CATIC INTERNATIONAL HOLDINGS LIMITED
中國航空技術國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 232)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The board of directors of CATIC International Holdings Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007, together with the comparative figures for 2006, are as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2007** **HK$**	2006 HK$
CONTINUING OPERATIONS			
REVENUE	*3*	**195,087,660**	172,045,118
Cost of sales		**(163,678,387)**	(146,358,446)
Gross profit		**31,409,273**	25,686,672
Other income and gains	*4*	**19,046,666**	11,791,976
Administrative expenses		**(26,393,313)**	(23,556,775)
Other operating income/(expenses), net		**(1,813,124)**	1,956,949
Finance costs	*5*	**(6,384,095)**	(5,114,777)
Surplus on revaluation of an investment property		**9,300,000**	–
Surplus/(deficit) on revaluation of items of property, plant and equipment		**2,972,406**	(8,444,086)
Gain on deemed disposal of an associate		**32,919,641**	22,030,133
Gain on disposal of an associate		**4,395,983**	–
Share of profits and losses of associates		**13,149,401**	(22,170,693)
Impairment of a financial asset under Project EC120		**(14,000,000)**	(4,800,000)
Gain on disposal of an available-for-sale investment		**26,597,032**	–
Fair value gain/(loss) on equity investments at fair value through profit or loss and derivative financial instruments		**(33,445,660)**	37,796,956
PROFIT BEFORE TAX	*6*	**57,754,210**	35,176,355
Tax	*7*	**(4,594,170)**	(2,452,654)

	Note	2007 HK$	2006 HK$
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**53,160,040**	32,723,701
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation		**30,342,199**	18,379,414
PROFIT FOR THE YEAR		**83,502,239**	51,103,115
Attributable to:			
Equity holders of the parent		**77,996,196**	47,949,807
Minority interests		**5,506,043**	3,153,308
		83,502,239	51,103,115
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic			
– For profit for the year		**HK1.73 cents**	HK1.22 cents
– For profit from continuing operations		**HK1.05 cents**	HK0.75 cent
Diluted			
– For profit for the year		**HK1.72 cents**	N/A
– For profit from continuing operations		**HK1.04 cents**	N/A

CONSOLIDATED BALANCE SHEET

	Note	**31 December 2007** **HK$**	31 December 2006 HK$
NON-CURRENT ASSETS			
Investment property		**24,200,000**	14,900,000
Property, plant and equipment		**202,735,517**	194,482,989
Prepaid land lease payments		**28,215,916**	28,578,881
Goodwill		**38,116,502**	38,116,502
Interests in associates		**21,205,240**	48,135,686
Financial asset under Project EC120		**11,959,462**	25,959,462
Available-for-sale investments		**115,720,980**	91,102,100
Deferred tax assets		**–**	3,700,000
Deposit for acquisition of an investment		**20,029,325**	–
Rental and utility deposits		**92,536**	2,255,113
Pledged time deposits		**–**	9,360,000
Total non-current assets		**462,275,478**	456,590,733
CURRENT ASSETS			
Inventories		**17,399,830**	15,623,659
Amounts due from contract customers		**–**	70,550,508
Trade and retention receivables	*9*	**22,837,580**	251,727,962
Prepayments, deposits and other receivables		**62,461,447**	58,253,066
Equity investments at fair value through profit or loss		**54,189,450**	79,887,500
Derivative financial instrument		**638,365**	–
Pledged time deposits		**36,327,623**	64,045,974
Cash and cash equivalents		**508,074,602**	112,092,141
Total current assets		**701,928,897**	652,180,810

	Notes	31 December 2007 HK$	31 December 2006 HK$
CURRENT LIABILITIES			
Due to a minority shareholder		**5,740,106**	–
Amounts due to contract customers		**–**	113,568,100
Trade and bills payables	*10*	**80,758,195**	109,568,693
Tax payable		**2,312,557**	2,552,579
Warranty provision		**–**	10,301,487
Other payables and accruals		**17,424,539**	75,577,926
Derivative financial instrument		**2,209,425**	–
Interest-bearing bank borrowings		**96,017,131**	167,613,883
Finance lease payables		**57,841**	222,456
Total current liabilities		**204,519,794**	479,405,124
NET CURRENT ASSETS		**497,409,103**	172,775,686
TOTAL ASSETS LESS CURRENT LIABILITIES		**959,684,581**	629,366,419
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**3,721,118**	4,511,909
Finance lease payables		**–**	57,841
Total non-current liabilities		**3,721,118**	4,569,750
Net assets		**955,963,463**	624,796,669
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*11*	**478,530,300**	398,530,300
Reserves		**444,387,297**	193,193,771
		922,917,597	591,724,071
Minority interests		**33,045,866**	33,072,598
Total equity		**955,963,463**	624,796,669

Notes:

1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment property, certain plant and equipment, equity investments and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars except when otherwise indicated.

2. Impact of new and revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
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

3. Segment Information

Business segments

The following table presents revenue and profit/(loss) for the Group's business segments for the years ended 31 December 2007 and 2006.

	Continuing operations						Discontinued operation			
	Electric and steam power supply		Aero-technology related business		Total		Facade contracting works		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**192,663**	170,786	**2,425**	1,259	**195,088**	172,045	**658,641**	885,109	**853,729**	1,057,154
Other income	**9,015**	7,894	**–**	1,560	**9,015**	9,454	**10**	32	**9,025**	9,486
Total	**201,678**	178,680	**2,425**	2,819	**204,103**	181,499	**658,651**	885,141	**862,754**	1,066,640
Segment results	**27,713**	15,674	**(12,388)**	(3,422)	**15,325**	12,252	**23,710**	17,751	**39,035**	30,003
Interest income, rental income and unallocated gains					**19,332**	2,338	**2,512**	2,978	**21,844**	5,316
Unallocated expenses					**(14,135)**	(11,955)	**–**	–	**(14,135)**	(11,955)
Gain on disposal of an available-for-sale investment					**26,597**	–	**–**	–	**26,597**	–
Fair value gain/(loss) on equity investments at fair value through profit or loss and derivative financial instruments					**(33,446)**	37,797	**–**	–	**(33,446)**	37,797
Finance costs					**(6,384)**	(5,115)	**(6)**	(251)	**(6,390)**	(5,366)
Gain on deemed disposal of an associate					**32,920**	22,030	**–**	–	**32,920**	22,030
Gain on disposal of an associate					**4,396**	–	**–**	–	**4,396**	–
Share of profits and losses of associates					**13,149**	(22,171)	**–**	–	**13,149**	(22,171)
Gain on disposal of the disposal group					**–**	–	**5,580**	–	**5,580**	–
Profit before tax					**57,754**	35,176	**31,796**	20,478	**89,550**	55,654
Tax					**(4,594)**	(2,452)	**(1,454)**	(2,099)	**(6,048)**	(4,551)
Profit for the year					**53,160**	32,724	**30,342**	18,379	**83,502**	51,103

Geographical segments

The following table presents revenue for the Group's geographical segments for the years ended 31 December 2007 and 2006.

	Continuing operations		**Discontinued operation**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**122,058**	348,379	**122,058**	348,379
Mainland China	**195,088**	172,045	**64,433**	56,621	**259,521**	228,666
Macau	**–**	–	**150,370**	281,967	**150,370**	281,967
United States of America	**–**	–	**146,686**	155,178	**146,686**	155,178
Others	**–**	–	**175,094**	42,964	**175,094**	42,964
	195,088	172,045	**658,641**	885,109	**853,729**	1,057,154

4. Other income and gains

	2007	2006
	HK$	*HK$*
Other income		
Income in respect of an exclusive distributorship of certain helicopter engines	**–**	1,560,005
Bank interest income	**11,709,055**	4,698,622
Interest income on a convertible bond	**244,899**	–
Income from installation of infrastructure for steam supply	**5,177,136**	818,583
Government grants	**701,754**	1,203,384
Income from sale of coal residues	**3,011,930**	5,812,097
Gross rental income	**587,760**	587,760
Others	**134,335**	91,624
	21,566,869	14,772,075
Gains	**2,000**	30,000
	21,568,869	14,802,075
Attributable to a discontinued operation	**2,522,203**	3,010,099
Attributable to continuing operations reported in the consolidated income statement	**19,046,666**	11,791,976
	21,568,869	14,802,075

5. Finance costs

	2007	2006
	HK$	*HK$*
Interest on bank overdrafts and bank loans wholly repayable within five years	**8,043,200**	9,117,505
Less: Amounts capitalised to long term construction contracts	**(1,663,970)**	(3,776,367)
	6,379,230	5,341,138
Interest on a finance lease	**11,352**	24,951
	6,390,582	5,366,089
Attributable to a discontinued operation	**6,487**	251,312
Attributable to continuing operations reported in the consolidated income statement	**6,384,095**	5,114,777
	6,390,582	5,366,089

6. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):#

	2007	2006
	HK$	*HK$*
Depreciation	**19,454,624**	17,260,191
Less: Amounts capitalised to long term construction contracts	**(3,714,342)**	(3,646,879)
	15,740,282	13,613,312
Recognition of prepaid land lease payments	**959,990**	957,163
Write-back of provision for impairment of trade and retention receivable, net	**(426,965)**	(1,015,791)
Write-off/(recovery) of an other receivable	**327,000**	(1,956,949)

The disclosures presented in this note include those amounts charged/credited in respect of the discontinued operation.

7. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2007	2006
	HK$	*HK$*
Current		
– Hong Kong	**3,015,856**	(12,934)
– Elsewhere	**6,284,961**	5,230,092
Deferred	**(3,252,791)**	(665,767)
Total tax charge for the year	**6,048,026**	4,551,391
Represented by:		
Tax charge attributable to a discontinued operation	**1,453,856**	2,098,737
Tax charge attributable to continuing operations reported in the consolidated income statement	**4,594,170**	2,452,654
	6,048,026	4,551,391

8. Earnings per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amount for the year ended 31 December 2007 is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

A diluted earnings per share amount for the year ended 31 December 2006 has not been disclosed as the share options outstanding during that year had an anti-dilutive effect on the basic earnings per share for that year.

The calculations of basic and diluted earnings per share are based on:

	2007	2006
	HK$	*HK$*
Earnings		
Profit attributable to ordinary equity holders of the parent:		
From continuing operations	**47,373,617**	29,570,393
From a discontinued operation	**30,622,579**	18,379,414
	77,996,196	47,949,807

	2007	2006
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**4,512,755,055**	3,937,995,160
Effect of dilution – weighted average number of ordinary shares:		
Share options	**30,779,285**	–
	4,543,534,340	3,937,995,160

9. **Trade and retention receivables**

	2007	2006
	HK$	*HK$*
Trade receivables	**22,857,957**	172,269,214
Retention receivables	**–**	96,403,859
	22,857,957	268,673,073
Impairment	**(20,377)**	(16,945,111)
	22,837,580	251,727,962

An aged analysis of trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	2007	2006
	HK$	*HK$*
Current	**20,085,923**	130,271,356
31-60 days	**2,259,450**	35,819,695
61-90 days	**464,476**	2,082,328
Over 90 days	**27,731**	1,730,313
	22,837,580	169,903,692

As at 31 December 2006, retention receivables represented certified contract payments in respect of works performed, for which payments were withheld by customers for retention purposes, and were released to the Group pursuant to the provisions of the relevant contracts after the completion of the projects in question. No aged analysis of retention receivables was presented as the amount retained was provided for on each payment up to a maximum amount calculated on a prescribed percentage of the contract sum.

10. **Trade and bills payables**

An aged analysis of trade and bills payables, as at the balance sheet date, based on the invoice date, is as follows:

	2007	2006
	HK$	*HK$*
Current	**78,753,628**	99,604,768
31-60 days	**608,672**	5,600,765
61-90 days	**–**	434,094
Over 90 days	**1,395,895**	3,929,066
	80,758,195	109,568,693

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

11. Issued capital

	Number of shares in issue *'000*	Nominal value *HK$*
Ordinary shares of HK$0.10 each, issued and fully paid:		
At 1 January 2007	3,985,303	398,530,300
Issue of shares	720,000	72,000,000
Issue of shares upon exercise of share options	80,000	8,000,000
At 31 December 2007	**4,785,303**	**478,530,300**

12. Comparative amounts

The comparative income statement has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

DIVIDENDS

The directors do not recommend the payment of any dividends in respect of the year ended 31 December 2007.

BUSINESS REVIEW

Overall review

The Group's consolidated results for 2007 improved substantially in comparison with last year, which was mainly because the income derived from the associates increased substantially and the Group earned income due to the disposal of its facade contracting works business. Turnover for 2007 was HK$853,729,000 (2006: HK$1,057,154,000) and was HK$195,088,000 (2006: HK$172,045,000) if excluding facade contracting works business. Profit attributable to equity holders amounted to HK$77,996,000 (2006: HK$47,950,000), representing a rise of 63% over last year. Basic earnings per share amounted to HK¢1.73 (2006: HK¢1.22).

Facade contracting works

Having considered the intensified competition in the market environment of facade contracting works and the continuous rise in cost of raw material, as well as the Group's expectation to focus its resources on the aero-technology related business, on 28 December 2007, the Group disposed of the entire issued share capital of FEA Holdings Limited ("FEA") held by the Group for a consideration of HK$205 million. FEA was originally a direct wholly-owned subsidiary of the Group which, through its subsidiaries, is principally engaged in design, manufacture and installation of curtain walls, aluminium windows and other related products for buildings. In consequence, the disposal of FEA's shares is tantamount to the disposal of the Group's facade contracting works business. The details of this disposal have been contained in the circular dated 16 November 2007.

Together with the gain on disposal, the facade contracting works business yielded profit of HK$30,342,000 to the Group for the year ended 31 December 2007, representing an increase of HK$11,963,000 over last year.

Electric and steam power supply

In comparison with last year, the turnover of Hangzhou Sealand Electric Power Company Limited ("Hangzhou Sealand"), a subsidiary of the Group, increased by 13% from HK$170,786,000 to HK$192,663,000. Sale of steam power increased by 13% over last year, representing 80% of the turnover, while that of electric power decreased by 12%. The gross profit rate increased slightly from 14% to 15% over last year. During the year, income from installation of infrastructure for steam supply of HK$5,177,000 (2006: HK$819,000) and gain on revaluation of generation plant and machinery of HK$2,972,000 (2006: loss of HK$8,444,000) were recorded. For the year ended 31 December 2007, the electric and steam power supply business contributed HK$27,713,000 (2006: HK$15,674,000) to the Group's profit.

During the year, Hangzhou Sealand implemented an energy reduction project on its existing boiler which reduces consumption and increases output noticeably. The steam power production was raised by an average of 0.72 ton for every ton of coal consumed. This project was highly praised by the government department in Hangzhou city. Furthermore, Hangzhou Sealand restructured the organisation chart so as to enhance work efficiency by reducing the links in between. Hangzhou Sealand also established a multifarious assessment method for the production department, performed spot check and gave reward to staff with outstanding performance.

Aero-technology related business

Totally 56 EC120 Helicopters were sold in 2007. Turnover increased by 93% from HK$1,259,000 for last year to HK$2,425,000. At the end of 2007, significant uncertainty existed in the plan for establishing an assembly line in the Mainland for Project EC120 for the production and sales in the Mainland. Taking a prudent approach, the Group re-assessesd the value of Project EC120, and having considered the profit and cashflow forecast of Project EC120, the Group made a provision for impairment of HK$14,000,000 (2006: HK$4,800,000) against the financial assets thereunder. As a result, for the year ended 31 December 2007, the aero-technology related business recorded a loss of HK$12,388,000 (2006: HK$3,422,000).

Others

For the year ended 31 December 2007, the Group recorded investment profit in an aggregate of HK$50,465,000 (2006: loss of HK$141,000) from associates, which comprised share of profits of associates of HK$13,149,000 (2006: losses of HK$22,171,000), gain on deemed disposal of an associate of HK$32,920,000 (2006: HK$22,030,000) resulted from the dilution of the Group's interest in China Nav-Info Co., Ltd. ("China Nav-Info") through various capital transactions of China Nav-Info, and gain on disposal of an associate of HK$4,396,000 (2006: nil).

For the year ended 31 December 2007, the Group recorded surplus on revaluation of an investment property of HK$9,300,000 (2006: nil) based on valuation performed by independent professionally qualified valuers, and loss on other investments of HK$6,849,000 (2006: gain of HK$37,797,000).

PROSPECTS

Over the next 20 years, the economy of China will continue to maintain a relatively high growth rate which will bring the Group a lot of development opportunities. Hence, the Group will closely monitor the aviation industry projects, aviation-related business domain projects and other projects with development prospects in China.

In addition, Hangzhou Sealand will continue to improve production efficiency through making appropriate alteration of the equipments, and to ensure safe production as well as strengthen the management of environmental protection, so as to strive for better results.

FINANCIAL REVIEW

Liquidity, capital structure and financial resources

The Group has consistently maintained sufficient working capital. As at 31 December 2007, the Group had current assets of HK$701,929,000 (2006: HK$652,181,000), including cash and bank balances and time deposits in an aggregate of HK$544,402,000 (2006: HK$176,138,000). The Group's current liabilities as at 31 December 2007 were HK$204,520,000 (2006: HK$479,405,000).

On 1 May 2007, pursuant to a share placing and top up subscription arrangement, Tacko International Limited, an existing shareholder of the Company, sold 720,000,000 ordinary shares of the Company to certain independent third parties at HK$0.34 per share, and subscribed for 720,000,000 new ordinary shares issued by the Company at the same price. Besides, the Company also granted 80,000,000 share options with an exercise price of HK$0.34 per share to these independent third parties. The aggregate cash consideration received, before share issue expenses, is approximately HK$244,800,000. During the year, all these 80,000,000 share options were exercised for an aggregate cash consideration of HK$27,200,000.

As at 31 December 2007, the Group's equity attributable to equity holders of the parent amounted to HK$922,917,000 (2006: HK$591,724,000), comprising issued capital of HK$478,530,000 (2006: HK$398,530,000) and reserves of HK$444,387,000 (2006: HK$193,194,000). The Group's outstanding bank borrowings as at 31 December 2007 amounted to HK$96,017,000 (2006: HK$167,614,000). The Group's gearing ratio, calculated on the basis of total bank borrowings as a percentage of equity attributable to equity holders of the parent, was 10% (2006: 28%).

The Group's banking facilities are mainly utilised for capital expenditure and general working capital requirements.

Charges on the Group's assets

As at 31 December 2007, the following Group's assets were pledged to secure the Group's banking facilities:

(i) the Group's and the Company's investment property with carrying value of HK$24,200,000 (2006: HK$14,900,000);

(ii) certain of the Group's land and buildings with an aggregate net book value of approximately HK$30,817,000 (2006: HK$38,631,000);

(iii) certain of the Group's leasehold land with an aggregate net book value of approximately HK$4,852,000 (2006: HK$3,307,000); and

(iv) certain of the Group's short term time deposits amounting to HK$36,328,000 (2006: HK$64,046,000).

As at 31 December 2006, the Group's long term time deposit of HK$9,360,000 and certain of the Group's available-for-sale investments amounting to HK$10,835,000 were also pledged to secure the Group's banking facilities.

Exposure to fluctuations in exchange rates

The Group's foreign currency exposures primarily arise from certain sales or purchases by operating units in currencies other than the unit's functional currency, which are mainly denominated in United States dollars. In view of the fact that the Hong Kong dollar is pegged to the United States dollar and that the Group tries to match its assets and liabilities with the same currency, the Group's exposure to foreign currency risk is minimal.

MATERIAL ACQUISITIONS AND DISPOSALS

On 4 January 2006, Sino-Aviation Investments Limited ("Sino-Aviation Investments"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "JV Agreement") with China National Aero-Technology Import & Export Corporation ("CATIC"), the Company's ultimate holding company, and Chengdu Aircraft Industry (Group) Corporation Ltd. ("Chengdu Aircraft"), for the establishment of a joint venture to engage in the research and development, design and manufacture of, and provision of technical services for, parts and components for commercial aircraft. According to the JV Agreement, the total registered capital of the joint venture will be RMB100 million (equivalent to approximately HK$107 million), of which 40%, 15% and 45% respectively, will be contributed by Sino-Aviation Investments, CATIC and Chengdu Aircraft. The JV Agreement is conditional upon (i) the internal approval obtained by each of the three parties; and (ii) the approvals from the relevant PRC authorities. As at 31 December 2007, the JV agreement has not become effective as the conditions stated above have not been fulfilled.

On 25 January 2007, Billirich Investment Limited ("Billirich"), a wholly-owned subsidiary of the Company, entered into an agreement with Sino Gas Group Limited ("Sino Gas"), pursuant to which a convertible bond with a principal amount of HK$15,600,000 was issued by Sino Gas to Billirich. The convertible bond is interest-bearing at 2% per annum and Billirich has the right to convert the convertible bond into ordinary shares of Sino Gas at HK$0.65 per share (subject to adjustment upon the change in the capital structure of Sino Gas) and the convertible bond will mature at two years after its issue. Besides, upon the occurrence of certain mandatory conversion events, Sino Gas shall have the right to require the conversion of the principal amount then outstanding and all interest accrued thereon into ordinary shares of Sino Gas at the then conversion price. Assuming full conversion of the convertible bond, the convertible bond can be converted into 24,000,000 ordinary shares of Sino Gas. On 25 May 2007, the conversion price of HK$0.65 per share was adjusted to HK$0.633 per share as a result of the change in capital structure of Sino Gas.

On 15 March 2007, Billirich disposed of 30,000,000 ordinary shares of Sino Gas (which were designated as equity investment at fair value through profit or loss in prior year) to a company beneficially owned by a director of Sino Gas at HK$0.4 per share for a total aggregate consideration of HK$12,000,000, and issued a call option to that company to acquire a maximum of an additional 45,000,000 ordinary shares of Sino Gas from Billirich at an exercise price of HK$0.5 per share on or before 14 March 2009.

On 29 August 2007, the Company entered into an agreement with an independent third party to sell the entire share capital of FEA Holdings Limited ("FEA"), a direct wholly-owned subsidiary of the Company, for a consideration of HK$205,000,000. On completion, FEA will cease to be a subsidiary of the Company. The details of this disposal have been contained in the circular dated 16 November 2007. The disposal was completed on 28 December 2007.

Save as disclosed above, the Group had no other material acquisitions or disposals during the year.

CONTINGENT LIABILITIES

As at 31 December 2007, the Group had a contingent liability in respect of guarantees for banking facilities granted to major suppliers of HK$169,165,000 (2006: HK$97,580,000) which were utilised to the extent of approximately HK$140,499,000 (2006: HK$96,222,000).

POST BALANCE SHEET EVENTS

(a) Subsequent to the balance sheet date, there were significant falls in many major international stock markets, including the exchange on which the Group's listed investments are traded. The decline in the carrying amounts of the investments subsequent to the balance sheet date and up to the date of approval of these financial statements has not been reflected in these financial statements.

(b) During the year, the Group sold 30,000,000 ordinary shares of Sino Gas to a company beneficially owned by a director of Sino Gas and issued the call option to that company to acquire 45,000,000 ordinary shares of Sino Gas. Subsequent to the balance sheet date on 20 March 2008, a supplementary agreement was entered into between the Group and that company, pursuant to which both parties agreed that 15,000,000 shares of Sino Gas will be returned to the Group and the call option granted to that company will be cancelled.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2007, there were 281 (2006: 1,409) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain good standards of the corporate governance practices by emphasizing transparency, accountability and responsibility to its shareholders.

Throughout the year of 2007, the Company applied the principles of, and complied with all the code provisions and, where applicable, the recommended best practices of the "Code on Corporate Governance Practices" as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for all Non-executive Directors are appointed without specific terms, which is set out in the Corporate Governance Report in the Annual Report. The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

REVIEW BY AUDIT COMMITTEE

The final results for the year ended 31 December 2007 of the Group have been reviewed by the audit committee.

APPRECIATION

I would like to take this opportunity to express my appreciation to my fellow directors and all our staff for their support, hard work and dedication.

By Order of the Board
Fu Shula
Chairman

Hong Kong, 23 April 2008

As at the date of this announcement, the board of directors of the Company comprises Mr. Fu Shula, Mr. Wang Xinkuo, Mr. Ji Guirong, Mr. Ma Zhiping, Mr. Pan Linwu, Mr. Diao Weicheng, Mr. Liu Rongchun and Mr. Zhang Chuanjun as Executive Directors; Mr. Ip Tak Chuen, Edmond as Non-executive Director; Mr. Chu Yu Lin, David, Mr. Li Ka Fai, David and Mr. Li Zhaoxi as Independent Non-executive Directors.

* *for identification purpose only*