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 2013

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 2013 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	**2013** **HK$'000**	2012 *HK$'000*
Turnover	2	**1,329,644**	989,885
Cost of sales		**(1,305,567)**	(1,010,356)
Gross profit (loss)		**24,077**	(20,471)
Other income	4	**22,789**	44,552
Other gains and losses		**147,185**	14,960
Selling and distribution expenses		**(68,670)**	(50,687)
Administrative expenses		**(154,275)**	(161,923)
Finance costs	5	**(110,894)**	(88,011)
Share of results of associates		**(10,886)**	16,896
Share of results of joint ventures		**182,112**	169,038
Reversal of impairment loss recognised in respect of interest in a joint venture		**–**	89,000
Profit before taxation	6	**31,438**	13,354
Taxation	7	**(4,049)**	(7,933)
Profit for the year		**27,389**	5,421

	NOTES	2013 HK$'000	2012 HK$'000
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss			
—exchange differences arising on translation to presentation currency		**59,200**	52,890
Item that may be subsequently reclassified to profit or loss			
—reclassification adjustment upon sale of available-for-sale financial asset		**14,881**	–
—change in fair value of available-for-sale financial asset		**–**	(14,881)
Total comprehensive income for the year		**101,470**	43,430
Profit (loss) for the year attributable to:			
Owners of the Company		**39,022**	26,598
Non-controlling interests		**(11,633)**	(21,177)
		27,389	5,421
Total comprehensive income attributable to:			
Owners of the Company		**110,010**	58,758
Non-controlling interests		**(8,540)**	(15,328)
		101,470	43,430
Earnings per share - Basic	9	**HK0.98 cents**	HK0.67 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	2013	2012
	HK$'000	*HK$'000*
Non-current assets		
Investment properties	**128,720**	38,725
Property, plant and equipment	**391,436**	501,383
Deposits paid for acquisition of property, plant and equipment	**9,084**	22,851
Goodwill	**2,004**	2,004
Intangible assets	**30,701**	68,776
Deferred tax assets	**2,009**	3,090
Interests in associates	**473,285**	399,975
Interests in joint ventures	**1,319,549**	1,416,222
Available-for-sale financial asset	**–**	102,944
	2,356,788	2,555,970
Current assets		
Inventories	**414,130**	482,686
Trade and other receivables	**1,599,769**	879,697
Amounts due from associates	**57,428**	15,448
Amounts due from joint ventures	**135,074**	140,460
Pledged bank deposits	**9,312**	24,947
Bank balances and cash	**631,817**	462,393
	2,847,530	2,005,631

	2013	2012
	HK$'000	*HK$'000*
Current liabilities		
Trade and other payables	**858,384**	526,986
Amounts due to associates	**318,044**	134,584
Amounts due to a joint venture	**6,278**	22,573
Government grants	**1,068**	502
Taxation payable	**1,967**	489
Warranty provision	**35,937**	31,218
Borrowings - amount due within one year	**890,359**	792,378
	2,112,037	1,508,730
Net current assets	**735,493**	496,901
Total assets less current liabilities	**3,092,281**	3,052,871
Non-current liabilities		
Borrowings - amount due after one year	**1,064,347**	1,044,324
Deferred tax liabilities	**20,988**	18,823
Government grants	**39,792**	8,531
	1,125,127	1,071,678
	1,967,154	1,981,193
Capital and reserves		
Share capital	**396,900**	396,900
Reserves	**1,496,889**	1,387,007
Equity attributable to owners of the Company	**1,893,789**	1,783,907
Non-controlling interests	**73,365**	197,286
Total equity	**1,967,154**	1,981,193

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 - 2011 cycle
Amendments to HKFRS 7	Disclosures - Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC) - INT 20	Stripping costs in the production phase of a surface mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) INT - 12 "Consolidation - Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its subsidiaries in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that the initial application of HKFRS 10 has no material impact on the consolidated financial statements.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in joint ventures", and the guidance contained in a related interpretation, HK(SIC) - INT 13 "Jointly controlled entities - Non-monetary contributions by venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements - joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements - jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's joint arrangements, which was classified as a jointly controlled entity under HKAS 31 should be classified as joint ventures under HKFRS 11 and accounted for using the equity method. Therefore, the initial application of HKFRS 11 has no material impact on the consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle[2]
HKFRS 9	Financial instruments[3]
HKFRs 14	Regulatory deferral accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HK(IFRIC) - INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.

2 Effective for annual periods beginning on or after 1 July 2014.

3 Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 July 2014, with limited exception.

5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

Annual improvements to HKFRSs 2010 - 2012 cycle

The Annual improvements to HKFRSs 2010 - 2012 cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual improvements to HKFRSs 2010 - 2012 cycle will have a material effect on the Group's consolidated financial statements.

Annual improvements to HKFRSs 2011 - 2013 cycle

The "Annual improvements to HKFRSs 2011 - 2013 cycle" include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors do not anticipate that the application of the amendments included in the "Annual improvements to HKFRSs 2011-2013 cycle" will have a material effect on the Group's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services；
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to HKAS 32 Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to HKAS 36 Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

2. TURNOVER

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

	2013	2012
	HK$'000	*HK$'000*
Sales of wind energy related products	**1,136,584**	734,692
Sales of goods	**161,150**	225,765
Sales of electricity from operation of wind power field	**31,910**	29,428
	1,329,644	989,885

3. SEGMENT INFORMATION

Information reported to the Group's Executive Directors, 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. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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 power field
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 2013

	Wind Energy Related Products *HK$'000*	Operation of Wind Farm *HK$'000*	REPM Products *HK$'000*	Trading of Materials *HK$'000*	Tele-communication Business *HK$'000*	Consolidated *HK$'000*
TURNOVER						
External sales	**1,136,584**	**31,910**	**44,665**	**82,785**	**33,700**	**1,329,644**
RESULT						
Segment result	**(103,932)**	**13,066**	**(2,427)**	**509**	**(16,018)**	**(108,802)**
Unallocated corporate expenses						**(99,275)**
Unallocated other income						**14,702**
Finance costs						**(110,894)**
Share of results of joint ventures - unallocated portion						**190,616**
Gain on disposal of available-for-sale financial asset						**3,633**
Gain on disposal of a joint venture						**132,076**
Increase in fair value of investment property						**9,382**
Profit before taxation						**31,438**

For the year ended 31 December 2012

	Wind Energy Related Products HK$'000	Operation of Wind Farm HK$'000	REPM Products HK$'000	Trading of Materials HK$'000	Tele-communication Business HK$'000	Consolidated HK$'000
TURNOVER						
External sales	734,692	29,428	31,264	166,792	27,709	989,885
RESULT						
Segment result	(116,179)	22,641	739	311	(3,806)	(96,294)
Unallocated corporate expenses						(71,837)
Unallocated other income						11,792
Finance costs						(88,011)
Share of results of joint ventures - unallocated portion						168,704
Reversal of impairment loss recognised in respect of interest in a joint venture						89,000
Profit before taxation						13,354

Segment results represent the profit or loss before taxation earned or incurred by each segment, excluding finance costs, fair value gain on investment properties, gain on disposal of available-for-sale financial asset, share of results of joint ventures which cannot be allocated, unallocated other income and corporate expenses such as central administration costs and directors' salaries. Share of loss of associates of HK$10,886,000 (2012: share of profit of HK$16,896,000) and share of loss of joint ventures of HK$8,504,000 (2012: share of profit of HK$334,000) 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.

4. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Other income comprises:		
Clean Development Mechanism income	**–**	5,256
Government grants (Note 1)	**5,035**	2,669
Rental income	**5,608**	1,483
Interest income		
—bank balances	**5,755**	3,170
—advance to joint ventures	**3,186**	7,137
Other income		
—gain on disposal of a property development project (Note 2)	**–**	23,280

Note 1: An amount of HK$613,000 (2012: HK$502,000) represents subsidies granted to the Group by the PRC government/authorities for the purpose of financing the acquisition of property, plant and equipment. An amount of HK$2,226,000 (2012: Nil) represents subsidies granted to the Group by the PRC government/authorities for telecommunication business. The remaining amount of HK$2,196,000 (2012: HK$2,167,000) represents subsidies received from the PRC tax authorities on Value Added Tax reduction.

Note 2: The Group disposed of its property development project with a net asset value of HK$11,626,000 to a third party for a cash consideration of HK$36,998,000 in 2012. A gain on disposal of HK$23,280,000 (net of transaction cost of HK$2,092,000) was resulted.

5. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on bank and other loans:		
—wholly repayable within five years	**106,490**	82,732
—not wholly repayable within five years	**4,404**	5,279
	110,894	88,011

6. PROFIT BEFORE TAXATION

	2013	2012
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**6,604**	5,849
Other staff costs	**74,700**	79,465
Other staff's retirement benefits scheme contributions	**8,520**	9,863
	89,824	95,177
Auditor's remuneration	**3,000**	3,000
Amortisation of intangible assets	**7,370**	12,330
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK$29,806,000 (2012: allowance of HK$1,058,000))	**1,254,515**	992,706
Depreciation of property, plant and equipment	**33,380**	33,844
Less: Amounts capitalised in inventories	**(1,696)**	(4,401)
	31,684	29,443
Minimum lease payments under operating leases in respect of land and buildings	**11,725**	11,835
Research and development expenses	**1,912**	1,646

7. TAXATION

	2013	2012
	HK$'000	*HK$'000*
Tax charge for the year comprises:		
PRC Enterprise Income Tax	**2,008**	7,479
Deferred tax charge	**2,041**	454
	4,049	7,933

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

	2013 *HK$'000*	2012 *HK$'000*
Profit before taxation	**31,438**	13,354
Tax charge at PRC Enterprise Income Tax rate of 25%	**7,860**	3,338
Share of results of associates and joint ventures	**(42,806)**	(46,484)
Tax effect of expenses not deductible for tax purpose	**700**	5,086
Tax effect of deductible temporary differences not recognised	**12,418**	14,445
Tax effect of income not taxable for tax purpose	**(3,382)**	(26,958)
Tax effect of losses not recognised	**28,827**	57,449
Utilisation of tax losses previously not recognised	**–**	(7)
Tax effect of temporary differences attributable to undistributed profits of PRC subsidiaries	**432**	1,064
Tax charge for the year	**4,049**	7,933

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in or derived from Hong Kong for both years.

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.

8. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: Nil).

9. EARNINGS PER SHARE - BASIC

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

	2013 *HK$'000*	2012 *HK$'000*
Earnings for the purpose of basic earnings per share	**39,022**	26,598

	Number of shares **2013**	 2012
Number of shares for the purposes of basic earnings per share	**3,968,995,668**	3,968,995,668

No diluted earnings per share has been presented as there were no potential ordinary shares outstanding for both years.

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK$531,832,000 (2012: HK$493,668,000) net of allowance for doubtful debts of HK$66,701,000 (2012: HK$65,687,000). The amount of trade receivables at 31 December 2013 included retention receivables for the sales of wind turbines to third parties of HK$116,229,000 (2012: HK$79,322,000). The balances will be settled upon the completion of warranty period of 1 - 5 years (2012: 1 - 3 years). For the remaining balances of trade receivables, 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 dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**116,578**	280,280
Between 31 - 90 days	**194,305**	4,987
Between 91 - 180 days	**6,437**	7,112
Between 181 - 365 days	**747**	85,916
Over 1 year	**213,765**	115,373
	531,832	493,668

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$739,882,000 (2012: HK$419,898,000). 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 the reporting period:

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**168,244**	125,720
Between 31 - 90 days	**216,204**	159,941
Between 91 - 180 days	**145,202**	23,540
Between 181 - 365 days	**160,767**	71,541
Over 1 year	**49,465**	39,156
	739,882	419,898

RESULTS SUMMARY

As of 31 December 2013, the Group's turnover for the year 2013 amounted to HK$1,329.64 million as compared to that of 2012 of HK$989.89 million, representing HK$339.75 million or 34.3% increase in turnover; the profit attributable to the Company's owners for the year amounted to of HK$39.02 million as compared to that of 2012 of HK$26.60 million, representing 46.7% increase. The turnover for the year comprised sales of wind energy related products of HK$1,136.58 million, sales of electricity generated from wind farms of HK$31.91 million, sales of rare-earth permanent-magnet motor products of HK$44.66 million, sales of chemical materials of HK$82.79 million and sales of HK$33.70 million related to telecommunication business, whereas the turnover in 2012 comprised sales of wind energy related products of HK$734.69 million, sales of electricity generated from wind farms of HK$29.43 million, sales of rare-earth permanent-magnet motor products of HK$31.26 million, sales of chemical materials of HK$166.79 million and sales of HK$27.72 million related to telecommunication business. The increase in turnover was mainly due to the increase in sales of the Group's wind energy related products by HK$401.89 million, representing an increase of 54.7% year-on-year, with wind turbines sold in 2013 increased by 34 sets of 2MW wind turbines and 88 sets of 1.5MW wind turbines.

BUSINESS REVIEW

Business of Wind Energy

In 2013, the directdrive wind turbine developed by the Group with proprietary intellectual property rights participated in fierce competition in the domestic market which is currently a buyers' market, and was highly recognized by wind farm developers within the industry for its simple structure, high reliability, high efficiency and low operation and maintenance costs. The Group continued to give full play to the advantages of technology, quality and service of CASC directdrive wind turbines. On this basis, the Group capitalised on its products' leading edge and achieved cost control by adopting the strategy of technology enhancement and batch production through research and development, thereby achieving high supply chain performance and enhanced cost effectiveness to proactively address challenges. Through Inner Mongolia Wind Turbine General Assembling Plant and Gansu Wind Turbine General Assembling Plant, the Group realized mass production of a number of self-developed models (especially 1.5MW excitation magnetic directdrive wind turbine, 2MW permanent-magnet directdrive wind turbine and 2MW excitation magnetic directdrive wind turbine), and adopted the strategy of establishing good relationship with several provincial and autonomous regions' governments to gain their supports and leveraging on provincial and autonomous regions' quotas for wind energy to obtain more wind resources in seeking more production orders for wind turbines, thereby increasing our market share. At present, the Group has considerable wind energy resources in various major wind power bases planned by the State, including Wulatehouqi in Inner Mongolia, Jiuquan City and Wuwei City in Gansu, Ningde City in Fujian, as well as Tieling City and Kaiyuan City in Liaoning, Suihua City in Heilongjiang and Tangshan City in Hebei, effective pushing sales of wind turbines and bringing in promising income to the Group continually.

In 2013, the marketing strategy was adjusted. The Group's wind power operations were expanding gradually in scale, while the industrial layout tended to rationalise, with gradual improvements in technology and product series, and performance of products was gradually stabilized. Under such new trends, the strategy of "walking on two legs" was implemented, while exchanging resources for orders developing and maintaining key areas and key customers, we also participated in market competition on a large scale to expand the sales regions and increase our sales efforts.

The Group had formulated market development strategies for key regions and key customers. As of to date, in terms of customers, the Group has established more stable and secure business relationship with large power companies such as Huadian, Guodian and Datang, all of which have become our key customers. In terms of sales regions, the Group has made substantial progress in the key regions of.Inner Mongolia, Gansu and Liaoning, paving a solid foundation for future developments.

Since the directdrive wind turbines are characterized by gearless drive, the use of low-speed large-torque generators, full-power convertor and strong resistance to grid voltage fluctuations, their advantages include low wear and tear, high efficiency of electricity generation, small size, light weight, easy to maintain and low operating cost when compared with the traditional wind turbines. As such, the directdrive wind turbines, in particular, the 1.5MW and 2MW excitation magnetic directdrive wind turbines being launched mainly by the Group from now onwards have visible optimism in the market. In addition, the AC-DC-AC total inverter grid-connection technology employed by directdrive wind turbines can meet the standards under the "Design regulations for grid-connection technology of large-scale wind farms" issued by National Energy Administration in 2011, which provided a series of requirements such as low-voltage ride-through, grid compatibility and power test, bringing rare opportunities to the Group's wind turbine business.

In 2013, the Group completed the assembling, commissioning and delivery of 50 sets of 2MW excitation magnetic wind turbines for recognizing the sales thereof. In addition, the Group recognized sales upon deliveries made of 231 sets of 1.5MW wind turbines produced in batch.

In April 2013, the Group, according to strategy of focusing on our Group's main products of 1.5MW and 2MW excitation directdrive wind turbines, reduced resources on development and production of 2MW double-fed wind turbines in reducing appointing 1 director to the board of Suzhou Energine Tepu Wind Energy Technology Co. Ltd. ("Suzhou Wind Energy"), a 41.28% equity subsidiary to appointing 2 directors, being less than half of the 5-director board. Suzhou Wind Energy accordingly became an associate of the Group.

Research and Development of Technology

In early 2013, the research on storage technology was established as a project, researching on graphene extraction technology in an effort to realize batch production of high-quality graphene and high-performance energy storage battery pack leveraging on such proprietary technology. Graphene, a kind of new material with singular flake structure composed of carbon atoms, is one of the best conductive materials in the world. The cathode material of lithium ion battery made by graphene is able to significantly increase the energy storage capacity and shorten charging time of the battery, thus effectively resolving the bottleneck problem of applying lead-acid battery and traditional lithium ion battery to electric vehicles and others. The energy storage device of graphene features extra-long recycling life and high current during the process of charging and discharging, therefore there is huge market room as to graphene-based new battery cathode material and super capacitor under the research and development. In the meantime, the Company's Energy Storage Technology Research and Development Centre in Beijing has achieved a breakthrough progress on anode and cathode materials mass production, wind and solar power storage integration application, storage system integration and energy management, battery production processing, super capacitor for aerospace and industry, including the cathode capacity of the Company's graphene battery being more than double that of the best lithium batteries in the market; and our electrolyte can adapt to a working environment under -20℃, ensuring the battery efficiency to maintain at over 75% and over 50% under the environment of -20℃ and -40℃ respectively.

As to lithium battery research, the Energy Storage Centre has possessed the research and development capacity as to production of laminate polymer battery, conducting research and development of production of a high-performance and powerful lithium iron phosphate battery comprising anode and cathode materials and electrolyte through its laboratory; it is researching on, and testing, a lithium iron phosphate battery being applied to wind turbines of variable pitch. In applying such a battery pack, the variable pitch battery can last for 5 years without the need for replacement.

In 2013, the comprehensive technological capacity of the Group's technology research and development team has been significantly enhanced. Compatibility designs and relevant technology conditions of wind turbines for Gansu Mahuangtan wind farm, Fujian Xiapu wind farm, Gansu Minqin wind farm and Gaizhou wind farm were confirmed during the year, and the compatibility designs of 2MW excitation magnetic wind turbines equipped with different blade-rotary diameters catered for different wind conditions were completed. In particular, the improvement research on low wind speed regions had been commenced; the improved and optimized proposal on basic prototype relating to 2MW excitation magnetic wind turbine was completed; and the improved generator prototype had been successfully researched and developed, with the relevant tests completed. In combining with the Fujian Xiapu project, the design of 2MW excitation magnetic wind turbines catered for special technical conditions such as seaside locations, earthquake-resistant and typhoon-resistant series was confirmed. The wind turbine design with different blade-rotary diameters ranging from 90 meters to

110 meters was completed, enriching the list of 2MW excitation magnetic wind turbines and broadening the market applications.

By improving the wind turbine enhancement design techniques based on the ABAQUS, SOLIDWORKS and BLADED software, theoretic models of analog calculation software for the wind turbines with different loads and calculation models for wind farms with different wind conditions were established; domestic production of software, hardware and control strategy optimization for the primary control, variable pitch and SCADA system were completed, and the Chinese localization of MITA control system was also completed.

In early 2013, a research and development project on 3MW permanent-magnet direct-drive wind turbine was started. Currently, the technical development route and preliminary implementation plan for the 3MW permanent magnet wind turbines have been confirmed; the concept design of 3MW wind turbines and preliminary survey and research on the market for ancillary wind turbine components has been completed on schedule, and the whole plan design for 3MW wind turbines have been completed.

In 2013, we have strengthened the efforts in coordination management, and completed the low penetration tests for two types of 1.5MW excitation magnetic converters and four types of 2MW excitation magnetic converter configuration, thereby fully achieving the annual targets in providing a basic assurance for wind turbine sales and deliveries.

In 2013, the Group's telecommunication business, as encouraged by China's state policies, invested funds in the research and development of Beidou GPS terminal technology.

Production Management

In 2013, the Group proceeded cost control rigorously with strengthened analyses on wind turbine costing. By conducting on-site research, survey and study, price searches and comparisons across the whole state, the purchasing costs of various components of wind turbines were further reduced on the pre-condition of quality assurance, in particular, the purchasing cost of primary control units produced domestically was reduced by more than 16%. Whilst reducing prices, we have achieved breakthrough improvements on critical commercial terms, such as warranty extension and after-sales service quality improvement, to strive for maximized benefits for the Group. Supply chain management was enhanced through implementing the system of conducting appraisals and dynamic assessments on eligible suppliers and establishing a management structure for eligible suppliers.

Trading of Materials

In 2013, BEI continued the trading business of chemical raw materials.

Wind Farm Operations

The Group's wind farm operations comprise a wind farm controlled and operated by the Group: the CASC Long Yuan (Benxi) wind farm of Liaoning Benxi, installed with 29 sets of 850KW wind turbines with a capacity of 24,650KW; three wind farms invested and constructed by the Group: the Jilin Tongyu wind farm of Jilin Longyuan, installed with 236 sets of 850KW wind turbines with a capacity of 200,000KW; the Jiangsu Rudong wind farm of Jiangsu Longyuan, installed with 100 sets of 1.5MW wind turbines with a capacity of 150,000KW and the Datang Wanyuan Xinghe wind farm of Inner Mongolia Xinghe, installed with 55 sets of 900KW directdrive wind turbines with a capacity of 49,500KW.

In addition, Energine Min Jian New Energy Investment Co., Ltd., the Group's associated company, formally engaging in offshore and land wind power projects in eastern Fujian through its subsidiary, Yingkou Wind Power Generation Co., Ltd., secured market orders for the Group for the purchase of 2MW directdrive wind turbine makes produced by the Group.

Business of New Materials

Jiangsu Aerospace Wan Yuan REPM Motor Co., Ltd., controlled and operated by the Group, is a high-tech enterprise which specializes in the 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 and its driving control system researched and developed by the company itself had filled the technological gap of the domestic gearless elevator sector.

Wuxi CASC Energine Xindali Electricity Co., Ltd. ("Wuxi Generator Plant"), the Group's associated company, is engaged in batch production of 900KW and 1.5MW generators. Its self-developed 1.5MW excitation magnetic directdrive wind power generator, with application of many new technologies, was awarded the First Prize of Outstanding Contribution to Science and Technology Progress in 2011 by CALT. Therefore, the Group is equipped with the internal capacity to supply core parts and components of wind turbines, including blades and generators, thereby reducing its reliance on upstream suppliers of the wind turbine supply chain for purchasing generators and controlling the supply risk of the wind turbine supply chain and production cost.

Business of Automotive Component Parts

Automotive engine management systems

Beijing Delphi Wan Yuan Engine Management Systems Co., Ltd, a joint venture, is a leading supplier in the domestic automotive electronic fuel injection market with a stable market share, ranking the second nationwide and supplies to almost all major domestic automobile manufacturers. As for export sales, its products are sold to automobile manufacturers in Europe and North America.

The joint venture recorded sales revenue of HK$3,397.75 million in 2013, representing an increase of HK$43.97 million year-on-year. Its sales expansion and costs reduction were successfully achieved.

Automotive sealing systems

Beijing Wanyuan-Henniges Sealing Systems Co., Ltd. ("Wanyuan-Henniges"), a joint venture, is a company specializing in manufacturing of medium-to-high class automotive sealing products in the domestic market. Its quality control standards are on par with the international advanced level. The joint venture not only realized the development and ancillary items to the medium-to-high class models in the domestic market, but also attained the system standards applicable to Germany, France, United States, Japan and South Korea with its products.

The joint venture recorded sales revenue of HK$1,122.39 million in the period to 24 December 2013 in 2013, representing an increase of HK$358.91 million year-on-year.

On 24 December, the Group disposed all 40% entity of Wanyuan-Henniges to the other joint venture party, Henniges Automotive Sealing Systems North America, Inc. at the sum of RMB217 million, for realizing the capital appreciation of Wanyuan-Henniges and procuring working capital for the Group for the expansion of its core business of manufacture and sales of wind turbines. The disposal generated a gain of HK$132 million.

Corporate Social Responsibility

The Group always lives 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, energy storage and carbon emission control, by adhering to the principles of protecting the Earth and ecological environment persistently and our mission of contributing to society and benefiting mankind. Relentless efforts have been made to pursue excellence in quality in research and development and production of wind turbines so as to strengthen the CASC brand and earn customers' trust. In the aspect of management, risk management and compliance system were strengthened to ensure sustainable development. Employees' talents were fully utilized with a win-win strategy for harmony to nurture an outstanding corporate team in the course of fully fulfilling our social responsibilities.

In 2013, with our target to develop a high-quality professional team, we proceeded with the establishment of an employment qualification system in a systematic manner. The Group used technology research and development centre as pilot point to implement the establishment of a technology research and development staff employment qualification system, which preliminarily utilized the outcome of the employment qualification system on staff recruitment, career development and performance evaluation, facilitating the alignment of value creation with remuneration incentives, and organizing the establishment of a team of talented staff. Training for front-line operation and maintenance staff were strengthened by organizing front-line operation and maintenance staff to join various low voltage and high voltage electrician trainings. In order to improve standardized management of the Group's supply-chain system, we have organized staff to join quality control training and purchasing management training held by Beijing Win-Star Company, and improved the comprehensive quality and vocational skills of the relevant staff; pilot schemes for the prevention and control of probity risk and strengthening of the anti-corruption and ethics system were also implemented.

PROSPECTS

Serious air pollution has been spread as a national issue and becomes a stimulating or driving force to the PRC government. It is expected that administrative measures for non-hydro new energy quota will be launched in 2014 by the government, laying the foundation for sustainable and healthy development of wind energy. Looking ahead, the Group will continue to improve the progress in domestic production of wind turbines, with focus on the development of 3MW and 5MW wind turbines in line with the Twelfth Five-year Plan, to capture the future market share of wind turbines and consolidate cooperation opportunities with other large-scale power generation groups, focus our efforts primarily on developing new markets for graphene energy storage technology devices, refine the batch production of rare-earth motors and secure financing for the Group. We will further expand the scale of energy conservation and environmental protection business as well as strengthen our internal management to ensure the sustainable development of the Group and create greater benefits for shareholders with wealth creation and good reputation.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2013, the Group had 27 employees (2012: 33 employees) in the Hong Kong head office and 558 employees (2012: 674 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 2013 were HK$1,954,706,000 (2012: HK$1,836,702,000), of which HK$123,111,000 (2012: HK$530,048,000) 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 2013 was 103% (2012: 103%).

Pledge of Assets

As at 31 December 2013, certain assets of the Group of HK$9,312,000 (2012: HK$24,947,000) 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.

Contingent Liabilities

As at 31 December 2013, the Group has issued a guarantee to a bank in respect of a banking facility with an amount of HK$44,518,000 (2012: HK$24,665,000) granted to an associate, of which HK$25,439,000 (2012: HK$24,665,000) has been utilized, and has issued a guarantee to a third party with an amount of HK$6,258,000 (2012: Nil). In 2012, the Group had issued a guarantee to a bank in respect of a banking facility with an amount of HK$22,573,000 granted to a third party, which has expired in 2013.

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

Corporate Governance Code

The Company is committed to maintaining high standards of corporate governance. The Company recognises that corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and enhance shareholder value.

The Company has applied the principles and complied with all the code provisions of the Corporate Governance Code throughout the year ended 31 December 2013 save the following.

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.

Audit Committee

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 consolidated financial statements of the Group for the year ended 31 December 2013 have been reviewed by the Audit Committee.

PUBLICATION OF ANNUAL REPORT

A full text of the Company's 2013 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, 21 March 2014

As at the date hereof, the Board of the Company comprises Mr. Han Shuwang (Chairman), Mr. Wang Xiaodong (Vice-Chairman), Mr. Li Guang and Mr.Wang Lijun as Executive Directors; Mr. Fang Shili and Ms. Zhang Jianhua 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*