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 2009

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 2009 as follows:

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Turnover	2	**663,373**	184,206
Cost of sales		**(584,259)**	(176,391)
Gross profit		**79,114**	7,815
Other income		**19,333**	13,680
Selling and distribution expenses		**(20,437)**	(10,516)
Administrative expenses		**(117,637)**	(92,814)
Increase (decrease) in fair value of investment property		**3,420**	(2,280)
Recovery of fully impaired receivable from an associate		**11,952**	—
Allowance for amounts due from associates		**—**	(17,837)
Finance costs	4	**(53,051)**	(34,069)
Share of results of associates		**25,379**	30,631
Share of results of jointly controlled entities		**74,630**	41,048
Impairment loss reversed (recognised) in respect of interests in jointly controlled entities		**55,189**	(424,165)
Profit (loss) before taxation		**77,892**	(488,507)
Taxation	5	**(7,091)**	(7,421)
Profit (loss) for the year	6	**70,801**	(495,928)

	NOTES	2009 HK$'000	2008 HK$'000
Other comprehensive income:			
Exchange difference arising on translation to the Group's presentation currency		—	130,939
Total comprehensive income (expense) for the year		**70,801**	(364,989)
Profit (loss) for the year attributable to:			
Owners of the Company		**68,033**	(499,626)
Minority interests		**2,768**	3,698
		70,801	(495,928)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**68,033**	(369,029)
Minority interests		**2,768**	4,040
		70,801	(364,989)
Earnings (loss) per share – Basic	7	**HK1.86 cents**	HK(13.79) cents

Consolidated Statement of Financial Position
At 31 December 2009

	NOTES	**2009** **HK$'000**	2008 HK$'000
Non-current assets			
Investment property		**23,940**	20,520
Property, plant and equipment		**388,690**	309,261
Deposits paid for acquisition of property, plant and equipment		**7,377**	148,643
Goodwill		**9,252**	8,548
Intangible assets		**—**	—
Interests in associates		**227,280**	211,826
Interests in jointly controlled entities		**1,054,117**	949,695
Fixed bank deposits		**91,200**	—
		1,801,856	1,648,493
Current assets			
Inventories		**76,828**	55,240
Trade and other receivables	9	**239,448**	205,514
Amounts due from associates		**212,583**	2,419
Pledged bank deposits		**97,851**	41,599
Fixed bank deposits		**57,000**	—
Bank balances and cash		**643,613**	212,465
		1,327,323	517,237
Current liabilities			
Trade and other payables	10	**194,739**	119,287
Taxation payable		**350**	—
Amounts due to associates		**1,856**	1,452
Borrowings – amount due within one year		**285,000**	170,600
		481,945	291,339
Net current assets		**845,378**	225,898
Total assets less current liabilities		**2,647,234**	1,874,391
Non-current liabilities			
Borrowings – amount due after one year		**992,410**	591,090
Deferred taxation		**10,026**	7,389
		1,002,436	598,479
		1,644,798	1,275,912
Capital and reserves			
Share capital		**396,900**	362,400
Reserves		**1,135,832**	836,429
Equity attributable to equity holders of the Company		**1,532,732**	1,198,829
Minority interests		**112,066**	77,083
Total equity		**1,644,798**	1,275,912

Notes to the Consolidated Financial Statements

For the year ended 31 Decmeber 2009

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

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) - INT 13	Customer loyalty programmes
HK(IFRIC) - INT 15	Agreements for the construction of real estate
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) - INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 3) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

New and revised HKFRSs affecting the reported results and/or financial position

HKAS 23 (Revised 2007) Borrowing costs

In previous years, the Group has an accounting policy that expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

In the current year, the Group did not have any qualifying asset to capitalise the borrowing costs. Therefore, the adoption of HKAS 23 (Revised 2007) has not had any impact on Group's financial results and position for the current period.

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)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosure[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payments transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instrument[5]

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

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

[3] Effective for annual periods beginning on or after 1 January 2010.

[4] Effective for annual periods beginning on or after 1 February 2010.

[5] Effective for annual periods beginning on or after 1 July 2010.

[6] Effective for annual periods beginning on or after 1 January 2011.

[7] Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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 consolidated financial statements.

2. TURNOVER

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

	2009	2008
	HK$'000	*HK$'000*
Sales of goods	**298,135**	161,931
Sales of electricity from operation of wind power field	**31,543**	3,985
Sales of wind energy related products	**314,565**	—
Revenue from services	**19,130**	18,290
	663,373	184,206

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

(A) Business segments

For management purposes, the Group currently organises its operations into five operating segments. They represent five major lines of businesses engaged by the Group. The principal activities of the operating segments are as follows:

Wind Energy Related Products	—	Manufacture and sales of wind energy related products
Operation of Wind Farm	—	Sales of electricity from operation of wind farm
REPM Products	—	Manufacture and distribution of elevator motors
Trading of Materials	—	Trading of chemical materials
Telecommunication Business	—	Development, manufacture and distribution of communication products, ITS, broadband systems, equipment and accessories

Information regarding these segments is presented below. The segment results reported for the prior period have been restated to conform with the requirements of HKFRS 8.

Segment revenue and results

The following is an analysis of the Group's turnover and results by reportable segment:

For the year ended 31 December 2009

	Wind Energy Related Products	Operation of Wind Farm	REPM Products	Trading of Materials	Tele-communication Business	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER							
External sales	353,954	31,543	56,140	170,842	90,283	(39,389)	663,373
RESULT							
Segment result	(6,279)	47,577	(4,083)	490	(3,431)	(12,669)	21,605
Unallocated corporate expenses							(47,936)
Unallocated other income							5,540
Finance costs							(53,051)
Increase in fair value of investment property							3,420
Reversal of impairment loss in respect of interest in a jointly controlled entity							55,189
Share of results of jointly controlled entities							93,125
Profit before taxation							77,892

For the year ended 31 December 2008

	Wind Energy Related Products	Operation of Wind Farm	REPM Products	Trading of Materials	Tele-communication Business	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER							
External sales	—	3,985	35,184	47,774	97,263	—	184,206
RESULT							
Segment result	(1,428)	35,332	2,481	606	(53,484)	—	(16,493)
Unallocated corporate expenses							(49,788)
Unallocated other 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 interests in jointly controlled entities							(424,165)
Share of results of jointly controlled entities							47,118
Loss before taxation							(488,507)

(B) Geographical information

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

(i) The Group's revenue from external customers are detailed below:

	2009	2008
	HK$'000	*HK$'000*
Other regions of the PRC	**614,371**	126,342
Hong Kong	**31,825**	24,575
United States of America	**17,119**	28,539
Others	**58**	4,750
	663,373	184,206

(ii) Information about the Group's non-current assets (excluding financial instruments) by geographical location of the assets are detailed below:

	Carrying amount of segment assets	
	2009	2008
	HK$'000	*HK$'000*
Other regions of the PRC	**1,677,549**	1,632,014
Hong Kong	**33,107**	16,479
	1,710,656	1,648,493

4. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on bank and other loans:		
– wholly repayable within five years	**46,865**	33,224
– not wholly repayable within five years	**6,186**	845
	53,051	34,069

5. TAXATION

	2009	2008
	HK$'000	*HK$'000*
Tax charge for the year comprises:		
PRC Enterprise Income Tax		
Current year	**5,504**	2,178
Overprovision in prior years	**(1,050)**	—
	4,454	2,178
Deferred tax charge	**2,637**	5,243
	7,091	7,421

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

	2009	2008
	HK$'000	*HK$'000*
Profit (loss) before taxation	**77,892**	(488,507)
Tax charge (credit) at PRC Enterprise Income Tax rate of 25% (2008: 25%)	**19,473**	(122,127)
Share of results of associates and jointly controlled entities	**(25,002)**	(17,920)
Tax effect of expenses not deductible for tax purpose	**9,139**	122,296
Tax effect of deductible temporary differences not recognised	**1,843**	3,001
Tax effect of income not taxable for tax purpose	**(16,860)**	(1,947)
Tax effect of losses not recognised	**14,931**	16,823
Utilisation of tax losses previously not recognised	**(456)**	(3,725)
Tax effect of temporary differences attributable to undistributed profits of PRC subsidiaries	**4,512**	5,812
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,048**	6,307
Effect of tax concessions/exemptions granted to a subsidiary in the PRC	**(1,487)**	(801)
Overprovision in prior years	**(1,050)**	—
Others	**—**	(298)
Tax charge for the year	**7,091**	7,421

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% of the estimated assessable profit for both years. 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.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, one of the Company's PRC subsidiary is exempted from PRC income tax for two years starting from year 2007, which was their first profit-making year.

6. PROFIT (LOSS) FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging:		
Directors' emoluments	**3,184**	4,191
Other staff costs	**46,664**	34,244
Other staff's retirement benefits scheme contributions	**4,955**	1,457
	54,803	39,892
Amortisation of intangible assets (included in cost of sales)	**—**	4,900
Auditor's remuneration	**2,800**	2,800
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK$6,349,000 (2008: HK$12,738,000)	**564,479**	162,689
Depreciation of property, plant and equipment	**28,120**	9,627
Loss on disposal of property, plant and equipment	**68**	276
Minimum lease payments under operating leases in respect of land and buildings	**7,554**	7,205
Allowance for doubtful debts	**5,538**	11,441

7. EARNINGS (LOSS) PER SHARE - BASIC

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the following data.

	2009	2008
	HK$'000	*HK$'000*
Profit (loss) for the purpose of basic earnings (loss) per share	**68,033**	(499,626)

	Number of shares	
	2009	2008
Weighted average number of shares for the purposes of basic earnings (loss) per share	**3,660,858,682**	3,623,995,668

The weighted average number of shares in issue during the year ended 31 December 2009 had been adjusted for the effect of placing of existing shares and top-up subscription of new shares at a price of HK$0.80 per share issued in November 2009.

8. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2009, nor has any dividend been proposed since the end of the reporting period (2008: Nil).

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK$50,770,000 (2008: HK$41,910,000). 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 executive 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, net of allowances, presented based on the invoice date at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**18,604**	29,246
Between 31 - 90 days	**19,531**	8,090
Between 91 - 180 days	**833**	3,361
Between 181 - 365 days	**4,080**	—
Over 1 year	**7,722**	1,213
	50,770	41,910

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$12,635,000 (2008: HK$4,574,000) 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 365 days (2008: 180 days).

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

	2009	2008
	HK$'000	*HK$'000*
Between 91 - 180 days	**833**	3,361
Between 181 - 365 days	**4,080**	—
Over 1 year	**7,722**	1,213
Total	**12,635**	4,574

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 executive directors.

Movement in the allowance for doubtful debts:

	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	**138,664**	127,223
Impairment losses recognised in respect of trade receivables	**5,538**	11,441
Balance at end of the year	**144,202**	138,664

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 executive directors and 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. 70% (2008: 90%) 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 receivables at 31 December 2009 are advance to minority shareholder of a subsidiary of HK$8,459,000 (2008: HK$2,280,000), a dividend receivable from a jointly controlled entity of HK$9,884,000 (2008: HK$49,719,000), deposits on purchase of materials for subsidiaries in the PRC of HK$82,916,000 (2008: HK$42,393,000) and bills receivable of HK$12,308,000 (2008: HK$12,165,000).

In addition, other receivables at 31 December 2009 included amounts due from China Aerospace International Holdings Limited ("CASIL") and its subsidiaries, of HK$15,291,000 (2008: HK$15,291,000). CASIL, a subsidiary of CASC, is a fellow subsidiary of the Company. The amounts are unsecured, non-interest bearing and repayable on demand.

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$47,429,000 (2008: HK$40,108,000). The following is an aged analysis of trade payables based on invoice date at the end of reporting period:

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**20,489**	20,476
Between 31 - 90 days	**14,419**	5,924
Between 91 - 180 days	**2,721**	2,166
Between 181 - 365 days	**2,317**	1,933
Over 1 year	**7,483**	9,609
	47,429	40,108

Included in the Group's other payables at 31 December 2009 are accrual for construction work of HK$33,925,000 (2008: Nil), receipt in advance from customers of HK$43,513,000 (2008: HK$2,632,000) and interest payable of HK$14,246,000 (2008: HK$26,425,000).

In addition, other payables at 31 December 2009 included amonts due to CASIL and its subsidiaries of HK$4,407,000 (2008: HK$4,407,000). The amounts are unsecured, non-interest bearing and are repayable on demand.

RESULTS SUMMARY

As of 31 December 2009, the Group's turnover for the year 2009 amounted to HK$663.37 million with a profit of HK$70.80 million in contrast to those for the year 2008 of HK$184.21 million with a loss of HK$495.93 million respectively. The turnover for the year comprised sale of wind energy related products of HK$314.57 million, sale of electricity generated from wind farm of HK$31.54 million, sale of chemical materials of HK$170.84 million, sale of rare-earth permanent-magnet motor products of HK$56.14 million and sales of HK$90.28 million related to telecommunication business whereas the turnover in 2008 comprised sale of chemical materials of HK$47.77 million, sale of electricity of HK$3.99 million, sale of rare-earth permanent-magnet motor products of HK$35.18 million and sales of HK$97.26 million related to telecommunication business. The profit for the year was mainly attributable to profit contribution of jointly controlled entities relating to automotive component business of HK$89.07 million.

BUSINESS REVIEW

Internal Management System

In 2009, the Group has enhanced the internal management system substantially in order to well prepare the Group to capture high capital return in the course of applying the abundant undeveloped wind resources in various regions of China, especially Inner Mongolia.

Group Financing

In November 2009, the Group completed a placing and top-up subscription of 345 million shares at the placing price of HK$0.8 per share. The net proceeds of HK$266 million was primarily used for developing wind energy projects, improving the capital structure of the Group as well as enhancing market capitalisation. As a result, the shareholding of the controlling shareholder, China Academy of Launch Vehicle Technology, was diluted from 73.1% to 66.75%.

Business of Wind Energy Project

Development of wind farm in Jiuquan, Gansu Province

In October 2009, Gansu Industries and Information Management Committee, Jiuquan City People's Government ("Jiuquan Government"), the Company and China Huadian New Energy Development Co. Ltd. ("Huadian New Energy") entered into a strategic framework agreement, which provides, inter alia, that Jiuquan Government of Gansu Province will plan to grant wind resource development rights as to 200,000KW in the "eleventh five" period and 200,000KW each year in the "twelfth five" period to Huadian New Energy for its development and construction of wind farm in Jiuquan area; Huadian New Energy will apply the 900KW and 2MW direct-wind turbines of the Group to develop the said wind farm.

The wind energy inherent resources in Gansu Province rank the fifth in the whole China, mainly concentrated in Jiuquan area. The wind energy intensity in Jiuquan area amounts to more than 30 million KW, of which more than 20 million KW can be utilized. The construction of wind farm of tens of million KW wind power represents an important demonstrative leading function of the development of wind energy industry in Gansu.

Four platforms of direct-drive wind turbine project under steady development

In 2009, according to the development strategy of the Group, the Group actively worked together with Emergya Wind Technologies B.V. ("EWT") with four platforms of "Research and Development, Manufacture, Testing and Service" under steady development.

Inner Mongolia Wind Turbine General Assembling Plant

Inner Mongolia CASC Energine Wind Turbine Manufacture Co. Ltd. (the "Wind Turbine General Assembling Plant"), a joint venture between Beijing Energine Industry Co. Ltd. ("BEI", a wholly-owned subsidiary of the Group) and EWT with shareholding of 95% and 5% respectively, is primarily engaged in component purchase, general assembling, installation and testing, and technical service of large to medium direct-drive wind turbines. Equipped with advanced technical equipment and sophisticated manufacturing technicians, it has an annual production capacity of 400 900KW direct-drive wind turbines and 200 2MW permanent-magnet direct-drive wind turbines.

The aerospace direct-drive wind turbines manufactured by Wind Turbine General Assembling Plant has the following technological advantages over traditional gearbox-driven wind turbines: high transmission efficiency, which increases power generation by about 5%; less time and costs used for equipment maintenance; favorably assists in breaking through the bottleneck in manufacturing of components, thereby speeding up development in manufacturing of wind turbines; and high start-up torque of direct-drive wind turbines, especially permanent-magnet direct-drive wind turbines, being in the future development direction for large-sized wind turbines.

A number of management policies were established in 2009; and the Wind Turbine General Assembling Plant operated smoothly in that procurements of components were improved and comprehensive quality control was carried out, including in-factory supervision and ex-factory acceptance, process inspection and delivery inspection, while delivery issues were resolved. Besides, domestic production progressed smoothly, 55 direct-drive wind turbines were successfully produced and sold for carrying out related tuning and testing, thereby making profit contribution.

Inner Mongolia Wind Turbine Blade Plant

Inner Mongolia CASC Energine Composite Material Co. Ltd. (the "Blade Plant"), a joint venture between BEI (as to 35.9% shareholding), New Image Development Ltd. (a wholly-owned subsidiary of the Group) (as to 20.5% shareholding), Aerospace Research Institute of Materials & Processing Technology and EWT is primarily engaged in research and development, design, production and service of large structural composite material products with an annual production capacity of 400 900KW direct-drive wind turbine blades and 200 2MW permanent-magnet direct-drive wind turbine blades.

During the production process, the Blade Plant uses an advanced vacuum infusion technology, which avoids drawbacks such as uneven water absorption, lamination and resin content during the complex formation and solidification of the composite materials and which rather makes use of simple crafts and allows a clean production environment that produces products of higher stability, facilitating batch production and mass production.

In 2009, the Blade Plant finished a series of work such as corporate system establishment, staff recruitment and production material preparation. Two sets of moulds were smoothly installed, tested and adjusted, thus achieving a production schedule of a blade a day. A total of 186 pieces of 900KW direct-drive wind turbine blades were produced. Smooth purchase of blade materials and steady progress in domestic production of materials contributed to reduced costs, consolidating the market competitiveness edge of the Group.

China Energine Wind Power Industrial Park

Inner Mongolia Energine New Energy Development Co. Ltd., a wholly-owned subsidiary of the Group, occupied a site of 500 acres as an operating platform for the Inner Mongolia wind turbine base. It has constructed plants, offices and warehouses for the Wind Turbine General Assembling Plant and the Blade Plant in the Inner Mongolia Wind Power Industrial Park and started to provide the Wind Turbine General Assembling Plant and the Blade Plant with property leasing and management service.

Research and development of technology

Wind power technology research and development center is responsible for absorption and adaptation work as to technologies of 900KW direct-drive wind turbine. It has completed the design of low-temperature 900KW direct-drive wind turbine and coped with the production of the Wind Turbine General Assembling Plant. Meanwhile, the research and development center in its best endeavour commenced domestic production of core components. Localisation of domestic productions of blades and wind turbines have been completed. Localization of domestic production of control systems and inverters are being implemented now. For the purpose of future development, the current focused tasks also include the research, development and innovation of high-power permanent-magnet direct-drive wind turbines, and the technological research of offshore high-power wind turbines.

Sales of wind turbines

Beijing EWT-CASC Directwind Marketing and Sales Co. Ltd., a joint venture between the Company, EWT and Beijing Direct Energy Corp. with shareholding of 25%, 60% and 15% respectively, is engaged in domestic and global market development and sales of wind turbines produced from the Wind Turbine General Assembling Plant. In February 2010, the Company entered into an Equity Transfer Agreement with EWT, pursuant to which the Company will acquire 40% of the sales company from EWT for a consideration of HK$1.82 million. After the acquisition, the sales company will become a 65% subsidiary of the Company, consummating the Company's strategy of controlling all the entities in the supply-chain of the wind turbines sales and production business. With respect to the whole process in the sales and production of wind turbines and wind blades utilising of the advanced direct-drive technology of the EWT direct-drive wind turbines, this enables the Group to benefit from the whole of the supply-chain, instead of only accounting for the share of profit of the sales company in the supply-chain through equity accounting.

Trading of materials

Since October 2008, BEI started carrying on trading business on pure terephthalic acid ("PTA"). PTA is an important organic raw material refined from crude oil; it can be used to produce polyester products, including synthetic fiber such as polyester fiber, while the main material used for the production of wind turbine blades is a variety of polyester fiber.

Given the rapid development of the polyester application industry in China, there were huge demands for PTA in China. In 2009, this business realised sales of HK$171 million, representing a stable increase of HK$123 million compared to 2008. In 2010, this business will further expand by building on this foundation to explore new customers.

Nantong Acciona

Nantong Acciona suffered from the intense competition in the domestic wind turbine market and sluggish progress made on domestic production of wind turbine. In order to bail Nantong Acciona out, BEI and International Commercial E Industria S.A. ("ICI") (replacing Chook Bo Group as stated in September) acquired from Acciona Energia Internacional S.A. ("Acciona") its entire 45% interest (5% and 40% by BEI and ICI respectively) in Nantong Acciona in December 2009 at a consideration of 45% of the net asset value of Nantong Acciona as at 30 June 2009. As a result, BEI had to pay RMB2.766 million to increase its interest in Nantong Acciona from 45% to 50% for joint control of Nantong Acciona with ICI. Acciona bought all the inventory and dedicated equipment other than those required by the after-sale service at their book value and provided technical support to the sold wind turbines. Upon acquisition, the Group will be engaged in independent research and development of self-developed wind turbines, especially those high-power direct-drive wind turbines, in utilizing the comprehensive hardware facilities of Nantong Acciona and concentration of plants in Nantong, expecting Nantong Acciona will develop into a manufacture base of Energine wind turbines in Jiangsu province in the future.

Wind Farm Operations

Liaoning Benxi

The Aerospace Long Yuan (Benxi) wind farm project, controlled and operated by the Group, is installed with 29 sets of 850KW wind turbines with a capacity of 24,650KW in total.

An electricity level of 55.07 million kwh was realized during 2009, increased by 0.03 million kwh over last year. On-grid power generation amounted to 53.06 million kwh with realized income from principal activity of HK$31.54 million, increased by HK$0.19 million over last year, realizing a profit amounting to HK$14.87 million.

Jilin Longyuan

Jilin Tongyu wind farm, invested and constructed by the Group, is installed with 236 sets of 850KW wind turbines with a capacity of 200,000KW.

An electricity level of 344.51 million kwh was realized during 2009, increased by 29.51 million kwh over last year. On-grid power generation amounted to 207.21 million kwh with realized income from principal activity of HK$181.41 million, increased by HK$10.97 million over last year, realizing a profit amounting to HK$74.78 million.

Jiangsu Longyuan

The Jiangsu Yudong wind power field project, invested and constructed by the Group, is installed with 100 1.5MW wind turbines with a capacity of 150,000KW.

An electricity level of 344.37 million kwh was realized during 2009, decreased by 4.64 million kwh over last year. On-grid power generation amounted to 337.17 million kwh with realized income from principal activity of HK$184.96 million, decreased by HK$2.40 million over last year, realizing a profit amounting to HK$71.10 million.

Inner Mongolia Xinghe Energine Wind Farm

The total investment of the Inner Mongolia Xinghe Energine wind farm project, which is under investment and construction, amounts to HK$528 million with an installed capacity of 49,500KW. The first 55 900KW direct-drive wind turbines, which were installed in 2009, not only provide circumstances for technological upgrade of 900KW direct-drive wind turbines, but also a testing base for research and development of 2MW direct-drive wind turbines.

In May 2009, BEI and China Datong Corporation Renewable Power Co., Ltd. entered into a joint venture agreement to establish a jointly controlled entity, 內蒙古大唐萬源新能源有限公司, with shareholding of 49% and 51% respectively. Its registered capital was HK$105.58 million, of which HK$51.73 million was to be contributed by BEI. It had completed its company registration. Its tenders in relation to major equipment, construction and supervision had completed and construction works had also completed. At the beginning of 2010, wind turbine installation and testing and on-grid power generation were carried out.

Business of New Materials

It is the plan of the Group to extensively use rare-earth materials in four areas: high-power rare-earth permanent-magnet synchronous generator and variable-flow drive system applied in wind turbines, rare-earth permanent-magnet gearless traction machines for elevators, special rare-earth permanent-magnet motor for dual military plus civil application and its drive system and permanent-magnet direct-drive electrical products.

Jiangsu Aerospace Wan Yuan REPM Motor Co., Ltd., controlled and operated by the Group, is a high-tech enterprise which specializes in research and development, manufacture, and sales of rare-earth permanent-magnet gearless traction machines for elevators, with a registered capital of HK$57 million. The "航天萬源" branded rare-earth permanent-magnet gearless traction machines for elevators, and its driving control system, whose independent research and development had filled up the technological gap of the domestic gearless elevator sector, realized external sales of HK$55.62 million in 2009.

As the company responsible for the oversea market of rare-earth permanent-magnet motor products, Tin Shun Industrial Ltd. (a wholly-owned subsidiary of the Group, "Tin Shun") aggressively expanded its oversea market with continuously strengthening product promotion.

In November 2009, Tin Shun entered into a joint venture contract with Wuxi New Great Power Electromotor Co., Ltd. to establish Wuxi CASC Energine Xindali Electricity Co. Ltd. as a subsidiary as to 62.5% and 37.5% shareholding by the parties respectively, with registered capital is HK$91.20 million, of which Tin Shun contributed HK$57 million. The total investment amount was HK$187 million and the subsidiary will be engaged in development and production of generators, rare-earth permanent-magnet motors and their drive systems customised for application in MW direct-drive wind turbines, with the purpose of self-producing custom-made generators for application in the 900KW and 2MW wind turbines manufactured by Wind Turbine General Assembly Plant, thereby exercising product cost control through reduction in reliance on upstream suppliers in the wind turbine supply-chain.

Business of Automotive Component Parts

Automotive engine management systems

Beijing Delphi Wan Yuan Engine Management Systems Co., Ltd, a jointly controlled entity, is a leading provider in the domestic automotive electronic fuel injection market with a stable market share, ranking the second nationwide. Its products are sold to automobile manufacturers in Europe and North America and supplied to substantially all of the domestic leading automobile manufacturers.

As a result of the PRC government's implementation of the auto industry rejuvenation plan in 2009, the company's development of new models and some Euro 4-compliance old models for various customers as well as an increasing number of orders from new customers procured in recent years, the jointly controlled entity recorded better-than-budgeted sales revenue of HK$2,066.43 million with realized profit of HK$247.08 million in 2009. The company will further speed up its development on new models and ensure prompt production to boost sales, whilst committing to enhance collection of accounts receivable to maintain a healthy cash flow and further reducing its costs to keep its profit ratio.

Automotive Sealing products

Beijing Wanyuan-Henniges Sealing Systems Co., Ltd., a jointly controlled entity, is a company which specializes in manufacture of medium-to-high class automotive sealing products in the domestic market. Its quality control converges with those of international advanced level. The jointly controlled entity not only realizes the development on and complement to the medium-to-high class model in the domestic market, but also attain the standards applicable to Germany, France, the United States, Japan and South Korea with its products.

The jointly controlled entity recorded better-than-budgeted sales revenue of HK$343.67 million with realized profit of HK$12.65 million in 2009. The company will continuously take measures to enhance production efficiency by controlling its purchasing cost for materials, integrating logistics management, reducing its reject rate and keeping its expenses down and through technological innovation, Toyota Production System ("TPS") and Value Analysis / Value Engineering ("VAVE") in order to consistently realize profit.

Telecommunication Business

The telecommunication products of the Group fully cover various categories such as GPS mobile terminals, intelligent transport, wireless communication, television conference and image transmission, GPS automotive information service platform, bone-conduction hearing aid telephone products. The Group has become a provider of professional electronic equipment, communication products and system integration with extensive influence in the domestic market.

PROSPECTS

In looking forward, the Group will continue to actively build up its core component production system and accelerate the progress of domestic production of wind turbines. By exploiting wind resources of good quality both onshore and offshore, the Group will step on in pursuit of co-operation opportunities with other large power generation groups, and improve the batch production of rare-earth permanent-magnet motors. It will also appropriately arrange financing for the Group and take steps to strengthen its internal management, in order to ensure the sustainable development of the Group with greater return to its shareholders.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2009, the Group had 49 employees (2008: 43 employees) in the Hong Kong head office and 752 employees (2008: 417 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 2009 were HK$1,277,410,000 (2008: HK$761,690,000), of which HK$130,000,000 (2008: Nil) was floating-rate borrowings and the remaining was fixed-rate. 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 2009 was 83% (2008: 64%).

Pledge of Assets

As at 31 December 2009, certain assets of the Group of HK$97,851,000 (2008: HK$95,010,000) 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 2009.

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 2009, 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 Non-executive Directors of the Company are not appointed for a specific term, except that 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 2009, 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 2009, 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 2009, the Audit Committee consisted of three INED plus a Non-executive Director. 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 Audit Committee.

PUBLICATION OF ANNUAL REPORT

A full text of the Company's 2009 Annual Report will be sent to the shareholders and published on the websites of The Stock Exchange of Hong Kong Limited and of the Company in due course.

By Order of the Board
Han Shuwang
Chairman

Hong Kong, 23 March 2010

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.