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China Wind Power Equipment Market Report, 2008

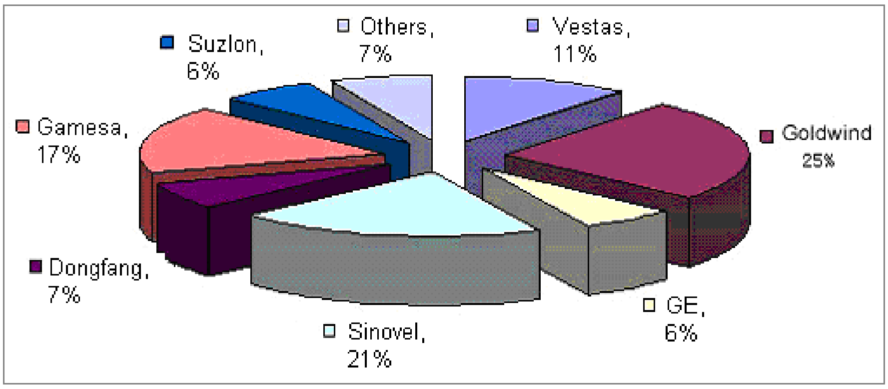
Dec/2008

2.1 Overall Analysis of the Market

2.1.1 Overview

By Sep.2008, there have been more than 50 wind turbine manufacturers in China. However, only less than five manufacturers such as Goldwind Science and Technology Co., Ltd. and DHI·DCW Group Co. Ltd. put the megawatt wind turbine into mass production in the same year.

Market Share of China Wind Turbine Manufacturers in 2007



Source: ResearchInChina

As a result of the increasingly intense competition of China's wind turbine industry, the industry concentration has been on a sliding trend since 2008. The market share of the leading company, Goldwind Science and Technology Co., Ltd., dropped to 25.1% in 2007 from 33.4% in 2006; during the same period, Vestas dropped from 23.4% to 11.2%, GE dropped from 12.7% to 6.4%. However, the newly-emerging wind turbine manufacturing company, Sinovel Wind Co., Ltd. surged the market share to 20.6% in 2007 from 5.6% in 2006, undoubtedly becoming the great winner in China's wind turbine market in 2007.

2.1.2 Market Competition Pattern

In terms of the market competition, Chinese wind turbine manufacturers can be classified into three groups: the international leading companies, the domestic leading companies and the domestic inferior market followers.

International Leading Companies

These international leading companies were in the leadership in China's wind turbine market all along until 2006 and their market share suddenly shrank to 44% in 2007.

Service: the service team has a small scale but charge high fees. The feedback speed cannot meet the demand of domestic users.

Channels: the policy of 75% localization rate restricts the marketing channel.

Price: although the assembly is done at home, the large proportion of imported parts and components still cannot make any effort on cutting down the cost. So the selling price of these international leaders is above 20% higher than Chinese peers.

Market Followers

China had about 40 inferior wind turbine manufacturers as the market followers totally in 2007 with the market share of less than 5%.

Domestic Leading Companies

Dongfang Steam Turbine Co., Ltd., Goldwind Science and Technology Co., Ltd. and Sinovel Wind Co., Ltd. jointly took up 52% market share in 2007. Their advantages include:

1) Have rich experience in mass production and gain high brand recognition in China;

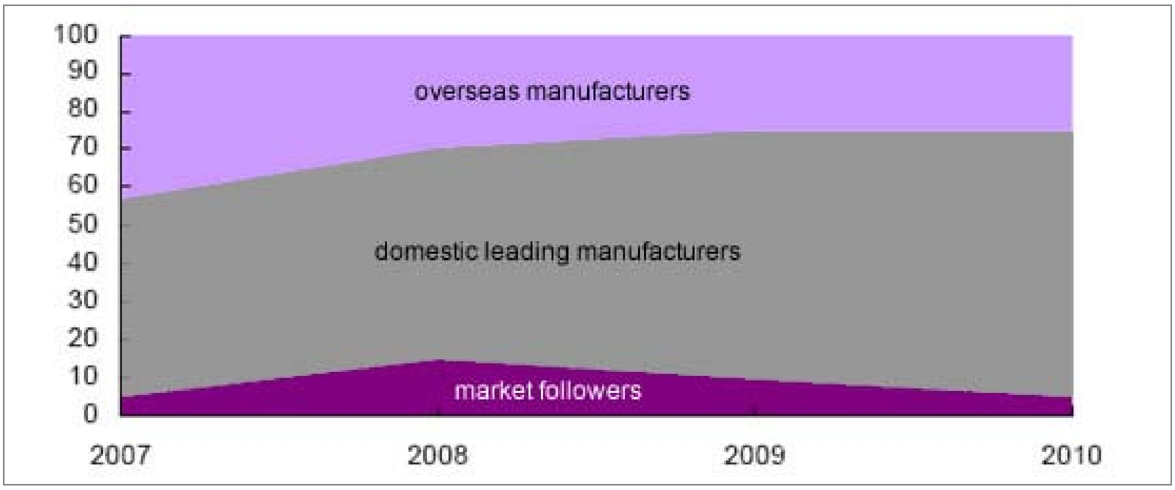
2) With substantial funds;

3) Support from the government, they are advantageous on developing marketing channels;

4) The large-scale production favors the control of cost and quality.

It is forecast that three to five Chinese leading manufacturers such as the above listed three ones will occupy more than 70% market share throughout China in 2010.

Market Share Changes of China Wind Turbine Manufacturers, 2007-2010



Source: Everbright Securities Co., Ltd.

3.2.5 China Blade Production

Due to large size, heavy weight and inconvenient transport (transported by large platform hand truck only) of blades, the international trade amount of blade is small. Only some products in Tianjin, etc coastal regions may be exported to coastal wind farms of foreign countries.

In 2008, most of China blade manufacturers were independent blade companies, and the number of blade plants affiliated to the wind turbine plants was small. From the angle of investors of blade plants, although foreign giants like LM, Vestas and Gemesa had early layout in China, their capacity is small and their will of capacity expansion is not so strong.

Main Foreign-funded Blade Manufacturers in China, 2008

Serial Number	Company	MW Blade Capacity (set)				Location	Note
			2008	2009	2010		
1	SUZLON	640	640	640	640	Tianjin	invested by India-based Suzion, the world's 5th biggest wind turbine manufacturer,put into operation in Aug 2006, 1.25MW-level blades, 800,000 kw capacity
2	GAMES A	200	200	200	200	Tianjin	German company, 700,000 kw capacity put into operation in 2006, of which, 200 sets of 2MW, others 850KW level
3	VESTAS	400	400	400	400	Tianjin	The largest wind turbine company of the world, invested by Vestas, 200 sets of capacity formed in 2006, capacity expanded to 400 sets of 2MW-level blades in 2007
4	LM Glasfiber	350	350	350	350	Xinjiang/ Tianjin	Global blade giant, 150 sets capacity in Xinjiang, 200 sets capacity in Tianjin
	Total	1590	1590	1590	1590		

Source: CICC

Due to low technology barrier and raw material barrier, tight supply and good profitability, many Chinese enterprises have entered the field of blade production.

Technology: most MW-level blade makers in China obtained the production technology through cooperation with overseas peers, they are new market entrants. As the transfer cost of the whole set of technology and blueprint is low, some companies with certain competitiveness may enter this field.

Production: though the price of resin and fiberglass, the main raw materials of blade, has maintained high, the supply is sufficient, and the companies can easily get eligible raw materials.

By 2008, domestic blade manufacturers represented by Zhong Hang Huiteng Wind Power Equipment Co., Ltd (HT), Lianyungang Zhongfu Lianzhong Composites Group Co., Ltd. and Sinomatech Wind Power Blade Co., Ltd have gradually become mainstream suppliers. New entrants also have sprung up. Based on incomplete statistics, China has had 40 blade manufacturers as of 2008.

Main Chinese Blade Manufacturers, 2008

Serial Number	Company	MW Blade Capacity (set)				Location	Note
		###	2008	2009	2010		
1	Zhong Hang Huiteng	200	300	1000	1500	Baoding	Guizhou Liyuan Hydraulic Co., Ltd. planned to indirectly acquire its 20% equity
2	Zhongfu Lianzhong	400	800	1000	2000	Lianyungang	Subsidiary of CNBM (3323), with the largest MW blade capacity
3	Sinomatech Blade	200	300	1300	2000	Beijing	Subsidiary of Sinoma Science & Technology Co., Ltd
4	DEC	0	200	400	650	Tianjin	Subsidiary of Dongfang Electric (600875)
5	Xinfeng Energy	0	0	200	400	Tianjin	Subsidiary of Xinmao Science & Technology Co., Ltd
6	SHFRP	150	150	150	350	Shanghai	Shanghai Lengguang Industrial Co., Ltd planned to acquire its 100% equity
7	Miracle Logistics	0	0	50	100	Wuxi	Two subsidiaries respectively producing FRP and bamboo blade
8	CEW	0	0	50	100	Baoding	Private enterprise, not realized mass production of MW products yet
9	HuaYi Wind Power		0	50	100	Baoding	Its blade production project started construction from Aug. 2008
10	Tianwei	0	0	0	100	Baoding	The blade subsidiary registered in July 2008
	Total	950	1750	4200	7300		

Source: CICC

During 2008-2009, the supply of MW blades will be still tight. However, the tight situation will be greatly eased in 2010. The fiercer competition will lead to the survival of the strongest and the improving industry concentration. In addition, the profitability of manufacturers will return to the normal level.

→ Related Reports

- China Wind Power Industry Report, 2008
- China Wind Power Equipment Industry Report, 2007-2008
- China Wind Power Equipment Manufacturing Report, 2007
- Investment Strategy Report of China Wind Power Equipment Industry, 2007-2008
- China Wind Power Industry Report, 2007-2008

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