tax expense	-	(12,407)	(247)	-	-	(12,654)
Profit for the period from continuing operations						181,742
Loss from discontinued operations						(506)
Profit for the period						181,236
Segment assets	536,338	240,817	310,336	139,893	1,979,240	3,206,624
Segment assets includes:						
Goodwill	15,058	41,722	30,053	69,521	1,062,357	
Interests in associates	225	-	6,416	-	86,780	
Interests in jointly controlled entities	-	-	-	-	742,001	
Unallocated assets						299,181
Total assets						3,505,805
Segment liabilities	(11,024)	(137,854)	(77,668)	(5,054)	(940)	(232,540)
Unallocated liabilities						(5,422)
Total liabilities						(237,962)
Other segment information						Unallocated
Additions to non-current assets (other than financial instruments and deferred tax assets)	1,382	5,933	753	25,708	50,079	11
Depreciation	341	2,674	1,330	95	289	324
Amortisation of intangible asset and land use rights	-	-	469	-	-	75
Loss on disposal of property, plant and equipment	-	-	98	-	-	-
Share-based compensation	1,575	1,760	252	205	-	3,802

#### 4 Revenue and other income

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

An analysis of revenue and other income is as follows:

	<b>For the year ended 31 December 2010 HK\$'000</b>	For the nine months ended 31 December 2009 HK\$'000
Revenue	<b>1,236,020</b>	562,597
Other income		
Interest income	<b>3,384</b>	3,541
Others	<b>3,945</b>	371
	<b>7,329</b>	3,912

#### 5 Other gains, net

An analysis of other gains, net is as follows:

	<b>For the year ended 31 December 2010 HK\$'000</b>	For the nine months ended 31 December 2009 HK\$'000
Gain on disposal of subsidiaries	-	3,312
Gain on disposal of an associate	-	4,460
Gain on assets contribution to jointly controlled entities	<b>361</b>	-
Gain on acquisition of a jointly controlled entity	-	8,169
Net realised gains on disposal of financial assets at fair value through profit or loss	<b>1,527</b>	1,611
	<b>1,888</b>	17,552

**6 Finance costs**

	<b>For the year ended 31 December 2010 HK\$'000</b>	For the nine months ended 31 December 2009 HK\$'000
Interest on convertible notes	-	689
Interest on bank borrowings, wholly repayable within five years	<b>12,334</b>	1,036
Interest on finance lease	-	4
Interest on other loans, not wholly repayable within five years	<b>1,555</b>	-
Others	<b>20</b>	-
	<hr/>	<hr/>
	<b>13,909</b>	1,729
Less: Interest capitalised	<b>(9,444)</b>	-
	<hr/>	<hr/>
	<b>4,465</b>	1,729
	<hr/> <hr/>	<hr/> <hr/>

**7 Income tax expense**

	<b>For the year ended 31 December 2010 HK\$'000</b>	For the nine months ended 31 December 2009 HK\$'000
Current tax:		
- PRC corporate income tax	<b>106,444</b>	23,218
- Withholding tax	<b>19,204</b>	-
Deferred tax	<b>(3,864)</b>	(10,564)
	<hr/>	<hr/>
	<b>121,784</b>	12,654
	<hr/> <hr/>	<hr/> <hr/>

**8 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/period.

	<b>For the year ended 31 December 2010</b>	For the nine months ended 31 December 2009
Weighted average number of ordinary shares in issue (thousands)	<b>7,308,492</b>	6,842,202
<b>Continuing operations:</b>		
Profit from continuing operations attributable to equity holders of the Company (HK\$'000)	<b>427,223</b>	181,742
Basic earnings per share from continuing operations attributable to equity holders of the Company (HK cents per share)	<b>5.85</b>	2.66
	-----	-----
<b>Discontinued operations:</b>		
Loss from discontinued operations attributable to equity holders of the Company (HK\$'000)	-	(506)
Basic loss per share from discontinued operations attributable to equity holders of the Company (HK cents per share)	-	(0.01)
	-----	-----
Profit attributable to equity holders of the Company (HK\$'000)	<b>427,223</b>	181,236
Basic earnings per share attributable to equity holders of the Company (HK cents per share)	<b>5.85</b>	2.65
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**(b) Diluted**

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

For the year ended 31 December 2010, the Company has one 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 to the number of shares that would have been issued assuming the exercise of the share options. For the nine months ended 31 December 2009, in addition to the share options mentioned above, the Company also had another dilutive potential ordinary shares: convertible notes. The convertible notes are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expenses.

	<b>For the year ended 31 December 2010</b>	For the nine months ended 31 December 2009
<b>Continuing operations:</b>		
Profit from continuing operations attributable to equity holders of the Company (HK\$'000)	427,223	181,742
Interest expenses on convertible notes (HK\$'000)	-	689
	<hr/>	<hr/>
Profit used to determine diluted earnings per share (HK\$'000)	<u>427,223</u>	<u>182,431</u>
<b>Discontinued operations:</b>		
Loss from discontinued operations attributable to equity holders of the Company (HK\$'000)	-	(506)
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue (thousands)	<b>7,308,492</b>	6,842,202
Adjustments for :		
- assumed conversion of convertible notes - issued (thousands)	-	145,855
- effect of dilutive potential shares issuable under the Company's share option scheme (thousands)	<b>78,745</b>	69,038
	<hr/>	<hr/>
Weighted average number of ordinary shares used to determine diluted earnings per share (thousands)	<u><b>7,387,237</b></u>	<u>7,057,095</u>
Diluted earnings per share from continuing operations attributable to equity holders of the Company (HK cents per share)	<b>5.78</b>	2.59
Diluted loss per share from discontinued operations attributable to equity holders of the Company (HK cents per share)	-	(0.01)
	<hr/>	<hr/>
Diluted earnings per share attributable to equity holders of the Company (HK cents per share)	<u><b>5.78</b></u>	<u>2.58</u>

**9 Dividend**

The Directors do not recommend the payment of any dividend for the year ended 31 December 2010 (2009: Nil).

**10 Trade receivables**

At the balance sheet date, the ageing analysis of the Group's trade receivables, based on invoice date, was as follows:

	<b>As at 31 December 2010 HK\$'000</b>	As at 31 December 2009 HK\$'000
Within 3 months	71,224	14,090
3 to 6 months	-	6,629
6 to 12 months	37,712	14,052
Over 12 months	-	14,176
	<u>108,936</u>	<u>48,947</u>

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

**11 Trade and bill payables**

	<b>As at 31 December 2010 HK\$'000</b>	As at 31 December 2009 HK\$'000
Trade payables	190,605	96,415
Bill payables	12,645	-
	<u>203,250</u>	<u>96,415</u>

At the balance sheet date, the ageing analysis of the Group's trade payables, based on invoice date, was as follows:

	<b>As at 31 December 2010 HK\$'000</b>	As at 31 December 2009 HK\$'000
Within 3 months	140,085	60,945
3 to 6 months	31,342	12,301
6 to 12 months	18,864	17,681
Over 12 months	314	5,488
	<u>190,605</u>	<u>96,415</u>

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



12 Share capital

	<b>As at 31 December 2010 HK\$'000</b>	As at 31 December 2009 HK\$'000
Authorised:		
10,000,000,000 (2009: 10,000,000,000) ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
7,391,509,965 (2009: 7,278,704,965) ordinary shares of HK\$0.01 each	<u>73,915</u>	<u>72,787</u>

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

	<b>No. of shares 000's</b>	<b>Nominal value HK\$'000</b>
Authorised:		
As at 31 December 2010 and 2009: 10,000,000,000 ordinary shares of HK\$0.01 each	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid:		
As at 1 April 2009: 6,254,470,578 ordinary shares of HK\$0.01 each	6,254,471	62,545
Issues of ordinary shares of HK\$0.01 each on conversion of convertible notes (Note (i))	323,469	3,235
Subscription of new ordinary shares of HK\$0.01 each (Note (ii))	700,000	7,000
Issues of ordinary shares of HK\$0.01 each on exercise of share options	<u>765</u>	<u>7</u>
As at 31 December 2009: 7,278,704,965 ordinary shares of HK\$0.01 each	7,278,705	72,787
Subscription of new ordinary shares of HK\$0.01 each (Note (iii))	101,140	1,011
Issues of ordinary shares of HK\$0.01 each on exercise of share options	<u>11,665</u>	<u>117</u>
<b>As at 31 December 2010: 7,391,509,965 ordinary shares of HK\$0.01 each</b>	<u><b>7,391,510</b></u>	<u><b>73,915</b></u>

Notes:

- (i) On 3 August 2009, 323,469,387 ordinary shares with a par value HK\$0.01 were issued by the Company as a result of the conversion of convertible notes with a principal amount of HK\$31,700,000.
- (ii) Pursuant to a placing and subscription agreement executed by the Company on 16 July 2009, a total of 700 million ordinary shares with a par value HK\$0.01 each were issued at an issue price of HK\$0.85 per share, raising net proceeds of approximately HK\$580 million. Details of the transaction were disclosed in the Company's announcement dated 16 July 2009.
- (iii) Pursuant to a subscription agreement executed by the Company on 30 June 2010, a total of 101,140,000 ordinary shares with a par value HK\$0.01 each were issued at an issue price of HK\$0.77 per share, raising net proceeds of HK\$77,700,000. Details of the transaction were disclosed in the Company's announcement dated 2 July 2010.

### **13 Approval of the consolidated financial statements**

The consolidated financial statements were approved and authorised for issue by the Directors of the Company on 8 March 2011.

## Chairman Statement

Dear Shareholders :

On behalf of the China WindPower Group Limited (“Company”) and its subsidiaries (the “Group”), I hereby present to shareholders the 2010 annual results of the Group. The consolidated revenue and profit attributable to equity holders of the Company for the year ended 31 December 2010 were HK\$1,236,020,000 and HK\$427,223,000 respectively. Basic earnings per share were 5.85 HK cents, a sharp increase of compared to that of the previous year. By 31 December 2010, the Group’s net assets had reached HK\$3,913,495,000.

In 2010, China's economy maintained a rapid growth momentum. To cope with complex economic problems and forestall other potential problems, the Chinese government intensified structural organization and macroeconomic control, but renewable energy industry remains as a strongly encouraged and supported industry by the government. Government support of renewable clean energy provided a favourable environment for the development of the wind power businesses of the Group.

In 2010, the Group grew significantly. The wind power capacity commissioned during the year was higher than the total installed capacity at the beginning of the year, and total installed capacity now exceeds 1GW. Power generation in 2010 tripled that generated in 2009 and amounted to over 1.1 billion kilowatt-hours. The proportion of the investment income of the wind power plants in the Group’s profits greatly increased. The capability of the Group’s service businesses enhanced remarkably. The unique integrated business model ensured construction efficiency and quality for the wind power plants of the Group, and as a result better return.

As the largest foreign investor in China’s wind power market, we rely on our strength to actively develop cooperation with each joint venture partner. In the co-operation with the world's top financial institutions, we obtained a US\$10 million equity investment and a US\$140 million long-term loan from the International Finance Corporation (“IFC”) to fund our presently biggest project- Gansu Guazhou Wind Power Plant. The loan’s interest rate is fixed which helps to mitigate the interest rate risk, and it is denominated in US dollars which allow for potential upside from RMB appreciation. The Group has also signed a US\$120 million long-term loan agreement with the Asian Development Bank (“ADB”) in January 2011. In 2010, we expanded the joint ventures and cooperation with China Power Investment Corporation, Liaoning Energy Investment Group and Shanghai Shenhua Holdings Co Ltd. Through cooperation with these partners and combining the strength of all parties, the Group’s wind power development capability and capacity were strengthened substantially.

During this year, the Group continued to actively secure exclusive wind resources across China and expand our wind reserves. With the launch of low wind speed wind turbines; further reduction in wind turbine prices; and issue of the grid connection and congestion in north China, the Group decided and successfully diversify to develop and explore wind power projects and resources in the southern China. The Group has also started gathering resources, experienced personnel and technical knowledge for future solar power development.

The Group made good progress in building up the management capability in 2010. With the rapid expansion of the Group, it is of even greater importance to have a robust system of strategic management, enterprise control, and risk prevention. As such, we recruited more experienced management personnel at various levels to the Group. During the year, we reviewed and revised our strategic development plan to reflect the changing market conditions. We made certain changes to our Group’s management structure and system so as to further rationalise the operation process, enhanced the establishment and enforcement of performance incentive mechanisms, and strenuously promote information flow within the Group. In streamlining our management structure and systems we strove to strike the right balance between operational efficiency and risk control.

In 2010, we focused more on the building of our Group’s culture. To foster a greater sense of belonging, we have set up a staff caring program, introduced support measures for health and quality of life of our employees, as well as measures to help them in their career development, such as job training and skills upgrading programs. Our efforts have been well received and widely participated by our staff members.

The Group is always very keen on its social responsibility. It has been a consistent practice for the Group to support the economic development of impoverished areas, provide funds for education, reduce greenhouse gas emissions, and protect the ecological environment. In 2010, the Group reduced the carbon dioxide emissions by 1.15 million tons, reduced sulphur dioxide emissions by 11,444 tons and reduced nitrogen oxides emissions by 1,015 tons. Compared with coal-fired thermal power, in 2010, our wind power plants saved standard coal of 390,000 tons and saved water consumption of 3.24 million ton. The Group will continue to make further contribution to mitigate climate warming and to protect the ecological environment.

In 2010, the abnormal weather phenomena that occurred around the world raised alarms about the need to protect the ecological environment. The new energy industry development with wind power as a representative has vital significance for changing China's energy structure and dealing with global climate change. It is expected that countries all over the world will continue to encourage and support the development of new energy economy.

Looking into the year 2011, the Group's wind power plants construction scale will be further expanded. We aim to continue increasing significantly the investment income of wind power plants, as well as the service businesses income such as wind power projects design, consultation, construction, operation and maintenance, and tower tube manufacturing. . We are actively seeking offshore wind power, solar power and other new energy investment opportunities, and pursuing clean energy investments and EPC&M service projects outside China. In the coming year, in addition to generating returns for shareholders, we will continue to shoulder greater responsibility in improving the earth's environment and in maintaining the sustainable development of the economy.

For the coming year, we will face with two major challenges: one is whether the grid connection and curtailment congestion problems in north China can be timely resolved with the construction of high voltage transmission and smart grid. The other is the risk of rising interest rates due to inflation. We will prudently assess the grid condition when developing new wind power projects in the north China. We will diversify into projects in south China. We will continue to actively explore diversified financing channels to reduce the financing costs, including increasing the use of offshore bank.

The Group's outstanding achievements are results of the strong support from our shareholders and partners, as well as the unremitting efforts of the Group's management team and staff. I, on behalf of the Board of Directors, would like to take this opportunity to extend my sincere gratitude to every shareholder, joint venture partner and any party who has offered support to our Group and to the Group's management team and every staff as well. All members of our Group will keep our faith, work hard with full passion and try our best to shoulder our share of the responsibility to protect the environment and improve the energy consumption structure. We will work persistently to make the Group into an international first-class clean energy enterprise with high aspirations, dynamic energy and a keen sense of social responsibility!

## **Management Discussion and Analysis**

### **I. Operating Environment**

After experiencing a recovery brought about by the unprecedented economic stimulus policies, the world economy in 2010 entered a slow, unstable and unbalanced growth period with emerging economies growing rapidly and the developed economies much less so, if at all. Although the economic stimulus policies of countries in the world are being wound down to a greater or lesser extent, renewable energy industries are still given preferential policy support and authorities continue to attach great awareness to the concept of "green" recovery.

China has been one of the world's main engines of economic growth for two successive years with its economic growth rate over 10% in 2010. China's wind power industry continues to grow rapidly benefiting from the great importance attached to energy saving and emissions reduction. In 2010, the newly grid connected installed wind power capacity in China increased by 13.99 GW, brought the total grid connected installed wind power capacity to 31.07 GW, with its newly installed capacity ranking top of the world. The Chinese government continues to give the wind power industry strong

support. The State Council's "Decision on Accelerating the Fostering and Development of New Strategic Industries" issued in 10 October 2010 promotes the fast development of new energy industries in various aspects, such as tendentious policy, market expansion, technology innovation and favourable tax policies. The new energy industries represented by the wind power have a more clear development trend and prospects continue to be favourable.

Wind power technology continues to advance, and the manufacturing capacity of the wind power equipment manufacturers continues to expand rapidly. The cost of the wind turbines has fallen significantly while their efficiency and reliability have improved. Thus the cost of investing in wind power plants has fallen remarkably. As a result, the impact of adverse factors such as rising interest rates is offset and investment in wind power plants enjoys a reasonable return. The launch of the new wind turbines that can operate at low wind speeds makes developing of wind resources in south China feasible.

The construction of ultra high voltage power transmission grid, smart grid and micro-grid will greatly improve the transmission capacity and power dispatch capability of the power grid in north China. In October 2010, a 750KV interprovincial high voltage power transmission line in Gansu commenced operation. Xinjiang, Gansu and the Northwest China Power Grid are now interconnected, making possible the transmission of the power output from the Gansu Jiuquan 10GW wind power base. China is actively developing the "Three Vertical" and "Three Horizontal" high voltage or ultra high voltage integrated power transmission grid which will effectively ease the power transmission problem.

## **II. Business Review**

The Group changed its financial year end date from 31 March to 31 December in 2009, to align with the statutory financial year end date of the Group's operating subsidiaries. Therefore, the results reflect the performance during the 12 months period ended 31 December 2010, ("2010" or "this year") and the comparative figures are for the 9 months period between 1 April 2009 and 31 December 2009 (the "2009 period").

The Group's consolidated income in 2010 from its wind power businesses amounted to HK\$1,236,020,000 (2009 period: HK\$562,597,000), representing an increase of 120% compared to the 2009 period. At the end of 2010, the Group's net assets amounted to HK\$3,913,495,000 (2009: HK\$3,267,843,000), its cash and cash equivalents were HK\$732,544,000 (2009: HK\$1,109,561,000) and its net profit attributable to equity holders, HK\$427,223,000 (2009 period: HK\$181,236,000), up 136% over the 2009 period. Its basic earnings per share arising from continuing operation were 5.85 HK cents (2009 period: 2.66 HK cents) and its fully diluted earnings per share were 5.78 HK cents (2009 period: 2.59 HK cents).

In 2010, the Group continues to focus its business in China and all business segments achieved significant development: wind resources, especially in southern China increased substantially; newly installed wind power capacity in 2010 was greater than the total installed wind power capacity at the start of this year; the Group's attributable power generation was more than twice of what it was in 2009; and the profitability of our wind power service and manufacturing businesses improved significantly.

### **(i) Wind Power Plant Investments and Operations**

#### **1. Investment in Wind Power Plants**

In 2010, the Group had increased its investment in wind power plants, and it commissioned the construction of 11 wind power plants (total capacity of 795MW), of which 9 wind power plants (total capacity of 597MW) have been completed and commenced operation. The Group has invested in a total of 27 wind power projects by the end of this year, with an aggregate capacity of 1,710MW and an attributable capacity of 1,025MW. Amongst the said 27 wind power projects, 21 with a total installed capacity and attributable installed capacity of 1,163MW and 657MW respectively are in

operation. Two wind power plants under construction were sold during this year, with an aggregate installed capacity of 99MW and an attributable installed capacity of 49MW. By the end of the year, the Group had 19 wind power plants in operation, with an aggregate installed capacity of 1,064MW and an attributable installed capacity of 608MW.

The Group has been constructing two national concession projects namely Gansu Jiuquan (201MW) and Inner Mongolia Kailu (300MW) during this year. The Gansu Jiuquan project was completed and commenced operation.

The Group was able to secure financing for the wind power projects at a favourable interest rate. It is worth pointing out that during this year, the Group's subsidiary Gansu Guazhou Century Concord Wind Power Co., Ltd. obtained a US\$140 million long term loan from the International Finance Corporation (“IFC”), a member of the World Bank Group. The aforesaid was IFC's first investment in wind power project in China. The main part of the loan was a fixed rate loan in US dollars, which improves the Group's ability to control borrowing cost and helps to mitigate the floating RMB interest rate risk. IFC also invested US\$10 million to subscribe for new shares of the Company.

In 2010, the Group signed a loan intention agreement with the Asian Development Bank (“ADB”) to provide up to US\$120 million long term low rate loan to the Group to support the development of its wind power plant projects. ADB will provide a USD and RMB dual currency loan, and the funds can be invested in wind power plants as project capital or shareholder loan. The final loan agreement was signed in January 2011.

## **2. Wind Power Generation**

In 2010, the Group recorded share of results in associates and jointly controlled entities of HK\$196,947,000, representing a significant increase compared to HK\$35,720,000 in the 2009 period. Such increase is mainly attributable to the share of results of our investments in wind farms of HK\$124,183,000 (2009 period: HK\$33,974,000); the disposal gain of two wind farms of HK\$28,303,000 (2009 period: nil); and deferred tax credit of HK\$43,930,000 (2009 period: nil). The Group's wind power plants generated electricity output of 1,125.88 million kWh in total, an increase of 269% over the 2009 period. The output attributable to the Group was 510.83 million kWh, representing an increase of 297% over the 2009 period. During this year, the Group has strengthened the wind power plants operation and maintenance, and hence has achieved actual output higher than planned capacity factors, even in grid congestion regions in north China. In particular, our Inner Mongolia Erlanhaote Changfeng Century Concord Wind Power Plant generated capacity factor of over 2,800 hours, and our Inner Mongolia Taipusiqi Century Concord-Shenhua Wind Power Plant and Jilin Taihe Wind Power Co., Ltd. generated capacity factors of over 2,300 hours.

## **3. Wind Resource and Project Development**

According to the Group's forward-looking analysis of the new development of China's wind power industry, the Group continued to obtain as much quality wind resources as possible within China. While firming up the development of our wind power businesses in the “Three North” areas, the Group implemented its strategy of “developing southward, overseas and towards solar energy” and expanded areas of business development.

In 2010, the Group secured over 7,000MW of exclusive wind power development rights with the local governments, including 4,000MW in China's southern provinces which have better grid connection access and higher power consumption capability. After we have collected the wind data, it is expected that the wind reserves of the Group will increased significantly. At the end of 2010, on a conservative estimate, the total amount of the exclusive wind resources exceeded 15GW.

In 2010, the Group obtained 13 project approvals from National/Provincial Development and Reform Commission (NDRC/PDRC), with a total of 900MW grid connection and grid connection proposal approvals.

The Group began to gather solar power development projects, acquire relevant technology, and recruit experienced personnel, as to prepare for investment in solar power projects. The Group signed 648MW of solar development agreements in Gansu, Inner Mongolia, Liaoning, Jilin, etc. and currently undergoing solar test and feasibility studies.

#### **4. CDM Development and Sales**

The Group achieved great progress on Clean Development Mechanism registration. A total of 11 projects have been approved by the NDRC throughout the year. Five CDM projects were successfully registered with the United Nations Executive Board (EB), where one project was registered as the Gold Standard CDM project, and the emission reduction amount of two projects has been certified and issued by the EB. At the end of 2010, seven CDM projects of the Group have been successfully registered with the United Nations EB.

##### **(ii) Wind Power Services Business**

In 2010, the Group made outstanding progress in each of its service and manufacturing business, greatly increased its capabilities and product and service quality, and maintained good safety production record with no major accidents.

##### **1. Wind Power Consultancy and Design Service**

In 2010, the Group's consultancy and design unit received the ISO9001 quality management system certificate and enhanced its service capability, providing wind power projects with the full consultancy and design services, from the initial wind power development planning to services such as wind testing, feasibility study, construction drawing design and post-project assessment. The unit actively promoted its standardization of the wind power plant design, aiming to gradually standardize and modularize the consultancy and design business. The standardization of feasibility study report has been accomplished and the standard templates for construction drawing design reports and drawings have begun to establish. The consultancy and design unit also set up a project design database and formulated a network platform for collaborative design so as to improve the design efficiency and design management level.

In 2010, the consultancy and design unit provided a total of 340 reports - including wind resource assessment, development planning, project resource allocation, turbines selection, feasibility study, micro-site selection and construction drawing design - for wind power projects invested by the Group and also to independent third parties.

In 2010, the Group's consultancy and design unit (including project development business) recorded revenue of HK\$73,169,000 (2009 period: HK\$49,561,000).

##### **2. Wind Power Engineering and Construction Service**

In 2010, the number of projects undertaken by the Group's engineering and construction unit increased significantly. Through recruiting experienced professionals, purchasing large crane equipments, and strengthening the process control, the capability of wind power project construction and the management ability have been improved. No quality and safety accidents happened in the year, and each job was successfully accomplished. The comprehensive strength of the engineering and construction unit was enhanced prominently.

In 2010, the engineering and construction unit undertook construction work for 19 wind power projects, 7 of which were independent third party projects and contributed revenue of HK\$517,313,000 (2009 period: HK\$227,968,000) to the Group..

##### **3. Wind Power Tower Tube Equipment Manufacture**

In 2010, the Group's wind power tower tube equipment manufacturing unit leveraged on its strength in technology, management, raw material purchase and OEM, aggressively and competitively

participated in the market. The aggregate production capacity (including OEM) has expanded significantly. A total of 498 tower tubes were sold. Obvious economic benefits have been obtained by intensifying cost control.

In 2010, the Group established a factory namely Jilin Tianhe Wind Power Equipment Manufacturing Operation and Maintenance Co., Ltd. The new production base completed construction, commenced operation and delivered return in the same year. With the new production base, the Group's tower tube equipment manufacturing unit is capable to manufacture more than 400 tower tubes for up to 3.0MW wind turbines, which made the Group's tower tube manufacturing facilities the biggest in Northeast China and hence further improved its profitability and competitiveness.

In 2010, the Group's wind power tower tube equipment manufacturing unit generated revenue of HK\$591,428,000 (2009 period: HK\$270,071,000).

#### **4. Wind Power Plant Operation and Maintenance Service**

The Group's wind power plant operation and maintenance unit specializes in wind power plant operation, maintenance, overhaul, repairs and wind farm management. In 2010, the operation and maintenance unit formed a three tier management structure, including Beijing headquarter, regional base in each wind power abundant area, and each wind power plant. This structure further enhanced the management efficiency and quality, and strengthened internal management and personnel development. At the same time, the wind power plant operation and maintenance unit was awarded the certification of ISO9000, ISO14001, and ISO18001.

In 2010, the new LiaoningFuxin base commenced operation and is capable of providing express repair and examination services. The Jilin Baicheng base has been equipped with electricity high voltage test instruments and swift examination platform, which provides the base with the operation ability for high voltage test of wind power plants. The Inner Mongolia Baochang base has already possessed with preliminary ability to provide operation and maintenance services and logistical support. Through the regional bases, the operation and maintenance unit can provide regular maintenance and examination services to the wind power plants for the domestic main turbine manufacturers, during the warranty period.

At the end of 2010, the operation and maintenance unit had undertaken on service contracts for a total of 25 wind power plants. In 2010, this business segment recorded revenue of HK\$54,110,000 (2009 period: HK\$14,997,000).

### **III. Liquidity and Financial Resources**

As at 31 December 2010, the Group had cash or cash equivalents of approximately HK\$732,544,000 (2009: HK\$1,109,561,000). As at that date, the current ratio was 1.95 times (2009: 5.5 times), gearing ratio (long term liabilities over shareholders' fund and long term liabilities) was 0.17 (2009: 0) and the Group's borrowings amounted to HK\$1,049,332,000 (2009: HK\$34,072,000). Loans added during this year were mainly for the purpose of construction of wholly owned wind farm projects. The consolidated net assets of the Group stood at approximately HK\$3,913,495,000 (2009: HK\$3,267,843,000).

#### **Foreign Exchange Risk**

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

#### **Charge of Assets**

As at 31 December 2010, an office building of the Group was pledged as security for a RMB\$68,000,000 mortgage loan.



## Contingent Liabilities

The Group, via its wholly-owned subsidiary, had entered into joint venture agreements with JV partners in the PRC. Pursuant to the JV agreements, the Group was required to pledge its share of the equity interests in these jointly controlled entities as security for the bank loans of each of the respective jointly controlled entities. As at 31 December 2010, the Group has pledged its share of equity interests of jointly controlled entities, with total value of HK\$325,808,000(2009: HK\$360,871,000).

Save as mentioned above, the Group did not have any significant contingent liabilities as at 31 December 2010.

## Commitments

As at 31 December 2010, the Group had capital commitments of HK\$1,562,570,000 (2009: HK\$787,175,000), which were not accounted for in the financial statements. The amount was mainly the capital committed for investment in wind power plants of HK\$950,538,000 and the capital committed for the payment for equipment purchased by subordinate project companies of HK\$612,032,000.

## IV. Staff and Compensation

With the rapid development of the Group's business, the ability to attract and recruit talented personnel has been strengthened - more than 500 new employees joined the Group during this year. In 2010, the Group timely adjusted the organization setup, promoted business division and allocation, and agilely adapted to the Group's need for fast and professional development. The Group also improved its training programs, conducted job specific training courses according to different needs of employees, and constructed a training system imbued with the Group's culture. The Group will continue to optimize the option incentive mechanism so as to promote the harmonious growth of the enterprise and employees.

The staff remuneration packages include salaries, discretionary bonuses and share options. Employees' compensation and their other benefits are decided and reviewed by the management with the aims to reward good performance and to keep such remuneration packages at competitive levels in the market. In 2010, the Group distributed a total of 130 million shares of stock options to 257 core employees.

In 2010, in line with the Group's spirit of "Loving Staff, Building Friendship", the Group has set up a "staff support fund" which composed of donations from staff and the Group. The fund received more than RMB200,000 in the whole year, and has provided financial aid to the Group's employees suffering from great difficulties.

As at 31 December 2010, the Group had 1,338 (2009: 816) full-time employees - 151 for the Group's headquarter, 239 for project development and project management, 59 for wind power consultancy and design, 169 for engineering construction, 411 for equipment manufacture, 305 for operation maintenance, and 4 for other subsidiary companies. Staff quality has been improved significantly. 58 personnel of the Group are qualified with senior technical and professional titles, while 103 employees hold a master's degree or above.

## V. Corporate Governance

During this year, the Group enhanced its strategic analysis and planning, and identified the development direction and overall target for the next five years. Also, it mapped out a series of development strategies and specific measures. Within the Group structure, it further emphasized the importance of operating plans, economic analysis, performance review, etc... By perfecting the management system, intensifying internal control and promoting the authorization system construction, it has smoothed and standardized the Group's management and operation flow.

During this year, the Group continued establishing and perfecting the incentive and control mechanism on a larger scale.

The Group has put more attention to risk prevention and internal control management. During this year, it continued to conduct internal audit work in key business sections. Various types of audit have been undertaken in 34 branches, subsidiaries and functions of the Group. Through the continuous review and evaluation, the Group aims to gradually optimize and enhanced its management system and standard.

In 2010, the Group established a sense of cohesiveness between the Group and individual, with employees aliening personal development with the Group's development. "China WindPower Newspaper", a publication of the Group and has so far published 15 issues, has become a channel to promote the Group's image and staff spirit.

## **VI. Social Responsibility and Environmental Protection**

In 2010, the Group published "China WindPower Group enterprise standard - environmental protection and social responsibility management system handbook" according to international standards and was reviewed by international specialists on such topic.

### **(i) Occupational Health and Safety Production**

For the purpose of achieving community health and safety, the Group continued to emphasize on staff's safety and health and enhance their occupational health and work safety. With the implementation of safety production responsibilities, the Group had no significant injury or death accident recorded at any wind power project's construction sites.

### **(ii) Educational Grants and Development Support for Less Developed Areas**

In 2010, the Group performed its duty as a corporate citizen by promoting economic development in underdeveloped areas, supporting education and scientific research, taking an active part in public welfare, and continuing funding of Wind Power scholarship, bursary, teaching assistantship and fellowship.

### **(iii) Environmental and Ecological Protection**

The Group implemented the management system of environmental protection and social responsibility thoroughly, further emphasizing the awareness of environmental protection and ecological sustainable development. It stressed the environmental protection and the need to reduce negative impacts on environment during the wind power plants' construction, and made an effort to build more environment-friendly wind power plants. Meanwhile, it started research on the wind power plants' impact on birds.

### **(iv) Emission Reduction and Conservation**

The Group made remarkable contribution to emissions reduction. Its wind power plants reduced the emission of carbon dioxide by 1,150,000 tons, the emission of sulphur dioxide by 11,444 tons, and the emission of nitrogen oxides by 1,015 tons in 2010. Moreover, in contrast to coal-fired thermal power plant, the Group's wind power plants saved standard coal of 390,000 tons and water of 3,240,000 tons during 2010. As at the end of this year, the Group's wind power plants had reduced the emission of carbon dioxide by 1.8 million tons, emission of sulphur dioxide by 18,264 tons, and emission of nitrogen oxides by 1,605 tons in total, and they had saved standard coal of 620,000 tons and water of 5,120,000 tons for China.

## **VII. Prospect**

We believe that the global economy overall tends to be stable, and for China's economy, the development trend is intact. Increasing demands for energy and emissions reduction requirements for greenhouse gas bring global investment opportunities for clean energies. The Chinese government has listed new energy industries among strategic emerging industries, developing and supporting them with great efforts. This provides rapid development opportunities for new energy industries. Implementation of "Strengthening Smart Grid" will speed up solutions to grid connection and congestion of new energies in north China. Meanwhile, it will bring new business development opportunities. The prices of wind power or solar power equipment will reduce continuously, making the project's investment costs lower. And the technological progress will continue, converting projects with no development value previously to feasible investment opportunities. According to latest planning of National Energy Administration, it is estimated that the wind power installed capacity would hit 150GW and the solar energy 20GW by 2020. Over the next five or ten years, China's new energy industries will remain at a stage of rapid development.

Through a five year rapid development, the Group has grown to become a considerable-sized enterprise with vertical integrated operation. It has some advantages in the reserves of key resources such as wind resources and human resources. Its net assets have reached a certain scale with relatively strong project development capability. With multiple financing channels and joint venture partners, the Group has formed a more variegated platform for investment and financing compared with other enterprises in the industry. Its unique vertical integrated business model has equipped the Group with capacities to respond rapidly to market demands and offer complete wind power solutions. It has established an efficient capacity build up platform, where the mechanical setting, personnel arrangement, management system and information network are all in place. It has set 16 branches or representative offices in major Chinese provinces for new energy development, basically completing the set up for further business development. Strategic direction and target for the Group has been made clear and executed definitely. The Group's reputation and image in the industry has been rising steadily and its influence has been getting stronger. It has formed a solid foundation for the continuous rapid development.

We also realize that there are still many uncertain factors and risks in the wind power industry which we take seriously. Firstly, with the inflation pressures in 2011, China will continue its prudent monetary policy, raising RMB deposit reserve ratio and benchmark interest rate. In the credit tightening financial market, project financing will be influenced considerably. With higher interest rates, the wind power plants' financial expenses will be increased. Secondly, the lagging development of the power grid in north China has influenced the development of wind power industry for some time and has remained unsolved. Difficulties in accessing power grid for northern wind power project will influence the Group's continuous expansion of yearly new production capacity in north China. Thirdly, whether CDM mechanism will continue after 2012 is still unclear. This may be decided in the South Africa Conference in 2011 and whether or not the CDM mechanism continues after 2012 will have an impact on the investment return of wind power plants.

In 2011, the Group will continue to widen its financing channels and adopt multiple forms of financing to reduce financial expenses. It will continue its co-operation with international financial institutions, such as IFC, ADB on a larger scale and pursue more offshore financing. It will also continue its co-operations with joint venture partners, such as China Power Investment Corporation, etc., to develop wind power projects and to solve difficulties together. For investments in wind power projects in north China, the Group will study the development and construction plan of the power grid prudently, in order to synchronise the completion of the power plant and power grid construction. It will also investigate the power grid's consumption capacity for wind power, and control investment size in the Northern provinces accordingly, so as to limit investment risks. In the southern provinces, where power grid infrastructure is good, the development of wind resources and investment in wind power plants will continue in a larger scale. The Group will continue to monitor and analysis its development carefully and always be prepared to act proactively and positively to any problems.

In conclusion, the Group is still in a solid development conditions supported by favourable external environment. Although there are some problems and challenges, they can be overcome. In general,

the Group is in an advantageous development stage and will continue its business and development mainly in the China market. In 2011, the Group will continue to seize strategic opportunities in the new energy industries; further expand investments in wind power plant and wind power services; gather solar power resources and professionals; seek clean energy development and EPCM service projects outside China; and install more new wind power capacity in 2011, in order to achieve a continuous rapid expansion on the Group's scale and profitability and to become one of the world's top-ranked clean and renewable energy companies.

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

During this year ended 31 December 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

#### **CORPORATE GOVERNANCE**

Throughout the year ended 31 December 2010, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CGP Code") set out in Appendix 14 to the Listing Rules, except for the following deviation:

##### **Code Provision A.2.1**

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

#### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2010.

#### **AUDIT COMMITTEE**

The Audit Committee comprises two independent non-executive Directors, Dr. Wong Yau Kar, David JP and Mr. Yap Fat Suan, Henry, and one non-executive Director, Mr. Tsoi Tong Hoo, Tony. Mr. Yap Fat Suan, Henry is the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the CGP Code. The Group's consolidated financial statements for the year ended 31 December 2010 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, 8 March 2011

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