



China
WindPower 中国风电

Interim Report 2008

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

Stock Code: 0182

MANAGEMENT DISCUSSION AND ANALYSIS

Operations Review

The Group achieved encouraging results for the six months ended 30 September 2008 ("the Period"). It recorded consolidated revenue of HK\$270,320,000 during the Period, compared to HK\$76,992,000 in the same period last year. Revenue from wind power business amounted to HK\$227,401,000, accounting for 84% of the Group's total revenue. Profit attributable to equity holders was HK\$53,858,000 (corresponding period last year: HK\$18,589,000). Basic earnings per share were 1.02 HK cents (corresponding period last year: 0.72 HK cents). Fully diluted earnings per share were 0.90 HK cents (corresponding period last year: 0.57 HK cents).

Wind Power Business

Building on the solid foundation established last year, the Group's wind power business saw strong growth during the Period.

1. *Wind power plants*

The Group added three wind power plants to the electric power grid during the Period and sold on-grid electricity amounting to a total of 65,180,000 Kwh. Its installed capacity now totals 170 MW. The Group began the construction of five new wind power plants with a total capacity of 248 MW during the Period.

During the Period, the Group's Erliahaote and Taipusiqi power plants received VAT tax rebates totaling RMB60,000,000.

The Group is pushing ahead with the CDM registration procedure for new wind power plant projects, some of which have gained state approval already. The Group has filed applications with the United Nations Framework Convention on Climate Change for these projects and expects to receive approval for them in the near future.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Wind Power Business *(Continued)*

2. Wind Power Resources

The Group secured more wind power resources during the Period, strengthening the foundation for future development of its business. During the Period, the Group signed exclusive development agreements with local authorities involving a total estimated capacity of 850 MW, including Damaoqi in Inner Mongolia (200 MW), Longjiang County in Heilongjiang (300 MW), Cangnan County in Zhejiang (50 MW) and Xinghe County in Inner Mongolia (300 MW). The addition has brought the total wind power resources of the Group to 6,900 MW.

3. Wind Power Engineering and Construction Service

The Group's core businesses include wind power engineering and construction, wind power project technical consultancy and wind power plant maintenance services, which are rendered by its respective subsidiaries. During the Period, the Group has been constructing five wind power plants, bringing in revenues of HK\$69,650,000. It also completed delivery of technical consultancy for three wind power projects, translating into revenues of HK\$15,950,000. The Group also signed maintenance agreements with two wind power plants during the Period.

During the Period, the Group increased its stake in its subsidiary Jilin CWP Power Engineering Co., Ltd. by 9.9%, making it a wholly-owned subsidiary of the Group. This subsidiary specializes in providing engineering and construction services to wind power plants.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)***Wind Power Business** *(Continued)***4. Manufacturing and Other**

During the Period, the Group manufactured 92 wind tower tubes, generating revenues of HK\$137,930,000.

The Group has been actively seeking to acquire wind tower tube manufacturers and expects to complete the acquisition of a well-known wind tower tube manufacturing facility in the second half of the fiscal year, which will help to boost its wind tower tube production capacity.

To ensure smooth construction of wind power projects while keeping construction costs low without compromising quality, the Group has established a procurement centre to oversee purchase of essential equipment and raw materials through tender.

Nam Pei Hong

“Nam Pei Hong” is a well-known brand with a long history in Hong Kong. The operation is in wholesale and retail of Chinese medicines, healthcare products and dried seafood and also provision of Chinese medical out-patient service. During the Period, the business generated turnover of HK\$36,002,000, against HK\$31,961,000 in the same period last year. Because of increasing competition in the retail sector, although turnover from Nam Pei Hong increased during the Period, its return was affected due to the increasing operating costs.

As Nam Pei Hong has become a non-core business of the Group, the management of the Group is considering to divest this business and focus all resources in the wind power business.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Prospects

With global energy supply and environmental issues taking centre stage, renewable energy alternatives are drawing growing attention of governments worldwide. To support sustainable and scientific development, the Chinese government has implemented The PRC Renewable Energy Law and related policies and measures. In the “Mid- and Long-term Development Plans for Renewable Energy”, China has set a target that the non-hydro power renewable energy capacity of power companies should reach 3% and 8% of their total installed capacity in 2010 and 2020 respectively. These targets compare to only 0.7% in 2007 which indicates that renewable energy has tremendous potential to develop in the country. Considering the current technological and economic environment, wind power will be the dominant non-hydro power renewable energy source in China for the foreseeable future.

To support the wind power industry, the Chinese government recently introduced preferential income taxation arrangements — three-year income tax exemption and 50% income tax reduction for another three years. However, under the new provisional regulations on value-added tax that will take effect next year, instead of getting a VAT rebate, companies will be able to deduct equipment procurement VAT expenses from the value-added tax payable on electricity sales. This change will affect the short-term cashflow of future wind power plants. The Chinese government also introduced policies aiming to reduce equipment cost and boost wind power equipment manufacturing. The introduction of these policies is conducive to reducing wind power cost and enhancing the core competitiveness of wind power. The Chinese government is expected to implement more supportive policies to accelerate development of the wind power industry.

In the near term, bank interest rates are expected to continue to go down and so will the prices of steel and cement as demand and raw material prices decline. These trends will translate into higher internal returns on investment in wind power plants. Moreover, wind power plants have stable returns; for example they will not be affected by rising costs of fuel: coal in the case of coal fired power stations or oil in the case of oil fired power stations. This also explains why local commercial banks are keen to lend to wind power plants.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)***Prospects** *(Continued)*

The current financial crisis is expected to send the global economy into recession. However, the impact on China is not expected to be as big as in other countries. To maintain stable and relatively fast economic growth, the Chinese government has decided to step up measures to boost domestic demand; development of the wind power industry will effectively foster demand for industries such as steel, cement, and machines and equipment, and in turn boost domestic demand. Banks are also ready to grant loans to wind power projects deemed capable of bringing stable and reliable returns. In the recently announced RMB4 trillion stimulus package of the Chinese government to boost economic growth, protecting the ecological environment and developing energy efficient and low carbon emission energy sources such as wind power was highlighted. Thus, the Group does not see the global economic recession impeding development of the wind power industry in China, but expects the industry to enter a stage of fast growth instead.

The Chinese government is planning to focus on the construction of three wind power bases each with capacity of thousands of megawatts in the Corridor West of the Yellow River in Gansu, in the northern coast along Jiangsu and in Inner Mongolia, building up three “gigawatt wind power hubs”. The Group owns extensive wind resources in two of the above-mentioned locations, and thus is well placed to benefit from the development plans of the government for these areas.

The wind power sector is a growth sector in China boasting prospects for bright and sustainable development. Armed with unique advantages in the industry, including abundant wind power resource and human resources, plus a complete industry chain spanning from wind resource development, optimisation design, wind power plant construction, critical equipment supply to maintenance of wind power plants, the Group is able to enjoy low wind power development cost and maximum investment efficiency, allowing it to grow its businesses rapidly.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2008, the Group had cash or cash equivalents of around HK\$334,812,000 (31 March 2008: HK\$335,531,000). At that date the current ratio was 3.66 times (31 March 2008: 6.87 times) and gearing ratio (long term debts over equity and long term debts) was 0.01 (31 March 2008: 0.06) . The consolidated net assets of the Group stood at approximately HK\$2,100,000,000 (31 March 2008: HK\$1,948,000,000).

Net cash inflow from operating activities for the Period was HK\$132,631,000 compared to the net cash outflow of HK\$153,510,000 in the same period last year. The cash amount for the Period included HK\$56,862,000 of profit before tax, net adjustment of HK\$4,354,000 for non-operating business items and non-cash items, and a net reduction of HK\$71,415,000 in working capital. During the Period, the Group used its capital mainly on wind power plant projects and acquisition of equity interest in a subsidiary. Net cash outflow used in investment during the Period amounted to HK\$135,255,000, as compared to net cash inflow of HK\$39,425,000 in the same period last year.

As at 30 September 2008, the Group had total borrowings of HK\$6,269,000 (31 March 2008: HK\$6,701,000).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

The financial statements of the Group are presented in Hong Kong dollars and its income and expenditure (including capital expenditure) of certain of its principal businesses are denominated in Renminbi. The Group did not engage in the use of any financial instruments for hedging purposes and the directors of the Company do not see material exchange rate risk for its businesses.

STAFF AND REMUNERATION

As at 30 September 2008, the Group had 470 full-time employees (31 March 2008: 318), of whom 368 (31 March 2008: 220) were in China and 102 (31 March 2008: 98) were in Hong Kong. The remuneration packages of employees include salary and discretionary bonus. The Group also grants share options to provide incentive to employees.

The staff remuneration policy and packages, including share options, of the Group are reviewed regularly by the management to ensure that employees are rewarded according to their performance and are at competitive market levels.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2008, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Interests and short positions in the shares and the underlying shares of the share options of the Company as at 30 September 2008

- (i) Long positions in the shares of the Company:

Name of director	Personal	Family	Corporate	Total	Approximate percentage of the total issued share capital (%)
Ko Chun Shun, Johnson (Note)	—	—	2,000,000,000	2,000,000,000	31.97%

Note:

Mr. Ko Chun Shun, Johnson is deemed to be interested in 2,000,000,000 shares held by Gain Alpha Finance Limited ("Gain Alpha"). Gain Alpha is a wholly owned by Mr. Ko Chun Shun, Johnson.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION *(Continued)*

(ii) Long positions in the underlying shares of share options of the Company:

Name of directors	Date of grant of share options	Exercise price per share HK\$	Number of share options outstanding	Approximate percentage of the total issued share capital (%)
Liu Shunxing	1 April 2008	0.45	5,000,000	0.08
Wang Xun	1 April 2008	0.45	3,600,000	0.06
Yang Zhifeng	1 April 2008	0.45	3,600,000	0.06
Liu Jianhong	1 April 2008	0.45	3,600,000	0.06
Chan Kam Kwan, Jason	1 April 2008	0.45	1,000,000	0.02
Tsoi Tong Hoo, Tony	1 April 2008	0.45	1,200,000	0.02
Ho Tak Man, Billy	1 April 2008	0.45	800,000	0.01
Yap Fat Suan, Henry	1 April 2008	0.45	800,000	0.01
Dr. Wong Yau Kar, David	1 April 2008	0.45	800,000	0.01

These options were granted subject to the following vesting requirement:

On 1st anniversary of the date of grant	25%
On 2nd anniversary of the date of grant	25%
On 3rd anniversary of the date of grant	25%
On 4th anniversary of the date of grant	25%

The exercise period of these options shall be expired on the day before of 5th anniversary of the date of grant.

Details of the movement of the share options are set out in note 12 to the financial statement.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION *(Continued)*

Saved as disclosed above, as at 30 September 2008, none of the directors and chief executives of the Company and/or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Saved as disclosed under the heading "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying shares and Debentures of the Company or any Associated Corporation" above, at no time during the Period was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the directors of the Company (including their respective spouse and children under the age of 18) to acquire benefits by the means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2008, saved as disclosed under the section "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying shares and Debentures of the Company or any Associated Corporation" above, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital under Section 336 of the SFO:

- (i) Long positions in the shares of the Company:

Name of shareholder	Number of the shares of the Company held	Approximate percentage of the total issued share capital (%)
China Wind Power Investment Limited <i>(Note)</i>	1,700,000,000	27.18%

- (ii) Long positions in the underlying shares of the convertible notes of the Company:

Name of the holder of the convertible notes	Amount of the convertible notes <i>HK\$</i>	Number of the total underlying shares
China Wind Power Investment Limited <i>(Note)</i>	31,700,000	320,202,020

Note:

China Wind Power Investment Limited is an indirect wholly owned subsidiary of Concord International Investment Limited.

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Saved as disclosed above, as at 30 September 2008, there were no other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Section 336 of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2008, 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.

All other information on the Corporate Governance Practices of the Company have been disclosed in the corporate governance report contained in the 2008 Annual Report of the Company issued in June 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 six months ended 30 September 2008.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, Mr. Ho Tak Man, Billy, Dr. Wong Yau Kar, David and Mr. Yap Fat Suan, Henry. 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 unaudited condensed interim financial information for the six months ended 30 September 2008 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.

APPRECIATION

On behalf of the Board, I want to express my gratitude and appreciation to the management team and all staff for their hard work, and also to shareholders, our business partners, various institutions and communities for their support to the Group.

By order of the Board
Ko Chun Shun, Johnson
Chairman

Hong Kong, 25 November 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 September	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Revenues	2,3	270,320	76,992
Expenses			
Cost of inventories sold		(167,515)	(36,880)
Staff costs		(20,774)	(5,966)
Depreciation		(2,392)	(676)
Operating lease payments in respect of land and buildings		(6,087)	(4,937)
Other expenses		(14,124)	(7,037)
Finance costs	4	(3,237)	(1,536)
Share of results			
— associates		1,896	333
— jointly controlled entities		(1,225)	—
Profit before income tax		56,862	20,293
Income tax expense	5	(3,699)	—
Profit for the Period		53,163	20,293
Attributable to:			
Equity holders of the Company		53,858	18,589
Minority interests		(695)	1,704
		53,163	20,293
Earnings per share for profit attributable to the equity shareholders of the Company during the Period			
— basic	7	1.02 HK cents	0.72 HK cents
— diluted	7	0.90 HK cents	0.57 HK cents

CONDENSED CONSOLIDATED BALANCE SHEET

	30 September 2008	31 March 2008
	(Unaudited)	(Audited)
Notes	HK\$'000	HK\$'000
Non-current assets		
Property, plant and equipment	17,874	13,455
Intangible assets	903,142	903,142
Interests in associates	98,689	71,313
Interests in jointly controlled entities	442,555	425,738
Deferred tax asset	4,809	—
	1,467,069	1,413,648
Current assets		
Inventories	97,152	54,970
Trade receivables, net	18,049	43,270
Prepayments, deposits and other receivables	271,356	210,438
Amounts due from jointly controlled entities	179,188	137,819
Cash and cash equivalents	334,812	335,531
	900,557	782,028
Current liabilities		
Trade payables	77,383	22,100
Other payables and accruals	28,221	18,092
Tax liabilities	8,534	—
Amounts due to jointly controlled entities	125,876	67,029
Borrowings	6,164	6,578
	246,178	113,799
Net current assets	654,379	668,229
Total assets less current liabilities	2,121,448	2,081,877
Non-current liabilities		
Convertible notes	21,585	133,930
Borrowings	105	123
	21,690	134,053
Net assets	2,099,758	1,947,824
Capital and reserves attributable to the equity holders of the Company		
Share capital	62,545	45,545
Reserves	2,037,213	1,891,730
	2,099,758	1,937,275
Minority interests	—	10,549
	2,099,758	1,947,824

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended 30 September	
	2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Total equity at 1 April	1,947,824	17,463
Net income for the Period recognised directly in equity:		
Exchange gain arising on translation of financial statements of foreign subsidiaries	26,244	478
Net income recognised directly in equity	26,244	478
Net profit for the Period	53,163	20,293
Total recognised income for the Period (<i>Note</i>)	79,407	20,771
Movement in equity from capital transactions:		
Conversions of shares	115,014	7,976
Share option reserve	2,848	—
Net proceeds from issue of shares	—	923,781
Issue of convertible notes	—	580,353
Minority interests arising from business combination	—	6,314
Acquisition of equity interests held by minority shareholders	(45,335)	(1,162)
	72,527	1,517,262
Total shareholders' equity at 30 September	2,099,758	1,555,496
<i>Note:</i> Total recognised income for the Period		
Equity holders of the Company	80,102	19,067
Minority interests	(695)	1,704
	79,407	20,771

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	132,631	(153,510)
Net cash (outflow)/inflow from investing activities	(135,255)	39,425
Net cash (outflow)/inflow from financing activities	(579)	923,956
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,203)	809,871
Effects of exchange rate changes on the balance of cash held in foreign currency	2,484	478
Cash and cash equivalents at beginning of period	335,531	22,669
CASH AND CASH EQUIVALENTS AT END OF PERIOD	334,812	833,018
Analysis of balances of cash and cash equivalents		
Cash and bank balances	334,812	833,018

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of Preparation and Principal Accounting Policies

The condensed consolidated interim financial statements for the six months ended 30 September 2008 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 2008.

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 2008.

Certain comparative figures have been reclassified to conform to the current period’s presentation.

2. Segment information

The following table presents the revenue, profit/(loss) for the Group’s business segments for the six months period ended 30 September 2008 and 30 September 2007.

Summary of details of the business segments are as follows:

- (a) Wind power business — the engineering, procurement and construction (“EPC”), operation and maintenance of wind power plants, and manufacture of wind power equipments and wind power related business; and
- (b) Nam Pei Hong — the sum yung and pharmaceutical products segment sells Chinese and other medicines, pharmaceutical products, health products and dried seafood products to wholesalers and retailers as well as Chinese clinical services.

2. Segment information (Continued)

Business Segments

	Nam Pei Hong (Unaudited)		Windpower business (Unaudited)		Consolidated (Unaudited)	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	36,002	31,961	227,401	36,316	263,403	68,277
Other revenue	1,800	—	—	—	1,800	—
Total	37,802	31,961	227,401	36,316	265,203	68,277
Segment results	(454)	121	54,967	17,551	54,513	17,672
Interest and dividend income					4,351	5,345
Unallocated revenue					766	3,370
Unallocated expenses					(202)	(4,891)
Finance costs					(3,237)	(1,536)
Share of profits of associates					1,896	333
Share of losses of jointly controlled entities					(1,225)	—
Profit before income tax					56,862	20,293
Income tax expense					(3,699)	—
Profit for the Period					53,163	20,293

3. Revenue and other income

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

An analysis of revenue and other revenue is as follows:

	Group	
	For the six months	
	ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		Restated
Revenue		
Windpower business	227,401	36,316
Nam Pei Hong	36,002	31,961
	263,403	68,277
Other revenue		
Interest income	4,351	5,339
Dividend income on financial assets at fair value through profit or loss	—	6
Gain on disposal of financial assets at fair value through profit or loss	—	2,747
Others	2,566	623
	6,917	8,715
Total revenue	270,320	76,992

4. Finance costs

	Group	
	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans, wholly repayable within five years	142	—
Interest on convertible notes	3,092	1,050
Interest on convertible preference shares	—	485
Interest on finance lease	3	1
	3,237	1,536

5. Income tax expense

	Group	
	For the six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	—	—
PRC	(8,534)	—
	(8,534)	—
Deferred tax — PRC	4,835	—
	(3,699)	—

Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the Period.

PRC income tax charge represents the PRC enterprise income tax paid or payable during the Period. Enterprise income tax in the PRC has been provided at the prevailing rate of 25% (2007: Nil) on the estimated assessable profit applicable to the Company's subsidiary established in the PRC.

6. Interim dividend

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 September 2008 (2007: Nil).

7. Earnings per share

(a) Basic

The calculation of basic earning per share is based on the profit attributable to the equity holders of the Company of HK\$53,858,000 (2007: HK\$18,589,000) and the weighted average number of 5,288,350,359 shares (2007: 2,567,811,365 shares) in issue during the Period.

(b) Diluted

The diluted earnings per share is calculated based on the profit attributable to the equity holders of the Company adjusted to eliminate the interest expense less the tax effect, of HK\$56,441,000 (2007: HK\$19,855,000) and the weighted average number of 6,261,208,191 shares (2007: 3,462,912,375) after adjusting for the effects of all potential dilutive ordinary shares.

(c) Weighted average number of ordinary shares (diluted)

	For the six months ended 30 September	
	2008	2007
	Number of shares	<i>Number of shares</i>
Weighted average number of ordinary shares for calculating basic earnings per share	5,288,350,359	2,567,811,365
Adjustment for assumed conversion of convertible notes and deemed issue of ordinary shares arising from share options	972,857,832	895,101,010
Weighted average number of ordinary shares for calculating diluted earnings per share	6,261,208,191	3,462,912,375

8. Trade receivables, net

The Group's credit terms granted to customers range between 30 and 180 days.

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

	Group	
	30 September	31 March
	2008	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 3 months	18,049	43,107
4 to 6 months	—	132
7 to 12 months	—	31
Over 12 months	—	—
	18,049	43,270

9. 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
	2008	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 3 months	64,982	19,272
4 to 6 months	1,357	1,399
7 to 12 months	10,906	1,291
Over 12 months	138	138
	77,383	22,100

10. Convertible notes

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

The movement of the liability component of the convertible notes for the six months ended at 30 September 2008 is set out below:

	Group and Company
	<i>HK\$'000</i>
Fair value of the convertible notes issued on 1 August 2007	973,810
Equity component	(844,204)
Liability component on initial recognition at 1 August 2007	129,606
Interest expenses	4,993
Interest paid	(669)
Liability component as at 1 April 2008	133,930
Conversion into shares	(115,014)
Interest expenses	3,092
Interest paid	(423)
Liability component as at 30 September 2008	21,585

11. Share capital

	Group	
	30 September	31 March
	2008	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Authorised:		
10,000,000,000 (2008: 10,000,000,000) ordinary shares of HK\$0.01 each	100,000	100,000
Issued and fully paid:		
6,254,470,578 (2008: 4,554,470,578) ordinary shares of HK\$0.01 each	62,545	45,545

During the Period, 1,700,000,000 ordinary shares at par value HK\$0.01 each of the Company were issued as a result of the conversion of HK\$168,300,000 convertible notes.

12. Share options

On 1 April 2008, 60,080,000 share options were granted under the share option scheme of the Company adopted on 16 April 2007.

Details of the movement of the number of share option are as below:—

Name or category of participant	Number of share options outstanding as at 1 April 2008	Number of share options granted during the Period	Number of share options exercised/cancelled/lapsed during the Period	Number of share options outstanding as at 30 September 2008	Date of grant	Exercise period	Exercise price per share option	Market value per share on date of grant of option
							HK\$	HK\$
Executive Directors								
Liu Shunxing	—	5,000,000	—	5,000,000	1 April 2008	1 April 2009 to 31 March 2013	0.45	0.435
Wang Xun	—	3,600,000	—	3,600,000	1 April 2008	1 April 2009 to 31 March 2013	0.45	0.435
Yang Zhifeng	—	3,600,000	—	3,600,000	1 April 2008	1 April 2009 to 31 March 2013	0.45	0.435
Liu Jianhong	—	3,600,000	—	3,600,000	1 April 2008	1 April 2009 to 31 March 2013	0.45	0.435
Chan Kam Kwan, Jason	—	1,000,000	—	1,000,000	1 April 2008	1 April 2009 to 31 March 2013	0.45	0.435
Non-executive Director								
Tsoi Tong Hoo, Tony	—	1,200,000	—	1,200,000	1 April 2008	1 April 2009 to 31 March 2013	0.45	0.435
Independent non-executive Directors								
Ho Tak Man, Billy	—	800,000	—	800,000	1 April 2008	1 April 2009 to 31 March 2013	0.45	0.435
Yap Fat Suan, Henry	—	800,000	—	800,000	1 April 2008	1 April 2009 to 31 March 2013	0.45	0.435
Dr. Wong Yau Kar, David	—	800,000	—	800,000	1 April 2008	1 April 2009 to 31 March 2013	0.45	0.435
Other employees in aggregate	—	39,680,000	—	39,680,000	1 April 2008	1 April 2009 to 31 March 2013	0.45	0.435
	—	60,080,000	—	60,080,000				

12. Share options (Continued)

These options were granted subject to the following vesting requirement:

On 1st anniversary of the date of grant	25%
On 2nd anniversary of the date of grant	25%
On 3rd anniversary of the date of grant	25%
On 4th anniversary of the date of grant	25%

The exercise period of these options shall be expired on the day before of 5th anniversary of the date of grant.

Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The contractual life of the option is used as input into this model.

13. Capital and reserves

	Attributable to shareholders of the Company									
	Ordinary share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Other reserves HK\$'000	Premium arising on acquisition of minority interest HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 31 March 2008	45,545	1,107,339	78,810	41,560	844,501	—	(180,480)	1,937,275	10,549	1,947,824
Conversion of shares (Note 10)	17,000	863,069	—	—	(765,055)	—	—	115,014	—	115,014
Acquisition of equity interest from a minority shareholder	—	—	—	—	—	(35,481)	—	(35,481)	(9,854)	(45,335)
Share option reserve	—	—	—	—	2,848	—	—	2,848	—	2,848
Profit for the Period	—	—	—	—	—	—	53,858	53,858	(695)	53,163
Exchange differences arising on translation of foreign operation recognized directly in equity	—	—	—	26,244	—	—	—	26,244	—	26,244
At 30 September 2008	62,545	1,970,408	78,810	67,804	82,294	(35,481)	(126,622)	2,099,758	—	2,099,758

14. Pledge of assets

At 30 September 2008, no assets of the Group were pledged for security.

15. Contingent liabilities

The Group did not have any contingent liabilities as at 30 September 2008.

16. Commitments

The Group did not have any material capital commitments as at 30 September 2008.

Operating lease commitments as lessee

The Group leases certain of its office and retail properties under operating lease arrangements.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	30 September 2008	31 March 2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
No later than 1 year	9,211	9,349
Later than 1 year and no later than 5 years	4,830	9,796
	14,041	19,145

17. Related party transactions

The following transactions were carried out with related parties, except for disclosed elsewhere in these consolidated financial statements:

	Group	
	For the six months	
	ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales of goods and services to jointly controlled entities	168,633	62,192
Loan interests from jointly controlled entities	1,873	—
	170,506	62,192

18. Events after the balance sheet date

On 7 October 2008, a subsidiary of the Group, entered into an agreement with a vendor, pursuant to which the subsidiary of the Group agreed to purchase from the vendor, the plant and machinery, building and land use right of a tower tube manufacturing facility in JiLin, PRC, for a total consideration of RMB 21,730,000.

Saved as disclosed above, there were no other significant events after the balance sheet date up to the date of approval of the condensed consolidated interim financial statements.

19. Approval of the unaudited condensed consolidated interim financial statements

The unaudited condensed consolidated interim financial statements were approved and authorized for issue by the directors of the Company on 25 November 2008.

BOARD OF DIRECTORS

Executive Directors

Mr. Ko Chun Shun, Johnson (*Chairman*)
Mr. Liu Shunxing (*Chief Executive Officer*)
Mr. Wang Xun
Mr. Yang Zhifeng
Ms. Liu Jianhong
Mr. Chan Kam Kwan, Jason

Non-executive Directors

Mr. Tsoi Tong Hoo, Tony

Independent non-executive Directors

Mr. Ho Tak Man, Billy
Mr. Yap Fat Suan, Henry
Dr. Wong Yau Kar, David

COMPANY SECRETARY

Mr. Chan Kam Kwan, Jason

QUALIFIED ACCOUNTANT

Mr. Wong Kwan Kit, Eric

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

BANKERS

Hang Seng Bank
DBS

SOLICITORS

Baker & McKenzie

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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Hong Kong

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