



中国风电集团有限公司*

China WindPower Group Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 182)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

The Board of Directors (the “Directors”) of China WindPower Group Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2007 together with comparative figures for the corresponding period in 2006. The unaudited interim financial report has been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the six months ended 30 September	
		2007 (Unaudited) <i>HK\$'000</i>	2006 (Unaudited) Restated <i>HK\$'000</i>
Revenue		68,277	22,506
Cost of revenue		<u>(37,183)</u>	<u>(14,211)</u>
Gross profit		31,094	8,295
Selling and distribution costs		(11,221)	(8,378)
Administrative expenses		(7,092)	(1,538)
Other income		5,968	693
Other operating income/(expenses)		<u>2,747</u>	<u>(37,539)</u>
Operating profit/(loss)		21,496	(38,467)
Finance costs	4	(1,536)	(978)
Share of profits of associated companies		<u>333</u>	<u>—</u>
Profit/(loss) before tax	3	20,293	(39,445)
Taxation	5	<u>—</u>	<u>—</u>
Profit/(loss) for the period		<u>20,293</u>	<u>(39,445)</u>
Attributable to:			
Equity holders of the Company		18,589	(39,445)
Minority interests		<u>1,704</u>	<u>—</u>
		<u>20,293</u>	<u>(39,445)</u>
Earnings/(loss) per share	7		
— Basic		<u>HK cents 0.72</u>	<u>HK cents (2.81)</u>
— Diluted		<u>HK cents 0.57</u>	<u>HK cents —</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		5,887	1,880
Goodwill		569,309	—
Interests in associates		42,059	—
Interests in jointly controlled entities		88,502	—
		<u>705,757</u>	<u>1,880</u>
Current assets			
Inventories		26,867	9,124
Trade receivables, net	8	730	2,030
Prepayments, deposits and other receivables		60,125	3,518
Financial assets held for trading	9	20,531	3,124
Cash and cash equivalents		833,018	22,669
		<u>941,271</u>	<u>40,465</u>
Current liabilities			
Trade payables	10	16,688	8,109
Other payables and accruals		9,045	5,376
Amount due to a minority shareholder		1,033	—
Provision for long service payments		96	96
Current portion of hire purchase creditors		36	—
		<u>26,898</u>	<u>13,581</u>
Net current assets		<u>914,373</u>	<u>26,884</u>
Total assets less current liabilities		<u>1,620,130</u>	<u>28,764</u>
Non-current liabilities			
Convertible notes	11	61,446	—
Convertible preference shares		2,536	10,790
Provision for long service payments		511	511
Hire purchase contract payables		141	—
		<u>64,634</u>	<u>11,301</u>
Net assets		<u>1,555,496</u>	<u>17,463</u>
Capital and reserves attributable to the Company's equity holders			
Share capital		37,603	9,503
Reserves		1,511,037	7,960
		<u>1,548,640</u>	<u>17,463</u>
Minority interests		<u>6,856</u>	<u>—</u>
	12	<u>1,555,496</u>	<u>17,463</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2007

1. Basis of Preparation and Principal Accounting Policies

The condensed consolidated interim financial statements for the six months ended 30 September 2007 have been prepared in accordance with the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2007.

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group’s audited financial statements for the year ended 31 March 2007.

2. Segment Information

During the period, 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. Each of the Group’s business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. The following table presents the revenue, profit/(loss) for the Group’s re-defined business segments for the six months period ended 30 September 2007 and 30 September 2006. The comparative figures have been reclassified to conform to the current period’s presentation.

	Nam Pei Hong (Unaudited)		Windpower business (Unaudited)		Eliminations (Unaudited)		Consolidated (Unaudited)	
	Restated		Restated		Restated		Restated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment revenue:								
Sales to external customers	31,961	22,506	36,316	—	—	—	68,277	22,506
Intersegment sales	196	148	—	—	(196)	(148)	—	—
Total	<u>32,157</u>	<u>22,654</u>	<u>36,316</u>	<u>—</u>	<u>(196)</u>	<u>(148)</u>	<u>68,277</u>	<u>22,506</u>
Segment results	<u>121</u>	<u>(1,603)</u>	<u>17,551</u>	<u>—</u>			17,672	(1,603)
Interest income							5,345	597
Unallocated revenue and gains							3,370	96
Unallocated corporate expenses							(4,891)	(37,557)
Profit/(loss) from operating activities							<u>21,496</u>	<u>(38,467)</u>

As all of the Group's turnover and profits were derived from Hong Kong and PRC, accordingly no separate geographical segment analysis is presented.

3. Profit before Tax

Profit/(loss) before tax is arrived at after charging/(crediting):

	Group	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Cost of inventories sold	19,452	14,052
Cost of services provided	17,731	159
Loss on deemed disposal of subsidiaries	—	32,554
Provision for amount due from an intermediate holding company	—	596
Depreciation	676	265
Provision for bad and doubtful debts	—	3,977
Provision for pending litigation	—	312
	<u> </u>	<u> </u>

4. Finance Costs

	Group	
	For the six months	
	Ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and other borrowings wholly repayable within five years	—	977
Interest on convertible notes	1,050	—
Interest on convertible preference shares	485	—
Interest on finance leases	1	1
	<u>1,536</u>	<u>1</u>
	<u>1,536</u>	<u>978</u>

5. Taxation

No Hong Kong Profits tax has been provided for because the Group had no significant estimated assessable profits arising in Hong Kong during the period (2006: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

In accordance with the relevant tax rules and regulations in Mainland China, several Company's subsidiaries in Mainland China enjoy tax exemptions and reductions. No Mainland China tax has been provided for during the period.

6. Interim Dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2007 (2006: Nil).

7. Earnings/(Loss) per Share

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the period of approximately HK\$18,589,000 (2006: net loss of HK\$39,445,000) and the weighted average number of 2,567,811,365 (2006: 1,403,796,698) ordinary shares in issue during the period.

The 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 amount is calculated based on 2,567,811,365 ordinary shares which was the weighted average number of ordinary shares in issue during the period plus the weighted average number of 895,101,010 ordinary shares deemed to be issued if all outstanding convertible preference shares and convertible notes had been converted into shares as at 1 April 2007.

No diluted loss per share was presented in 30 September 2006 as there were no dilutive potential ordinary shares arising from the exercise of share options or the conversion of convertible securities.

8. Trade Receivables

The Group's credit terms granted to customers range between 30 and 90 days.

An aged analysis of the trade receivables as at the balance sheet date, net of provisions, is as follows:

	Group	
	30 September	31 March
	2007	2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 3 months	708	1,909
4 to 6 months	—	100
7 to 12 months	1	—
13 to 24 months	1	1
Over 24 months	20	20
	<hr/> 730 <hr/>	<hr/> 2,030 <hr/>

9. Financial Assets Held for Trading

	Group	
	30 September	31 March
	2007	2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Listed securities:		
— Equity securities — Hong Kong	<hr/> 20,531 <hr/>	<hr/> 3,124 <hr/>
Market value of listed securities	<hr/> 20,531 <hr/>	<hr/> 3,124 <hr/>

Changes in fair values of financial assets held for trading are recorded in other operating income, in the income statement.

The fair value of all equity securities is based on their current bid prices in an active market.

10. Trade Payables

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

	Group	
	30 September	31 March
	2007	2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 3 months	13,673	6,967
4 to 6 months	2,823	927
7 to 12 months	5	28
13 to 24 months	1	1
Over 24 months	186	186
	<hr/> 16,688 <hr/>	<hr/> 8,109 <hr/>

11. Convertible Notes

On 29 April 2007, the Company entered into a Sale and Purchase Agreement (“the S&P Agreement”) with China Wind Power Investment Limited (“Vendor”). Pursuant to the S&P Agreement, the Company has acquired the entire issued share capital of China Wind Power Holdings Limited (together with its subsidiaries and associated companies, the “Wind Power Group”), on 1 August 2007. The initial consideration for the Acquisition is HK\$100,000,000 and the maximum consideration is HK\$200,000,000 depending on the audited net profit of the Wind Power Group for the year immediately following the completion of the S&P Agreement on 1 August 2007.

The consideration for the acquisition was settled by the issue of the convertible notes. The convertible notes may be converted, in whole or in part, into new Shares at the adjusted conversion price of HK\$0.099 per Share, subject to adjustment(s). If the maximum amount of the convertible notes is issued, 2,020,202,020 conversion Shares (representing the maximum consideration of HK\$200,000,000) may fall to be issued upon conversion of the convertible notes in full, subject to adjustment(s). Conversion may occur at any time within 5 year from 1 August 2007. Details of this acquisition were disclosed in the circular of the Company dated 13 July 2007.

12. Capital & Reserves

	Attributable to shareholders of the Company							Minority interests	Total equity
	Ordinary share capital	Share premium account	Contributed surplus	Exchange reserve	Other reserves	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2007	9,503	162,464	78,810	—	47,230	(280,544)	17,463	—	17,463
Conversion of shares	15,500	25,350	—	—	(32,874)	—	7,976	—	7,976
Issue of shares	12,600	939,400	—	—	—	—	952,000	—	952,000
Issue of convertible notes	—	—	—	—	580,354	—	580,354	—	580,354
Cost of issuance of shares	—	(28,220)	—	—	—	—	(28,220)	—	(28,220)
Acquisition of subsidiaries	—	—	—	478	—	—	478	6,314	6,792
Profit for the period	—	—	—	—	—	18,589	18,589	1,704	20,293
Acquisition of equity interest from minority shareholders	—	—	—	—	—	—	—	(1,162)	(1,162)
At 30 September 2007	<u>37,603</u>	<u>1,098,994</u>	<u>78,810</u>	<u>478</u>	<u>594,710</u>	<u>(261,955)</u>	<u>1,548,640</u>	<u>6,856</u>	<u>1,555,496</u>

13. Pledge of Assets

At 30 September 2007, no assets of the Group were pledged for security.

14. Contingent Liabilities

The contingent liabilities of the Group have not changed materially from those disclosed in the annual report as 31 March 2007. Save as disclosed in the notes to the condensed consolidated interim financial statements, neither the Group nor the Company had any significant contingent liabilities as at 30 September 2007.

15. Commitments

The Group did not have any material capital commitment as at 30 September 2007.

16. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

BUSINESS REVIEW

The Group achieved solid progress in the development of its wind power business which it acquired on 1 August, 2007, following shareholders' approval. The Group's Chinese medicine and health product business under the "Nam Pei Hong" brand is being successfully nurtured to revive growth.

During the period under review, the Group recorded turnover of HK\$68,277,000, compared with HK\$22,506,000 for the corresponding period last year. Profit attributable to equity shareholders was HK\$18,589,000 of which approximately HK\$16,200,000 represented the contribution from the wind power business. There was a loss attributable to equity shareholders of HK\$39,445,000 for the corresponding period of last year. Basic earnings per share were 0.72 HK cents and fully diluted earnings per share were 0.57 HK cents, compared with a loss per share of 2.81 HK cents in the previous year.

Wind Power

This division recorded sales revenue of approximately HK\$36,300,000.

In April, the Group signed an agreement to acquire a wind power group in China, which is engaged in 1) investment in wind power plants, 2) the feasibility study, design, EPC (engineering, procurement and construction) and maintenance of wind power plants and 3) the manufacture of wind power equipment. This transaction represented a very substantial acquisition requiring shareholders' approval. Shareholders' approval was obtained at a special general meeting. Details of the acquisition were contained in the circular of the Company dated 13 July 2007.

Construction work for two new plants, located in Taibusi Qi, Inner Mongolia and in Erehot, Inner Mongolia respectively, commenced in mid-August. The Group expects the operation of these projects to commence within the current financial year.

The Group completed feasibility study and design for four wind power projects, including three under the Group's investment portfolio—Taibusi Qi in Inner Mongolia, Erehot in Inner Mongolia and Zhenlia in Jilin—and one completed for a third-party client.

Nam Pei Hong

Under the well-known brand of "Nam Pei Hong", the Group is engaged in the wholesale and retail of Chinese medicine, healthcare products and dried seafood and the provision of medical clinic services. For the period under review, this division recorded sales revenue of approximately HK\$32,000,000, compared with HK\$22,506,000 for the corresponding period last year.

The Group opened five new retail outlets during the period under review, including four in July and August. It started a wholesale business to complement its development of a distribution network in China. A selection of reputable supermarket chains began selling "Nam Pei Hong" products. The Group will continue to conduct regular reviews of the strategy of this business.

PROSPECTS

The Group is set to benefit from government policies supporting the development of wind power in China.

Importantly, the PRC Renewable Energy Law requires power grid operators to provide grid connections to and purchase all available output from, all renewable energy suppliers, in their service areas.

Renewable energy projects that qualify can sell the carbon credits to parties that need to offset greenhouse gas emissions. All wind power plants of the group are structured so the Group can benefit from the sale of carbon credits and it has reached agreement to sell the carbon credits from four plants under construction, namely Taibusi Qi in Inner Mongolia, Erehot in Inner Mongolia, Zhangwu in Liaoning and Zhenlai in Jilin, at premiums over the price agreed for the carbon credits from its first plant.

The Group's projects are also structured so that they can benefit from the value-added tax (VAT) rebate that sino-foreign joint ventures are entitled to if they source no less than 70% of their equipment from local vendors.

The Group expects its wind power business to generate long-term returns from the sale of electricity; returns are enhanced by revenue from the sale of carbon credits and VAT benefits the Group's projects enjoy.

The favorable policy environment will attract other sino-foreign joint ventures into wind power investment. However, the Group's EPC capability and substantial wind resources distinguish it from foreign competitors and make it an attractive potential business partner.

Leveraging its extensive knowledge of wind power, the Group provides high value-added services for wind power plant projects at different stages. These services include feasibility studies and design at the planning stage, EPC at the development stage and maintenance at the operational stage.

As part of its integrated value-enhancing business, the Group manufactures high-quality wind power equipment, including tower tubes. Tower tubes account for a significant share of total component cost of a wind power project.

EPC revenue and the equipment sales revenue, with their relatively short payment cycles, enhance the Group's cash flow condition.

The PRC Renewable Energy Law and related regulations form part of the broader thrust by the PRC Government to develop renewable energy into one of the major sources of energy in the country. China's total installed capacity of wind power doubled to 2,588MW in 2006, and is expected to triple from there to 8,000MW by 2010. Given the government's strong commitment to support the development of the wind power industry in China, the prospects for the Group are bright.

In addition to the two wind power projects under construction mentioned above, three other wind power plant projects are expected to commence construction this year for completion within calendar year 2008. Another eight wind power plant projects are planned to start construction and be completed in 2008 making a total of 14 wind power plants with an aggregated capacity of 670MW.

The Group has wind resources reserve to develop wind power plants with a total capacity exceeding 5,000 MW, sufficient for the development in the coming years. All the reserves have been verified for their resources availability.

Going forward, the Group will continue to build wind power plants to exploit its wind resources. The Group is also seeking to add to its wind resources and in pursuit of this objective, it has, together with a local partner tendered for six wind power projects. All the Group's wind power projects will be in joint venture with local Chinese partners so that the projects will qualify for carbon credits.

The Group is committed to wind power development and is confident that it will become one of the leading wind power enterprises in China generating recurring income from wind power plant investments and the provision of maintenance services and earning substantial revenues and profits from its EPC services and equipment manufacturing.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its short term funding requirements with cash generated from operation, credit facilities from suppliers.

To satisfy the capital expenditure of the wind power business, the Group has raised net proceeds of HK\$923 million during the period by the placements of a total of 1,260 million new shares. The financial position of the Group was significantly stronger than the last financial year.

As at the balance sheet date, current ratio measured at 34.99 times compared to 2.98 times at 31 March 2007. The gearing ratio (Long term debts over Equity and long term debts) measured at 0.04 compared to 0.38 at 31 March 2007. Also the consolidated net asset value of the Group stood at approximately HK\$1,556 million as at 30 September 2007 compared to the consolidated net asset value of approximately HK\$17.5 million as at 31 March 2007. This represents a consolidated net asset per share of HK\$0.41 compared to HK\$0.02 recorded at 31 March 2007, a significant increase of approximately 20 times.

As at the balance sheet date, the Group has no bank and other borrowing. The Group did not engage in the use of any other financial instruments for hedging purposes, and there was no hedging instrument outstanding as at 30 September 2007.

CAPITAL STRUCTURE

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

- (a) Pursuant to a subscription agreement dated 22 May 2007, a total of 800,000,000 ordinary shares of HK\$0.01 each of the Company 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 announcement of the Company dated 23 May 2007 .
- (b) On 27 May 2007, 1,350,000,000 ordinary shares of HK\$0.01 each of the Company were issued upon the conversion of 1,350,000,000 convertible preference shares.

- (c) On 30 July 2007, 200,000,000 ordinary shares of HK\$0.01 each of the Company were issued upon the conversion of 162,962,963 convertible preference shares.
- (d) Pursuant to a subscription agreement dated 30 July 2007, 460,000,000 ordinary shares of HK\$0.01 each of the Company were issued at an issue price of HK\$1.20 per share, raised a net proceed of approximately HK\$536 million. Details of the transaction were disclosed in the announcement of the Company dated 31 July 2007.
- (e) The authorised share capital of the Company was increased to HK\$100,000,000 by creation of an additional 4,000,000,000 new ordinary shares of HK\$0.01 each. Details of the increase of authorised share capital were disclosed in the Circular of the Company dated 13 July 2007.

STAFF AND REMUNERATION

As at 30 September 2007, the Group employed approximately 178 full time employees, of which approximately 79 were in the PRC. The remuneration of employees include salary and discretionary bonus. The Group also adopted a share option scheme to provide an incentive to the employees.

The remuneration policy and package, include the share options, of the Group's employees are maintained at market level and reviewed annually by the management.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2007, 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 has been appointed as an executive director and the CEO of the Company with effect from 13 July 2007.

All other information on the Corporate Governance Practices of the Company have been disclosed in the corporate report contained in the 2007 Annual Report of the Company issued in July 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of 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 six months ended 30 September 2007.

AUDIT COMMITTEE

The Audit Committee comprises of 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 reference which are in line with the Code of Best Practice and the Corporate Governance Code. The Group's unaudited condensed interim financial information for the six months ended 30 September 2007 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with the applicable accounting standard and legal requirements, and that adequate disclosures have been made.

For and on behalf of
China WindPower Group Limited
Ko Chun Shun, Johnson
Chairman

Hong Kong, 4 December 2007

As at the date of this announcement, the Board 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), and Mr. Ho Tak Man, Billy, Mr. Yap Fat Suan and Dr. Wong Yau Kar, David (who are independent non-executive Directors).

* *for identification purpose only*