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 2016, APPOINTMENT OF DIRECTOR AND LIST OF DIRECTORS AND THIRD ROLE AND FUNCTIONS

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 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Turnover	2	**2,436,821**	2,616,696
Cost of sales		**(2,145,395)**	(2,371,786)
Gross profit		**291,426**	244,910
Other income	4	**32,585**	29,320
Other gains and losses		**(3,382)**	(2,836)
Selling and distribution expenses		**(117,606)**	(123,091)
Administrative expenses		**(160,532)**	(139,132)
Finance costs	5	**(78,039)**	(84,216)
Share of results of associates		**(26,534)**	(7,086)
Share of results of joint ventures		**153,770**	156,985
Profit before taxation	6	**91,688**	74,854
Taxation	7	**(12,364)**	(2,701)
Profit for the year		**79,324**	72,153

	NOTES	2016 HK$'000	2015 HK$'000
Other comprehensive expense:			
Item that will not be reclassified to profit or loss			
– exchange differences arising on translation to presentation currency		**(146,704)**	(133,371)
Total comprehensive expense for the year		**(67,380)**	(61,218)
Profit (loss) for the year attributable to:			
Owners of the Company		**76,024**	75,469
Non-controlling interests		**3,300**	(3,316)
		79,324	72,153
Total comprehensive expense attributable to:			
Owners of the Company		**(67,305)**	(53,677)
Non-controlling interests		**(75)**	(7,541)
		(67,380)	(61,218)
Earnings per share - Basic	9	**HK1.74 cents**	HK1.73 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	**2016** **HK$'000**	2015 *HK$'000*
Non-current assets			
Investment properties		**137,730**	140,610
Property, plant and equipment		**294,633**	329,082
Goodwill		**2,004**	2,004
Intangible assets		**225,085**	244,382
Deferred tax assets		**1,637**	1,759
Interests in associates		**353,265**	407,587
Interests in joint ventures		**1,100,344**	1,189,068
Amount due from a joint venture		**96,846**	100,244
Available-for-sale investments		**4,807**	2,745
		2,216,351	2,417,481
Current assets			
Inventories		**216,520**	402,650
Trade and other receivables	10	**3,120,499**	1,668,582
Amounts due from associates		**498,941**	880,737
Amount due from a joint venture		**26,504**	28,358
Pledged bank deposits		**2,233**	696
Bank balances and cash		**241,667**	300,298
		4,106,364	3,281,321

	NOTES	**2016** **HK$'000**	2015 HK$'000
Current liabilities			
Trade and other payables	11	**2,006,126**	1,422,312
Amounts due to associates		**309,637**	241,451
Amounts due to joint ventures		**277**	88
Government grants		**839**	1,104
Warranty provision		**136,731**	106,258
Taxation payable		**7,654**	2,483
Borrowings		**856,225**	1,130,714
Obligation under a finance lease		**130**	124
		3,317,619	2,904,534
Net current assets		**788,745**	376,787
Total assets less current liabilities		**3,005,096**	2,794,268
Non-current liabilities			
Government grants		**28,939**	31,295
Borrowings		**745,660**	494,162
Obligation under a finance lease		**22**	152
Deferred tax liabilities		**20,312**	19,731
		794,933	545,340
		2,210,163	2,248,928
Capital and reserves			
Share capital		**436,900**	436,900
Reserves		**1,688,005**	1,746,618
Equity attributable to owners of the Company		**2,124,905**	2,183,518
Non-controlling interests		**85,258**	65,410
Total equity		**2,210,163**	2,248,928

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

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 HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception

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

Amendments to HKAS 1 "Disclosure initiative"

The Group has applied the amendments to HKAS 1 "Disclosure initiative" for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosure when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively, and hence certain information was reordered to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position.

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendment[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

Except for the possibility that the application of HKFRS 9, HKFRS 15 and HKFRS 16 in the future may have a potential impact on the consolidated financial information of the Group, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group's consolidated financial statements.

2. TURNOVER

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

	2016	2015
	HK$'000	HK$'000
Sales of wind energy related products	**1,785,678**	1,893,045
Sales of energy storage and related products	**541,335**	555,550
Sales of goods	**84,819**	144,546
Sales of electricity from operation of wind power field	**24,989**	23,555
	2,436,821	2,616,696

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 and distribution of communication products, information technology systems, broadband systems, equipment and accessories
Energy Storage and Related Products	—	Manufacture and sales of energy renewal products 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 2016

	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	**1,785,678**	**24,989**	**21,610**	**541,335**	**63,209**	**2,436,821**
RESULT						
Segment result	**81,603**	**7,846**	**(2,443)**	**21,570**	**(3,680)**	**104,896**
Unallocated corporate expenses						**(105,509)**
Unallocated other income						**12,107**
Finance costs						**(78,039)**
Share of results of a joint venture - unallocated portion						**151,921**
Gain from changes in fair value of investment properties						**6,312**
Profit before taxation						**91,688**

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

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$26,534,000 (2015: HK$7,086,000) and share of profit of a joint venture of HK$1,849,000 (2015: share of losses of certain joint ventures of HK$4,374,000) 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

	2016 ***HK$'000***	2015 *HK$'000*
Other income mainly comprises:		
Government grants	**9,021**	4,054
Rental income from investment properties, net of negligible outgoings	**6,464**	8,946
Interest income		
- bank balances	**2,069**	3,068
- advance to a joint venture	**3,015**	3,805

5. FINANCE COSTS

	2016	2015
	HK$'000	*HK'000*
Interest on:		
– bank and other loans	**78,030**	84,201
– finance lease	**9**	15
	78,039	84,216

6. PROFIT BEFORE TAXATION

	2016	2015
	HK$'000	*HK'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**5,688**	6,722
Other staff costs	**74,655**	72,544
Other staff's retirement benefits scheme contributions	**11,733**	10,102
	92,076	89,368
Auditor's remuneration	**3,050**	3,050
Amortisation of intangible assets	**24,648**	6,588
Cost of inventories recognised as an expense (including allowance for obsolete inventories of nil (2015: HK$3,685,000))	**2,118,936**	2,347,181
Depreciation of property, plant and equipment	**29,092**	30,085
Minimum lease payments under operating leases in respect of land and buildings	**13,866**	11,510
Research and development expenses	**5,448**	12,992

7. TAXATION

	2016	2015
	HK$'000	*HK$'000*
Tax charge for the year comprises:		
PRC Enterprise Income Tax		
Current year	**10,306**	2,619
Underprovision in prior years	**156**	82
	10,462	2,701
Deferred tax charge	**1,902**	—
	12,364	2,701

No provision for Hong Kong Profits Tax is made as the Group has no assessable profits 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

	2016	2015
	HK$'000	*HK$'000*
Dividends recognised and paid in 2015:		
2014 final, paid - HK0.7 cents per share	**—**	30,583

No final dividend in respect of year ended 31 December 2016 and 2015 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.

	2016	2015
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share	**76,024**	75,469

	Number of shares	
	2016	2015
Weighted average number of shares for the purposes of basic earnings per share	**4,368,995,668**	4,368,995,668

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

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK$1,556,852,000 (2015: HK$690,745,000) net of allowance for doubtful debts of HK$65,247,000 (2015: HK$66,164,000). The amount of trade receivables at 31 December 2016 included retention receivables for the sales of wind turbines and energy storage and related products to third parties of HK$438,950,000 (2015: HK$256,633,000). The balances will be settled upon the completion of warranty period of 1 to 5 years (2015: 1 to 5 years), of which HK$388,555,000 (2015: HK$178,194,000) 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 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. 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:

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**674,711**	77,481
Between 31 - 90 days	**102,384**	144,796
Between 91 - 180 days	**5,889**	1,208
Between 181 - 365 days	**173,051**	352,034
Over 1 year	**600,817**	115,226
	1,556,852	690,745

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$185,429,000 (2015: HK$267,726,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The overdue balances are reviewed regularly by management. The Group does not hold any collateral over these balances. The average age of these receivables is within 180 to 365 days (2015: 180 days).

Before accepting any new customer, the Group's executive directors and marketing team would assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly with reference to past settlement history. 88% (2015: 61%) of the trade receivables that are neither past due nor impaired have the best credit history managed by the Group's credit team.

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$1,290,739,000 (2015: HK$1,218,939,000). 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:

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**574,256**	353,564
Between 31 - 90 days	**180,869**	359,121
Between 91 - 180 days	**129,831**	110,991
Between 181 - 365 days	**130,226**	237,043
Over 1 year	**275,557**	158,220
	1,290,739	1,218,939

RESULTS SUMMARY

As of 31 December 2016, the Group's turnover for the year 2016 amounted to HK$2,436.82 million as compared to that of 2015 of HK$2,616.70 million, representing HK$179.88 million, or 6.9%, decrease in turnover; the profit before taxation for the year amounted to HK$91.69 million as compared to that of 2015 of HK$74.85 million, representing HK$16.84 million, or 22%, increase in profit. The turnover for the year comprised sale of wind energy related products of HK$1,785.68 million, sale of electricity generated from wind farm of HK$24.99 million, sale of rare-earth permanent magnet motor products of HK$21.61million, sale of energy storage and related products of HK$541.33 million and sales of HK$63.21 million related to telecommunication business whereas that of 2015 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.

The decrease in turnover for the year from that of last year was mainly due to the decrease in sales of the Group's wind energy related products by HK$107.36 million, or 5.7% year-on-year, equivalent to decrease in sales by 11 sets of 2MW excitation wind turbine units. The increase in profit before taxation was mainly attributable to the drop of the costs of the wind turbine units sold under strict cost control, leading to the rise of gross profit by 4%. The return on capital employed for the year and 2015 are 7.8% and 6.7% respectively, representing 16% increase.

Business of Wind Energy

In 2016, 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. 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 and Baotou City in Inner Mongolia, Jiuquan City and Wuwei City in Gansu, Ningde City in Fujian, Tieling City and Yingkou City in Liaoning, Suihua City in Heilongjiang and Tangshan City and Zhangjiakou City in Hebei. In particular, an approval on a 1,000MW wind farm project in Pakistan under the effort on exploitation has been successfully obtained. All of these would push sales of wind turbines effectively and bring in promising income to the Group continually.

In 2016, 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 as well as pursuing the exploitation of international market and the internationally specialised project cooperation in effort 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 Inner Mongolia, Gansu and Liaoning, 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 allow the grid companies to 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 2016, 188 sets of 2MW permanent-magnet directdrive wind turbine were sold, including 38 to the Tangshan Nanpu Project in Hebei Province; 25 to the Damaoqi Project in Inner Mongolia; 25 to the Chayouqianqi Project in Inner Mongolia; 25 to the Taiyuan Project in Guazhou Town, Gansu Province; 25 to the Xuanhua Project, Hebei Province; and 25 to the First Wind Farm Project and 25 to the Third Wind Farm Project of Songshan Tan, Tianzhu County, Wuwei City, Gansu Province; as well as 8 sets of 3MW permanent magnet directdrive wind turbines to the Tangshan Nanpu Project in Hebei Province. In addition, 24 sets of 900KW excitation magnetic wind turbines were exported.

In particular, the 3MW permanent magnet directdrive wind turbine prototype under the Group's independent research and development, after being subject to a full year of the wind field assessment, received a complete success in that the first batch of small quantities of 8 3MW had been set up in Tangshan Nanpu wind farm, adding a main model for the Group's exploitation of domestic and overseas wind turbine markets.

Research and Development of Technology

In December 2015, the technology as to 3MW permanent magnet directdrive wind turbine, hoisted in Daxipo wind farm in Xinghe County, Inner Mongolia in December 2015 under research and development, was being optimised in 2016. 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. At present, small batch production of this wind turbine was ready.

In March 2016, the Group cooperated with China Classification Society to commence the type certification in respect of the 3MW permanent magnet directdrive wind turbine unit with self-developed intellectual property rights by reference to the internationally and generally accepted IEC standards. After nine months of efforts, the Group, based on the certification requirements, had successively completed the key works on load assessment, stiffness and strength check, and electronic control system assessment as to the wind turbine unit, and received recognition and commendation thereon from the certification body. In December, the China Classification Society awarded the certificate of compliance relating to the type certification on design evaluation, indicating the technology concepts and performance in line with the design requirements. This attainment of the type certification of the high powered self-developing wind turbine unit marked a milestone achievement in that the Group's design capacity on its research and development elevated manifestly, ensuring the important technology strength for the expansion of market.

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.

A lithium iron phosphate battery had 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 will be 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.

In 2016, the Group steadily progressed the test and pre-industrialization of the cathode and anode materials of the lithium battery, modified natural graphite, electrolyte as well as the power battery, and took the technology lead in the graphene power battery domestically, with the demonstration production line reaching the batch production capacity of 120 million amphere-hour.

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, Shenzhen of Guangdong as well as Shandong, Guangxi, Shenyang and Dalian of Liaoning, grasping 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 h/kg, exceeding market level of 130 h/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 2016, the capability as to design and production of the battery pack peripherals of the electric vehicle was strengthened in that the established goal relating to the self-developed design and production of the powered-battery system for electric vehicles was completed, paving the foundation for developing the capacity of the whole set of battery peripheral and of system solution.

In 2016, 104MW photovoltaic equipment was sold under the photovoltaic and energy storage businesses, comprising 20MW equipment to Kenuo Project, 88MW equipment to Nan Tong Project. In addition, a total of 37 sets of new energy batteries were sold, comprising 34 sets to Beiqi Futian Project, 1 set to Ankai Vehicle, 1 set to UGE and 1 set to Fujian Yi Dongli.

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 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 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 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., ("Jiangsu Energine"), 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. In 2016, Jiangsu Energine proceeded business transformation and upgrade, succeeding in equipping the "Three-Electric System" to various new energy car models, and enabling them to be included into the national car model directory.

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.

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$2.96 billion for the year 2016, representing a decrease of HK$24 million year-on-year.

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 for 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. Wind power, the third largest power source after thermal and water power in China, is now in the process of transition from being treated as an alternate power to a principal one, and it would become the major power of energy structure in China in future.

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. In June 2016, "Notice on Implementation Proposal relating to Construction of Photovoltaic Power Generation" was promulgated by the National Energy Administration. This Proposal provides to continue implementation of "Lead-runner" technological standard on the the construction of photovoltaic power lead-run technology base such as photovoltaic corridor in the Winter Olympic Games. The industry therefore started to enter into an era of "Lead-runner" with competition in quality and efficiency. As such, the Group will hinge on tremendous technical edges obtained in the said two sectors, grasping the opportunity of staunch assistances and supports from China policies and devoting greater efforts in market exploitation with the aim of adding momentum in the course of the rapid growth of the Group's operational results.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2016, the Group had 21 employees (2015: 19 employees) in the Hong Kong head office and 587 employees (2015: 609 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 2017, 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 2016 were HK$1,601,885,000 (2015: HK$1,624,876,000), of which HK$252,543,000 (2015: HK$180,583,000) 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 2016 was 75% (2015: 74%).

Financial Position

The capital structure of the Group at 31 December 2016 comprised total equity of HK$2,210 million (2015: HK$2,249 million) and non-current borrowings of HK$745 million (2015: HK$494 million) with borrowings expiring 1 to 5 years of HK$298 million (2015: HK$453 million) and borrowings expiring more than 5 years of HK$447 million (2015: HK$41 million). This structure of net asset value of HK$2,210 million (2015: HK$2,249 million) coupling with gearing ratio of 75% (2015: 74%), current ratio 1.24 (2015: 1.13), quick ratio 1.17 (2015: 0.99) as well as bank and cash balance HK$242 million (2015: HK$300 million) presented a sound financial position of the Group as of 31 December 2016 with good liquidity position.

Distribution to Shareholders

There was no distribution to the Company's shareholders in the year 2016 (2015: dividend distribution of HK$30,583,000 in respect of the 2014 final dividend of HK0.7 cent per ordinary share).

Pledge of Assets

As at 31 December 2016, certain assets of the Group of HK$2,233,000 (2015: HK$696,000) have been pledged to secure bank facility.

Exchange 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

The Group did not have any contingent liabilities as at 31 December 2016 (31 December 2015: nil).

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 2016 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, risk management and internal control. 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 2016 have been reviewed by the Audit Committee.

PUBLICATION OF ANNUAL REPORT

A full text of the Company's 2016 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.

APPOINTMENT OF DIRECTOR AND LIST OF DIRECTORS AND THEIR ROLE AND FUNCTION

The Board of the Company announces the following change in directorship with effect from 30 March 2017:

– Mr. Liu Xiao Wei ("Mr. Liu") has been appointed as Non-executive Director and Audit Committee's member of the Company.

Mr. Liu Xiao Wei, aged 52, graduated from Dongbei University of Finance and Economics with a bachelor degree in property management and obtained an Executive Master degree of Business Administration from Chongqing University. Mr. Liu joined China Academy of Launch Vehicle Technology ("CALT") in 1987 and served successively as Deputy Director and Director of Support Management Division; Director of External Support Division under Material Department, Chief Assistant, Deputy Chief, Chief of Material Department; and General Manager of Logistic Center of CALT. He currently serves as the Chief of Department of Development Planning cum the Deputy Commander on Information Construction of CALT.

Mr. Liu is appointed for a tenure of 3 years and subject to retirement from office and re-election at the next general meeting of the Company in accordance with the Articles of Association. Mr. Liu will not receive any director's remuneration from the Company.

Save as disclosed above, as at the date of this announcement, (i) Mr. Liu does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company; (ii) he does not have any interest in the shares of the Company within the meaning of Part XV of the SFO; (iii) he does not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) he does not hold any other positions with other members of the Group.

Save as disclosed above, Mr. Liu has confirmed that there are no other matters that needs to be brought to the attention of the Shareholders in connection with his appointment and there is no other information that is required to be disclosed pursuant to Rule 13.51(2) (h) to (v) of the Listing Rules.

The Board welcomes Mr. Liu's joining the Company's Board.

The list of directors and their role and function after the aforesaid appointment are as follows:

Executive Directors
Mr. Han Shuwang *(Chairman)*
Mr. Wang Xiaodong *(Vice-Chairman)*
Mr. Li Guang *(Chief Executive Officer)*
Mr. Xu Jun

Non-executive Directors
Mr. Fang Shili
Mr. Liu Xiao Wei

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

Nomination Committee
Mr. Han Shuwang *(Chairman)*
Mr. Xu Jun
Ms. Kan Lai Kuen Alice
Mr. Gordon Ng
Mr. Li Dapeng

Development and Investment Committee
Mr. Han Shuwang *(Chairman)*
Mr. Wang Xiaodong
Mr. Li Guang
Mr. Xu Jun

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

Audit Committee
Ms. Kan Lai Kuen, Alice *(Chairman)*
Mr. Gordon Ng
Mr. Li Dapeng
Mr. Fang Shili
Mr. Liu Xiao Wei

By Order of the Board
Han Shuwang
Chairman

Hong Kong, 30 March 2017

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 and Mr. Liu Xiao Wei as Non-executive Directors; Ms. Kan Lai Kuen, Alice, Mr. Gordon Ng and Mr. Li Dapeng as Independent Non-executive Directors.

* *For identification purpose only*