CHINA ENERGINE
From Engine to New Energy

CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

中國航天萬源國際(集團)有限公司*

Stock Code : 1185

2019 INTERIM REPORT

* For identification purpose only

CORPORATE CULTURE

Mission

Devoted to new energy   Contributing to society   Benefiting mankind

Target

Pursuing excellence   Leading development of new energy

Value

Leveraging talents to full play   Win-win in harmony

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Liu Xiaowei *(Chairman)*
Mr. Wang Xiaodong *(Vice-Chairman)*
(resigned on 19 July 2019)
Mr. Li Guang *(Chief Executive Officer)*
Mr. Xu Jun

Independent Non-executive Directors
Ms. Kan Lai Kuen, Alice
Mr. Gordon Ng
Mr. Li Dapeng

AUDIT COMMITTEE

Ms. Kan Lai Kuen, Alice *(Chairman)*
Mr. Gordon Ng
Mr. Li Dapeng

REMUNERATION COMMITTEE

Mr. Gordon Ng *(Chairman)*
Mr. Li Guang
Ms. Kan Lai Kuen, Alice
Mr. Li Dapeng

NOMINATION COMMITTEE

Mr. Liu Xiaowei *(Chairman)*
Mr. Xu Jun
Ms. Kan Lai Kuen, Alice
Mr. Gordon Ng
Mr. Li Dapeng

DEVELOPMENT AND INVESTMENT COMMITTEE

Mr. Liu Xiaowei *(Chairman)*
Mr. Wang Xiaodong (resigned on 19 July 2019)
Mr. Li Guang
Mr. Xu Jun
Mr. Li Dapeng

COMPANY SECRETARY	Mr. Yu Ngai (appointed on 26 March 2019) Ms. Li Shan Mui (appointed on 28 January 2019 and resigned on 26 March 2019) Ms. Luo Xiao Jing (resigned on 14 January 2019)
AUTHORISED REPRESENTATIVES	Mr. Liu Xiaowei Mr. Yu Ngai (appointed on 19 July 2019) Mr. Wang Xiaodong (appointed on 17 January 2019, resigned on 26 February 2019, appointed on 26 March 2019 and resigned on 19 July 2019) Ms. Li Shan Mui (appointed on 26 February 2019 and resigned on 26 March 2019) Ms. Luo Xiao Jing (resigned on 14 January 2019)
REGISTERED OFFICE	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
PRINCIPAL PLACE OF BUSINESS	Suite 4701, 47/F, Central Plaza 18 Harbour Road Wanchai, Hong Kong
AUDITOR	Deloitte Touche Tohmatsu 35/F, One Pacific Place 88 Queensway, Hong Kong
PRINCIPAL SHARE REGISTRAR	SMP Partners (Cayman) Limited 3/F, Royal Bank House 24 Shedden Road, P.O. Box 1586 Grand Cayman KY1-1110 Cayman Islands
BRANCH SHARE REGISTRAR	Tricor Standard Limited Share Registration Public Office Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS	Bank of Communications Company Limited Agricultural Bank of China Limited Industrial and Commercial Bank of China Limited Bank of China Limited
LEGAL ADVISERS	Sit, Fung, Kwong & Shum Conyers Dill & Pearman Guantao Law Firm (Beijing)
WEBSITE	www.energine.hk
E-MAIL ADDRESS	energine@energine.hk
STOCK CODE	1185

BUSINESS REVIEW

On behalf of the Board of Directors, the business performance of China Energine International (Holdings) Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the first half of 2019 is summarised in the following paragraphs.

RESULTS SUMMARY

For the six months ended 30 June 2019 (the “Period”), the Group’s turnover of continuing operations amounted to HK$21.35 million as compared to HK$15.11 million for the same period of 2018, representing an increase by HK$6.24 million. Turnover for the Period comprised sale of wind energy related products amounting to HK$6.91 million and sale of electricity generated from wind farm amounting to HK$14.44 million, compared to turnover for the same period last year which comprised sale of wind energy related products amounting to HK$301,000 and sale of electricity generated from wind farm amounting to HK$14.81 million.

Loss for the Period from continuing operations attributable to owners of the Company amounted to HK$159.43 million, such loss was principally due to: (1) the performance of the Group’s business segments resulting in operating loss of HK$73.04 million; (2) progress of settlement of sales not up to expectations, totaling HK$65.36 million of impairment of various types of assets recognised; (3) a decrease in overall sales volume of whole-set vehicles and accessories products of the automobile industry, profit of a joint venture attributable to the Group in the current period decreased by approximately HK$31.99 million as compared with that for the corresponding period in 2018.

Considering the uncertain prospects of engineering application of the technologies under development and the limitations of commercialisation, the Company has decided to discontinue the research and development on graphene and energy storage, and discontinue the Energy Storage segment. A provision for asset impairment of such segment was HK$46.46 million.

Wind Power Generation Business

Further to Document No. 52 announced by the National Energy Administration ("NEA") in 2017 which continued to affect the Group's wind turbine business and Document No. 47 published in 2018 with the aim of eliminating non-technical costs, the NDRC and NEA announced another series of policy documents during the first half of 2019 to further promote the construction of grid parity projects, presenting tremendous challenges to the business development and business model of the Group's wind turbine business segment.

During the first half of 2019, the Group proactively adjust its market strategy in response of the successive announcements of national policies on competitive wind power pricing and grid parity. Market development in the wind power sector was enhanced, with the acquisition of wind resources in Tongliao, Xilingol League, Baotou, Ulanqab, Bayan Nur and Alxa League in Inner Mongolia and Gaizhou in Liaoning Province. We enhanced business cooperation with top-notch enterprises and launched the construction of the Damaoqi Phase II 50,000 KW Wind Power Project and preparation of wind turbine equipment in a mutually beneficial co-development effort; milestones of progress have been achieved in access system examination for the Chaha'er Youyi Qiangqi 50,000+30,000 KW Distributed Wind Power Project and the Gaizhou Project in Liaoning; meanwhile, the Tongliao 300,000+350,000 KW Wind Power Project has been submitted to the NDRC for approval.

To address the frequent adjustments in national policies, fast-changing industry landscape and intense market competition, the Group conducted meticulous studies on national policies and industry trends with a strategy-oriented approach. On top of expediting the implementation of market orders and related deliveries, we also endeavoured to increase the competitiveness of our products. In the meantime, the Group was also investigating the path of transformation into a supplier of integrated energy services, with the aim of developing and owning new energy power generation farms/stations to identify a new niche for profit growth.

With reference to the announcement of the Group dated 29 July 2019, it is not expected that the suspension of the certificates of quality, environment and safety will have material impacts on fulfilling the existing contracts and the day-to-day operation of the Group, and the financial impact of the loss of potential sales contracts during the suspension period is not expected to be significant.

The Group has set up a task force to review the Group's existing safety systems and procedures with the main objective to step up more stringent checks and better safeguards in line with the best practices and industry standards. The Group will use its best endeavours to procure the certificates of quality, environment and safety to be resumed as soon as possible.

Research and Development of Technology

The Group has also persisted in proprietary research and development, our key efforts in the first half of 2019 included the completion of the R&D of the complete-set manufacturing technology for research for the 2MW new permanent magnetic B-type direct-drive wind turbine unit with further improvements in the power generation duration (hours) of the wind turbine unit in areas with high wind speeds. This model represents a refined wind turbine model with superior competitiveness to address requirements of the imminent era of grid parity. Appraisal for the design accreditation of the 2MW new permanent magnetic low-speed units was completed and a certificate of accreditation was obtained.

In respect of the research and development of core technologies, our proprietary power control system had fulfilled our project objectives in terms of stability, output power curve matching and interface-friendliness.

The Group continued to conduct specialised technological research on the output power curve and transmission chain of wind turbine units, with the aim of increasing power generation efficiency and improving the operating stability of its products.

Three technological assessment have completed. The process assessment for the new 2MW permanent magnetic project turbine has also been completed with improvements to relevant process documents and refinement of supplementary process parameters. One authorised patent has been obtained.

As at the end of the first half of 2019, the Company had obtained 160 valid patents, including 20 general invention patents, 138 utility model patents, 2 design patents and 17 software copyright registrations.

Wind Farm Operations

The wind farms operated by the Group include the CASC Long Yuan (Benxi) Wind Farm in which the Group holds a controlling interest, which provides a capacity of 24,650KW with 29 sets of 850KW wind turbines. The three wind farms invested in and constructed by the Group include the Jilin Longyuan Tongyu Wind Farm providing a capacity of 200,000KW with 236 sets of 850KW wind turbines; the Jiangsu Longyuan Rudong Wind Farm providing a capacity of 150,000KW with 100 sets of 1.5MW wind turbines; and the Inner Mongolia Datang Wanyuan Xinghe Wind Farm providing a capacity of 49,500KW with 55 sets of 900KW direct-drive wind turbines.

Revenue contributions to the Group from the aforesaid wind farm operations for the first half of 2019 decreased slightly but remained relatively stable.

Business of Automotive Engine Management Systems

Beijing Delphi Wan Yuan Engine Management Systems Co., Ltd, a joint venture of the Group, is a major supplier in the domestic automotive electronic fuel injection market. The decline in operating results for the first half of 2019 reflected the downside pressure in the macro-economy, imminent implementation of the National Stage 6 Emission Standards, national policies such as the abolition of mileage and purchase restrictions for new-energy vehicles and market corrections.

PROSPECTS

According to the “Statistics on the Nationwide Electrical Industry for January to June” published by NEA in July, China registered slight year-on-year increases in installed wind power capacity and new installed wind power capacity for the first half of 2019, and the wind turbine manufacturing industry should sustain positive development in the foreseeable future.

The State announced a further round of policies on new energy industries during the first half of 2019, as ferocious competition became gradually stabilized, lending to a more rational outlook for industrial development. While the price of generator sets stabilised during the first half of 2019 to the benefit of resurging business results, the Group remained subject to competitive pressure given a higher level of market concentration.

In persistent adherence to a customer-oriented approach, the Group has been able to adjust the focus of its research and development in tandem with the shift in the target market and consolidate its advantageous strengths to deliver the new model of 2MW new permanent magnetic B-type direct-drive wind turbine unit with superior competitiveness. We seek to enhance the adaptability and reliability of our products and foster strengths in differentiation to meet the bespoke requirements of customers and enhance user satisfaction.

The Group will continue to drive the acquisition of wind resources for conversion into sales orders, and to work on its technologies to further lower unit costs and strengthen cost control over auxiliary components taking into account policy changes and the competitive landscape, so that it could enhance the competitiveness and reliability in quality of its products, while vigorously engaging itself in market competition to secure sales orders, so as to improve its business performance as soon as practicable.

The Group will continue to expand its business structure in accordance with eco-friendly principles to provide added energy and impetus for future development. In the meantime, with aim of obtaining support from the national policy, we will consider the structural adjustments in business by aggressively acquiring resources, and pursue in-depth cooperation with strategic partners, with a view to engaging in mutual contribution of strengths and sharing of resources in co-development.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2019, the Group had 18 employees (31 December 2018: 18 employees) at the Hong Kong head office and 323 employees (31 December 2018: 439 employees) at the Mainland China offices. The staff costs incurred for the six months ended 30 June 2019 was approximately HK$33.62 million (for the six months ended 30 June 2018: approximately HK$36.83 million). 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, performance-based bonus is available at the discretion of the Directors.

FINANCIAL REVIEW

Liquidity and Financial Resources

Total borrowings of the Group as at 30 June 2019 amounted to HK$1,761,140,000 (31 December 2018: HK$1,766,720,000), of which HK$134,140,000 (31 December 2018: HK$134,670,000) was subject to floating interest rates, while the remainder was subject to fixed interest rates. All borrowings of the Group were incurred at market interest rates. The Group has not issued any financial instruments for hedging or other purposes. An amount of HK$1,626,990,000 (2018: HK$1,632,050,000) out of the total borrowings of the Group was from China Academy of Launch Vehicle Technology ("CALT"), the controlling shareholder of the Company, and Aerospace Science and Technology Finance Co. Ltd., a fellow subsidiary of CALT.

Gearing ratio (total borrowings over equity attributable to owners of the Company) as at 30 June 2019 was 397% (31 December 2018: 272%).

Trade and Other Receivables and Contract Assets

As at 30 June 2019, trade and other receivables and contract assets were HK$1,457,909,000 and HK$289,297,000 (31 December 2018: HK$1,760,599,000 and HK$304,759,000) respectively.

Impairment loss of HK$55,073,000 in respect of financial assets and contract assets were recognised from continuing operations for the current period (same period in 2018: HK$40,172,000).

Pledge of Assets

As at 30 June 2019, no material assets have been pledged to secure bank facility.

Exchange and Other Exposures

The majority of the Group's business transactions were conducted in Renminbi and Hong Kong dollars. The Group has not carried out any hedging activities, as it does not anticipate any significant exposures to exchange rate fluctuations.

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2019 (31 December 2018: nil).

ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Board of the Company did not recommend any interim dividend for the six months ended 30 June 2019 (same period in 2018: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, none of the Directors and chief executives of the Company or their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO), or to be recorded in the register required to be maintained pursuant to Section 352 of the SFO, or otherwise to be notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six-month period ended 30 June 2019 was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangements to enable the Directors of the Company or their associates (as defined in the Listing Rules) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, the following persons (other than any directors or chief executives of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) and had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares *(Note 1)*	Approximate percentage of the total number of shares in issue
China Aerospace Science & Technology Corporation ("CASC")	Interest of a controlled corporation *(Note 2)*	2,649,244,000 (L)	60.64%
CALT	Interest of a controlled corporation *(Note 3)*	2,649,244,000 (L)	60.64%
Astrotech Group Limited ("Astrotech")	Beneficial owner	2,649,244,000 (L)	60.64%

Notes:

1. The letter "L" denotes the shareholder's long position in the shares.

2. CASC is deemed to be interested in 2,649,244,000 shares as it holds 100% equity of CALT.

3. Astrotech is a wholly-owned subsidiary of CALT. Accordingly, CALT is deemed to be interested in all the shares held by Astrotech.

Save as disclosed above, the Company has not been notified of any other persons (other than any directors or chief executives of the Company) who had an interest or a short position in the Shares, underlying Shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO as at 30 June 2019.

CORPORATE GOVERNANCE

Corporate Governance Code

The Group has complied with all code provisions as set out in the Corporate Governance Code in Appendix 14 of the Listing Rules for the six-month period ended 30 June 2019.

Model Code for Securities Transactions by Directors

Throughout the six-month period ended 30 June 2019, the Group has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Group by the Directors. Having made specific enquiry, all the Directors confirmed that they have complied with the Model Code.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "Audit Committee") comprises all of three Independent Non-executive Directors, Ms. Kan Lai Kuen, Alice (Chairman of the Audit Committee), Mr. Gordon Ng and Mr. Li Dapeng. The Audit Committee has reviewed the unaudited interim financial statements for six months ended 30 June 2019. Deloitte Touche Tohmatsu, the Group's external auditor, has carried out a review of the unaudited interim financial statements for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

CHANGE IN INFORMATION OF DIRECTOR

Since the publication of the Company's annual report for the year ended 31 December 2018, Mr. Liu Xiaowei and Mr. Li Guang, executive Directors, resigned as director of Astrotech Group Ltd., the Company's controlling shareholder with effect from 3 April 2019 and Ms. Kan Lai Kuen, Alice, an Independent Non-executive Director, was appointed as an independent non-executive director of Jolimark Holdings Limited (a company listed on the Stock Exchange) with effect from 21 May 2019.

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six-month period ended 30 June 2019.

By Order of the Board
Liu Xiaowei
Chairman

Hong Kong, 30 August 2019

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF

CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Energine International (Holdings) Limited (the "Company") and its subsidiaries set out on pages 18 to 60, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	**1.1.2019 to 30.6.2019 *HK$'000* *(Unaudited)***	1.1.2018 to 30.6.2018 *HK$'000* *(Unaudited)* (Restated)
Continuing operations			
Turnover	3	**21,350**	15,112
Cost of sales		**(16,789)**	(14,103)
Gross profit		**4,561**	1,009
Other income		**7,502**	9,207
Other gains and losses	4	**(12,939)**	7,323
Impairment loss, net of reversal, on financial assets and contract assets	5	**(55,073)**	(40,172)
Selling and distribution expenses		**(5,897)**	(4,484)
Administrative expenses		**(64,111)**	(78,040)
Finance costs	6	**(40,921)**	(40,944)
Share of results of associates		**373**	(48,751)
Share of results of joint ventures		**7,686**	43,847
Loss before taxation	8	**(158,819)**	(151,005)
Taxation	9	**(1,512)**	(2,524)
Loss for the period from continuing operations		**(160,331)**	(153,529)
Discontinued operations			
Loss for the period from discontinued operations	7	**(47,208)**	(16,643)
Loss for the period		**(207,539)**	(170,172)
Other comprehensive expense:			
Item that will not be reclassified to profit or loss			
– exchange differences arising on translation to presentation currency		**(485)**	(17,523)
Total comprehensive expense for the period		**(208,024)**	(187,695)

	NOTE	**1.1.2019 to 30.6.2019 *HK$'000* *(Unaudited)***	1.1.2018 to 30.6.2018 *HK$'000* *(Unaudited)* (Restated)
Loss for the period attributable to owners of the Company			
– from continuing operations		**(159,430)**	(151,580)
– from discontinued operations		**(47,208)**	(16,643)
		(206,638)	(168,223)
Loss for the period attributable to non-controlling interests			
– from continuing operations		**(901)**	(1,949)
Loss for the period		**(207,539)**	(170,172)
Total comprehensive expense attributable to:			
Owners of the Company		**(206,938)**	(185,242)
Non-controlling interests		**(1,086)**	(2,453)
		(208,024)	(187,695)
Loss per share – Basic	11		
From continuing and discontinued operations		**HK(4.73) cents**	HK(3.85) cents
From continuing operations		**HK(3.65) cents**	HK(3.47) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTES	**30.6.2019**	31.12.2018
		HK$'000	*HK$'000*
		(Unaudited)	*(Audited)*
Non-current assets			
Investment properties	12	**133,006**	133,531
Property, plant and equipment	12	**228,719**	238,574
Right-of-use assets	12	**9,952**	–
Goodwill		**2,004**	2,004
Intangible assets		**47,949**	63,165
Deferred tax assets		**1,607**	1,643
Interests in associates		**207,956**	206,108
Interests in joint ventures		**1,018,851**	1,015,299
Amount due from a joint venture	17(ii)(b)(1)	**105,595**	104,165
Financial assets at fair value through other comprehensive income		**4,888**	4,908
		1,760,527	1,769,397
Current assets			
Inventories		**87,559**	78,291
Trade and other receivables	13	**1,471,909**	1,760,599
Contract assets		**289,297**	304,759
Amounts due from associates	17(ii)(a)	**255,357**	252,457
Amount due from a joint venture	17(ii)(b)(2)	**17,570**	20,089
Pledged bank deposits, bank balances and cash	14	**144,294**	88,838
		2,265,986	2,505,033

	NOTES	30.6.2019 HK$'000 (Unaudited)	31.12.2018 HK$'000 (Audited)
Current liabilities			
Trade and other payables	15	**1,427,142**	1,467,241
Amounts due to associates	17(ii)(a)	**29,288**	25,876
Amounts due to joint ventures	17(ii)(b)(3)	**4,175**	2,459
Government grants		**709**	711
Warranty provision		**250,232**	259,918
Taxation payable		**2,240**	1,888
Borrowings	16, 17(i)(a)	**125,048**	125,542
Lease liabilities		**6,734**	–
		1,845,568	1,883,635
Net current assets		**420,418**	621,398
Total assets less current liabilities		**2,180,945**	2,390,795
Non-current liabilities			
Government grants		**27,895**	28,123
Borrowings	16, 17(i)(a) 17(i)(b)(1)	**1,636,087**	1,641,178
Lease liabilities		**3,271**	–
Deferred tax liabilities		**18,559**	18,337
		1,685,812	1,687,638
Net assets		**495,133**	703,157

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Capital and reserves		
Share capital	**436,900**	436,900
Reserves	**6,215**	213,153
Equity attributable to owners of the Company	**443,115**	650,053
Non-controlling interests	**52,018**	53,104
Total equity	**495,133**	703,157

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to the owners of the Company									
	Share capital HK$'000	Special reserve HK$'000 (Note a)	Share premium HK$'000	Property revaluation reserve HK$'000	Exchange reserve HK$'000	Other reserves HK$'000 (Note b)	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2019 (audited)	**436,900**	**86,971**	**2,732,397**	**1,399**	**146,766**	**107,424**	**(2,861,804)**	**650,053**	**53,104**	**703,157**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(206,638)**	**(206,638)**	**(901)**	**(207,539)**
Exchange differences arising on translation to presentation currency	**–**	**–**	**–**	**–**	**(300)**	**–**	**–**	**(300)**	**(185)**	**(485)**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**(300)**	**–**	**(206,638)**	**(206,938)**	**(1,086)**	**(208,024)**
Transfer	**–**	**–**	**–**	**–**	**–**	**167**	**(167)**	**–**	**–**	**–**
At 30 June 2019 (unaudited)	**436,900**	**86,971**	**2,732,397**	**1,399**	**146,466**	**107,591**	**(3,068,609)**	**443,115**	**52,018**	**495,133**
At 1 January 2018 (audited)	436,900	86,971	2,732,397	1,399	191,498	107,100	(1,522,136)	2,034,129	66,749	2,100,878
Loss for the period	–	–	–	–	–	–	(168,223)	(168,223)	(1,949)	(170,172)
Exchange differences arising on translation to presentation currency	–	–	–	–	(17,019)	–	–	(17,019)	(504)	(17,523)
Total comprehensive expense for the period	–	–	–	–	(17,019)	–	(168,223)	(185,242)	(2,453)	(187,695)
Transfer	–	–	–	–	–	76	(76)	–	–	–
At 30 June 2018 (unaudited)	436,900	86,971	2,732,397	1,399	174,479	107,176	(1,690,435)	1,848,887	64,296	1,913,183

Notes:

a. The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of the subsidiaries acquired by the Company and the aggregate amount of HK$116,025,000 transferred from other reserves pursuant to the Group's reorganisation on 11 August 1997 and the amount of dividend recognised and paid for the year ended 31 December 2015.

b. Included in other reserves are reserve fund of a subsidiary established in the People's Republic of China (the "PRC") which can be used only to i) make up prior years' losses or ii) expand production operations and reserve fund for future enhancement of safety production environment and improvement of facilities and is not available for distribution to shareholders.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	1.1.2019 to 30.6.2019 HK$'000 (Unaudited)	1.1.2018 to 30.6.2018 HK$'000 (Unaudited)
Net cash used in operating activities	**(79,245)**	(3,129)
Investing activities		
Interest received	**908**	992
Payment of intangible assets	**(598)**	(15,605)
Proceeds from disposal of property, plant and equipment	**312**	32
Purchase of property, plant and equipment	**(4,870)**	(3,857)
Settlement of other bills receivables	**183,385**	–
Other investing cash flows	**210**	1,186
Net cash from (used in) investing activities	**179,347**	(17,252)
Financing activities		
Interest paid	**(40,789)**	(40,945)
New other loans raised	**341,042**	354,407
Repayment of bank loans	**–**	(60,000)
Repayment of other loans	**(341,018)**	(154,193)
Other financing cash flows	**(2,268)**	(22)
Net cash (used in) from financing activities	**(43,033)**	99,247

	1.1.2019 to 30.6.2019	1.1.2018 to 30.6.2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Net increase in cash and cash equivalents	**57,069**	78,866
Cash and cash equivalents at beginning of the period	**88,829**	107,871
Effect of foreign exchange rate changes	**(1,613)**	(890)
Cash and cash equivalents at end of the period	**144,285**	185,847
Represented by:		
Bank balances and cash	**144,285**	185,487
Bank balances and cash included in assets classified as held for sale	**–**	360
	144,285	185,847

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial assets at fair value through other comprehensive income ("FVTOCI"), which are measured at fair value.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and position for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

2.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of leasehold land and buildings and motor vehicles that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee *(Continued)*

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separable line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee *(Continued)*

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee *(Continued)*

Lease liabilities *(Continued)*

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee *(Continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. The application of new definition of a lease does not have material impact on condensed consolidated financial statements.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee *(Continued)*

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the PRC was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.35%.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee *(Continued)*

	At 1 January 2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	8,946
Less: Recognition exemption – short-term leases	(4,077)
	4,869
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	4,725
Analysed as	
Current	3,306
Non-current	1,419
	4,725

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee *(Continued)*

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets
	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 (Note)	4,725
By class:	
Land and buildings	4,725

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee *(Continued)*

	Carrying amounts previously reported at 31 December 2018	Adjustment	Carrying amounts under HKFRS 16 at 1 January 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-Current Assets			
Right-of-use assets	–	4,725	4,725
Current Liabilities			
Lease liabilities	–	(3,306)	(3,306)
Non-Current Liabilities			
Lease liabilities	–	(1,419)	(1,419)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 January 2019 as disclosed above.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

The directors of the Company considered the application of HKFRS 16 in the current period has had no material impact on the Group's financial position and performance for the current period.

3. TURNOVER AND SEGMENT INFORMATION

An analysis of the Group's turnover for the period from continuing operations is as follows:

	1.1.2019 to 30.6.2019	1.1.2018 to 30.6.2018
	HK$'000	*HK$'000*
Continuing operations		
Sales of wind energy related products	**6,906**	301
Sales of electricity from operation of wind power field	**14,444**	14,811
	21,350	15,112

The Group's revenue from continuing operations from external customers are recognised at a point in time.

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 CODM have been aggregated in arriving at the reportable segments of the Group.

In prior interim period, there were 3 reportable and operating segments namely Wind Energy Related Products, Operation of Wind Farm and Energy Storage and Related Products.

During the period ended 30 June 2019, the CODM reviewed the Group's business operation and considered Energy Storage and Related Products segment was discontinued. Therefore it is no longer a reportable and operating segment of the Group. Details are described in note 7(a).

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

During the period ended 30 June 2018, the CODM reviewed the Group's business operation and considered Telecommunication Products segment was discontinued. Therefore it is no longer a reportable and operating segment of the Group. Details are described in note 7(b).

The comparative figures in the segment information have been restated to excluded Energy Storage and Related Products operation.

Specifically, the Group's operating and reportable segments during the period 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

Segment results represent the profit earned/loss incurred by each segment, excluding finance costs, share of results of an associate and a joint venture which cannot be allocated, unallocated other income and corporate expenses. Share of profits of associates of HK$2,810,000 (1.1.2018 to 30.6.2018: losses of HK$47,352,000) and share of loss of a joint venture of HK$379,000 (1.1.2018 to 30.6.2018: profit of HK$3,796,000) are allocated to reportable segments. This is the measure reported to the Group's executive directors for the purposes of resources allocation and assessment of segment performance.

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's turnover and results from continuing operations by operating and reportable segments for the period under review:

Six months ended 30 June 2019

	Wind Energy Related Products *HK$'000*	Operation of Wind Farm *HK$'000*	Consolidated *HK$'000*
Continuing operations			
Turnover			
External sales	6,906	14,444	21,350
Result			
Segment result	(80,621)	7,583	(73,038)
Unallocated other income			6,091
Unallocated corporate expenses			(56,579)
Finance costs			(40,921)
Share of result of an associate			(2,437)
Share of result of a joint venture			8,065
Loss before taxation			(158,819)

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2018 (Restated)

	Wind Energy Related Products *HK$'000*	Operation of Wind Farm *HK$'000*	Consolidated *HK$'000* (Restated)
Continuing operations			
Turnover			
External sales	301	14,811	15,112
Result			
Segment result	(114,252)	4,682	(109,570)
Unallocated other income			5,938
Unallocated corporate expenses			(45,081)
Finance costs			(40,944)
Share of result of an associate			(1,399)
Share of result of a joint venture			40,051
Loss before taxation			(151,005)

4. OTHER GAINS AND LOSSES

	1.1.2019 to 30.6.2019	1.1.2018 to 30.6.2018
	HK$'000	*HK$'000*
Continuing operations		
Loss on disposal of property, plant and equipment	**(40)**	(8)
Net exchange (loss) gain recognised	**(2,616)**	7,331
Impairment losses recognised in respect of intangible assets (Note)	**(10,283)**	–
	(12,939)	7,323

Note: During the period ended 30 June 2019, the management of the Group performed impairment review based on value in use calculation using discounted cash flow forecast with respect to the cash generating unit of Wind Energy Related Products Segment and impairment loss of HK$10,283,000 (1.1.2018 to 30.6.2018: nil) was recognised in respect of technology know-how.

5. IMPAIRMENT LOSS, NET OF REVERSAL, ON FINANCIAL ASSETS AND CONTRACT ASSETS

	1.1.2019 to 30.6.2019	1.1.2018 to 30.6.2018
	HK$'000	*HK$'000*
Continuing operations		
Impairment loss recognised in respect of trade balances arising from contracts with customers and an associate	**55,073**	40,172

6. FINANCE COSTS

	1.1.2019 to 30.6.2019	1.1.2018 to 30.6.2018
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank and other loans	**40,789**	40,944
Interest on lease liabilities	**132**	–
	40,921	40,944

7. DISCONTINUED OPERATIONS

(a) During the period ended 30 June 2019, the Group ceased its business in the Energy Storage and Related Products operation due to deterioration of operating results and financial performance during the period.

The loss from the discontinued Energy Storage and Related Products operation for the current and preceding interim periods is analysed as follows:

	1.1.2019 to 30.6.2019 ***HK$'000***	1.1.2018 to 30.6.2018 *HK$'000*
Loss for the period from a discontinued operation	**(47,208)**	(6,171)

The result of Energy Storage and Related Products operation for the current and preceding interim periods is as follows:

	1.1.2019 to 30.6.2019 ***HK$'000***	1.1.2018 to 30.6.2018 *HK$'000*
Impairment losses in respect of trade balances arising from contract with customers	**(46,103)**	–
Impairment losses in respect of property, plant and equipment	**(357)**	–
Depreciation of property, plant and equipment	**(748)**	(6,171)
Loss for the period and attributable to owners of the Company	**(47,208)**	(6,171)

7. DISCONTINUED OPERATIONS *(Continued)*

(b) During the period ended 30 June 2018, a subsidiary of the Company entered into an agreement with an independent third party in respect of the disposal of 51% interests of 航天科技通信電子技術(深圳)有限公司. The disposal was completed during the year ended 31 December 2018. The Telecommunication Products operation has been presented as a discontinued operation in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2018.

The loss from the discontinued Telecommunication Products operation for the preceding interim period is analysed as follows:

	1.1.2018 to 30.6.2018 *HK$'000*
Loss for the period from a discontinued operation	(10,472)

7. DISCONTINUED OPERATIONS *(Continued)*

The result of Telecommunication Products operation for the preceding interim period was as follows:

	1.1.2018 to 30.6.2018 *HK$'000*
Turnover	5,731
Cost of sales	(8,680)
Gross loss	(2,949)
Other income	1,056
Other gains and losses	(393)
Selling and distribution expenses	(550)
Administrative expenses	(7,635)
Finance costs	(1)
Loss for the period	(10,472)
Loss for the period attributable to:	
Owners of the Company	(10,472)
Loss for the period from discontinued operation has been arrived at after charging (crediting):	
Depreciation of property, plant and equipment	286
Amortisation of intangible assets	1,511
Interest income from bank balances	(3)

7. DISCONTINUED OPERATIONS *(Continued)*

During the period ended 30 June 2018, Telecommunications Products operation contributed to the Group's net operating cash inflow of HK$4,281,000, net investing cash outflow of HK$5,272,000 and net financing cash outflow of HK$23,000.

Additions of property, plant and equipment relating to Telecommunications Products operation amounted to HK$460,000 for the period ended 30 June 2018.

8. LOSS BEFORE TAXATION

	1.1.2019 to 30.6.2019 ***HK$'000***	1.1.2018 to 30.6.2018 *HK$'000* (Restated)
Loss before taxation from continuing operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**12,426**	9,891
Depreciation of right-of-use assets	**2,189**	–
Amortisation of intangible assets	**5,573**	15,051
Interest income from		
– advance to a joint venture	**(1,410)**	(1,495)
– advance to an associate	**(675)**	(716)
– bank balances	**(233)**	(223)

9. TAXATION

	1.1.2019 to 30.6.2019	1.1.2018 to 30.6.2018
	HK$'000	*HK$'000*
The tax charge comprises:		
PRC Enterprise Income Tax ("EIT")		
Current period	**1,397**	1,774
(Over)underprovision in prior periods	**(213)**	532
	1,184	2,306
Deferred taxation charge	**328**	218
	1,512	2,524

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries in Hong Kong have no assessable profits arising in or derived from Hong Kong for both periods.

Taxation arising in the PRC is recognised based on EIT rate of 25% (1.1.2018 to 30.6.2018: 25%) for the six months ended 30 June 2019.

10. DIVIDENDS

No dividend was paid or declared for the six months ended 30 June 2019 and 2018. The directors do not recommend the payment of an interim dividend for the interim period.

11. LOSS PER SHARE – BASIC

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

	1.1.2019 to 30.6.2019 HK$'000	1.1.2018 to 30.6.2018 HK$'000 (Restated)
From continuing operations		
Loss for the period attributable to owners of the Company	**(206,638)**	(168,223)
Add: Loss for the period from discontinued operations	**47,208**	16,643
Loss for the purpose of basic loss per share from continuing operations	**(159,430)**	(151,580)

	Number of shares 2019	2018
Weighted average number of shares for the purpose of basic loss per share	**4,368,995,668**	4,368,995,668

	1.1.2019 to 30.6.2019 HK$'000	1.1.2018 to 30.6.2018 HK$'000
From continuing and discontinued operations		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(206,638)**	(168,223)

The denominators used are the same as those detailed above for basic loss per share.

11. LOSS PER SHARE – BASIC *(Continued)*

From discontinued operations

Basic loss per share for the discontinued operations is HK$1.08 cent per share (1.1.2018 to 30.6.2018: HK$0.38 cent per share), based on the loss for the period from the discontinued operations attributable to owners of the Company of HK$47,208,000 (1.1.2018 to 30.6.2018: HK$16,643,000) and the denominators detailed above for basic loss per share.

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

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

During the period, the Group paid approximately HK$4,870,000 (1.1.2018 to 30.6.2018: HK$3,857,000) on acquisition of property, plant and equipment.

The Group also disposed of certain property, plant and equipment with an aggregate carrying amount of HK$352,000 (1.1.2018 to 30.6.2018: HK$40,000) for cash proceeds of HK$312,000 (1.1.2018 to 30.6.2018: HK$32,000), resulting in loss on disposal of HK$40,000 (1.1.2018 to 30.6.2018: HK$8,000).

During the current interim period, the Group entered into new lease agreements for the use of land and buildings in the PRC ranging from 1 to 2 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised HK$7,545,000 of right-of-use assets and HK$7,545,000 lease liabilities.

The fair value of the Group's investment properties as at 30 June 2019 was determined by the directors of the Company. The valuation performed by the directors of the Company was arrived at by reference to recent market prices for similar properties in the PRC. No fair value gain or loss has been recognised for the investment properties in the current period (1.1.2018 to 30.6.2018: nil).

13. TRADE AND OTHER RECEIVABLES

As at 30 June 2019, the Group's total trade and other receivables comprised of trade receivables, other bills receivables and other receivables, deposits and prepayments of HK$1,385,772,000, HK$3,986,000 and HK$82,151,000 (31.12.2018: HK$1,495,086,000, HK$184,739,000 and HK$80,774,000), respectively.

The Group's trade receivables as at 30 June 2019 are net of allowance for credit losses of HK$721,066,000 (31.12.2018: HK$632,447,000). The Group allows credit periods for not more than six months to its customers for sales of goods. At the discretion of the executive directors, several major customers were allowed to settle their balances beyond the credit terms up to one year. Included in trade receivables are balances of HK$861,295,000 (31.12.2018: HK$943,820,000) without bills received while the remaining balances are trade receivables with bills received for future settlements. The following is an aging analysis of trade receivables without bills received, net of allowances, presented based on the invoices dates at the end of the reporting period, which approximately the respective revenue recognition dates:

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
Within 30 days	**13,207**	11,023
Between 31 and 90 days	**1,871**	3,702
Between 91 and 180 days	**7,597**	28,829
Between 181 and 365 days	**10,116**	6,467
Over 1 year	**828,504**	893,799
	861,295	943,820

All the Group's trade receivables with bills receivables as at 30 June 2019 are aged over one year (31.12.2018: over one year), based on invoice dates at the end of reporting period.

14. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

Included in the Group's pledged bank deposits, bank balances and cash are pledged bank deposits of HK$9,000 (31.12.2018: HK$9,000).

15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$1,165,766,000 (31.12.2018: HK$944,674,000). 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 the invoice date at the end of the reporting period:

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
Within 30 days	**16,766**	19,010
Between 31 and 90 days	**17,827**	8,697
Between 91 and 180 days	**20,604**	11,053
Between 181 and 365 days	**18,348**	35,255
Over 1 year	**1,092,221**	870,659
	1,165,766	944,674

Included in the Group's other payables at 30 June 2019 are bills payables of HK$170,814,000 (31.12.2018: HK$426,974,000) and consideration payable for the acquisition of a subsidiary of HK$12,373,000 (31.12.2018: HK$12,422,000).

16. BORROWINGS

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
Short-term bank loans (Note a)	**125,048**	125,542
Long-term other loans (Note b)	**897,165**	899,338
Long-term shareholder's loans (Note c)	**738,922**	741,840
	1,761,135	1,766,720
Less: Amount due within one year under current liabilities	**(125,048)**	(125,542)
Amount due after one year	**1,636,087**	1,641,178
The maturity of the Group's borrowings is as follows:		
Within one year	**125,048**	125,542
Between one to two years	**1,351,886**	899,338
Between two to five years	**284,201**	741,840
	1,761,135	1,766,720

Notes:

(a) The amount at 30 June 2019 represents unsecured bank loans of HK$125,048,000 (31.12.2018: HK$125,542,000).

Loan of HK$125,048,000 or RMB110,000,000 as at 30 June 2019 bears floating-rate interest at PRC Loan Prime Rate plus 0.04% that is 4.39% per annum.

Loan of HK$125,542,000 or RMB110,000,000 as at 31 December 2018 bears floating-rate interest at PRC Loan Prime Rate plus 0.04% that is 4.79% per annum.

The loans are repayable within one year (31.12.2018: within one year) and are used to finance the operations of the Group.

16. BORROWINGS *(Continued)*

Notes: (Continued)

(b) The Group obtained loans from Aerospace Science and Technology Finance Co., Ltd. ("ASTF"), a fellow subsidiary of China Academy of Launch Vehicle Technology ("CALT"), a state-owned enterprise and an intermediate holding company of the Company, amounting to HK$888,070,000 or RMB781,200,000 (31.12.2018: HK$890,208,000 or RMB780,000,000). The amounts are unsecured and are guaranteed by CALT, bearing fixed rate interest at 4.13% (31.12.2018: 4.13%) per annum.

As at 30 June 2019, loans of HK$34,104,000 or RMB30,000,000 (31.12.2018: HK$34,238,000 or RMB30,000,000), HK$250,096,000 or RMB220,000,000 (31.12.2018: HK$251,085,000 or RMB220,000,000), HK$27,283,000 or RMB24,000,000 (31.12.2018: HK$27,391,000 or RMB24,000,000), HK$212,582,000 or RMB187,000,000 (31.12.2018: HK$213,422,000 or RMB187,000,000), HK$22,963,000 or RMB20,200,000 (31.12.2018: HK$23,054,000 or RMB20,200,000), HK$170,521,000 or RMB150,000,000 (31.12.2018: nil) and HK$170,521,000 or RMB150,000,000 (31.12.2018: nil) which are repayable in July 2020, September 2020, October 2020, November 2020, December 2020, January 2021 and January 2021, respectively. Loans of a total of HK$341,018,000 or RMB298,800,000 as at 31 December 2018 were fully repaid during the current period.

Included in the balances of other loans is also a loan of HK$9,095,000 or RMB8,000,000 (2018: HK$9,130,000 or RMB8,000,000) advanced from a non-controlling shareholder of a subsidiary. The amount is unsecured, bears floating-rate interest at 0.9 times of the People's Bank of China Benchmark interest rate that is 4.28% (2018: 4.28%) per annum and is repayable in November 2020.

(c) The amounts represent loans advanced from CALT through a subsidiary of China Aerospace Science & Technology Corporation ("CASC"), ASTF as the trustee in aggregate amounting to HK$738,922,000 or RMB650,000,000 (31.12.2018: HK$741,840,000 or RMB650,000,000). The amounts are unsecured, bear fixed-rate interest ranging from 4.88% to 5.00% (31.12.2018: 4.88% to 5.00%) per annum.

As at 30 June 2019, loans of HK$454,721,000 or RMB400,000,000 (31.12.2018: HK$456,517,000 or RMB400,000,000) and HK$284,201,000 or RMB250,000,000 (31.12.2018: HK$285,323,000 or RMB250,000,000) are repayable in April 2021 and December 2021 respectively.

17. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Transactions with government-related entities in the PRC

The Group operates in an economic environment currently predominated by entities ultimately controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under CASC which is controlled by the PRC government.

(a) Transactions with CASC Group

Included in borrowings at 30 June 2019 are two loans (31.12.2018: two loans) advanced from CALT through CASC's subsidiary, ASTF, as the trustee totalling HK$738,922,000 or RMB650,000,000 (31.12.2018: HK$741,840,000 or RMB650,000,000). Details are set out in note 16(c).

In addition, included in other loans are seven loans (31.12.2018: eight loans) from ASTF, a fellow subsidiary of CALT, amounting to HK$888,070,000 or RMB781,200,000 (31.12.2018: HK$890,208,000 or RMB780,000,000). Details are set out in note 16(b).

(b) Transactions with other government-related entities

(1) Included in borrowings at 30 June 2019 was a loan of HK$9,095,000 or RMB8,000,000 (31.12.2018: HK$9,130,000 or RMB8,000,000) advanced from a non-controlling shareholder of a subsidiary. Details are set out in note 16(b).

(2) The Group conducts business with other government-related entities. The directors consider those government-related entities are independent third parties so far as the Group's business with them is concerned. The Group also has certain sales and purchases transactions with certain customers and suppliers in which the directors are of the opinion that it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions are with other government-related entities.

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with banks which are government-related entities. A majority of its bank deposits and bank borrowings are with government-related entities.

17. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(ii) Transactions with other related parties

(a) Included in the amounts due from associates are trade receivables of HK$129,391,000 (31.12.2018: HK$127,619,000), net of allowance for credit loss of HK$132,153,000 (31.12.2018: HK$138,382,000). The amount is unsecured, non-interest bearing and has credit periods for 180 days for sales of goods mainly wind energy related products. Balances of HK$29,914,000 (31.12.2018: HK$30,032,000) are loans advance to an associate that bear fixed interest of 4.35% (31.12.2018: 4.35%) per annum. The remaining balance of HK$96,052,000 (31.12.2018: HK$94,806,000) are unsecured, non-interest bearing and repayable on demand.

Included in the amounts due to associates are trade payables of HK$25,068,000 (31.12.2018: HK$25,167,000). The amounts are unsecured, non-interest bearing and with credit period of 365 days. The remaining balance of HK$4,220,000 (31.12.2018: HK$709,000) are unsecured, non-interest bearing and repayable on demand.

(b) *(1)* *Non-current balance*

Included in the balances is an amount due from a joint venture of HK$105,595,000 (31.12.2018: HK$104,165,000), of which loans advanced to the joint venture amounted to HK$63,661,000 (31.12.2018: HK$63,912,000) that bear fixed interest rate at 4.35% (31.12.2018: 4.35%) per annum. The remaining amount of HK$41,934,000 (31.12.2018: HK$40,253,000) is non-interest bearing. The joint venture has pledged its land and buildings and certain other assets to the Group to secure the above loans of HK$63,661,000 (31.12.2018: HK$63,912,000) and other balance of HK$22,282,000 (31.12.2018: HK$21,000,000) as at 30 June 2019. The directors of the Company considered that the amount due from the joint venture will not be settled within 12 months from the end of the reporting period, therefore classified as non-current asset.

17. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(ii) Transactions with other related parties *(Continued)*

(b) *(Continued)*

(2) *Current balance*

The amount due from a joint venture at 30 June 2019 included trade receivables of HK$17,570,000 (31.12.2018: HK$20,089,000) which are unsecured, non-interest bearing and repayable on demand.

(3) Included in the amounts due to joint ventures are trade payables of HK$3,483,000 (31.12.2018: HK$2,218,000). The amount is unsecured, non-interest bearing and has credit period of 365 days. The remaining balances of HK$692,000 (31.12.2018: HK$241,000) are unsecured, non-interest bearing and repayable on demand.

(c) During the period, the Group had the following transactions with related parties:

	1.1.2019 to 30.6.2019	1.1.2018 to 30.6.2018
	HK$'000	*HK$'000*
Interest on loans from a shareholder, CALT	**18,424**	16,394
Interest on loans from a fellow subsidiary, ASTF	**19,118**	17,902
Interest paid to a non-controlling shareholder with significant influence over a subsidiary	**193**	206
Interest income from a joint venture	**1,410**	1,495
Interest income from an associate	**675**	716
Maintenance service expense paid to a joint venture	**2,426**	5,337

17. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(ii) Transactions with other related parties *(Continued)*

(d) Compensation of key management personnel

The remuneration of key management during the period was as follows:

	1.1.2019 to 30.6.2019	1.1.2018 to 30.6.2018
	HK$'000	*HK$'000*
Salaries and other benefits	**2,807**	2,576
Contributions to retirement benefits scheme	**84**	74
	2,891	2,650

The remuneration of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.