CASIL TELECOMMUNICATIONS HOLDINGS LIMITED
(航天科技通信有限公司)*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code :1185)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

RESULTS

The directors of CASIL Telecommunications 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 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2007

	NOTES	**2007** *HK$'000*	2006 *HK$'000*
Continuing operations			
Turnover	*2*	**178,755**	141,275
Cost of sales		**(189,129)**	(134,495)
Gross (loss) profit		**(10,374)**	6,780
Other income		**11,332**	20,775
Selling and distribution expenses		**(13,056)**	(9,458)
Administrative expenses		**(87,772)**	(74,795)
Increase in fair value of investment property		**6,722**	—
Impairment loss recognised in respect of intangible assets		**—**	(9,403)
(Allowance for) reversal of amount due from an associate		**(1,854)**	10,019
Finance costs	*4*	**(16,500)**	(9,370)
Share of results of associates		**2,624**	(1,300)
Impairment loss recognised in respect of interest in an associate		**(9,227)**	—
Share of results of jointly controlled entities		**22,377**	—
Impairment loss recognised in respect of interests in jointly controlled entities		**(474,793)**	—

	NOTES	**2007**	2006
		HK$'000	*HK$'000*
Loss before taxation		**(570,521)**	(66,752)
Taxation (charge) credit	*5*	**(1,510)**	1,751
Loss for the year from continuing operations		**(572,031)**	(65,001)
Discontinued operation			
Loss for the year from discontinued operation	*6*	**—**	(224)
Loss for the year	*7*	**(572,031)**	(65,225)
Attributable to:			
Equity holders of the Company		**(573,901)**	(64,562)
Minority interests		**1,870**	(663)
		(572,031)	(65,225)
Loss per share - Basic	*8*		
From continuing and discontinued operations		**HK(36.50) cents**	HK(6.35) cents
From continuing operations		**HK(36.50) cents**	HK(6.33) cents

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	NOTES	**2007**	2006
		HK$'000	*HK$'000*
Non-current assets			
Investment property		**21,000**	—
Property, plant and equipment		**30,602**	42,879
Deposits paid for acquisition of property, plant and equipment		**105,526**	—
Goodwill		**—**	—
Intangible assets		**4,900**	9,800
Interests in associates		**170,828**	84,864
Interests in jointly controlled entities		**1,241,996**	—
		1,574,852	137,543
Current assets			
Inventories		**24,867**	62,910
Trade and other receivables	*10*	**368,407**	92,615
Amounts due from related companies		**15,291**	15,291
Amounts due from associates		**54,960**	25,969
Pledged bank deposits		**1,400**	1,537
Bank balances and cash		**174,871**	81,777
		639,796	280,099
Current liabilities			
Trade and other payables	*11*	**49,591**	41,587
Amounts due to related companies		**4,407**	4,407
Amounts due to associates		**3,656**	13,365
Taxation payable		**—**	330
Borrowings - amount due within one year		**135,180**	97,350
		192,834	157,039
Net current assets		**446,962**	123,060
Total assets less current liabilities		**2,021,814**	260,603

	2007	2006
	HK$'000	*HK$'000*
Non-current liabilities		
Borrowings - amount due after one year	**447,825**	168,317
Deferred taxation	**2,146**	—
	449,971	168,317
	1,571,843	92,286
Capital and reserves		
Share capital	**362,400**	101,714
Reserves	**1,205,458**	(11,440)
Equity attributable to equity holders of the Company	**1,567,858**	90,274
Minority interests	**3,985**	2,012
Total equity	**1,571,843**	92,286

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) - INT 8	Scope of HKFRS 2
HK(IFRIC) - INT 9	Reassessment of embedded derivatives
HK(IFRIC) - INT 10	Interim financial reporting and impairment

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

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellation [1]
HKFRS 3 (Revised)	Business combination [2]
HKFRS 8	Operating segments [1]
HK(IFRIC) - INT 11	HKFRS 2: Group and treasury share transactions [3]
HK(IFRIC) - INT 12	Service concession arrangements [4]
HK(IFRIC) - INT 13	Customer loyalty programmes [5]
HK(IFRIC) - INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction [4]

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

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

[3] Effective for annual periods beginning on or after 1 March 2007.

[4] Effective for annual periods beginning on or after 1 January 2008.

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

The directors of the Company anticipate that the application of these new and revised standards, and interpretations will have no material impact on the results and the financial position of the Group.

2. **TURNOVER**

Turnover represents the gross invoiced value of goods sold less discounts and sales related taxes, and revenue from service contracts. An analysis of the Group's revenue for the year from continuing and discontinued operation is as follows:

	2007	2006
	HK$'000	*HK$'000*
Continuing operations		
Sales of goods	**167,034**	134,690
Revenue from service contracts	**11,721**	6,585
	178,755	141,275
Discontinued operation		
Sales of goods	**—**	14,924
	178,755	156,199

3. **BUSINESS AND GEOGRAPHICAL SEGMENTS**

(A) **Business segments**

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

Principal activities are as follows:

Communication Products	—	manufacture and distribution of the communication products
ITS	—	development, manufacture, distribution and installation of global positioning system application products
Broadband Wireless Access	—	development, distribution and installation of broadband system, equipment and accessories

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

Income statement

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

(ii) Segment information about these businesses for the year ended 31 December 2006 is presented below:

Income statement

	Continuing operations					Discontinued operation	
	Communication Products	**ITS**	**Broadband Wireless Access**	**Eliminations**	**Total**	**Video Conference System**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER							
External sales	55,506	32,073	53,696	—	141,275	14,924	156,199
RESULT							
Segment result	4,503	(1,115)	(62,891)	—	(59,503)	582	(58,921)
Unallocated corporate expenses					(14,489)	—	(14,489)
Unallocated corporate income					14,585	—	14,585
Gain (loss) on disposal and deemed disposal of subsidiaries					3,325	(684)	2,641
Finance costs					(9,370)	(77)	(9,447)
Share of results of associates							
- Communication Products	540	—	—	—	540	—	540
- ITS	—	(671)	—	—	(671)	—	(671)
- Broadband Wireless Access	—	—	(723)	—	(723)	—	(723)
- Wind Energy Facilities					(446)	—	(446)
Loss before taxation					(66,752)	(179)	(66,931)
Taxation					1,751	(45)	1,706
Loss for the year					(65,001)	(224)	(65,225)

(B) **Geographical segments**

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

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

	2007	2006
	HK$'000	*HK$'000*
PRC	**71,401**	71,715
Hong Kong	**15,462**	14,100
United States of America	**82,151**	69,191
Others	**9,741**	1,193
	178,755	156,199

(ii) The following is an analysis of the carrying amount of the segment assets, and additions to property, plant and equipment and intangible assets analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**84,877**	186,514	**2,984**	7,860
Hong Kong	**58,844**	96,816	**2,003**	1,927
	143,721	283,330	**4,987**	9,787

4. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on:						
Bank borrowings						
- wholly repayable within five years	**—**	2,367	**—**	77	**—**	2,444
Other loans						
- wholly repayable within five years	**16,500**	7,003	**—**	—	**16,500**	7,003
	16,500	9,370	**—**	77	**16,500**	9,447

5. TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Tax (charge) credit for the year comprises:						
Current tax						
Hong Kong	**—**	(330)	**—**	—	**—**	(330)
Other regions in the PRC	**(109)**	(104)	**—**	—	**(109)**	(104)
	(109)	(434)	**—**	—	**(109)**	(434)
Over(under)provision in prior years						
Hong Kong	**330**	(13)	**—**	—	**330**	(13)
Other regions in the PRC	**(50)**	(19)	**—**	(45)	**(50)**	(64)
	280	(32)	**—**	(45)	**280**	(77)
Deferred tax (charge) credit	**(1,681)**	2,217	**—**	—	**(1,681)**	2,217
	(1,510)	1,751	**—**	(45)	**(1,510)**	1,706

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

	2007	2006
	HK$'000	*HK$'000*
Loss before taxation		
Continuing operations	**(570,521)**	(66,752)
Discontinued operation	**—**	(179)
	(570,521)	(66,931)
Tax credit at Hong Kong Profits Tax of 17.5% (2006: 17.5%)	**99,841**	11,713
Share of results of associates and jointly controlled entities	**4,375**	(228)
Tax effect of expenses not deductible for tax purpose	**(86,478)**	(977)
Tax effect of temporary differences not recognised	**(11,082)**	(823)
Tax effect of income not taxable for tax purpose	**1,325**	889
Tax effect of losses not recognised	**(12,383)**	(10,317)
Utilisation of tax losses previously not recognised	**1,583**	2,319
Effect of different tax rates of subsidiaries operating in other regions in the PRC	**1,029**	(739)
Over(under)provision in prior years	**280**	(77)
Others	**—**	(54)
Tax (charge) credit for the year	**(1,510)**	1,706

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

Taxation arising in order jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China of Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. The enactment of the new tax law does not have any financial effect on the amount accrued in the consolidated balance sheet in respect of current tax payable.

6. DISCONTINUED OPERATION

On 22 November 2006, the Group entered into a sale and purchase agreement in respect of the disposal of a subsidiary, CASTEL Videotec (Hong Kong) Limited ("CASTEL Videotec"), which carried out all of the Group's development, manufacture, distribution and installation of video conference system. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was effective in November 2006, in which the control of the disposal group passed to the acquirer.

The loss for the year ended 31 December 2006 from the discontinued operation is analysed as follows:

	2006
	HK$'000
Profit of video conference system operation for the year	460
Loss on disposal of video conference system operation	(684)
	(224)

The results of the video conference system operation for the year ended 31 December 2006 up to the date of disposal, which have been included in the consolidated income statement, were as follows:

	2006
	HK$'000
Turnover	14,924
Cost of sales	(9,625)
Other income	460
Distribution costs	(1,530)
Administrative expenses	(3,647)
Finance costs	(77)
Profit before taxation	505
Taxation	(45)
Profit for the year	460
Loss on disposal of video conference system operation	(684)
	(224)

In 2006, the video conference system operation paid HK$5,771,000 to the Group's net operating cash flows, paid HK$205,000 in respect of investing activities and contributed HK$5,000,000 in respect of financing activities.

7. LOSS FOR THE YEAR

	Continuing operations		Discontinued operation		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the year has been arrived at after charging:						
Directors' emoluments	**2,915**	1,164	**—**	—	**2,915**	1,164
Other staff costs	**22,934**	23,672	**—**	2,718	**22,934**	26,390
Other staff's retirement benefits scheme contributions	**960**	1,338	**—**	64	**960**	1,402
	26,809	26,174	**—**	2,782	**26,809**	28,956
Amortisation of intangible assets (included in cost of sales)	**4,900**	12,900	**—**	—	**4,900**	12,900
Auditor's remuneration	**3,500**	1,629	**—**	—	**3,500**	1,629
Cost of inventories recognised as an expense	**189,129**	134,495	**—**	9,625	**189,129**	144,120
Depreciation of property, plant and equipment	**6,549**	7,367	**—**	347	**6,549**	7,714
Loss on disposal of property, plant and equipment	**95**	48	**—**	—	**95**	48
Loss on disposal and deemed disposal of subsidiaries	**—**	—	**—**	684	**—**	684
Impairment loss recognised in respect of goodwill (included in administrative expenses)	**—**	542	**—**	—	**—**	542
Minimum lease payments under operating leases in respect of land and buildings	**4,697**	3,725	**—**	89	**4,697**	3,814
Research and development expenses	**—**	1,620	**—**	—	**—**	1,620
Allowance for doubtful debts	**26,340**	22,170	**—**	—	**26,340**	22,170
Allowance for obsolete inventories (included in cost of sales)	**38,723**	1,916	**—**	—	**38,723**	1,916
Net exchange loss recognised	**6,478**	1,247	**—**	—	**6,478**	1,247
and crediting:						
Rental income	**1,190**	—	**—**	—	**1,190**	—
Interest income	**2,220**	559	**—**	8	**2,220**	567
Write-back of interest payable	**—**	14,585	**—**	—	**—**	14,585
Gain on disposal and deemed disposal of subsidiaries	**—**	3,325	**—**	—	**—**	3,325

8. LOSS PER SHARE - BASIC

From continuing operations and discontinued operation

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

	2007	2006
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share	**(573,901)**	(64,562)
Less: Loss for the year from discontinued operations	**—**	224
Loss for the purpose of basic loss per share from continuing operations	**(573,901)**	(64,338)

	Number of shares	
	2007	2006
Weighted average number of shares for the purposes of basic loss per share	1,572,198,568	1,017,139,763

The weighted average number of shares in issue during the year has been adjusted for the effect of open offer of 406,855,905 offer shares at a price of HK$0.35 per offer share issued on 5 October 2007; and the effect of 2,200,000,000 shares issued for acquisition of subsidiaries at a price of HK$0.87 per share.

From discontinued operation

Basic loss per share for the discontinued operation for 2006 was HK0.02 cents per share, based on the loss for the year from the discontinued operation of HK$224,000 and the denominators detailed above for basic loss per share.

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2007, nor has any dividend been proposed since the balance sheet date (2006: nil).

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK$61,869,000 (2006: HK$82,615,000). The Group allows credit periods for 90 days on average to its customers for sales of goods. At the discretion of the directors, several major customers were allowed to extend their credit terms by one year. The following is an aged analysis of trade receivables at the balance sheet date:

	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**9,327**	44,039
Between 31 - 90 days	**9,801**	2,682
Between 91 - 180 days	**36,491**	649
Between 181 - 365 days	**4,880**	832
Over 1 year	**1,370**	34,413
	61,869	82,615

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$41,371,000 (2006: HK$1,481,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 180 days (2006: 180 days).

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

	2007	2006
	HK$'000	*HK$'000*
Between 91 - 180 days	**36,491**	649
Between 181 - 365 days	**4,880**	832
Total	**41,371**	1,481

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

Movement in the allowance for doubtful debts on trade receivables:

	2007	2006
	HK$'000	*HK$'000*
Balance at beginning of the year	**100,883**	78,713
Impairment losses recognised in respect of trade receivables	**26,340**	22,170
Balance at end of the year	**127,223**	100,883

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

Before accepting any new customer, the Group's marketing team would assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly with reference to past settlement history. 33% of the trade receivables that are neither past due nor impaired have the best credit history attributable under the Group's marketing team.

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$13,835,000 (2006: HK$19,844,000). The following is an aged analysis of trade payables at the balance sheet date:

	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**5,214**	14,576
Between 31 - 90 days	**1,520**	1,167
Between 91 - 180 days	**3,697**	901
Between 181 - 365 days	**385**	84
Over 1 year	**3,019**	3,116
	13,835	19,844

RESULTS SUMMARY

As of 31 December 2007, the Group's turnover for the year 2007 amounted to HK$178.8 million with a loss of HK$572.0 million in contrast to those for the year 2006 of HK$156.2 million and HK$65.2 million respectively. The loss for the year was primarily attributable to an impairment losses recognised in respect of interest in an associate and jointly controlled entities arising on acquisition of Advanced Grade Holdings Ltd. ("Advanced Grade") amounting to HK$484.0 million and various allowances relating to the telecommunication business made. The impairment loss recognised represented the difference of carrying amounts of an associate and jointly controlled entities and their recoverable amounts. In applying HKFRS 3 Business Combinations, the basis for computing the fair value of 2.2 billion consideration shares be the market price of the shares at the acquisition date of HK$0.87 albeit the value of HK$0.35 as agreed during the course of negotiation. This gave rise of variance of fair value of net assets acquired amounting to HK$1.16 billion in terms of goodwill which is subject to impairment test annually though. The HK$484.0 million impairment was in effect an adjustment of the portion of fair value of the business acquired attributable to the rise of share price as aforesaid in the context. The allowances made included allowances for doubtful debts of HK$26.3 million and for aged inventory of HK$38.7 million.

BUSINESS REVIEW AND PROSPECTS

In continuing the sales of communication equipment, and the application services of Global Positioning System for 2007, the Group was pursuing the acquisition of different businesses with the aim of exploring diversified operations and diversified earning sources for its future development in the years ahead. On 15 February 2007 and 27 March 2007, the Group entered into agreements whereby the Group was to acquire from CALT businesses comprising three segments, namely, the automotive component parts, rare-earth permanent magnetic motor business and alternate energy through acquisition of Advanced Grade and its wholly-owned subsidiary, Wan Yuan Industry Corporation ("Wan Yuan Industry") at a purchase consideration of HK$900 million which was satisfied by cash of HK$130 million and allotment and issue of 2.2 billion consideration shares at HK$0.35 per share. Wan Yuan Industry holds a 49% equity interest in Beijing Delphi Wan Yuan Engine Management Systems Co., Ltd. ("Beijing Delphi"), a 40% equity interest in Beijing Wanyuan GDX Automotive Sealing Products Co. Ltd. ("Wanyuan GDX"), a 29% equity interest in Hangzhou Aerospace Wan Yuan REPM Motor application Technology Co., Ltd. ("Hangzhou REPM"), a 45% equity interest in Nantong CASC Wanyuan Accoina Wind Turbine Manufacture Corp. Ltd. ("Nantong Acciona") and a 45% equity interest in Beijing CASC Wanyuan Accoina Renewable Energy Corp. Ltd. ("Beijing Acciona") (the entities engaging the acquired businesses). The said cash consideration was raised by an open offer in issuing 406,855,905 offer shares at a price of HK$0.35 per offer share on the basis of 4 offer shares for every 10 existing shares in issue on 18 September 2007.

The business of automotive component parts

The automotive component parts comprise a wide range of components of automobiles such as brakes, clutch, fuel tank, muffler and tires. The automotive engine management systems and components manufactured by Beijing Delphi and the car body sealing system, vessel sealing system and accessories manufactured by Wanyuan GDX are also classified as automotive component parts.

Beijing Delphi is principally engaged in the manufacture and sale of automotive engine management systems and components for mini-vehicles and vehicles. Beijing Delphi has captured a market share of one fifth of the domestic market of passenger vehicle engine management systems. The customers of Beijing Delphi are primarily domestic automobile manufacturers in the PRC, two of which were ranked among the top ten PRC automobile manufacturers in 2006 by the China Association of Automobile Manufacturers. Delphi is also the second largest automotive parts suppliers in the world.

Wanyuan GDX is principally engaged in the manufacture and sale of car body sealing system, vessel sealing system and accessories. Its car body sealing systems, which target the medium to high end sedan market, have been widely adopted by the major automobile manufacturers in the PRC in a wide range of brands such as Volkswagen, General Motors, Audi, Toyota, BMW, Mazda, Peugeot, Citrogen and other domestic brands such as 紅旗. Six customers of Wanyuan GDX were ranked among the top ten PRC automobile manufacturers in 2006 by the China Association of Automobile Manufacturers. Wanyuan GDX was also awarded, among others, by FAW-VW Automobile Co., Ltd. (一汽大眾), FAW Car Co., Ltd. (一汽轎車) and China FAW Group Corporation (一汽集團) as one of the "Ten Best Suppliers" in 2005 and by Shanghai Volkswagen as "Distinguished Supplier".

The business of rare-earth permanent magnetic motors

Rare earth of contemporary science and technology, when added to materials, either improves the quality of the materials, or creates totally new materials. The rare-earth permanent magnetic motors manufactured by Hangzhou REPM are considered innovative products to the market and the business is at its incubation stage with many rooms of growth. With their weight and size generally of more than 50% lighter and smaller than those of conventional motors, rare-earth permanent magnetic motors offer high performance in terms of high precision, low noise, high stability and heavy load as well as their significant energy saving. Yet their prices are of that level comparable to those of the conventional motors such that rare-earth-permanent magnetic motors will have the potential to tap into the conventional motors market.

The business of alternate energy

The market of alternate energy in the PRC was boosted by the new Renewable Energy Law coming into force on 1 January 2006, which was promulgated with a view to (i) promoting the development and utilization of renewable energy (including non-fossil energy of wind energy, solar energy, water energy, biomass energy, geothermal energy, and ocean energy), (ii) improving the energy structure,

(iii) diversifying energy supplies, (iv) safeguarding energy security, (v) protecting the environment, and (vi) realizing the sustainable development of the economy and society. The Law covers areas such as (i) economic incentives and supervisory measures, (ii) price management and fee sharing, and (iii) industry guidance and technology support.

The acquisitions were made on 16 October 2007 when the Group took over control of Advanced Grade and the acquired businesses started to make profit contribution to the Group therefrom.

The details of the acquisitions are set out in a circular thereon of 1 June 2007 and a prospectus on open offer of 406,855,905 offer shares in relation thereto of 20 September 2007. After the acquisitions, the Group is to further develop these businesses intensively for bringing better future on the foundation of the businesses acquired. The first move in this regard is to set up a production base in Liyang County, Changzhou City, Jiangsu for production and distribution of rare-earth permanent motors of medium to small size in the strategic location of the county with ready availability of materials and labour.

Telecommunication business

In keeping the Group's edge on provision of communication equipment of high capability to price value, the Group maintains the sales made to our customers including telecommunication operators, government authorities and system engineering companies and other public organizations.

Wind energy projects

The wind energy projects of Jiangsu Longyuan project and Jilin Longyuan project in building, maintenance and operation of wind energy plants and facilities have started to generate profit contributions during the year whereas the Liaoning Benxi project completed its final phase of implementation in the first half of the year and has since started to generate revenue in preparation for making profit contribution.

In addition, in penetrating these investments of conservation of environment, Crownplus International Ltd. ("Crownplus"), a wholly-owned subsidiary of the Company, on 21 January 2008, entered into agreement with the original joint-venture parties of Jiangsu Longyuan project to develop the Phase II thereof whose details are as follows:

Operation period	:	25 years
Production capacity	:	49.5 megawatt
Total investment	:	RMB 486,850,000
Total registered capital	:	RMB 121,710,000 (Crownplus' share : 25% RMB 30,427,500)

In addition, before the acquisition of Advanced Grade, Wan Yuan Industry had entered into an agreement for purchase of 55 900 KW wind energy units at RMB 326.7 million in establishing foundation for its future development of wind energy plant and facilities in Xinghe, Inner Mongolia. In November 2007, Wan Yuan Industry paid total deposits of RMB 100.5 million of the purchase. The Group will announce more on this development when the detailed plan for this development is formulated.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2007, the Group had 43 employees (2006: 37 employees) in the Hong Kong head office and 362 employees (2006: 428 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 and share option schemes (expired on 23 July 2007) are available and are at the discretion of the Directors.

FINANCIAL REVIEW

Liquidity and Financial Resources

Total borrowings of the Group as at 31 December 2007 were HK$583,005,000 (2006: HK$265,667,000), which were fixed rate borrowings. All borrowings of the Group were determined at market interest rate. The Group has not issued any financial instruments for hedging or other purposes.

Gearing ratio (total borrowings over shareholders' equity) as at 31 December 2007 was 37% (2006: 294%).

Pledge of Assets

As at 31 December 2007, certain assets of the Group of HK$1,400,000 (2006: HK$1,537,000) have been pledged to secure bank facility.

Exchange and Other Exposures

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

The Group did not have any contingent liabilities as at 31 December 2007.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlements of Shareholders to vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 13 May 2008 to Thursday, 15 May 2008 (both days inclusive).

In order to attend and vote at the forthcoming Annual General Meeting, Shareholders must lodge any transfers of Shares (with the relevant share certificates) with the Company's Registrar in Hong Kong, Share Registration Public Office of Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration by no later than 4:00 p.m. on Friday, 9 May 2008.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Company has adopted Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "CG Code"), save that all the Independent Non-executive Directors are not appointed for specific term but are subject to retirement and rotation and re-election at the Company's Annual General Meeting. Nevertheless, all of the Directors of the Company including the Independent Non-executive Directors are subject to the retirement provisions under the Articles of Association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all the Directors of the Company and in accordance with information provided, all the Directors have complied with the provisions under the Model Code.

Independent Non-executive Directors

During the year 2007, the Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules in appointment of a sufficient number of 4 Independent Non-executive Directors one of whom is a member of the Association of Chartered Certified Accountants, a member of Certified Management Accountants of Canada and also a practicing member of the Hong Kong Institute of Certified Public Accountants in Hong Kong with over 20 years of experience in auditing, accounting and financial management in Hong Kong and overseas.

Audit Committee

During the year 2007, the Audit Committee of the Company set up comprised all of the four previous Independent Non-executive Directors. The principal duties of the Audit Committee include the review of the Company's financial reporting procedure, internal controls and results of the Group. The audited consolidated financial statements for the year have been reviewed by the new Audit Committee appointed on 23 January 2008.

PUBLICATION OF ANNUAL REPORT

A full text of the Company's 2007 Annual Report will be sent to the shareholders and published on the website of the Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
Han Shuwang
Chairman

Hong Kong, 28 March 2008

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

* *the Chinese name of the Company is for reference only*