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 2010

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 2010 as follows:

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2010

	NOTE	**2010** *HK$'000*	2009 *HK$'000*
Turnover	2	**698,083**	663,373
Cost of sales		**(677,882)**	(584,259)
Gross profit		**20,201**	79,114
Other income		**60,323**	19,067
Other gains and losses		**(12,258)**	(5,340)
Selling and distribution expenses		**(20,777)**	(20,437)
Administrative expenses		**(148,142)**	(112,031)
Increase in fair value of investment property		**6,612**	3,420
Recovery of fully impaired receivable from an associate		**—**	11,952
Finance costs	4	**(52,997)**	(53,051)
Share of results of associates		**33,689**	25,379
Share of results of jointly controlled entities		**140,213**	74,630
Impairment loss recognised in respect of goodwill		**(7,284)**	—
Reversal of impairment loss recognised in respect of interest in a jointly controlled entity		**102,632**	55,189
Profit before taxation		**122,212**	77,892
Taxation	5	**(20,128)**	(7,091)
Profit for the year	6	**102,084**	70,801

	NOTE	2010 HK$'000	2009 HK$'000
Other comprehensive income:			
Exchange differences arising on translation to presentation currency		**25,176**	—
Total comprehensive income for the year		**127,260**	70,801
Profit for the year attributable to:			
Owners of the Company		**96,065**	68,033
Non-controlling interests		**6,019**	2,768
		102,084	70,801
Total comprehensive income attributable to:			
Owners of the Company		**119,618**	68,033
Non-controlling interests		**7,642**	2,768
		127,260	70,801
Earnings per share - Basic	7	**HK2.42 cents**	HK1.86 cents

Consolidated Statement of Financial Position

At 31 December 2010

	NOTE	**2010** HK$'000	2009 HK$'000
Non-current assets			
Investment property		**30,972**	23,940
Property, plant and equipment		**373,659**	388,690
Deposits paid for acquisition of property, plant and equipment		**17,688**	7,377
Goodwill		**4,903**	9,252
Deferred tax assets		**5,022**	—
Interests in associates		**323,960**	227,280
Interests in jointly controlled entities		**1,222,069**	1,054,117
Fixed bank deposits		**11,996**	91,200
		1,990,269	1,801,856
Current assets			
Inventories		**129,931**	76,828
Trade and other receivables	9	**422,749**	239,448
Amounts due from associates		**3,457**	212,583
Amounts due from jointly controlled entities		**80,880**	—
Pledged bank deposits		**32,644**	97,851
Fixed bank deposits		**—**	57,000
Bank balances and cash		**450,061**	643,613
		1,119,722	1,327,323

	NOTE	2010 HK$'000	2009 HK$'000
Current liabilities			
Trade and other payables	10	**258,651**	182,707
Amounts due to associates		**518**	1,856
Government grants		**240**	—
Taxation payable		**816**	350
Warranty provision		**18,491**	12,032
Borrowings - amount due within one year		**730,800**	285,000
		1,009,516	481,945
Net current assets		**110,206**	845,378
Total assets less current liabilities		**2,100,475**	2,647,234
Non-current liabilities			
Borrowings - amount due after one year		**315,520**	992,410
Deferred tax liabilities		**17,979**	10,026
Government grants		**7,809**	—
		341,308	1,002,436
		1,759,167	1,644,798
Capital and reserves			
Share capital		**396,900**	396,900
Reserves		**1,262,203**	1,135,832
Equity attributable to owners of the Company		**1,659,103**	1,532,732
Non-controlling interests		**100,064**	112,066
Total equity		**1,759,167**	1,644,798

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 3 (as revised in 2008)	Business combinations
HKFRS 24 (as revised in 2009)	Related party disclosures in relation to the partial exemption in paragraphs 25 to 27 for government-related entities
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners
HK - INT 5	Presentation of financial statements - Classification by the borrower of a term loan that contains a repayment on demand clause

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the consolidated financial statements.

Amendments to HKAS 7 Statement of cash flows
(as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 7 specify that cash flows arising from changes ownership interests in a subsidiary that do not result in a loss of control, such as the subsequent purchase or sale by a parent of a subsidiary's equity instruments, shall be classified as cash flows from financing activities.

In respect of the partial disposal during the year of part of the Group's interest in CASTEL Qihua Ltd. ("CASETL Qihua") from 70% to 55%, which did not result in loss of control, the consideration received of HK$8,010,000 has been classified as cash flows from financing activities.

This change has been applied retrospectively. Acquisition of additional interests in a subsidiary of HK$1,540,000 paid in 2009 has been reclassified from investing to financing activities in the consolidated statement of cash flows for consistent presentation.

HKFRS 3 (as revised in 2008) Business combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions.

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as "minority" interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquire. In the current year, in accounting for the acquisition of additional interest in an associate Beijing EWT-CASC Directwind Marketing and Sales Co. Ltd. ("Directwind Sales") resulting in the Group obtaining control in Directwind Sales in the current year, the Group has measured the non-controlling interests at the proportionate share of the acquiree's net identifiable assets at the acquisition date. Accordingly, there is no impact on the goodwill recognised in respect of that acquisition, which does not reflect the impact of the difference between the fair value of the non-controlling interests and their share of the identifiable net assets of the acquiree.

- HKFRS 3 (as revised in 2008) requires an equity interest previously held in the acquiree to be remeasured to its fair value on the acquisition date and any resulting gain or loss to be recognised in profit or loss. In the current year, in accounting for the acquisition of Directwind Sales (previously an associate of the Group), the fair value of its previously-held equity interest which had a carrying amount of nil prior to acquisition due to accumulated losses, was insignificant and so no gain or loss has been recognised in profit or loss.

- HKFRS3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination. The Group has recognised HK$712,000 of such costs as an expense in profit or loss, whereas previously they would have been accounted for as part of the cost of the acquisition. Therefore, this has resulted in a decrease in the profit for the year of HK$712,000, and a decrease in goodwill of the same account.

HKAS 27 (as revised in 2008) Consolidated and separate financial statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

In respect of the partial disposal during the year of part of the Group's interest in CASTEL Qihua, the impact of the change in policy has been that the difference of HK$6,753,000 between the consideration received and the increase in the carrying amount of the non-controlling interests has been recognised directly in equity. Had the previous accounting policy been applied, this amount would have been recognised in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the year of HK$6,753,000.

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses. In the current year, in accounting for the acquisition of additional interest in Directwind Sales, HK$579,000 of deficit balance has been attributable to the non-controlling interests. This resulted in a decrease in goodwill of the same amount.

HKAS 24 (as revised in 2009) related party disclosures

Paragraphs 25 to 27 of HKAS 24 (as revised in 2009) "Related party disclosures" exempt certain disclosures in relation to the government-related entities. The Group has applied this disclosure exemption in the consolidated financial statements.

Summary of the effect of the above changes in accounting policies

The effect of changes in accounting policies described above on the results for the current and prior years by line items presented in the consolidated statement of comprehensive income is as follows:

	2010	2009
	HK$'000	*HK$'000*
Decrease in other gains and losses as a result of the change in the accounting policy for partial disposal of a subsidiary that does not result in loss of control	**6,753**	—
Increase in administrative expenses arising on the recognition of acquisition-related costs when incurred	**712**	—
Decrease in profit for the year	**7,465**	—

The effect of changes in accounting policies described above on the Group's basic earnings per share for the current and prior year is as follows:

Impact on basic earnings per share

	2010	2009
	HK cents	*HK cents*
Basic earnings per share before adjustments	**2.61**	1.86
Adjustments arising from changes in accounting policies in relation to:		
– disposal of a subsidiary that does not result in loss of control	**(0.17)**	—
– recognition of acquisition-related costs when incurred	**(0.02)**	—
Basic earnings per share, as reported	**2.42**	1.86

The consolidated statement of financial position as at 1 January 2009 has not been presented as the above changes have no impact on that consolidated statement of financial position.

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective, except for partial exemption from disclosures requirements for government-related entities in accordance with HKAS 24 (as revised in 2009) " Related party disclosures".

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures - Transfers of financial assets[2]
HKFRS 9	Financial instruments[3]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[4]
HKAS 24 (as revised in 2009)	Related party disclosures[5]
HKAS 32 (Amendments)	Classification of rights issues[6]
HK(IFRIC) - INT 14 (Amendments)	Prepayments of a minimum funding requirement[5]
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments[7]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

[2] Effective for annual periods beginning on or after 1 July 2011.

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

[4] Effective for annual periods beginning on or after 1 January 2012.

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

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

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

HKFRS 9 Financial instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 “Financial instruments” (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013. Based on the Groups' financial assets and financial liabilities as at 31 December 2010, the application of HKFRS 9 may have no significant impact on the Group's consolidated financial statement.

The amendments to HKAS 12 titled "Deferred tax: Recovery of underlying assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties located in the PRC that are measured using the fair value model. If the presumption under the amendments is not rebutted, the deferred tax liability relating to the revaluation of investment properties may increase as the land appreciation tax rate of the PRC is higher than the tax rate currently used by the Group to calculate the deferred tax recognised for investment properties.

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:

	2010	2009
	HK$'000	*HK$'000*
Sales of goods	**383,026**	298,135
Sales of electricity from operation of wind power field	**32,228**	31,543
Sales of wind energy related products	**264,745**	314,565
Revenue from services	**18,084**	19,130
	698,083	663,373

3. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's operating and reportable segments under HKFRS 8 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.

Segment revenue and results

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

For the year ended 31 December 2010

	Wind Energy Related Products	Operation of Wind Farm	REPM Products	Trading of Materials	Tele-communication Business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER						
External sales	**264,745**	**32,228**	**52,577**	**272,551**	**75,982**	**698,083**
RESULT						
Segment result	**(30,583)**	**63,899**	**(22,051)**	**2,166**	**(43,882)**	**(30,451)**
Unallocated corporate expenses						**(56,935)**
Unallocated other income						**7,479**
Finance costs						**(52,997)**
Increase in fair value of investment property						**6,612**
Reversal of impairment loss in respect of interest in a jointly controlled entity						**102,632**
Share of results of jointly controlled entities						**145,872**
Profit before taxation						**122,212**

For the year ended 31 December 2009

	Wind Energy Related Products	Operation of Wind Farm	REPM Products	Trading of Materials	Tele-communication Business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER						
External sales	314,565	31,543	56,140	170,842	90,283	663,373
RESULT						
Segment result	(18,948)	47,577	(4,083)	490	(3,431)	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

Segment results represent the profit before taxation earned or incurred by each segment, excluding finance costs, fair value gain or loss on investment property, reversal of impairment loss in respect of interest in a jointly controlled entity, share of results of jointly controlled entities which cannot be allocated, unallocated other income and corporate expenses such as central administration costs and directors' salaries. Share of profit of associates of HK$33,689,000 (2009: HK$25,379,000) and share of loss of jointly controlled entities of HK$5,659,000 (2009: HK$18,495,000) were allocated to reportable segments. This is the measure reported to the Group's Executive Directors for the purpose of resources allocation and assessment of segment performance.

Geographical information

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

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

	2010	2009
	HK$'000	*HK$'000*
Other regions of the PRC	**676,293**	614,371
Hong Kong	**924**	31,825
United States of America	**17,690**	17,119
Others	**3,176**	58
	698,083	663,373

4. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on bank and other loans:		
- wholly repayable within five years	**48,140**	46,865
- not wholly repayable within five years	**4,857**	6,186
	52,997	53,051

5. TAXATION

	2010	2009
	HK$'000	*HK$'000*
Tax charge for the year comprises:		
PRC Enterprise Income Tax		
Current year	**17,197**	5,504
Overprovision in prior years	**—**	(1,050)
	17,197	4,454
Deferred tax charge	**5,977**	5,366
PRC withholding tax paid	**(3,046)**	(2,729)
	20,128	7,091

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

	2010	2009
	HK$'000	*HK$'000*
Profit before taxation	**122,212**	77,892
Tax charge at PRC Enterprise Income Tax rate of 25% (2009: 25%)	**30,553**	19,473
Share of results of associates and jointly controlled entities	**(43,476)**	(25,002)
Tax effect of expenses not deductible for tax purpose	**20,193**	9,139
Tax effect of deductible temporary differences not recognised	**84**	1,843
Tax effect of income not taxable for tax purpose	**(40,885)**	(16,860)
Tax effect of losses not recognised	**44,485**	14,931
Utilisation of tax losses previously not recognised	**(2,264)**	(456)
Tax effect of temporary differences attributable to undistributed profits of PRC subsidiaries	**9,302**	4,512
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,134**	2,048
Effect of tax concessions/exemptions granted to a subsidiary in the PRC	**(998)**	(1,487)
Overprovision in prior years	**—**	(1,050)
Tax charge for the year	**20,128**	7,091

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for the year.

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 subsidiaries is exempted from PRC income tax for two years starting from year 2007, which was their first profit-making year, followed by a 50% reduction for the next three years.

6. PROFIT FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments	**3,991**	3,184
Other staff costs	**56,303**	46,664
Other staff's retirement benefits scheme contributions	**5,014**	4,955
	65,308	54,803
Allowance for doubtful debts	**7,332**	5,538
Auditor's remuneration	**2,900**	2,800
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK$8,050,000 (2009: HK$6,349,000))	**657,995**	564,479
Depreciation of property, plant and equipment	**30,536**	28,120
Minimum lease payments under operating leases in respect of land and buildings	**9,438**	7,554
Research and development expenses	**6,818**	3,387

7. EARNINGS PER SHARE - BASIC

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

	2010	2009
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share	**96,065**	68,033

	Number of shares	
	2010	2009
Weighted average number of shares for the purposes of basic earnings per share	**3,968,995,668**	3,660,858,682

8. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK$177,392,000 (2009: HK$50,770,000). 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:

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**136,274**	18,604
Between 31 - 90 days	**24,258**	19,531
Between 91 - 180 days	**9,408**	833
Between 181 - 365 days	**5,125**	4,080
Over 1 year	**2,327**	7,722
	177,392	50,770

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$16,860,000 (2009: HK$12,635,000) 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 (2009: 365 days).

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

	2010	2009
	HK$'000	*HK$'000*
Between 91 - 180 days	**9,408**	833
Between 181 - 365 days	**5,125**	4,080
Over 1 year	**2,327**	7,722
Total	**16,860**	12,635

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:

	2010	2009
	HK$'000	*HK$'000*
Balance at beginning of the year	**144,202**	138,664
Amounts written off during the year as uncollectible	**(4,349)**	—
Impairment losses recognised in respect of trade receivables	**7,332**	5,538
Balance at end of the year	**147,185**	144,202

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. 90% (2009: 70%) 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 2010 are advance to non-controlling shareholder of a subsidiary of HK$2,320,000 (2009: HK$8,459,000), dividend receivable from a jointly controlled entity of HK$12,969,000 (2009: HK$9,884,000), deposits for purchase of materials for subsidiaries in the PRC of HK$12,496,000 (2009: HK$82,916,000), receivables from disposal of associates of HK$12,890,000 (2009: Nil) and bills receivable of HK$110,581,000 (2009: HK$12,308,000). All bill receivables of the Group are aged within 90 days at both years.

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$166,585,000 (2009: HK$47,429,000). The Group normally receives credit period for 30 to 90 days from its suppliers. The following is an aged analysis of trade payables based on invoice date at the end of reporting period:

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**112,434**	20,489
Between 31 - 90 days	**33,471**	14,419
Between 91 - 180 days	**5,118**	2,721
Between 181 - 365 days	**3,167**	2,317
Over 1 year	**12,395**	7,483
	166,585	47,429

Included in the Group's other payable at 31 December 2010 are accrual for construction work of HK$14,227,000 (2009: HK$33,925,000), dividend payable to non-controlling interests of HK$4,176,000 (2009: Nil) and receipt in advance from customers of HK$19,745,000 (2009: HK$43,513,000).

RESULTS SUMMARY

As of 31 December 2010, the Group's turnover for the year 2010 amounted to HK$698.08 million with a profit for the year of HK$102.08 million as compared to those for the year 2009 of HK$663.37 million with a profit for the year of HK$70.8 million respectively, representing 5.2% increase in turnover and 44.2% increase in profit for the year. The turnover for the year comprised sale of wind energy related products of HK$264.74 million, sale of electricity generated from wind farm of HK$32.23 million, sale of rare-earth permanent-magnet motor products of HK$52.58 million, sale of chemical materials of HK$272.55 million and sales of HK$75.98 million related to telecommunication business whereas the turnover in 2009 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 rare-earth permanent-magnet motor products of HK$56.14 million, sale of chemical materials of HK$170.84 million and sales of HK$90.28 million related to telecommunication business. The profit for the year was mainly attributable to profit contribution of a jointly controlled entity relating to automotive component business of HK$155.63 million and a reversal of impairment loss in relation to the carrying amount of the said jointly controlled entity of HK$102.63 million.

BUSINESS REVIEW

Business of Wind Energy Project

In 2010, directdrive wind turbine, a new make, had been well received in the market on the strength of its simple structure, high reliability, high efficiency, low operation and maintenance costs. Facing fierce competition in the domestic market, the Group proactively addressed these challenges by giving full play to the advantages of the technology, quality and service of CASC directdrive wind turbines. In line with this, the Group capitalized on its products' leading edge and achieved cost control by adopting the strategy of technology advancement and batch production through research and development. In addition, the Group adopted the strategy of establishing good relationship with several provincial governments to obtain more wind resources in seeking more production orders for wind turbines, thereby increasing our market share.

To meet the needs of our expanding production and operation, optimize the procurement channels, reduce purchasing cost and regulate our purchasing management, the Group has established a Purchasing Management Department, which promptly arranged the delivery of the key components of 900KW directdrive wind turbines of the Bai Yin Project and the tender invitation and bidding for the Gansu Jiuquan General Assembling Plant Project; and organized the business negotiations and contract execution work for batch purchase of key components of 2MW directdrive wind turbines, and etc. As to the mere part of products delivery in the implementation of the Bai Yin Project, since standardized and meticulous tender procedures were adopted with the participation of the Company's legal adviser in the entire tender and bidding process, the tender exercise for delivery service of the Bai Yin Project was successfully completed with making the purchasing cost 30% lower than budgeted, representing a good start for centralized purchasing management.

As to the enhancement of quality management, a Quality Technology Department was established with completion of preparation of documents including the Wind Turbine Products Design Documentation Management System, Measures for the Management of Technology Status, Classification and Quality Management Requirements of Wind Power Product Components, and Administrative Measures for Evaluation of Qualified Sub-suppliers. which not only strengthened the quality control of critical areas, but also refine and regulate our design workflow. To meet the evaluation requirements of the quality experts and the 1.5MW direct-drive wind turbine design experts, the electronic control system design, product specifications and design of 2MW direct-drive wind turbine were organized; organisation of domestic production of the master controller of wind turbines and converters was completed, and batch production will commence after a high quality brand and market positioning has been established.

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 Emergya Wind Technologies B.V. ("EWT") with shareholding of 95% and 5% respectively, is primarily engaged in production of 900KW directdrive wind turbines and 2MW directdrive wind turbines.

In July 2010, leveraging on the research and development of 2MW directdrive wind turbine technology with CASC proprietary intellectual property, the Group completed the system design verification, assembling system simulation and model behaviour analysis of 2MW directdrive wind turbine, and obtained the machine loading evaluation report, the blade design evaluation report, appraisal report on the mechanical components of wind turbine issued by German Wind Power Certification Center (DEWI - OCC) and was granted certifications in relation thereto. The 2MW directdrive wind turbine prototype was successfully hoisted and installed in Xinhe wind farm of Inner Mongolia Datang Wanyuan New Energy Co. Ltd ("Datang Wanyuan") in November 2010, and in December 2010, grid-connected power generation was realized for the first time; remote linkage was successfully realized in the control system of wind turbine, making automatic remote control possible and signifying wind turbines formally entered into the stage of grid-connection operation and commissioning. The breakthrough in the development of 2MW directdrive wind turbine signifies CASC's mastery and ownership of the permanent-magnet directdrive wind turbine technology, thereby laying a solid foundation for CASC's entry into the wind power market.

In the second half of 2010, the general assembling plant completed production of the second batch of 60 sets of 900KW wind turbines by utilizing the Company's self-developed extended-type blade, refitted generators and low voltage transmission feature, indicating that 900KW wind turbine has become increasingly mature and will progress smoothly to the next phase of batch production.

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 of 900KW and 2MW wind turbine blades.

In 2010, after undergoing a comprehensive review of the quality control process of its first batch production of blades in 2009, the Blade Plant turned its focus to the pre-production preparation of 900KW extended-type blade mould which comprised strengthening quality control work and commenced the batch production thereof, with the aim of increasing the power generation capacity of each wind turbine by 10%. A total of 135 sets of 900KW lengthened blades were produced in 2010.

As to the production preparation and craft tests of 2MW blades scheduled for 2010, installation of 2MW blade moulds, process layout and trial tests of raw materials were completed in June. In July, the Blade Plant achieved an important target for the year: the self-developed 2MW directdrive turbine prototype blades with CASC proprietary intellectual property were successfully released. The Blade Plant utilizes advanced manufacturing technology during production to ensure a clean production environment and high stability of products. It also utilizes domestic raw materials for production, which provides robust support and assurance in batch production of 2MW turbines with CASC proprietary intellectual property.

The localisation of batch production of this blade make was commenced in September 2010, which signifies a major step forward of the Group's production of 2MW directdrive turbines, assuring the Group's strength in the industries of blade production and turbine manufacture.

Gansu Wind Turbine General Assembling Plant

In November 2010, the Group established Gansu CASC Wanyuan Wind Power Equipment Manufacturing Co. Ltd. (the "Gansu General Assembling Plant"), a wholly-owned subsidiary of the Group with registered capital of RMB80 million, to develop the Gansu

Jiuquan General Assembling Plant, with the objective of gaining a share of the 7.7 million KW resources market allocated by the Gansu Government in relation to its 750KVA ultra-high voltage lines in operation. The production capacity of the Gansu General Assembling Plant is 300 sets of 2MW wind turbines per year, which will not only meet the demand of Jiuquan's tens of million KW class wind power base, but also the demands from wind farms in Wuwei City, Baiyin City and Jiayu Pass in Gansu and in Xinjiang regions.

Jiangsu Energine Wind Turbine General Assembling Plant

Nantong CASC Wanyuan Acciona Wind Turbine Manufacture Corp. Ltd., a jointly controlled entity owned by the Group as to 50%, was renamed as Jiangsu Energine Wind Turbine Manufacture Co. Ltd. (the "Jiangsu General Assembling Plant") in September 2010. It is the strategic wind power plant of the Group in South China which mainly provides assembling service for 1.5MW directdrive wind turbines developed by the Group, serving to expand the wind turbine make series and optimize make offerings to cater for the needs of different wind farms.

Sales of wind turbines

In May 2010, the Company completed the acquisition of 40% equity interests in Beijing EWTCASC Directwind Marketing and Sales Co. Ltd. ("Directwind Sales", subsequently renamed as Beijing CASC Energine Wind Turbine Co. Ltd.) for a consideration of HK$1.82 million. Upon acquisition, the Company, EWT and Beijing Direct Energy Corp. held 65%, 20% and 15% respectively of Directwind Sales, and Directwind Sales had become a 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. This enabled the Group to devise and consider its strategic plan from a macro perspective of the entire supply chain, and account for the overall profits of the entire supply chain from the whole process in the sales and production of wind turbines and wind blades in utilising the advanced directdrive technology of EWT. It also allowed the Group to officially engage in the marketing and sales businesses of wind turbines manufactured by the Wind Turbine General Assembling Plant in China and all over the world. In 2010, Directwind Sales sold 60 sets of 900KW directdrive turbines to wind farms in Baiyin City, Gansu and Taijin Binhai New Area.

Joint Promotion and Development of Large Wind Turbine Manufacturing Base on the Western Coast of the Taiwan Strait

Pursuant to a Strategic Cooperation Agreement of Joint Promotion and Development of the State's Offshore Wind Power Demonstration Project in Ningde City and Large Wind Turbine Manufacturing Base on the Western Coast of the Taiwan Strait entered into between Ningde City People's Government, China Technology Market Association, the Company and Fujian Mindong Electric Power Company Limited ("Mindong Electric Power") in 2009, BEI entered into an agreement to jointly establish a new energy company Energine Min Jian New Energy Investment Co., Ltd.（「航天閩箭新能源投資股份有限公司」）("Min Jian New Energy") on 15 July 2010 for the joint investment, development, construction and operation of offshore and land wind farm projects with a view to achieving emission reduction targets and promoting local economic development. The joint venture has a registered capital of RMB150 million with shareholding of 20% and 80% held by BEI and Mindong Electric Power respectively. BEI contributed RMB30 million.

Min Jian New Energy, established in October 2010, had formally been engaged in offshore and land wind power projects in eastern Fujian. The offshore and land wind power projects being developed by Min Jian New Energy will mainly purchase the Group's existing makes such as 900KW, 1.5MW, 2MW directdrive wind turbines, as well as 3MW and 5MW offshore directdrive wind turbines being developed by the Group, on the same terms being offered to other customers. The establishment of Min Jian New Energy, especially, provides intensive impetus for securing of more market orders for the Group.

Trading of materials

In 2010, BEI continued the trading business of chemical raw materials in connection with production of wind turbine blades. A steady growth in sales was recorded for this business in 2010.

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 55.45 million kwh was realized during 2010, representing an increase of 0.38 million kwh over last year. On-grid power generation amounted to 53.29 million kwh with realized income from principal activity of HK$32.23 million, representing an increase of HK$690,000 over last year, realizing a profit amounting to HK$13.99 million.

Jilin Longyuan

The 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 in total.

An electricity level of 342.1 million kwh was realized during 2010, representing a decrease of 2.41 million kwh from last year. On-grid power generation amounted to 334.44 million kwh with realized income from principal activity of HK$182.94 million, representing an increase of HK$1.53 million over last year, realizing a profit amounting to HK$91.86 million.

Jiangsu Longyuan

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

An electricity level of 349.88 million kwh was realized during 2010, representing an increase of 5.51 million kwh over last year. On-grid power generation amounted to 342.09 million kwh with realized income from principal activity of HK$190.95 million, representing an increase of HK$5.99 million over last year, realizing a profit amounting to HK$84.85 million.

Inner Mongolia Xinghe Wind Farm

The Inner Mongolia Xinghe wind farm of Datang Wanyuan, which is jointly controlled by BEI and Inner Mongolia Datang Wanyuan New Energy Co., Ltd., is installed with an installed capacity of 49,500KW. The first 55 self-manufactured 900KW directdrive wind turbines being installed therein have passed the 240 hour inspection and acceptance test and duly commenced operation during the warranty period The wind farm provided not only an environment for technological improvement of 900KW directdrive wind turbines, but also a testing base for research and development of 2MW directdrive wind turbines.

An electricity level of 61.2 million kwh was realized in 2010, successfully achieving the target of Datang CASC wind farm for 2010; the client was very satisfied and gave a high compliment on the delivery work. Annual on-grid power generation amounted to 59.83 million kwh with realized income from principal activity of HK$27.24 million, realizing a profit amounting to HK$15.47 million.

Business of New Materials

It is the plan of the Group to extensively utilise rare-earth materials in four major areas: highpower 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 directdrive electrical products.

Jiangsu Aerospace Wan Yuan REPM Motor Co., Ltd., controlled and operated by the Group, is a high-tech enterprise which specialises in research and development, manufacture, and sales of rare-earth permanent-magnet gearless traction machines for elevators. The "航天萬源" branded rare-earth permanent-magnet gearless traction machines for elevators, and its driving control system self-developed by the company's research and development had filled up a technological gap of the domestic gearless elevator sector.

In December 2010, Wuxi CASC Energine Xindali Electricity Co., Ltd. ("Wuxi CASC"), the Group's controlling company, introduced three strategic investors, namely, Jiangsu Jin Ding Investment Co. Ltd., Lamax Ltd. and Chang Zhou Jie Tong Pipeline Co. Ltd., with contributed capital of RMB18 million (comprising a premium of RMB3 million, representing 12.5% equity), RMB18 million (comprising a premium of RMB3 million, representing 12.5% equity), and RMB12 million (comprising a premium of RMB2 million, representing 8.33% equity), respectively, increasing the registered capital to RMB120 million. The equity interests held by the original shareholders, Tin Shun Industrial Ltd. (a wholly-owned subsidiary of the Group) and Wuxi Xindali Electricity Co., Ltd. have therefore been diluted to 41.67% and 25.0% respectively. Wuxi CASC was accordingly turned into an associated company.

Wuxi CASC produced 2 sets of 1.5 MW generator prototype during the year. It is planned that Wuxi Rare-earth Motor Industrial Base will duly commence its production in 2011. Thereafter, the Group will reduce its reliance on upstream suppliers of the wind turbine supply chain for purchasing generators in effort to control the production cost.

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 supplier in the domestic automotive electronic fuel injection market with a stable market share, ranking the second nationwide and supplied to almost all major domestic automobile manufacturers. As for export sales, its products are sold to automobile manufacturers in Europe and North America.

The jointly controlled entity recorded sales revenue of HK$2,766.02 million in 2010, representing an increase of HK$699.59 million over last year with realized profit of HK$317.62 million. Its sales expansion and lower cost targets were successfully achieved.

Automotive sealing systems

Beijing Wanyuan-Henniges Sealing Systems Co., Ltd., a jointly controlled entity, is a company specialises in manufacturing of medium-to-high class automotive sealing products in the domestic market. Its quality control standards is on par with the international advanced level. The jointly controlled entity not only realises the development on and complement to the medium-to-high class models in the domestic market, but also attains the standards applicable to Germany, France, the United States, Japan and South Korea with its products.

The jointly controlled entity recorded sales revenue of HK$434.66 million in 2010, representing an increase of HK$90.99 million over last year with realized profit of HK$20.1 million. The company will continue to take measures to enhance production efficiency and realise sustainable profits by controlling raw material procurement costs, reducing reject rate and containing expenses as well as through technological innovation and Toyota Production System ("TPS"), as well as Value Analysis/Value Engineering ("VAVE").

Telecommunication Business

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

In June and December 2010, the Group successively sold a total of its 22.5% controlling interest in Castel Qihua Ltd. ("Castel Qihua"), a provider of GPS mobile terminals and GPS automotive information services platform, at total considerations of HK$12.02 million. Upon disposal, Castel Qihua became the Group's associated company of 47.5% equity.

Corporate Social Responsibility

The Group always live up to its corporate culture: we have been devoted to projects on new energy, energy conservation and environmental protection in the areas of renewable power generation and carbon emission control, in adhering to the principle of protecting the Earth and ecological environment insistently and our mission of contributing to society and benefitting mankind; relentless efforts have been made to pursue excellence in quality in research and development and production of wind turbine so as to consolidate the CASC brand and earn customers' trust; in management, risk management and compliance system is strengthened to ensure sustainable development; the value of leverging employees' talents to full play and win-win in harmony to nurture an outstanding corporate team in the course of fully fulfilling our social responsibilities. Based on the above in 2010, the theme "Develop New Energy of CASC, Start With My First Contribution", with emphasis on the value of realising R&D innovation, management efficiency and corporate achievements, was commenced. The targets were achieved under the concerted efforts of all employees.

PROSPECTS

Looking ahead, the Group will speed up the progress in domestic production of wind turbines; focus on the development of 3MW and 5MW wind turbines to tie in with the Twelfth Five-year Plan, capture the share of the potential wind turbine market in future and identify cooperation opportunities with other large-scale power generation groups; refine the batch production of rare-earth motors; and secure financing for the Group. We shall broaden the scale of energy conservation and environmental protection business, as well as strengthen its internal management to ensure the sustainable development of the Group and create greater shareholder worth and repute.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2010, the Group had 48 employees (2009: 49 employees) in the Hong Kong head office and 704 employees (2009: 752 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 2010 were HK$1,046,320,000 (2009: HK$1,277,410,000), all of which were of fixed rate borrowings (2009: including floating-rate borrowings of HK$130,000,000). 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 2010 was 63% (2009:83%).

Pledge of Assets

As at 31 December 2010, certain assets of the Group of HK$32,644,000 (2009: HK$97,851,000) 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 2010.

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 2010, 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 ("AGM") 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 2010, 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 2010, 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 2010, the Audit Committee consisted of three Independent Non-executive Directors plus a Non-executive Director. The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants and in accordance with the Code. The Audit Committee is responsible for the appointment of external auditor, review of the Group's financial information and oversight of the Group's financial and accounting practices, internal control and risk management. It is also responsible for reviewing the interim and annual results of the Group.

The audited financial statements for the year ended 31 December 2010 have been reviewed by the Audit Committee.

PUBLICATION OF ANNUAL REPORT

A full text of the Company's 2010 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, 29 March 2011

As at the date hereof, the Board of the Company comprises Mr. Han Shuwang (Chairman), Mr. Wang Xiaodong (Vice-Chairman), Mr. Zang Wei and Mr.Wang Lijun as Executive Directors; Mr. Li Guang and Mr. Fang Shili as Non-executive Directors; Mr. Wang Dechen, Ms. Kan Lai Kuen, Alice and Mr. Gordon Ng as Independent Non-executive Directors.

* *For identification purpose only*