CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED
中國航天萬源國際(集團)有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code :1185)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

RESULTS

The directors of China Energine International (Holdings) Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Turnover	2	**2,616,696**	2,699,950
Cost of sales		**(2,371,786)**	(2,436,675)
Gross profit		**244,910**	263,275
Other income	4	**29,320**	43,658
Other gains and losses		**(2,836)**	2,751
Selling and distribution expenses		**(123,091)**	(114,583)
Administrative expenses		**(139,132)**	(143,503)
Finance costs	5	**(84,216)**	(93,136)
Share of results of associates		**(7,086)**	(3,863)
Share of results of joint ventures		**156,985**	139,681
Profit before taxation	6	**74,854**	94,280
Taxation	7	**(2,701)**	(1,296)
Profit for the year		**72,153**	92,984

	NOTES	2015 HK$'000	2014 HK$'000
Other comprehensive expense:			
Item that will not be reclassified to profit or loss			
– exchange differences arising on translation to presentation currency		**(133,371)**	(6,408)
Total comprehensive (expense) income for the year		**(61,218)**	86,576
Profit (loss) for the year attributable to:			
Owners of the Company		**75,469**	90,894
Non-controlling interests		**(3,316)**	2,090
		72,153	92,984
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(53,677)**	84,733
Non-controlling interests		**(7,541)**	1,843
		(61,218)	86,576
Earnings per share - Basic	9	**HK1.73 cents**	HK2.29 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	**2015** HK$'000	2014 HK$'000
Non-current assets			
Investment properties		**140,610**	148,694
Property, plant and equipment		**329,082**	372,854
Deposits paid for acquisition of property, plant and equipment		**—**	10,810
Goodwill		**2,004**	2,004
Intangible assets		**244,382**	52,798
Deferred tax assets		**1,759**	1,937
Interests in associates		**407,587**	455,600
Interests in joint ventures		**1,189,068**	1,279,855
Amount due from a joint venture		**100,244**	108,813
Available-for-sale investment		**2,745**	1,521
		2,417,481	2,434,886
Current assets			
Inventories		**402,650**	485,730
Trade and other receivables	10	**1,668,582**	1,491,795
Amounts due from associates		**880,737**	592,162
Amount due from a joint venture		**28,358**	30,347
Pledged bank deposits		**696**	7,779
Bank balances and cash		**300,298**	862,568
		3,281,321	3,470,381

	NOTES	**2015** **HK$'000**	2014 HK$'000
Current liabilities			
Trade and other payables	11	**1,422,312**	1,461,740
Amounts due to associates		**241,451**	248,841
Amounts due to joint ventures		**88**	6,303
Government grants		**1,104**	1,173
Taxation payable		**2,483**	2,537
Warranty provision		**106,258**	74,032
Borrowings		**1,130,714**	985,916
Obligation under a finance lease		**124**	119
		2,904,534	2,780,661
Net current assets		**376,787**	689,720
Total assets less current liabilities		**2,794,268**	3,124,606
Non-current liabilities			
Borrowings		**494,162**	728,891
Deferred tax liabilities		**19,731**	20,831
Obligation under a finance lease		**152**	276
Government grants		**31,295**	33,879
		545,340	783,877
		2,248,928	2,340,729
Capital and reserves			
Share capital		**436,900**	436,900
Reserves		**1,746,618**	1,830,878
Equity attributable to owners of the Company		**2,183,518**	2,267,778
Non-controlling interests		**65,410**	72,951
Total equity		**2,248,928**	2,340,729

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

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

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[2]
Amendments to HKAS 1	Disclosure initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 "Financial instruments"

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

Key requirements of HKFRS 9 are described below:

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

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 15 "Revenue from contracts with customers"

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

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

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

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

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

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

2. TURNOVER

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

	2015	2014
	HK$'000	HK$'000
Sales of wind energy related products	**1,893,045**	2,398,898
Sales of energy storage and related products	**555,550**	175,074
Sales of goods	**144,546**	100,533
Sales of electricity from operation of wind power field	**23,555**	25,445
	2,616,696	2,699,950

3. SEGMENT INFORMATION

Information reported to the Group's Executive Directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

Wind Energy Related Products	—	Manufacture and sales of wind energy related products
Operation of Wind Farm	—	Sales of electricity from operation of wind power field
Rare-earth Permanent Magnet Motor ("REPM") Products	—	Manufacture and distribution of elevator motors
Telecommunication Business	—	Development, manufacture and distribution of communication products, information technology systems, broadband systems, equipment and accessories
Energy Storage and Related Products	—	Distributed energy renewal solutions by combining wind energy, solar energy and energy storage

Information regarding these segments is presented below.

Segment revenue and results

The following is an analysis of the Group's turnover and results by operating and reportable segment.

For the year ended 31 December 2015

	Wind Energy Related Products *HK$'000*	Operation of Wind Farm *HK$'000*	REPM Products *HK$'000*	Energy Storage and Related Products *HK$'000*	Tele-communication Business *HK$'000*	Consolidated *HK$'000*
TURNOVER						
External sales	1,893,045	23,555	34,288	555,550	110,258	2,616,696
RESULT						
Segment result	57,179	(1,465)	1,988	34,648	(13,026)	79,324
Unallocated corporate expenses						(98,766)
Unallocated other income						16,532
Finance costs						(84,216)
Share of results of a joint venture - unallocated portion						161,359
Gain from changes in fair value of investment properties						621
Profit before taxation						74,854

For the year ended 31 December 2014

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

Segment results represent the profit before taxation earned by each segment, excluding finance costs, gain from changes in fair value of investment properties, share of results of a joint venture which cannot be allocated, unallocated other income and corporate expenses such as central administration costs and directors' salaries. Share of loss of associates of HK$7,086,000 (2014: HK$3,863,000) and share of loss of joint ventures of HK$4,374,000 (2014: HK$16,825,000) are allocated to reportable segments. This is the measure reported to the Group's Executive Directors for the purpose of resources allocation and assessment of segment performance.

4. OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
Other income mainly comprises:		
Government grants (Note)	**4,054**	13,009
Rental income from investment properties, net of negligible outgoings	**8,946**	9,840
Interest income		
– bank balances	**3,068**	3,810
– advance to a joint venture	**3,805**	6,033

Note: An amount of HK$630,000 (2014: HK$643,000) represents subsidies granted to the Group by the PRC government/authorities for the purpose of financing the acquisition of property, plant and equipment. An amount of HK$1,383,000 (2014: HK$10,555,000) represents subsidies granted to the Group by the PRC government/authorities for telecommunication business. The remaining amount of HK$2,041,000 (2014: HK$1,811,000) represents subsidies received from the PRC tax authorities on Value Added Tax refund.

5. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on:		
– bank and other loans	**84,201**	93,120
– finance lease	**15**	16
	84,216	93,136

6. PROFIT BEFORE TAXATION

	2015	2014
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**6,722**	6,985
Other staff costs	**72,544**	83,627
Other staff's retirement benefits scheme contributions	**10,102**	7,551
	89,368	98,163
Amortisation of intangible assets	**6,588**	4,853
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK$3,685,000 (2014: HK$4,776,000))	**2,347,181**	2,409,093
Depreciation of property, plant and equipment	**30,085**	30,315
Less: Amounts capitalised in inventories	**(253)**	(2,244)
	29,832	28,071
Minimum lease payments under operating leases in respect of land and buildings	**11,510**	11,669
Research and development expenses	**12,992**	8,347

7. TAXATION

	2015	2014
	HK$'000	*HK$'000*
Tax charge for the year comprises:		
PRC Enterprise Income Tax		
Current taxation	**2,619**	1,135
Underprovision in prior year	**82**	222
	2,701	1,357
Deferred tax credit	**—**	(61)
	2,701	1,296

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

	2015	2014
	HK$'000	*HK$'000*
Profit before taxation	**74,854**	94,280
Tax charge at PRC Enterprise Income Tax rate of 25%	**18,714**	23,570
Share of results of associates and joint ventures	**(37,475)**	(33,954)
Tax effect of income not taxable for tax purpose	**(1,867)**	(4,633)
Tax effect of expenses not deductible for tax purpose	**4,572**	6,686
Tax effect of deductible temporary differences not recognised	**2,928**	3,128
Tax effect of losses not recognised	**15,847**	8,512
Utilisation of tax losses previously not recognised	**(321)**	(2,674)
Tax effect of temporary differences attributable to undistributed profits of PRC subsidiaries	**221**	439
Underprovision in prior year	**82**	222
Tax charge for the year	**2,701**	1,296

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

8. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2014 final, paid - HK0.7 cents per share (2014: Nil)	**30,583**	—

No final dividend in respect of the year ended 31 December 2015 (2014: HK0.7 cents per share) has been proposed by the directors of the Company.

9. EARNINGS PER SHARE - BASIC

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

	2015	2014
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share	**75,469**	90,894

	Number of shares	
	2015	2014
Weighted average number of shares for the purposes of basic earnings per share	**4,368,995,668**	3,977,762,791

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

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK$690,745,000 (2014: HK$805,945,000) net of allowance for doubtful debts of HK$66,164,000 (2014: HK$67,062,000). The amount of trade receivables at 31 December 2015 included retention receivables for the sales of wind turbines and energy storage and related products to third parties of HK$256,633,000 (2014: HK$270,181,000). The balances will be settled upon the completion of warranty period of 1 - 5 years (2014: 1 - 5 years), of which HK$178,194,000 (2014: HK$260,438,000) will be settled after one year from the end of the reporting period. For the remaining balances of trade receivables, the Group allows credit periods for 90 days (2014: 90 days) on average to its customers for sales of goods and rendering of services. At the discretion of the executive directors, several major customers were allowed to settle their balances beyond the credit terms up to one year. The following is an aged analysis of trade receivables, net of allowances, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**77,481**	263,918
Between 31 - 90 days	**144,796**	94,809
Between 91 - 180 days	**1,208**	352
Between 181 - 365 days	**352,034**	363,533
Over 1 year	**115,226**	83,333
	690,745	805,945

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$267,726,000 (2014: HK$280,069,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 180 days (2014: 180 days).

Included in the Group's other receivables at 31 December 2015 are dividend receivable from a joint venture of HK$12,214,000 (2014: HK$12,972,000), deposits for purchase of inventories in the PRC of HK$197,843,000 (2014: HK$184,877,000), VAT recoverable of HK$38,404,000 (2014: HK$49,316,000), bills receivable of HK$668,607,000 (2014: HK$265,377,000) in relation to the settlement of trade receivables and bills receivable of HK$20,540,000 (2014: HK$44,865,000) in relation to the settlement of dividend receivable from a joint venture.

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$1,218,939,000 (2014: HK$1,055,807,000). The Group normally receives credit period for 30 to 90 days from its suppliers. The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**353,564**	235,162
Between 31 - 90 days	**359,121**	452,160
Between 91 - 180 days	**110,991**	191,003
Between 181 - 365 days	**237,043**	124,072
Over 1 year	**158,220**	53,410
	1,218,939	1,055,807

Included in the Group's other payable at 31 December 2015 are accruals for construction work of HK$1,246,000 (2014: HK$2,590,000), receipt in advance from customers of HK$8,953,000 (2014: HK$257,259,000), project guarantee deposits of HK$2,387,000 (2014: HK$2,535,000), accrued transportation cost of HK$13,584,000 (2014: HK$15,683,000), office rental payable of HK$4,108,000 (2014: HK$4,363,000), bills payable of HK$27,471,000 (2014: HK$31,482,000) and consideration payable for acquisition of a subsidiary of HK$72,673,000 (2014: Nil).

RESULTS SUMMARY

As of 31 December 2015, the Group's turnover for the year 2015 amounted to HK$2,616.70 million as compared to that of 2014 of HK$2,699.95 million, representing HK$83.25 million, or 3%, decrease in turnover; the profit for the year attributable to owners of the Company amounted to HK$75.47 million as compared to that of 2014 of HK$90.89 million, representing HK$15.42 million, or 17%, decrease in profit. The turnover for the year comprised sale of wind energy related products of HK$1,893.04 million, sale of electricity generated from wind farm of HK$23.56 million, sale of rare-earth permanent magnet motor products of HK$34.29 million, sale of energy storage and related products of HK$555.55 million and sales of HK$110.26 million related to telecommunication business whereas that of the last year comprised sale of wind energy related products of HK$2,398.90 million, sale of electricity generated from wind farm of HK$25.45 million, sale of rare-earth permanent magnet motor products of HK$45.90 million, sale of energy storage and related products of HK$175.07 million and sales of HK$54.63 million related to telecommunication business.

There was no significant variation of turnover for the year from that of last year in that the decrease in sales of the Group's wind energy related products by HK$505.86 million, or 21% year-on-year, equivalent to decrease in sales by 49 sets of 2MW excitation wind turbine units, as offset by increase in sales of energy storage and related products by HK$380.48 million, or 217% year-on-year with i) increase in terms of 70 MW relating to photovoltaic power equipment as well as ii) newly sales of 158 sets of new energy batteries in 2015. The decrease in profit for the year attributable to the owners of the Company was, inter alia, attributable to i) decrease in subsidies granted by the PRC government authorities for telecommunication business and ii) a gain on deemed disposal of interest in an associate upon capital contributions made by other parties thereof in 2014. The return on capital employed for the year and 2014 are 6.7% and 7.2% respectively, representing 6.9% decrease.

Business of Wind Energy

In 2015, the directdrive wind turbine developed by the Group with proprietary intellectual property rights features its strengths: simple structure, high reliability, high efficiency and low operation and maintenance costs. In the course of elimination in terms of production capacity, enhancement of technology and quality, the wind energy market in China entered into the phase of rational development with growth rate of over 10% per annum, the Group is competing with about 30 enterprises staying after the elimination. In winning highly regarded recognition from wind farm developers in the industry, the Group continued to give full play to the advantages of technology, quality and service of Aerospace directdrive wind turbines. On this basis, the Group capitalised on its products' leading edge and achieved cost control by adopting the strategy of technology enhancement and batch production through research and development, thereby achieving high supply chain performance and enhanced cost effectiveness to proactively address challenges. Through Inner Mongolia Wind Turbine General Assembling Plant, and Gansu Wind Turbine General Assembling Plant, the Group realised batch productions of a number of self-developed models (especially 2MW excitation magnetic directdrive wind turbine), and adopted the strategy of establishing good relationship with several provincial and autonomous regions' governments to gain their supports and leveraging on provincial and autonomous regions' quotas for wind energy to obtain more wind resources in seeking more production orders for wind turbines, thereby increasing our market share. At present, the Group has considerable wind energy resources in various major wind power bases planned by the State, including Wulatehouqi in Inner Mongolia, Jiuquan City and Wuwei City in Gansu, Ningde City in Fujian, Tieling City and Kaiyuan City in Liaoning, Suihua City in Heilongjiang and Tangshan City in Hebei, effective pushing sales of wind turbines and bringing in promising income to the Group continually.

In 2015, the marketing strategy was that of exchanging resources for orders, developing and maintaining key areas and key customers, plus that of participating in market competition through open market bidding to expand the sales regions and increase our sales efforts.

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

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

In 2015, the Group completed the assembling, commissioning and deliveries of a total of 175 sets of 2MW excitation magnetic wind turbines, including 50 sets to Jingyuan Project in Gansu, 75 sets to Wuwei Hongshagang Project in Gansu, 25 sets to Songshantan Project in Tianzhu and 25 sets to Wuwei Complementary Wind and Solar Energy Project, as well as 34 sets of 1.5MW excitation magnetic wind turbines to Guazhou Project in Gansu and 31 sets of 1.5MW double-fed wind turbines to United Power Project. Moreover, 11 sets of 1.5MW wind turbine blades were completed and delivered with closing of sales thereof. In addition, 4 sets of 900KW excitation magnetic wind turbines were exported. The sales recorded were slightly higher than expected.

Research and Development of Technology

In 2014, the research and development of 3MW permanent magnet directdrive wind turbine were being conducted. In January 2015, we passed the whole-turbine design review made by the expert panel of China Academy of Launch Vehicle Technology ("CALT") and could proceed prototype trial production. In December, the hoisting of engineering prototype was completed in Daxipo wind farm in Xinghe County, Inner Mongolia and the prototype successfully generated electricity by connecting to power grid. As such, the Group laid a solid foundation for the development and manufacture of wind turbine units with higher power to cater for all kinds of complex environments in different regions on land and sea. With a sleek, beautiful and graceful appearance design, the wind turbine not only minimises air friction of the unit, but also increases the overall aerodynamic performance and reduces the load of parts and components with lower production cost. The unit features a rotary of 120m in diameter and a wheel centre of 95m in height, allowing the wind energy utilisation to reach over 97%. Besides its high power, this wind turbine has innovative design on safety and maintainability, making readiness for managing in attracting more customers' appeal.

In December 2015, the Group officially completed the purchase of 100% equity in Shanghai Hanli Machine Tool Co. Ltd. from Long March Launch Vehicle Industry Co. Ltd., a subsidiary of CALT, where the Group owned the related rights as to the technology and knowhow of 1.5MW excitation magnet directdrive wind turbine and 2MW permanent-magnet directdrive wind turbine researched at the purchase price of RMB80.88 million. This transaction also enabled the Group poised for the upgrade to 2MW excitation magnetic directdive turbine and the research and development of 3 to 5MW permanent magnet directdrive wind turbine strategically.

Energy Storage Business

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

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

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

Meanwhile, another new type of street lighting system with complementary wind energy and solar energy based on a lithium battery energy storage system has been developed. The scope of applications of the system may extend to unmanned communication base stations, data transmission by high voltage wire towers, boundary outposts, islands, remote areas with no electricity, etc. and may even connect to power grid for electricity generation.

Wind and solar power storage integration

The objective of the Group is to apply street lamps relating to wind and solar power storage integration in many municipal lighting projects in cities. The Phase One Project of the "Aerospace Demonstration Works relating to Wind and Solar Power Projects" as supported by People's Government of Wuwei includes a 300MW wind energy project, a 180MW solar energy project and a 30MW storage project, where the construction as to the 300MW wind energy project and the 50MW photovoltaic power generation project had already been commenced in full scope.

Electric vehicles market

The Group is committed to the exploitation of electric vehicle market which has achieved significant breakthroughs. The key technologies in electric vehicles include vehicle, motor, battery, control and driving system as well as charging point system, where main technical bottlenecks that restrict the development of electric vehicles are the performances of batteries and vehicle control system, which, however, are the Group's advantages and features. The Group placed a strong emphasis on developing markets, such as Tangshan of Hebei, Tongzhou district of Beijing, airport terminal of the capital, Shenyang and Dalian of Liaoning and Wuwei and Lanzhou of Gansu. Efforts were also made to grasp the development opportunities of new energy cars in the international market.

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

In 2015, 100MW photovoltaic equipment was sold under the photovoltaic and energy storage businesses of the Group, including 60MW equipment to Kenuo Project and 40MW equipment to Nan Tong Project. A total of 158 sets of new energy battery were sold and delivered, including 100 sets to public bus company in Meizhou of Guangzhou, 50 sets to public bus company in Tangshan and 8 sets to Beiqi Foton Project.

The Group allied with Jinbei Group in Shenyang in the joint development, production and sales of electric logistic vehicles. In February 2015, a sample of pure electric light van with a loading capacity of one tonne was successfully developed jointly by both parties. The content in seeking approval from the Ministry of Industry and Telecommunication is being prepared for planning to set up a joint-venture company in 2016 jointly.

In February 2016, the Company and Hefei Guoxuan High-Tech Power Energy Co., Ltd. ("Guoxuan Hitech"), which ranked the third in the current power battery industry, entered into a Strategic Cooperative Framework Agreement ("Framework Agreement"). Pursuant to the Framework Agreement, the Company and Guoxuan Hitech will rely on the tremendous market of new energy vehicles in Beijing, Tianjin and Hebei and will establish a joint-venture company in Tangshan, mainly engaging in research and development and manufacture of power battery, research and development and application of graphene material, as well as the application and promotion of energy storage products in military and civil areas. The name of the joint-venture company is Energine Guoxuan (Tangshan) New Energy Technology Co., Ltd. whose shareholding Guoxuan Hitech will hold 51% and China Energine 49%. In assimilating the market demand, the power battery product capacity of the joint-venture company is planned to reach 1 billion Ah. Both parties will commence deep co-operation on research and development and application of wind and photovoltaic electricity energy storage products.

Both parties will jointly develop the graphene material and its application technology, focusing on the applications of graphene in power battery as driven by the market demand to build up more extensive development of the industry chain and innovation platform in exploitation of new energy vehicle market. The joint venture will strengthen on the research and development and application of military energy storage product, stressing on promoting power battery application on military vehicles and military ships and boats. Both parties will commence cooperation with new energy whole-vehicle enterprises in development of Huachen Jinbei, Changan project in the first phase for joint pursuit of research and development, market exploitation, and capital co-operation on battery sets relating to electric logistic vehicles, transport vehicles, taxi and other specialised vehicles.

Wind Farm Operations

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

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

Business of New Materials

Jiangsu Energine Technology Co. Ltd. (formerly Jiangsu Aerospace Wan Yuan REPM Motor Co. Ltd.), controlled and operated by the Group, is a high-tech enterprise which specialises in the research and development, manufacture, and sales of rare-earth permanent magnet gearless traction machines for elevators. The "航天萬源" branded rare-earth permanent magnet gearless traction machines and its driving control system researched and developed by the company itself had filled the technological gap of the domestic gearless elevator sector.

Wuxi CASC Energine Xindali Electricity Co., Ltd. ("Wuxi Generator Plant"), the Group's associated company, is engaged in batch production of 900KW, 1.5MW and 2MW generators. Its self-developed 1.5MW excitation magnetic directdrive wind power generator, with application of many new technologies, was awarded the First Prize of Outstanding Contribution to Science and Technology Progress in 2011 by CALT. Therefore, the Group is equipped with the internal capacity to supply core parts and components of wind turbines, including blades and generators, thereby reducing its reliance on upstream suppliers of the wind turbine supply chain for purchasing generators and controlling the supply risk of the wind turbine supply chain and production cost.

The associate recorded sales revenue of HK$1.04 billion for the year 2015, representing an increase of HK$704.35 million year-on-year.

Business of Automotive Component Parts

Automotive engine management systems

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

The joint venture recorded sales revenue of HK$3.2 billion for the year 2015, representing an decrease of HK$185.36 million year-on-year.

Quality, Environment, Occupational Health Management System

In the first half of 2015, the quality, environment, occupational health and safety management system of the Company passed the audit and inspection conducted by China Quality Certification Centre. The products, various management activities and services of the Group comply with the state laws, regulations and standards, as well as the requirements for sustainable development, procuring more stable in product quality, environment improved to more stunning ambience, occupational health becoming more secured and higher repute on the brand, thereby pushing sustainable and healthy development in the principal business of the Company on new energy relating to wind energy, energy storage systems for wind and solar energy.

PROSPECTS

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

As hazy weather and air pollution are worsening in China, China government has increased the support for development of clean energy as well as policy support thereon. In 2015, the consumption of non-fossil fuels continued to rise to 12%. As pointed out by the director of the National Energy Administration of China, China has entered into a strategic restructuring of energy consumption in shifting from a heavy reliance on fossil fuels to increase in demand on non-fossil fuels. There is an accelerating replacement of fossil fuels by non-fossil ones, ensuring a rapid growth of the Group's operating results in 2016 and beyond.

Given that the Group has strong technical advantages in the application of energy storage system and electric vehicle technology and operates in the clean energy industry as staunchly encouraged by the supports from state policies, the development of new technology and exploitation of new market are focusing on the areas of wind and solar power storage integration as well as electric vehicles intensively. In particular, photovoltaic power generation is undoubtedly the fastest growing industry among those of non-fossil fuels. As at the end of 2015, the total installed capacity of photovoltaic power generation in China amounted to 43.18 million KW, surpassing Germany successfully and ranking the top in the world in terms of installed capacity of photovoltaic power generation. As such, the Group will strive to develop wind and solar power storage integration and electric vehicles rapidly into new growth points and core businesses of the Group in 2015 on the basis of established market results by hinging on tremendous technical edges obtained in the said sectors, grasping the opportunity of staunch assistances and supports from China policies and devoting greater efforts in market exploitation with the aim of re-addition of momentum in the course of the rapid growth of the Group's operational results.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2015, the Group had 19 employees (2014: 22 employees) in the Hong Kong head office and 609 employees (2014: 629 employees) in the Mainland China offices. Remuneration of employee is determined according to individual employee's performance and the prevailing trends in different areas and reviewed on an annual basis. The Group also provides Mandatory Provident Fund and medical insurance to its employees. In addition, discretionary performance bonus is available at the discretion of the Directors.

FINANCIAL REVIEW

Group Finance

In December 2014, the Group proceeded a placing of the existing shares and subscription for new shares of 400 million shares, with the placing price of HK$0.75 per share (whereas HK$0.91 per share as quoted on the Stock Exchange on the last trading day of 15 December 2014), obtaining a net fund of approximately HK$291 million, which is mainly used for general working capital and to finance projects on energy storage including the development of wind and solar power storage integration and that on electric vehicle, thereby improving the Group's capital structure and enhancing the market value. The placing shares were placed to no less than six placees who are individual, institutional or professional investors and whose ultimate beneficial owners are (i) independent of and not connected with the Company and its connected persons; and (ii) third parties independent of and not acting in concert with Astrotech Group Ltd. or any person acting in concert with it. As of March 2016, the fund has been used to the extent of HK$225.58 million, comprising working capital for wind energy business in purchase of materials of wind turbine of HK$175.00 million, working capital for telecommunication business of HK$20.00 million, and dividend distribution of HK$30.58 million.

Liquidity and Financial Resources

Total borrowings of the Group as at 31 December 2015 were HK$1,624,876,000 (2014: HK$1,714,807,000), of which HK$180,583,000 (2014: HK$117,044,000) was floating-rate borrowings and the remaining was fixed-rate. All borrowings of the Group were determined at market interest rate. The Group has not issued any financial instruments for hedging or other purposes.

Gearing ratio (total borrowings over shareholders' equity) as at 31 December 2015 was 74% (2014: 76%).

Financial Position

The capital structure of the Group at 31 December 2015 comprised total equity of HK$2,249 million and non-current borrowings of HK$494 million with borrowings expiring 2 to 5 years of HK$453 million and borrowings expiring more than 5 years of HK$41 million. This structure of net asset value of HK$2,249 million coupling with gearing ratio of 74%, current ratio 1.13, quick ratio 0.99 as well as bank and cash balance HK$300 million presented a sound financial position of the Group at of 31 December 2015 with good liquidity position.

Distribution to Shareholders

In August 2015, there was a dividend distribution of HK$30,583,000 in respect of the 2014 final dividend of HK0.7 cent per ordinary share made to the Company's shareholders.

Pledge of Assets

As at 31 December 2015, certain assets of the Group of HK$696,000 (2014: HK$7,779,000) have been pledged to secure bank facility.

Exchange and Other Exposures

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

Contingent Liabilities

As at 31 December 2015, the Group has issued no guarantee to a bank in respect of a banking facility (31 December 2014: HK$38,029,000 with HK$12,676,000 utilised) granted to an associate, and has issued no guarantee to a third party (31 December 2014: HK$6,237,000).

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles and complied with all the code provisions of the CG Code throughout the year ended 31 December 2015 save the following.

All of the Non-executive Directors of the Company are not appointed for a specific term, except that Independent Non-executive Directors are of a fixed term of 3 years, but are subject to retirement and rotation and re-election at the Company's Annual General Meeting ("AGM") in accordance with the retirement provisions under the Articles of Association of the Company. The Company considers that sufficient measures have been taken in this regard to ensure that the Group's corporate governance practices are no less exacting than those in the Code.

Audit Committee

The Audit Committee is responsible for the appointment of external auditor, review of the Group's financial information and oversight of the Group's financial and accounting practices, internal control and risk management. It is also responsible for reviewing the interim and annual results of the Group. The audited consolidated financial statements of the Group for the year ended 31 December 2015 have been reviewed by the Audit Committee.

PUBLICATION OF ANNUAL REPORT

A full text of the Company's 2015 Annual Report will be sent to the shareholders and published on the websites of The Stock Exchange of Hong Kong Limited and of the Company in due course.

By Order of the Board
Han Shuwang
Chairman

Hong Kong, 23 March 2016

As at the date of this announcement, the Board comprise Mr. Han Shuwang (Chairman), Mr. Wang Xiaodong (Vice-Chairman), Mr. Li Guang and Mr. Xu Jun as Executive Directors; Mr. Fang Shili as Non-executive Director; Ms. Kan Lai Kuen, Alice, Mr. Gordon Ng and Mr. Li Dapeng as Independent Non-executive Directors.

* *For identification purpose only*