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 2014

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 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

		2014	2013
	NOTES	***HK$'000***	*HK$'000*
Turnover	2	**2,699,950**	1,329,644
Cost of sales		**(2,436,675)**	(1,305,567)
Gross profit		**263,275**	24,077
Other income	4	**43,658**	22,789
Other gains and losses		**2,751**	147,185
Selling and distribution expenses		**(114,583)**	(68,670)
Administrative expenses		**(143,503)**	(154,275)
Finance costs	5	**(93,136)**	(110,894)
Share of results of associates		**(3,863)**	(10,886)
Share of results of joint ventures		**139,681**	182,112
Profit before taxation	6	**94,280**	31,438
Taxation	7	**(1,296)**	(4,049)
Profit for the year		**92,984**	27,389

	NOTES	2014 HK$'000	2013 HK$'000
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss			
– exchange differences arising on translation to presentation currency		**(6,408)**	59,200
Item that may be subsequently reclassified to profit or loss			
– reclassification adjustment upon sale of available-for-sale financial asset		**–**	14,881
Total comprehensive income for the year		**86,576**	101,470
Profit (loss) for the year attributable to:			
Owners of the Company		**90,894**	39,022
Non-controlling interests		**2,090**	(11,633)
		92,984	27,389
Total comprehensive income (expense) attributable to:			
Owners of the Company		**84,733**	110,010
Non-controlling interests		**1,843**	(8,540)
		86,576	101,470
Earnings per share - Basic	9	**HK2.29 cents**	HK0.98 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current assets			
Investment properties		**148,694**	128,720
Property, plant and equipment		**372,854**	391,436
Deposits paid for acquisition of property, plant and equipment		**10,810**	9,084
Goodwill		**2,004**	2,004
Intangible assets		**52,798**	30,701
Deferred tax assets		**1,937**	2,009
Interests in associates		**455,600**	473,285
Interests in joint ventures		**1,279,855**	1,319,549
Amount due from a joint venture		**108,813**	—
Available-for-sale investment		**1,521**	—
		2,434,886	2,356,788
Current assets			
Inventories		**485,730**	414,130
Trade and other receivables	10	**1,491,795**	1,599,769
Amounts due from associates		**592,162**	57,428
Amount due from a joint venture		**30,347**	135,074
Pledged bank deposits		**7,779**	9,312
Bank balances and cash		**862,568**	631,817
		3,470,381	2,847,530

	NOTES	2014 HK$'000	2013 HK$'000
Current liabilities			
Trade and other payables	11	**1,461,740**	858,384
Amounts due to associates		**248,841**	318,044
Amount due to a joint venture		**6,303**	6,278
Government grants		**1,173**	1,068
Taxation payable		**2,537**	1,967
Warranty provision		**74,032**	35,937
Borrowings - amount due within one year		**985,916**	890,359
Obligation under a finance lease		**119**	—
		2,780,661	2,112,037
Net current assets		**689,720**	735,493
Total assets less current liabilities		**3,124,606**	3,092,281
Non-current liabilities			
Borrowings - amount due after one year		**728,891**	1,064,347
Deferred tax liabilities		**20,831**	20,988
Obligation under a finance lease		**276**	—
Government grants		**33,879**	39,792
		783,877	1,125,127
		2,340,729	1,967,154
Capital and reserves			
Share capital		**436,900**	396,900
Reserves		**1,830,878**	1,496,889
Equity attributable to owners of the Company		**2,267,778**	1,893,789
Non-controlling interests		**72,951**	73,365
Total equity		**2,340,729**	1,967,154

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

In the current year, the Group has applied, for the first time, the following new interpretation and amendments to HKFRSs (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) - INT 21	Levies

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.

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

HKFRS 9	Financial instruments[1]
HKFRS 14	Regulatory deferral accounts[2]
HKFRS 15	Revenue from contracts with customers[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[5]
Amendments to HKAS 1	Disclosure initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[5]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[4]
Amendments to HKAS 27	Equity method in separate financial statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale and contribution of assets between an investor and its associate or joint venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle[6]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[4] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
[5] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 recognition 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 15 "Revenue from Contracts with Customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the HKFRS 9 and HKFRS 15 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and 1 January 2017 respectively. The application of these two standards may have significant impact on amounts reported in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company do not anticipate that the application of the other new and revised HKFRSs will have a material impact on the Group's consolidated financial statements.

2. TURNOVER

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

	2014	2013
	HK$'000	HK$'000
Sales of wind energy related products	**2,398,898**	1,136,584
Sales of goods	**275,607**	161,150
Sales of electricity from operation of wind power field	**25,445**	31,910
	2,699,950	1,329,644

3. SEGMENT INFORMATION

Information reported to the Group's Executive Directors, being the chief operating decision maker ("CODM"), 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.

In prior year, there are 5 reportable and operating segments, namely Wind Energy Related Products, Operation of Wind Farm, Rare-Earth Permanent-Magnet Products ("REPM Products"), Trading of Materials and Telecommunication Business. During the year, the CODM reassessed the current business segments.

The Group developed new products on energy storage and its related products during the year. The CODM considered it as a separate reportable and operating segment and hence the Energy Storage and Related Products becomes the new reportable and operating segment under the Group's business development.

In addition, the Group ceased its business of trading of materials during the year since the Group has shifted its focus to the wind energy and its related products. Therefore, it is no longer a reportable and operating segment of the Group.

Specifically, the Group's operating and reportable segments for the year under HKFRS 8 "Operating Segments" are as follows:

Wind Energy Related Products	—	Manufacture and sales of wind energy related products
Operation of Wind Farm	—	Sales of electricity from operation of wind power field
REPM Products	—	Manufacture and distribution of elevator motors
Telecommunication Business	—	Development, manufacture and distribution of communication products, ITS, broadband systems, equipment and accessories
Energy Storage and Related Products	—	Distributed energy renewal solutions by combining wind energy, solar energy and energy storage

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 2014

	Wind Energy Related Products	Operation of Wind Farm	REPM Products	Energy Storage and Related Products	Tele-communication Business	Trading of Materials	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER							
External sales	2,398,898	25,445	45,904	175,074	54,629	–	2,699,950
RESULT							
Segment result	78,134	(743)	483	33,989	1,222	–	113,085
Unallocated corporate expenses							(102,764)
Unallocated other income							19,702
Finance costs							(93,136)
Share of result of a joint venture – unallocated portion							156,506
Increase in fair value of investment property							887
Profit before taxation							94,280

For the year ended 31 December 2013

	Wind Energy Related Products *HK$'000*	Operation of Wind Farm *HK$'000*	REPM Products *HK$'000*	Energy Storage and Related Products *HK$'000*	Tele-communication Business *HK$'000*	Trading of Materials *HK$'000*	Consolidated *HK$'000*
TURNOVER							
External sales	1,136,584	31,910	44,665	–	33,700	82,785	1,329,644
RESULT							
Segment result	(103,932)	13,066	(2,427)	–	(16,018)	509	(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

Segment results represent the profit (loss) before taxation earned by each segment, excluding finance costs, fair value gain on investment properties, 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$3,863,000 (2013: HK$10,886,000) and share of loss of joint ventures of HK$16,825,000 (2013: HK$8,504,000) 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

	2014	2013
	HK$'000	*HK$'000*
Other income comprises:		
Government grants (Note)	**13,009**	5,035
Rental income	**9,840**	5,608
Interest income		
— bank balances	**3,810**	5,755
— advance to a joint venture	**6,033**	3,186

Note: An amount of HK$643,000 (2013: HK$613,000) 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$10,555,000 (2013: HK$2,226,000) represents subsidies granted to the Group by the PRC government/authorities for telecommunication business. The remaining amount of HK$1,811,000 (2013: HK$2,196,000) represents subsidies received from the PRC tax authorities on Value Added Tax reduction.

5. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on		
— bank and other loans wholly repayable within five years	**89,480**	106,490
— bank and other loans not wholly repayable within five years	**3,640**	4,404
— finance lease wholly repayable within five years	**16**	—
	93,136	110,894

6. PROFIT BEFORE TAXATION

	2014	2013
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**6,985**	6,604
Other staff costs	**83,627**	74,700
Other staff's retirement benefits scheme contributions	**7,551**	8,520
	98,163	89,824
Auditor's remuneration	**3,050**	3,000
Amortisation of intangible assets	**4,853**	7,370
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK$4,776,000 (2013: HK$29,805,000))	**2,409,093**	1,254,515
Depreciation of property, plant and equipment	**30,315**	33,380
Less: Amounts capitalised in inventories	**(2,244)**	(1,696)
	28,071	31,684
Minimum lease payments under operating leases in respect of land and buildings	**11,669**	11,725
Research and development expenses	**8,347**	1,912

7. TAXATION

	2014	2013
	HK$'000	*HK$'000*
Tax charge for the year comprises:		
PRC Enterprise Income Tax		
Current taxation	**1,135**	2,008
Underprovision in prior year	**222**	–
	1,357	2,008
Deferred tax (credit) charge	**(61)**	2,041
	1,296	4,049

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

	2014	2013
	HK$'000	*HK$'000*
Profit before taxation	**94,280**	31,438
Tax charge at PRC Enterprise Income Tax rate of 25%	**23,570**	7,860
Share of results of associates and joint ventures	**(33,954)**	(42,806)
Tax effect of expenses not deductible for tax purpose	**6,686**	700
Tax effect of deductible temporary differences	**3,128**	12,418
Tax effect of income not taxable for tax purpose	**(4,633)**	(3,382)
Tax effect of losses not recognised	**8,512**	28,827
Utilisation of tax losses previously not recognised	**(2,674)**	–
Underprovision in prior year	**222**	–
Tax effect of temporary differences attributable to undistributed profits of PRC subsidiaries	**439**	432
Tax charge for the year	**1,296**	4,049

No provision for Hong Kong Profits Tax is 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%.

8. DIVIDEND

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2014 of HK0.7 cents per share (2013: Nil) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

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.

	2014	2013
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share	**90,894**	39,022

	Number of shares	
	2014	2013
Weighted average number of shares for the purposes of basic earnings per share	**3,977,762,791**	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$805,945,000 (2013: HK$531,832,000) net of allowance for doubtful debts of HK$67,062,000 (2013: HK$66,701,000). The amount of trade receivables at 31 December 2014 included retention receivables for the sales of wind turbines to third parties of HK$270,181,000 (2013: HK$116,229,000). The balances will be settled upon the completion of warranty period of 1 - 5 years (2013: 1 - 5 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:

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**263,918**	116,578
Between 31 - 90 days	**94,809**	194,305
Between 91 - 180 days	**352**	6,437
Between 181 - 365 days	**363,533**	747
Over 1 year	**83,333**	213,765
	805,945	531,832

Included in the Group's other receivables at 31 December 2014 are dividend receivable from a joint venture of HK$12,972,000 (2013: HK$12,614,000), deposits for purchase of inventories in the PRC of HK$184,877,000 (2013: HK$61,052,000), VAT recoverable of HK$49,316,000 (2013: HK$88,259,000), bills receivable of HK$265,377,000 (2013: HK$471,380,000) in relation to the settlement of trade receivables and bills receivable of HK$44,865,000 (2013: HK$73,714,000) in relation to the settlement of dividend receivable from a joint venture and consideration receivable for disposal of a joint venture of HK$276,011,000 in 2013.

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$1,055,807,000 (2013: HK$739,882,000). 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:

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**235,162**	168,244
Between 31 - 90 days	**452,160**	216,204
Between 91 - 180 days	**191,003**	145,202
Between 181 - 365 days	**124,072**	160,767
Over 1 year	**53,410**	49,465
	1,055,807	739,882

Included in the Group's other payable at 31 December 2014 are accruals for construction work of HK$2,590,000 (2013: HK$2,599,000), receipt in advance from customers of HK$257,259,000 (2013: HK$18,852,000), project guarantee deposits of HK$2,535,000 (2013: HK$2,544,000), accrued transportation cost of HK$15,683,000 (2013: HK$13,212,000), office rental payable of HK$4,363,000 (2013: HK$4,378,000) and bills payable of HK$31,482,000 (2013: HK$35,729,000).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS SUMMARY

As of 31 December 2014, the Group's turnover for the year 2014 amounted to HK$2,699.95 million as compared to that of 2013 of HK$1,329.64 million, representing HK$1,370.31 million, or 103%, increase in turnover; the profit for the year amounted to HK$92.98 million as compared to that of 2013 of HK$27.39 million, representing HK$65.59 million, or 239%, increase in profit. The turnover for the year comprised sale of wind energy related products of HK$2,398.90 million, sale of electricity generated from wind farm of HK$25.45 million, sale of rare-earth permanent magnet motor products of HK$45.90 million, newly launched sale of energy storage and related products of HK$175.07 million and sales of HK$54.63 million related to telecommunication business whereas that of the last year comprised sale of wind energy related products of HK$1,136.58 million, sale of electricity generated from wind farm of HK$31.91 million, sale of rare-earth permanent magnet motor products of HK$44.67 million, sale of chemical materials of HK$82.79 million (business ceased from the year) and sales of HK$33.70 million related to telecommunication business.

The increase in turnover was mainly due to i) the increase in sales of the Group's wind energy related products by HK$1,262.32 million, representing an increase of 111% year-on-year, with wind turbines sold in 2014 increased by 86 sets of wind turbines as to 2MW or 1.5MW and there being sales of 506 wind turbine blades as to 3MW or 1.5MW as against no such sales in 2013; plus ii) the sales of the newly launched energy storage and related products in 2014. The increase in profit for the year was mainly due to i) the increase in sales of the Group's wind energy related products, and ii) the rise of gross profit ratio relating to wind energy related products by 8.7% in consequence of rise of sales prices of wind turbines and stringent control of purchased costs of components, and iii) the profit contribution from the sales of the newly launched energy storage and related products.

BUSINESS REVIEW

GROUP FINANCE

In December 2014, the Group proceeded a placing of the existing shares and subscription for new shares of 400 million shares, with the placing price of HK$ 0.75 per share, obtaining a net fund of approximately HK$ 291 million, which is mainly used for general working capital and to finance projects on energy storage including the development of wind and solar power storage integration and that on electric vehicle, thereby improving the Group's capital structure and enhancing the market value. As such, the shareholding of the controlling shareholder, China Academy of Launch Vehicle Technology ("CALT"), is diluted from 66.75% to 60.64%.

Business of Wind Energy

In 2014, the directdrive wind turbine developed by the Group with proprietary intellectual property rights participated in fierce competition in the China wind energy market which has entered into a rational development phase, 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, 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 2014, the marketing strategy was not only that of exchanging resources for orders, developing and maintaining key areas and key customers, but also of participating 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 Guodian, Huadian 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 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 provides 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 2014, the Group completed the assembling, commissioning and deliveries of 2MW excitation magnetic wind turbines in the amount of 50 sets to Mahuangtan Project in Yumen City in Gansu, 20 sets to Xiapu Project in Ningde City in Fujian, 50 sets to Jingyuan Project in Gansu and 75 sets to Wuwei Hongshagang Project in Gansu in closing the sales of them, 195 sets in total. In addition, a batch production of 172 sets of 1.5MW wind turbines was completed and they were delivered in closing the sales of them. Meanwhile, the Group made deliveries of 103 units of 3MW wind turbine blades and 403 units of 1.5MW wind turbine blades and closed the sales of them. In 2014, the Group, by new installations of wind turbines totalling 708,500KW, soared the industry ranking from 21st in 2013 to 11th, creating new high record.

Research and Development of Technology

In 2014, the research and development of 3MW permanent magnet directdrive wind turbine were being conducted. In January 2015, we passed the whole-turbine design review made by the expert panel of CALT and could proceed prototype trial production. Besides its high power, this wind turbine has innovative design on safety and maintainability, making readiness for managing in attracting more customers' appeal.

Production Management

In 2014, the Group carried on cost control rigorously with strengthening analyses of wind turbine costing. By conducting on-site research, survey and study, price searches and comparisons across the nation, the purchasing costs of various components of wind turbines under the strategy of strengthening quality control in maintaining quality were further reduced, thereby increasing the gross profit ratio. In enhancing the supply chain management, management structure on eligible suppliers was established with system on conducting appraisals and dynamic assessments of eligible supplierswhere quality control measures and terms on quality assurance were strengthened. Effective measures on control of the quality in the batch production are the risk management focus of the business in the industry.

In 2014, the Group established a safe production responsibility system in that every staff understood the security responsibility of his/her individual position, firmly establishing safety awareness. There was no major safety incident during the year.

Energy Storage Business

Whilst maintaining the leading position in wind energy technology, the Group has been actively nurturing a new core major business from the research and development of a series of wind and solar energy storage products and a series of distributed energy storage system products and extends the industrial chain to a distributed energy renewal solutions by combining wind energy, solar energy and energy storage subtly in providing customers with more flexible and reliable energy solutions.

In May 2012, the Group initiated the research and development on graphene materials and lithium battery of high storage capacity. Cooperative research and development agreements were signed with international and domestic renowned experts and teams in order to achieve mass production of high quality graphene by leveraging on the graphene extraction technology mastered by them and conducted research and development on new graphene-based cathode material for batteries and high capacity lithium battery in order to launch a series of energy storage products with an integrated system based on high capacity lithium batteries. In 2013, international renowned experts were invited by the Group to join the Energy Storage Technology Research and Development Centre and effectively commenced the research and development on graphene and energy storage system. Material breakthroughs have been achieved in a number of technologies by the Research and Development Centre.

In 2014, the Research and Development Centre possesses a daily production capacity of 5 kg graphene; realizes the pilot production of anode material; and small batch production of electrolyte following passing its pilot production line. Materials can be certified promptly on the battery production line, whereas the electrolyte enhances the performance of materials in the battery. Initial result in research and development emerges.

A lithium iron phosphate battery for application in wind turbines of variable pitch has been developed and applied to 2MW excitation magnetic wind turbines successfully. Applying this battery in assembling battery packs of variable pitch could enable the packs not to be replaced for 5 years. Meanwhile, the anode and cathode materials and electrolyte being researched and developed in the laboratory have formed a dynamic lithium iron phosphate battery of excellent performance, which will be applied to electric cars and electric bicycles, developing a large-capacity energy storage system. In relying on our edges in electrical control and system integration, a battery management system with container-type energy storage system and a grid connection device for the energy storage system have been developed, where the lithium iron phosphate battery utilized in the energy storage battery has a high energy ratio and long utilization life. Its energy ratio amounts to 130% of those of commercial batteries for general usage, and the electrical energy released by battery of the same weight is 30% more than an ordinary battery. The product has been successfully utilized in the control system relating to recovery of rocket parafoils in supplying electrical energy for the recovery of satellites and rockets in its employment in military areas.

Meanwhile, another new type of street lighting system with complementary wind energy and solar energy based on a lithium battery energy storage system has been developed. The scope of applications of the system may extend to unmanned communication base stations, data transmission by high voltage wire towers, boundary outposts, islands, remote areas with no electricity, etc. and may even connect to power grid for electricity generation. Currently, the energy storage street lights with complementary wind energy and solar energy have been installed in Chengde City, Pingquan County of Chengde City, Zuidong Development Zone in Tangshan, and Shijiazhuang International Shopping Mall, etc.

Wind and solar power storage integration

The Group reached a strategic cooperation agreement with Wuwei City in connection with wind and solar power storage integration projects, which expressly put forward a policy of “mutual guarantee and joint development”, stipulating that investors of non-local enterprises must guarantee purchase of no less than 60% of the wind turbine equipment from the Group for the sake of obtaining the resources relating to wind farms and photovoltaic power stations i.e. offering us the priority on the development of the Group’s wind and solar power equipment in the course of construction of wind farms and photovoltaic power stations. The Wuwei municipal government has formulated plan to build a 3 million KW wind farm. In 2014, the National Development and Reform Committee approved the construction of phase I of Minqin Hongshagang with a capacity of 1 million KW. The construction of the wind farm has commenced, where the Group’s 2MW excitation magnetic direct-driven generators are adopted for the 300,000 KW wind farm thereof. It follows that this wind farm will be the largest wind farm of the Group in terms of the scale of wind turbines applied, which is of great significance to enhancement of the production capacity rate as to the Group's existing 2MW excitation magnetic directdrive wind turbines.Meanwhile, Wuwei municipal government has formulated plan to construct 190MW photovoltaic power stations, of which the Group's share accounts for 100MW.

Electric vehicles market

The Group is committed to the exploitation of electric vehicle market which has achieved significant breakthroughs. The key technologies in electric vehicles include vehicle, motor, battery, control and driving system as well as charging point system, where main technical bottlenecks that restrict the development of electric vehicles are the performances of batteries and vehicle control system, which, however, are the Group's advantages and features.

As the performance of high-capacity lithium batteries launched by the technical team of the Company and CALT, and an international expert reaches 160 Wh/kg, exceeding market level of 130 Wh/kg, and the "four in one" vehicle control system launched by us could place motor driver, vehicle controller, high voltage distribution box and DC power switching device in one control box, the batteries feature comprehensive functions and high level of integration. The electric buses installed with the Group's batteries and control systems are capable of running over 300 km mileage per charge. Exactly thanks to this edge, the Group has made major breakthroughs in promoting electric vehicle market, in particular the market of electric buses and proven track record.

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 models 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, 1.5MW and 2MW 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. In 2014, the Group entered into a contract of exporting 42 units of 900KW wind tribune generators to Netherlands.

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.

PROSPECTS

Due to consumption of huge amounts of traditional energy and demand for environmental conservation, there will be basically no changes as to the rapid growth of China's wind energy industry in the future. Currently, serious air pollution has been spread as a national issue and becomes a stimulating or driving force to the China government. The National Energy Administration stated that¸ during the "Thirteenth-Five" period, the wind power is expected to gradually change the status of "alternative energy" and rises to pose as the China main energy structural body in the future, providing an assurance on the sustainable and healthy development of wind power.

As hazy weather and air pollution are worsening in China, China government has increased the support for development of clean energy as well as policy support thereon. The Group will in parallel to making every effort in large-scale industrialized production of wind energy equipment, continue to expand market share in reliance on our proven record of stable orders received, ensuring a rapid growth in the Group's operational results in 2015 and beyond.

Given that the Group has strong technical advantages in the application of energy storage system and electric vehicle technology and operates in the clean energy industry as staunchly encouraged by the supports from state policies,the development of new technology and exploitation of new market are focusing on the areas of wind and solar power storage integration as well as electric vehicles intensively. The Group will strive to develop wind and solar power storage integration and electric vehicles rapidly into new growth points and core businesses of the Group in 2015 on the basis of established market results by hinging on tremendous technical edges obtained in the said sectors, grasping the opportunity of staunch assistances and supports from China policies and devoting greater efforts in market exploitation with the aim of re-addition of momentum in the course of the rapid growth of the Group's operational results.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2014, the Group had 22 employees (2013: 27 employees) in the Hong Kong head office and 629 employees (2013: 558 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 2014 were HK$1,714,807,000 (2013: HK$1,954,706,000), of which HK$117,044,000 (2013: HK$123,111,000) 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 2014 was 76% (2013: 103%).

Pledge of Assets

As at 31 December 2014, certain assets of the Group of HK$7,779,000 (2013: HK$9,312,000) 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 2014, the Group has issued a guarantee to a bank in respect of a banking facility with an amount of HK$38,029,000 (2013: HK$44,518,000) granted to an associate, of which HK$12,676,000 (2013: HK$25,439,000) has been utilized, and has issued a guarantee to a third party with an amount of HK$6,237,000 (2013: HK$6,258,000).

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 PRACTICES

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 CG Code throughout the year ended 31 December 2014 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 2014 have been reviewed by the Audit Committee.

DIVIDEND

The Board recommends a final dividend of HK$0.7 cent (2013: HKNil cent) per share for the year ended 31 December 2014. The Company will make further announcement on the date of annual general meeting, closure of register of members and the dividend payment as soon as practicable.

PUBLICATION OF ANNUAL REPORT

A full text of the Company's 2014 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, 20 March 2015

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. Xu Jun 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*