CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED
中 國 航 天 萬 源 國 際 (集 團) 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)
(Stock Code :1185)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

RESULTS

The directors of China Energine International (Holdings) Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Turnover	2	**184,206**	178,755
Cost of sales		**(176,391)**	(189,129)
Gross profit (loss)		**7,815**	(10,374)
Other income		**13,680**	11,332
Selling and distribution expenses		**(10,516)**	(13,056)
Administrative expenses		**(92,814)**	(87,772)
(Decrease) increase in fair value of investment property		**(2,280)**	6,722
Allowance for amounts due from associates		**(17,837)**	(1,854)
Finance costs	4	**(34,069)**	(16,500)
Share of results of associates		**30,631**	2,624
Impairment loss recognised in respect of interest in an associate		**—**	(9,227)
Share of results of jointly controlled entities		**41,048**	22,377
Impairment loss recognised in respect of interests in jointly controlled entities		**(424,165)**	(474,793)
Loss before taxation		**(488,507)**	(570,521)
Taxation	5	**(7,421)**	(1,510)
Loss for the year	6	**(495,928)**	(572,031)
Attributable to:			
Equity holders of the Company		**(499,626)**	(573,901)
Minority interests		**3,698**	1,870
		(495,928)	(572,031)
Loss per share - Basic	7	**HK(13.79) cents**	HK(36.50) cents

Consolidated Balance Sheet

At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment property		**20,520**	21,000
Property, plant and equipment		**309,261**	30,602
Deposits paid for acquisition of property, plant and equipment		**148,643**	105,526
Goodwill		**8,548**	—
Intangible assets		**—**	4,900
Interests in associates		**211,826**	170,828
Interests in jointly controlled entities		**949,695**	1,241,996
		1,648,493	1,574,852
Current assets			
Inventories		**55,240**	24,867
Trade and other receivables	9	**190,223**	368,407
Amounts due from related companies		**15,291**	15,291
Amounts due from associates		**2,419**	54,960
Pledged bank deposits		**41,599**	1,400
Bank balances and cash		**212,465**	174,871
		517,237	639,796
Current liabilities			
Trade and other payables	10	**114,880**	49,591
Amounts due to related companies		**4,407**	4,407
Amounts due to associates		**1,452**	3,656
Borrowings - amount due within one year		**170,600**	135,180
		291,339	192,834
Net current assets		**225,898**	446,962
Total assets less current liabilities		**1,874,391**	2,021,814
Non-current liabilities			
Borrowings - amount due after one year		**591,090**	447,825
Deferred taxation		**7,389**	2,146
		598,479	449,971
		1,275,912	1,571,843
Capital and reserves			
Share capital		**362,400**	362,400
Reserves		**836,429**	1,205,458
Equity attributable to equity holders of the Company		**1,198,829**	1,567,858
Minority interests		**77,083**	3,985
Total equity		**1,275,912**	1,571,843

Notes to the Consolidated Financial Statements

For the year ended 31 Decmeber 2008

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) - INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) - INT 12	Service concession arrangements
HK(IFRIC) - INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

The application of the new HKFRSs had no material effect on how the Group's results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of financial statements [2]
HKAS 23 (Revised)	Borrowing costs [2]
HKAS 27 (Revised)	Consolidated and separate financial statements [3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [2]
HKAS 39 (Amendment)	Eligible hedged items [3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [2]
HKFRS 3 (Revised)	Business combinations [3]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments [2]
HKFRS 8	Operating segments [2]
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded derivatives [4]
HK(IFRIC) - INT 13	Customer loyalty programmes [5]
HK(IFRIC) - INT 15	Agreements for the construction of real estate [2]
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation [6]
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners [3]
HK(IFRIC) - INT 18	Transfers of assets from customers [7]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

[2] Effective for annual periods beginning on or after 1 January 2009.

[3] Effective for annual periods beginning on or after 1 July 2009.

[4] Effective for annual periods ending on or after 30 June 2009.

[5] Effective for annual periods beginning on or after 1 July 2008.

[6] Effective for annual periods beginning on or after 1 October 2008.

[7] Effective for transfers on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the Group's accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. TURNOVER

An analysis of the Group's turnover for the year is as follows:

	2008	2007
	HK$'000	*HK$'000*
Sales of goods	**179,632**	167,034
Sales of electricity from operation of wind power field	**3,985**	—
Revenue from services	**589**	11,721
	184,206	178,755

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

(A) Business segments

For management purposes, the Group is currently organised into the following divisions: Communication Products, Intelligent Transportation Systems ("ITS"), Broadband Wireless Access, Wind Energy and Elevator Products. These divisions are the basis on which the Group reports its primary segment information.

The Wind Energy Business and Elevator Products are two new business segments in current year under the Group's business expansion and development. Comparative figures have been restated to comply with the current year's presentation.

Principal activities are as follows:

Communication Products	—	manufacture and distribution of communication products
ITS	—	development, manufacture and distribution of global positioning system application products
Broadband Wireless Access	—	development and distribution of broadband system, equipment and accessories
Wind Energy Business	—	sales of electricity from operation of wind power field and manufacture and trading of wind energy related products
Elevator Products	—	manufacture and distribution of elevator motors

(i) Segment information about these businesses for the year ended 31 December 2008 is presented below:

Income statement

				Wind Energy			
	Communication Products	ITS	Broadband Wireless Access	Operation of Wind Power Field	Wind Energy Related Products	Elevator Products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER							
External sales	55,797	32,572	8,894	3,985	47,774	35,184	184,206
RESULT							
Segment result	(6,966)	1,912	(47,340)	7,019	606	3,715	(41,054)
Unallocated corporate expenses							(49,788)
Unallocated corporate income							9,007
Finance costs							(34,069)
Decrease in fair value of investment property							(2,280)
Allowance for amounts due from associates							(17,837)
Impairment loss recognised in respect of interest in jointly controlled entities							(424,165)
Share of results of associates							
- Broadband wireless access	—	—	(1,090)	—	—	—	(1,090)
- Operation of wind power field	—	—	—	34,383	—	—	34,383
- Wind energy products	—	—	—	—	(1,428)	—	(1,428)
- Elevator products	—	—	—	—	—	(1,234)	(1,234)
Share of results of jointly controlled entities							
- Automotive system and products	—	—	—	—	—	—	47,118
- Wind energy facilities	—	—	—	—	(6,070)	—	(6,070)
Loss before taxation							(488,507)
Taxation							(7,421)
Loss for the year							(495,928)

(ii) Segment information about these businesses for the year ended 31 December 2007 is presented below:

Income statement

				Wind Energy			
	Communication Products	ITS	Broadband Wireless Access	Operation of Wind Power Field	Wind Energy Related Products	Elevator Products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER							
External sales	69,144	45,397	64,214	—	—	—	178,755
RESULT							
Segment result	(9,342)	1,802	(73,380)	—	—	—	(80,920)
Unallocated corporate expenses							(23,772)
Unallocated corporate income							4,822
Finance costs							(16,500)
Impairment loss recognised in respect of interest in an associate							(9,227)
Impairment loss recognised in respect of interest in jointly controlled entities							(474,793)
Impairment loss recognised in respect of amount due from an associate	—	—	(1,854)	—	—	—	(1,854)
Increase in fair value of investment property							6,722
Share of results of associates							
- Communication products	(2,337)	—	—	—	—	—	(2,337)
- ITS	—	(642)	—	—	—	—	(642)
- Broadband wireless access	—	—	(3,271)	—	—	—	(3,271)
- Elevator products	—	—	—	—	—	(1,949)	(1,949)
- Operation of wind power field	—	—	—	10,823	—	—	10,823
Share of results of jointly controlled entities							
- Automotive system and products	—	—	—	—	—	—	20,194
- Wind energy facilities	—	—	—	—	2,183	—	2,183
Loss before taxation							(570,521)
Taxation							(1,510)
Loss for the year							(572,031)

(B) Geographical segments

The Group's operations are located in Hong Kong and other regions of the PRC.

The following table provides an analysis of the Group's sales by geographical market based on geographical location of customers:

	2008	2007
	HK$'000	*HK$'000*
PRC	**126,342**	71,401
Hong Kong	**24,575**	15,462
United States of America	**28,539**	82,151
Unallocated reconciling item	**4,750**	9,741
	184,206	178,755

4. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on bank and other loans:		
- wholly repayable within five years	**33,224**	16,500
- not wholly repayable within five years	**845**	—
	34,069	16,500

5. TAXATION

	2008	2007
	HK$'000	*HK$'000*
Tax charge for the year comprises:		
Current tax		
PRC Enterprise Income Tax	**2,178**	109
(Over)underprovision in prior years		
Hong Kong	**—**	(330)
PRC Enterprise Income Tax	**—**	50
	—	(280)
Deferred tax charge	**5,243**	1,681
	7,421	1,510

The reconciliation of tax charge for the year to the loss before taxation is as follows:

	2008	2007
	HK$'000	*HK$'000*
Loss before taxation	**(488,507)**	(570,521)
Tax credit at PRC Enterprise Income Tax of 25% (2007: 33%) (Note)	**(122,127)**	(188,272)
Share of results of associates and jointly controlled entities	**(17,920)**	(8,250)
Tax effect of expenses not deductible for tax purpose	**122,296**	163,616
Tax effect of deductible temporary differences not recognised	**3,001**	10,147
Tax effect of income not taxable for tax purpose	**(1,947)**	(1,196)
Tax effect of losses not recognised	**16,823**	20,814
Utilisation of tax losses previously not recognised	**(3,725)**	(2,070)
Tax effect of undistributed profits of subsidiaries	**5,812**	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	**6,307**	7,001
Effect of tax exemptions granted to a subsidiary in the PRC	**(801)**	—
Underprovision in prior years	**—**	(280)
Others	**(298)**	—
Tax charge for the year	**7,421**	1,510

Note: During the year, the tax rate used for tax reconciliation purpose has been changed from Hong Kong Profits Tax rate to PRC Enterprise Income Tax rate, which is the jurisdiction where the operation of the Group is substantially based. Comparative figures have been represented to conform with current year's presentation.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year. No tax is payable on the profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

Pursuant to relevant laws and regulations in the PRC, certain of the Company's subsidiaries operating in the PRC are entitled to an exemption from PRC Enterprise Income Tax for the first two years commencing from first profit making year of operations and thereafter, the subsidiaries are entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. The reduced tax rate for the relief period is at 25% (2007: nil). No PRC Enterprise Income Tax has been provided for after taking these tax incentives into account. These tax incentives will be expired by the year 2012.

On 16 March 2007, the PRC promulgated the Law of the PRC of Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008 onwards.

Taxation arising in other jurisdictions including Hong Kong is calculated at the rates prevailing in the relevant jurisdictions.

6. LOSS FOR THE YEAR

	2008	2007
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' emoluments	**4,191**	2,915
Other staff costs	**27,964**	22,934
Other staff's retirement benefits scheme contributions	**959**	960
	33,114	26,809
Amortisation of intangible assets (included in cost of sales)	**4,900**	4,900
Auditor's remuneration	**2,800**	3,500
Cost of inventories recognised as an expense	**149,951**	105,821
Depreciation of property, plant and equipment	**9,627**	6,549
Loss on disposal of property, plant and equipment	**276**	95
Minimum lease payments under operating leases in respect of land and buildings	**7,205**	4,697
Allowance for doubtful debts	**11,441**	26,340
Allowance for obsolete inventories	**12,738**	38,723
Allowance for amounts due from associates	**17,837**	1,854
Net exchange loss recognised	**—**	6,478
and crediting:		
Government grants	**339**	—
Rental income	**1,292**	1,190
Interest income	**4,971**	2,220
Net exchange gain recognised	**996**	—

7. LOSS PER SHARE - BASIC

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the following data.

	2008	2007
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share	**(499,626)**	(573,901)

	Number of shares	
	2008	2007
Weighted average number of shares for the purposes of basic loss per share	**3,623,995,668**	1,572,198,568

The weighted average number of shares in issue during the year ended 31 December 2007 had been adjusted for the effect of open offer of 406,855,905 offer shares at a price of HK$0.35 per offer share issued in October 2007; and the effect of 2,200,000,000 shares issued for acquisition of subsidiaries at a price of HK$0.87 per share.

8. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2008, nor has any dividend been proposed since the balance sheet date (2007: nil).

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK$41,910,000 (2007: HK$61,869,000). The Group allows credit periods for 90 days on average to its customers for sales of goods and rendering of services. At the discretion of the directors, several major customers were allowed to settle their balances beyond the credit terms up to one year. The following is an aged analysis of trade receivables at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**29,246**	9,327
Between 31 - 90 days	**8,090**	9,801
Between 91 - 180 days	**3,361**	36,491
Between 181 - 365 days	**—**	4,880
Over 1 year	**1,213**	1,370
	41,910	61,869

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$4,574,000 (2007: HK$41,371,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 180 days (2007: 180 days).

Ageing of trade receivables which are past due but not impaired:

	2008	2007
	HK$'000	*HK$'000*
Between 91 - 180 days	**3,361**	36,491
Between 181 - 365 days	**—**	4,880
Over 1 year	**1,213**	—
Total	**4,574**	41,371

The Group will normally provide fully for all receivables overdue 365 days because historical experiences is such that receivables that are past due 365 days are generally not recoverable, except for some major customers with longer credit terms at the discretion of the directors.

Movement in the allowance for doubtful debts:

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	**127,223**	100,883
Impairment losses recognised in respect of trade receivables	**11,441**	26,340
Balance at end of the year	**138,664**	127,223

The balance of the allowance for doubtful debts are individually impaired trade receivables which have been overdue 365 days or/and have no material transactions with the Group during the year. The Group does not hold any collateral over these balances.

Before accepting any new customer, the Group's marketing team would assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly with reference to past settlement history. 90% (2007: 31%) of the trade receivables that are neither past due nor impaired have the best credit history managed by the Group's marketing team.

Included in the Group's other receivable balances at the balance sheet date are advance to minority shareholder of a subsidiary (2007: shareholder of associates) of HK$2,280,000 (2007: HK$34,637,000), a dividend receivable from a jointly controlled entity of HK$49,719,000 (2007: HK$263,752,000) and deposits on purchase of materials for a subsidiary in Inner Mongolia of HK$42,393,000 (2007: nil). The amounts are unsecured, non-interest bearing and expected to be settled within one year.

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$40,108,000 (2007: HK$13,835,000). The following is an aged analysis of trade payables at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**20,476**	5,214
Between 31 - 90 days	**5,924**	1,520
Between 91 - 180 days	**2,166**	3,697
Between 181 - 365 days	**1,933**	385
Over 1 year	**9,609**	3,019
	40,108	13,835

RESULTS SUMMARY

As of 31 December 2008, the Group's turnover for the year 2008 amounted to HK$184.21 million with a loss of HK$495.93 million in contrast to those for the year 2007 of HK$178.76 million with a loss of HK$572.03 million respectively. The turnover for the year comprised that related to telecommunications of HK$97.26 million, sales of wind energy related products of HK$47.77 million, sales of rare-earth permanent magnetic motor products of HK$35.18 million and sales of electricity of HK$3.99 million whereas that of 2007 wholly related to telecommunications, reflecting the Group's diversification of businesses. The loss for the year was primarily attributable to total impairment loss of HK$424.17 million on interests in jointly controlled entities mainly comprising the goodwill of HK$385.18 million included in the interest in Nantong CASC Wanyuan Acciona Wind Turbine Manufacture Corp. Ltd. ("Nantong Acciona"), and interests on loans regarding finances on wind energy projects of HK$34.07 million, allowances related to telecommunications business totaling HK$42.02 million comprising that for due from associates of HK$17.84 million, obsolete inventories of HK$12.74 million and doubtful debts of HK$11.44 million albeit shares of profits from businesses of automotive component parts amounting to HK$47.12 million and of wind energy projects amounting to HK$34.38 million.

BUSINESS REVIEW

Restructuring of the Group

The Company changed its name to China Energine International (Holdings) Ltd. from CASIL Telecommunications Holdings Ltd. on 15 May 2008, marking the milestone in stepping into a new era with diversification of business to businesses in respect of wind energy, new material application, automotive component parts and telecommunications. The new name with the word "Energine" therein signifies energy plus engine and energized engine with the close association with aerospace science and technology. In this connection, the Company published its a new logo on the announcement thereon, conveying a new brand image blending windmill, energy, cooperation and from engine to new energy with attribute of environment conservation.

In this direction, Beijing Energine Industry Co. Ltd. ("BEI"), a wholly-owned subsidiary of the Group, acquired an additional 20% registered capital in Jiangsu Aerospace Wanyuan REPM Motor Co. Ltd. (formerly Hangzhou Aerospace Wan Yuan REPM Motor Application Co. Ltd.), turning the company into a subsidiary of 49% shareholding such that the company's business of development of prominent effective energy-saving rare-earth permanent magnetic motor project, which is not only an energy-saving project but also a new material application project, became one of the main businesses of the Group from July 2008. Further, BEI acquired an additional 15% registered capital in Aerospace Long Yuan (Benxi) Wind Power Co. Ltd., turning the company into a subsidiary of 55% shareholding such that the company's business of production and sales of electricity became another main business of the Group from December 2008. For details of the acquisitions, please refer to the Company's circulars of 11 June 2008 and 14 November 2008 respectively.

Business of Wind Energy Project

Further development on wind energy projects

In grasping the precious opportunity arising from the state policy propositioning on development of wind energy projects in China and leveraging the bright prospect of tremendous demand of energy whose production is hence required to be renewable and of environment conservation in the course of continuing economic growth of China in creating long-term income streams, the Group has set up an Inner Mongolia windmill general assembling plant company, an Inner Mongolia blade plant company, and a distribution company and is to set up an after-sales service company in development of direct-drive windmill project of advanced energy intensively, which comprises parts of manufacture of windmill equipment, research and development of technology, 50MW testing wind field and windmill distrbution with strategic investors including Emergya Wind Technologies B.V. ("EWT") from Netherlands, Beijing Direct Energy Corp. ("BDE") and Aerospace Research Institute of Materials & Processing Technology ("Aerospace Materials").

EWT is a Netherlands' company incorporated in February 2004 that is the second largest direct-drive windmill manufacturer possessing the comprehensive and advanced direct-drive techniques as to capacities of 750KW and 900KW on production of windmill and its main components such as turbine generators and windmill blades. BDE is engaged in business of distribution of wind measuring equipment and instruments, possessing the capacity of development of early phase of wind energy generation field and of market of distribution of windmills. Aerospace Materials which is a wholly-owned subsidiary of CALT, hence a fellow subsidiary of the Group, is the leading research centre engaging research on aerospace material application and processing as well as fibers, fabric and composite material, with possession of material and art testing workshop and research centre of national class level.

Inner Mongolia Windmill General Assembly Plant

Inner Mongolia CASC Energine Directwind Turbine Manufacture Co. Ltd. ("IM Turbine Manufacture") is a joint venture between BEI and EWT with shareholding of 95% and 5% respectively, engaged in the manufacture and delivery of the wind turbine generators as to 750-1,000KW and 2MW, blade and other components thereof in the PRC under the joint venture agreement of 29 May 2008. It was planned that the capacity of the annual production of the plant with area of about 150 hectares in one of the richest wind resources territories, Xinghe County, Wulanchabu City, Inner Mongolia will reach 400 sets of 900KW direct-wind windmill turbines and 200 sets of 2 MW direct-drive windmill turbines. The registered capital and total investment of this company amount to RMB50 million and RMB100 million respectively. The Group's share of capital contribution amounts to RMB47.5 million. The subsidiary was established in September 2008. Thereafter, it proceeded the pre-production work in preparation for the commencement of production and sales in 2009.

Inner Mongolia Windmill Blade Plant

Inner Mongolia CASC Energine Composite Material Co. Ltd. ("IM Composite Material") is a joint venture between the Group (BEI's 35% and New Image Development Ltd.'s 20%), Aerospace Material and EWT with shareholding of 55%, 40%, and 5% respectively, engaged in the businesses of production of tailored-made blades for IM Turbine Manufacture and other windmill manufacturers and of undergoing research and developments and quality recognition of blades with the technology research and development center under the joint venture agreement of 1 December 2008. It was planned that the capacity of the annual production of the plant with area of about 180 hectares to be established in one of the richest wind resources territories (adjacent to windmill general assembly plant), in Xinghe County, Wulanchabu City, Inner Mongolia by the company will reach 400 sets of 900KW direct-drive windmill blades and 250 sets of 2MW direct-drive windmill blades. The registered capital and total investment of this company amount to RMB80 million and RMB100 million respectively. The Group's share of capital contribution amounts to RMB44 million.

Inner Mongolia Windmill Property Park Development Company

Inner Mongolia CASC Energine New Energy Development Co. Ltd., the wholly-owned subsidiary of the Group, engaged in development of Inner Mongolia windmill property park, has commenced the construction works of plants, offices, warehouses of direct-drive windmill composite material plant and direct-drive windmill turbine plant regarding the said park in relation to rendering of the property management service to IM Turbine Manufacture and IM Composite Material.

Research and development of technology

Wind energy research and development center is to handle the technical issues on local mass production of direct-drive windmills as to 750 to 1,000KW and core parts such as techniques on windmill general assembling, blade and generator as well as issues on local production in China.

Sales of windmills

Beijing EWT-CASC Direct Wind Marketing and Sales Co. Ltd. is a joint venture associate between the Company and EWT and BDE with their respective shareholding of 25%, 60% and 15%, engaged in business of market exploitation and distribution of windmills produced from windmill general assembling subsidiary domestically and globally and coordination of sales support services to be provided by direct wind service company. The registered capital and total investment as to this company amount to RMB10 million and RMB14 million respectively. The Company's share of capital contribution amounts to RMB2.5 million. The associate was established in August 2008 and started its business thereafter in preparation of sales made in 2009.

Nantong Acciona

Nantong Acciona (established in June 2005 between BEI, Acciona Energina International S.A. ("Acciona") and International Commercial E. Industria with their respective shareholding of 45%, 45% and 10%) commenced its production of 1.5MW wind turbine from June 2006. In 2008, it manufactured and delivered 68 wind turbines, contributing share of profit before amortisation of intangible asset of HK$1.79 million.

The Group acquired 100% interest in BEI which held 45% equity of Nantong Acciona on 16 October 2007, in which time the global wind turbine market was in the phase of demand well exceeding supply such that the sale orders made to Nantong Acciona were plentiful in such peak season of production with very promising future. In light of this, the attributable value of HK$448.10 million relating to Nantong Acciona out of the final consideration value of HK$2.044 billion (where the 2.2 billion consideration shares were valued at market price of HK$0.87 each at the acquisition date in applying HKFRS 3 Business Combinations) was arrived at based on their then estimated future cash flows as opposed to the claimed attributable value of HK$44.93 million incorporated in the original HK$900 million consideration (where the consideration share was agreed at HK$0.35) at the time of entering into the acquisition in February 2007. This gave rise of variance of fair value attributable to Nantong Acciona amounting to HK$403.17 million in terms of goodwill.

Yet from mid 2008, mass production of domestic wind turbines of MW class in meeting the market demand began, changing the scenario of demand exceeding supply. Despite the quality of certain domestic wind turbines yet to be stable, they started to be the mainstream wind turbines thanks to their low selling prices. Due to the demanding technical conditions of the main components of the Nantong Acciona's wind turbines, the process of localization of their production was sluggish and the main components were still required to be imported from Europe, leading to the high cost and persistent high price as opposed to those of domestic wind turbines, resulting in reduction of competitiveness albeit of assured high quality.

The three joint venture parties underwent several discussions on handling the issues of accelerating the speed of localisation of supply of components and procuring sales by lowering selling price, but with no solutions thereof derived. Currently, the three joint venture parties are continuing discussions. The Group has consideration of selling of its equity in effort to reduce loss.

Wind Field Operations

Jilin Longyuan

Jilin Longyuan had sold electricity generated of 320 million kwh from 235 windmills installed with the total capacity of 200.6 MW in Tongyu County, giving the share of profit amounting to HK$13.27 million. There were additions of 59 windmills installed during the year, bringing the capacity to 200.6 MW from its original 100.3 MW.

Jiangsu Longyuan

Following further investment of RMB30.43 million to Jiangsu Longyuan for development of Phase II of the project with capacity 50 MW, the project company installed 100 1.5MW windmills with capacity of 150 MW in total, becoming the first and biggest windmill field of megawatt level in PRC known as Yudong wind power field with 3 sub-fields, namely, Huangang wind power field, Dongling wind power field and Lingyang wind power field. By selling 342 million kwh through that capacity, the company had achieved revenue of HK$187.36 million, contributing the share of profit of HK$17.26 million.

Liaoning Benxi

Liaoning Benxi had a capacity 24.65 MW wind power field and achieved sales of electricity of 53 million kwh, contributing share of profits of HK$3.85 million for the eleven months to November 2008. This company became our Group's subsidiary from 1 December 2008, making the first move in turning wind power generation as one of our main businesses, bringing the first HK$3.99 million revenue and HK$4.49 million profit in December 2008 to the Group.

50MW testing wind field

The testing wind field part of Wind Energy Project will comprise an associate to be engaged in generation of electricity from 55 windmills of 900KW being installed in a windmill electricity generation field of total capacity of 49.5MW in Xinghe County, Inner Mongolia in provision of electricity to the public at large at more than 110 million kwh per annum in northern China. Currently, all of the approvals issued by state authorities were obtained; and the strategic investors are being sought.

Business of New Materials

Jiangsu REPM (formerly Hangzhou REPM) became the Group's subsidiary on 1 July 2008 when the Group took effective control thereon in wake of entering into an equity assignment contract with Shanghai STEP Electric Co. Ltd. ("Shanghai Electric") on 27 May 2008 whereby BEI acquired a 20% registered capital of Hangzhou REPM from Shanghai Electric at consideration of RMB10.5 million so as to take effective control of the board of Jiangsu REPM through its new shareholding of 49%. During the year, the company achieved revenue of HK$46.01 million and made a profit of HK$0.91 million ie successful in turning this company to profit making from loss incurring since taking up of the operation of the subsidiary in Liyang County, Jiangsu.

Business of Automotive Component Parts

The jointly controlled entities, Beijing Delphi and Wanyuan Henniges (formerly Wanyuan GDX) performed well as expected, contributing share of profits before amortisation of intangible asset amounting to HK$64.40 million in total. In tackling the automotive petrol price rise and high-emission car acquisition tax and the decrease in automotive manufacturing leading to sales decrease, Beijing Delphi further reinforces its capacity of design and of engineering research and development so as to maintain its market competitiveness and its cost control in maintaining profitability in maintaining the sales levels to its customers including Shanghai GM, and Brilliance. Wanyuan Henniges has always been positioning as the leading distinguished supplier supplying sealing systems to key customers of medium to high end sedan market such as FAW-VW, Shanghai VW and Shanghai GM with leading edge of engineering techniques, realizing various tailored-made sealing systems to them in facing the said issues of automotive industry.

Telecommunication Business

The Group continued the sales of communication equipment of high capacity to price value and those rendering the application services of global positioning system to our customers with good after-sales service. Having said that, the telecommunication business under the circumstances of financial tsunami is facing keen competition in the market, reducing the competitive edge gradually, leading to making various allowances.

PROSPECTS

The global financial tsunami as triggered by the sub-prime loan crisis in U.S. has brought the Group lower pace of growth in light of decrease in the overall demands decrease, price rise of raw materials, rise of labour wages and appreciation of RMB, reducing the profitability of enterprises in general. Nevertheless, the group's diversification strategy does render the Group a cornerstone in standing against such wave. As such, the Group is to speed up the process of development of the wind energy projects as well as energy-saving and new material project in terms of rare-earth magnetic motor application in the year 2009.

Other developments

In the meantime, the Group is also exploring other opportunities in the diversified businesses for our Group's further development thereon.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2008, the Group had 43 employees (2007: 43 employees) in the Hong Kong head office and 417 employees (2007: 362 employees) in the Mainland China offices. Remuneration of employee is determined according to individual employee's performance and the prevailing trends in different areas and reviewed on an annual basis. The Group also provides Mandatory Provident Fund and medical insurance to its employees. In addition, discretionary performance bonus is available at the discretion of the Directors.

FINANCIAL REVIEW

Liquidity and Financial Resources

Total borrowings of the Group as at 31 December 2008 were HK$761,690,000 (2007: HK$583,005,000), which were fixed rate borrowings. All borrowings of the Group were determined at market interest rate. The Group has not issued any financial instruments for hedging or other purposes.

Gearing ratio (total borrowings over shareholders' equity) as at 31 December 2008 was 64% (2007: 37%).

Pledge of Assets

As at 31 December 2008, certain assets of the Group of HK$95,010,000 (2007: HK$1,400,000) have been pledged to secure bank facility.

Exchange and Other Exposures

Most of the Group's business transactions were conducted in Renminbi. The Group expected that the exposure to exchange rates fluctuation was not significant and therefore has not engaged in any hedging activities.

The Group did not have any contingent liabilities as at 31 December 2008.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Group has complied with all principles as set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Code"), which became applicable to the Group in respect of the year under review, and complied with the relevant code provisions in the Code throughout the year ended 31 December 2008, with the exception of one deviation from the Code Provision A.4.1 of the Code which stipulates that Non-executive Directors should be appointed for a specific term subject to re-election.

All of the Directors of the Company are not appointed for a specific term, except Independent Non-executive Directors are of a fixed term of 3 years, but are subject to retirement and rotation and re-election at the Company's Annual General Meeting in accordance with the retirement provisions under the Articles of Association of the Company. The Company considers that sufficient measures have been taken in this regard to ensure that the Group's corporate governance practices are no less exacting than those in the Code.

Model Code for Securities Transactions by Directors

During the year ended 31 December 2008, the Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Group by the Directors. Having made specific enquiry, all the Directors confirmed that they have complied with the Model Code throughout the year.

Independent Non-executive Directors

During the year 2008, the Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules in appointment of a sufficient number of 3 Independent Non-executive Directors ("INED") one of whom is, apart from other qualifications, a member of the Association of Chartered Certified Accountants and also a member of the Hong Kong Institute of Certified Public Accountants with over 20 years of experience in auditing, accounting and financial management or corporate finance.

Audit Committee

During the year 2008, the Audit Committee of the Company set up comprised all of the four previous INEDs or three INEDs or three INEDs plus a Non-executive Director (from 20 May 2008). The principal duties of the Audit Committee include the review of the Company's financial reporting procedure, internal controls and results of the Group. The audited consolidated financial statements for the year have been reviewed by the current Audit Committee.

PUBLICATION OF ANNUAL REPORT

A full text of the Company's 2008 Annual Report will be sent to the shareholders and published on the website of the Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
Han Shuwang
Chairman

Hong Kong, 17 April 2009

As at the date of this announcement, the Board of directors of the Company comprises Mr. Han Shuwang and Mr. Wang Xiaodong as Executive Directors, Mr. Wu Jiang, Mr. Tang Guohong and Mr. Li Guang as Non-executive Directors and Mr. Wang Dechen, Ms. Kan Lai Kuen, Alice and Mr. Gordon Ng as Independent Non-executive Directors.

* *for identification purpose only*