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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

RESULTS

The Board of Directors of China Energine International (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	NOTES	**1.1.2014 to 30.6.2014** ***HK$'000*** ***(Unaudited)***	1.1.2013 to 30.6.2013 *HK$'000* *(Unaudited)*
Turnover	3	**809,246**	282,608
Cost of sales		**(716,039)**	(263,034)
Gross profit		**93,207**	19,574
Other income		**12,924**	5,905
Other gains and losses	4	**2,385**	4,628
Distribution costs		**(37,645)**	(7,870)
Administrative expenses		**(68,079)**	(73,180)
Finance costs	5	**(46,399)**	(47,606)
Share of results of associates		**(8,397)**	4,373
Share of results of joint ventures		**71,062**	102,660
Profit before taxation	6	**19,058**	8,484
Taxation	7	**(885)**	(1,356)
Profit for the period		**18,173**	7,128

	NOTES	1.1.2014 to 30.6.2014 HK$'000 (Unaudited)	1.1.2013 to 30.6.2013 HK$'000 (Unaudited)
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
– exchange difference arising on translation to presentation currency		**(17,832)**	33,441
Item that may be subsequently reclassified to profit or loss:			
– reclassification adjustment upon sale of available-for-sale financial asset		**—**	14,881
Total comprehensive income for the period		**341**	55,450
Profit (loss) for the period attributable to:			
Owners of the Company		**18,351**	9,716
Non-controlling interests		**(178)**	(2,588)
		18,173	7,128
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**1,235**	56,192
Non-controlling interests		**(894)**	(742)
		341	55,450
Earnings per share – Basic	9	**HK0.46 cents**	HK0.24 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	NOTES	**30.6.2014**	31.12.2013
		HK$'000	*HK$'000*
		(Unaudited)	*(Audited)*
Non-current assets			
Property, plant and equipment		**377,094**	391,436
Investment properties		**127,496**	128,720
Deposits paid for acquisition of property, plant and equipment		**10,950**	9,084
Goodwill		**2,004**	2,004
Intangible assets		**28,346**	30,701
Deferred tax assets		**1,990**	2,009
Interests in associates		**456,148**	473,285
Interests in joint ventures		**1,378,060**	1,319,549
Amount due from a joint venture		**106,004**	—
		2,488,092	2,356,788
Current assets			
Inventories		**416,836**	414,130
Trade and other receivables	10	**1,530,849**	1,599,769
Amounts due from associates		**405,401**	57,428
Amounts due from joint ventures		**30,082**	135,074
Pledged bank deposits		**5,902**	9,312
Bank balances and cash		**488,187**	631,817
		2,877,257	2,847,530

	NOTES	**30.6.2014**	31.12.2013
		HK$'000	*HK$'000*
		(Unaudited)	*(Audited)*
Current liabilities			
Trade and other payables	11	**954,227**	858,384
Amounts due to associates		**292,424**	318,044
Amounts due to joint ventures		**218,602**	6,278
Government grants		**4,293**	1,068
Taxation payable		**1,938**	1,967
Warranty provision		**48,056**	35,937
Borrowings – amount due within one year		**1,096,063**	890,359
		2,615,603	2,112,037
Net current assets		**261,654**	735,493
Total assets less current liabilities		**2,749,746**	3,092,281
Non-current liabilities			
Borrowings – amount due after one year		**730,709**	1,064,347
Deferred tax liabilities		**20,484**	20,988
Government grants		**33,293**	39,792
		784,486	1,125,127
Net assets		**1,965,260**	1,967,154
Capital and reserves			
Share capital		**396,900**	396,900
Reserves		**1,498,124**	1,496,889
Equity attributable to owners of the Company		**1,895,024**	1,893,789
Non-controlling interests		**70,236**	73,365
Total equity		**1,965,260**	1,967,154

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which is measured at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following amendments of Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations issued by the HKICPA that are mandatorily effective for the current interim period.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) - INT 21	Levies

The application of the above amendments of HKFRSs and Interpretations in the current interim period has had no material effect on the amounts and/or disclosures reported in these condensed consolidated financial statements.

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.

In prior year, there are 5 reportable and operating segments, namely Wind Energy Related Products, Operation of Wind Farm, REPM Products, Trading of Materials and Telecommunication Business. During the period, the CODM reassessed the current business segments.

The Group developed new products on energy storage and its related products during the current period, the CODM considered it as a separate reportable and operating segment. The Energy storage and Related Products is the new reportable and operating segment during the current period under the Group's business development.

In addition, the Group ceased its business of trading of materials during the current period since the Group has shifted its focus to the wind energy and its related product. Therefore it is no longer a reportable and operating segment of the Group. Comparative figures have been restated to comply with the current period's presentation.

Specifically, the Group's operating and reportable segments during the period are as follows:

Wind Energy Related Products	—	Manufacture and sales of wind energy related products
Operation of Wind Farm	—	Sales of electricity from operation of wind power field
REPM Products	—	Manufacture and distribution of elevator motors
Telecommunication Business	—	Development, manufacture and distribution of communication products, ITS, broadband systems, equipment and accessories
Energy Storage and Related products	—	Distributed energy renewal solutions by combining wind energy, solar energy and energy storage

Segment results represent the profit before taxation earned or loss before taxation incurred by each segment, excluding finance costs, share of results of certain joint ventures which cannot be allocated, unallocated other income and corporate expenses such as central administration costs and directors' remuneration. Share of loss of associates of HK$8,397,000 (1.1.2013 to 30.6.2013: share of profit of associates HK$4,373,000) and share of loss of certain joint ventures of HK$6,134,000 (1.1.2013 to 30.6.2013: HK$2,405,000) were allocated to reportable and operating segments. This is the measure reported to the Group's Executive Directors, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance.

The following is an analysis of the Group's revenue and results by reportable and operating segment for the period under review:

Six months ended 30 June 2014

	Wind Energy Related Products *HK$'000*	Operation of Wind Farm *HK$'000*	Rare-earth Permanent Magnet Motor Products *HK$'000*	Energy Storage and Related Products *HK$'000*	Trading of materials *HK$'000*	Tele-communication *HK$'000*	Consolidated *HK$'000*
Turnover							
External sales	589,111	13,249	22,854	167,225	–	16,807	809,246
Result							
Segment result	2,433	5,107	2,548	21,536	–	(6,160)	25,464
Unallocated other income							8,010
Unallocated corporate expenses							(45,213)
Finance costs							(46,399)
Share of result of a joint venture							77,196
Profit before taxation							19,058

Six months ended 30 June 2013

	Wind Energy Related Products *HK$'000*	Operation of Wind Farm *HK$'000*	Rare-earth Permanent Magnet Motor Products *HK$'000*	Energy Storage and Related Products *HK$'000*	Trading of materials *HK$'000*	Tele-communication *HK$'000*	Consolidated *HK$'000*
Turnover							
External sales	165,444	15,669	23,508	—	63,700	14,287	282,608
Result							
Segment result	(27,163)	15,713	1,950	—	317	(10,932)	(20,115)
Unallocated other income							7,011
Unallocated corporate expenses							(35,871)
Finance costs							(47,606)
Share of results of joint ventures							105,065
Profit before taxation							8,484

4. OTHER GAINS AND LOSSES

	1.1.2014 to 30.6.2014 ***HK$'000***	1.1.2013 to 30.6.2013 *HK$'000*
Gain on disposal of available-for-sale financial asset	**—**	3,633
Net exchange (loss) gain recognised	**(2,931)**	868
Recovery of trade receivables previously impaired	**13**	127
Gain on disposal of property, plant and equipment	**381**	—
Gain on deemed disposal of interest in an associate	**4,902**	—
Gain on disposal of a subsidiary	**20**	—
	2,385	4,628

5. FINANCE COSTS

	1.1.2014 to 30.6.2014	1.1.2013 to 30.6.2013
	HK$'000	*HK$'000*
Interests on bank and other loans:		
– wholly repayable within five years	**44,628**	45,527
– repayable over five years	**1,771**	2,079
	46,399	47,606

6. PROFIT BEFORE TAXATION

	1.1.2014 to 30.6.2014	1.1.2013 to 30.6.2013
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**14,620**	17,037
Amortisation of intangible assets	**2,076**	3,478
Interest income		
– advance to a joint venture	**(2,242)**	(1,582)
– bank balances	**(2,243)**	(933)

7. TAXATION

	1.1.2014 to 30.6.2014	1.1.2013 to 30.6.2013
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax:		
PRC Enterprise Income Tax ("EIT")	**1,316**	793
Deferred taxation	**(431)**	563
	885	1,356

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries in Hong Kong have no assessable profit for both periods.

Taxation arising in the PRC is recognised based on EIT rate of 25% (2013: 25%) for the six months ended 30 June 2014.

8. DIVIDENDS

No dividends were paid or declared for both periods. The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2014.

9. EARNINGS PER SHARE – BASIC

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

	1.1.2014 to 30.6.2014	1.1.2013 to 30.6.2013
	HK$'000	*HK$'000*
Profit for the period for the purpose of basic earnings per share – attributable to the owners of the Company	**18,351**	9,716

	Number of shares 2014 & 2013
Number of ordinary shares for the purpose of basic earnings per share	3,968,995,668

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

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK$824,274,000 (31.12.2013: HK$531,832,000). The amount of trade receivables at 30 June 2014 included retention receivables for the sales of wind turbines to third parties of HK$172,392,000 (31.12.2013: HK$116,229,000). The balances will be settled upon the completion of warranty period of 1 - 5 years (31.12.2013: 1 - 5 years). For the remaining balances of trade receivables, the Group allows credit periods for 90 days on average to its customers for sales of goods mainly wind energy related products. 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 ageing 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:

	30.6.2014	31.12.2013
	HK$'000	*HK$'000*
Within 30 days	**398,763**	116,578
Between 31 and 90 days	**6,184**	194,305
Between 91 and 180 days	**6,447**	6,437
Between 181 and 365 days	**205,108**	747
Over 1 year	**207,772**	213,765
	824,274	531,832

Included in the Group's other receivables at 30 June 2014 are dividend receivable from a joint venture of HK$12,427,000 (31.12.2013: HK$12,614,000), dividend receivables from associates of HK$9,129,000 (31.12.2013: nil), deposits paid for purchase of inventories for subsidiaries in the PRC of HK$193,956,000 (31.12.2013: HK$61,052,000), VAT recoverable of HK$61,923,000 (31.12.2013: HK$88,259,000) and bills receivables of HK$315,340,000 (31.12.2013: HK$471,380,000) in relation to the settlement of trade receivables. The remaining bills receivables of HK$73,714,000 were in relation to settlement of dividend receivable from a joint venture in prior year. All bills receivables of the Group are aged within 180 days (31.12.2013: 90 days).

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$818,203,000 (31.12.2013: HK$739,882,000). The following is an ageing analysis of trade payables based on the invoice dates at the end of each reporting period:

	30.6.2014	31.12.2013
	HK$'000	*HK$'000*
Within 30 days	**473,197**	168,244
Between 31 and 90 days	**34,004**	216,204
Between 91 and 180 days	**160,529**	145,202
Between 181 and 365 days	**95,212**	160,767
Over 1 year	**55,261**	49,465
	818,203	739,882

Included in the Group's other payables at 30 June 2014 are accrual for construction work of HK$2,574,000 (31.12.2013: HK$2,599,000), receipt in advance from customers of HK$31,641,000 (31.12.2013: HK$18,852,000), project guarantee deposits of HK$2,520,000 (31.12.2013: HK$2,544,000), accrued transportation cost of HK$17,521,000 (31.12.2013: HK$13,212,000), office rental payable of HK$4,336,000 (31.12.2013: HK$4,378,000), bills payables aged within 180 days of HK$15,055,000 (31.12.2013: HK$35,729,000) and dividend payables to non-controlling interests of HK$2,235,000 (31.12.2013: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Directors, the business performance of China Energine International (Holdings) Ltd. (the "Company") and its subsidiaries (collectively the "group") for the first half of this year 2014 is summarized in the following paragraphs.

RESULTS SUMMARY

As of 30 June 2014, the Group's turnover for the first half of 2014 amounted to HK$809.25 million as compared to that of 2013 of HK$282.61 million, representing HK$526.64 million, or 186%, increase in turnover; the profit attributable to the Company's owners for the period amounted to HK$18.35 million as compared to that of 2013 of HK$9.72 million; the profit for the period attributable to the Company's owners increased by 89%. The turnover for the period comprised sale of wind energy related products of HK$589.11 million, sale of electricity generated from wind farm of HK$13.25 million, sale of rare-earth permanent magnet motor products of HK$22.85 million, newly launched sale of energy storage and related products of HK$167.23 million and sales of HK$16.81 million related to telecommunication business whereas that of the same period last year comprised sale of wind energy related products of HK$165.44 million, sale of electricity generated from wind farm of HK$15.67 million, sale of rare-earth permanent magnet motor products of HK$23.51 million, sale of chemical materials of HK$63.70 million (business ceased from this period) and sales of HK$14.29 million related to telecommunication business.

BUSINESS REVIEW

Business of Wind Energy

In 2014, the directdrive wind turbine developed by the Group with proprietary intellectual property rights participated in fierce competition in the China wind energy market which has entered into a rational development phase, and was highly recognized by wind farm developers within the industry for its simple structure, high reliability, high efficiency and low operation and maintenance costs. The Group continued to give full play to the advantages of technology, quality and service of CASC 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 realized mass production of a number of self-developed models (especially 1.5MW excitation magnetic directdrive wind turbine, 2MW permanent magnet directdrive wind turbine and 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 2014, the marketing strategy was not only that of exchanging resources for orders, developing and maintaining key areas and key customers, but also of participating in market competition on a large scale 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 such as Huadian and Datang, all of 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 characterized 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 the first half of 2014, the Group completed the assembling, commissioning and delivery of respective 50 sets and 20 sets of 2MW excitation magnetic wind turbines to Mahuangtan Project in Yumen City in Gansu and to Xiapu Project in Ningde City in Fujian in recognizing the sales of them, 70 sets in total. Meanwhile, the Group completed the manufacture and assembling of 60 sets of 2MW excitation magnetic wind turbines for Gansu Jingyuan Project (as to order of 100 sets) and 50 sets of them for Gansu Wuwei Project (as to order of 150 sets).

Research and Development of Technology

In 2014, the Group speeds up the research and development on the 3MW permanent magnet directdrive wind turbines in striving to achieve the target of production of its prototype in the year.

Production Management

In 2014, the Group carried on cost control rigorously with strengthening analyses of wind turbine costing By conducting on-site research, survey and study, price searches and comparisons across the nation, the purchasing costs of various components of wind turbines under the strategy of strengthening quality control in maintaining quality were further reduced, thereby increasing the gross profit ratio. In enhancing the supply chain management, management structure on eligible suppliers was established with system on conducting appraisals and dynamic assessments of eligible suppliers.

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.

1. Performance of the existing lithium battery is secured at the top of the domestic ranking list in that its integrated performance is 30% higher than regular lithium batteries and has been successfully applied in large electrical buses for public transport and on storage systems for wind energy and solar energy, thereby the market prospect being of highly optimistic;

2. Production of graphene materials has entered into the phase of pilot production;

3. Performance of graphene-based cathode material for lithium battery has been enhanced substantially;

4. Performance indicators of the self-developed high performance lithium battery electrolyte and battery anode have reached the best international performance standards;

5. Research and development of the graphene-based high-capacity lithium battery product series are being organized and implemented, the indicators from the perspective of phase results have already surpassed the performance of the best existing lithium batteries;

6. A street lamp with a small integrated wind energy and solar energy storage system has been successfully applied in the municipal lighting projects of a number of cities, satisfying the promotion of the clean energy, energy saving and environmental conservation concepts in large and medium cities. Our product has been warmly received by local government leadership due to its pleasant visual design as well as high performance-to-price ratio.

Currently, the Research and Development Centre possesses a daily production capacity of 5 kg graphene; realizes the pilot production of anode material; and small batch production of electrolyte following passing its pilot production line. Materials can be certified promptly on the battery production line, whereas the electrolyte enhances the performance of materials in the battery. Initial result in research and development emerges.

A lithium iron phosphate battery for application in wind turbines of variable pitch has been developed and applied to 2MW excitation magnetic wind turbines successfully. 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. A mutual strategic partnership relationship in cooperation with Fullsave Technology (Wuxi) Co. Ltd. has been established. 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 utilized in the energy storage battery has a high energy ratio and long utilization 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 utilized 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.

Recently, 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. Currently, the energy storage street lights with complementary wind energy and solar energy have been installed in Chengde City, Pingquan County of Chengde City, Zuidong Development Zone in Tangshan, and Shijiazhuang International Shopping Mall, etc.

Wind and solar power storage integration

The Group reached a strategic cooperation agreement with Wuwei City in connection with wind and solar power storage integration projects, which expressly put forward a policy of "mutual guarantee and joint development", stipulating that investors of non-local enterprises must guarantee purchase of no less than 60% of the wind turbine equipment from the Group for the sake of obtaining the resources relating to wind farms and photovoltaic power stations i.e. offering us the priority on the development of the Group's wind and solar power equipment in the course of construction of wind farms and photovoltaic power stations. The Wuwei municipal government has formulated plan to build a 3 million KW wind farm. In 2014, the National Development and Reform Committee approved the construction of phase I of Minqin Hongshagang with a capacity of 1 million KW. The construction of the wind farm has commenced, where the Group's 2MW excitation magnetic direct-driven generators are adopted for the 300,000 KW wind farm thereof. It follows that this wind farm will be the largest wind farm of the Group in terms of the scale of wind turbines applied, which is of great significance to enhancement of the production capacity rate as to the Group's existing 2MW excitation magnetic directdrive wind turbines.

Following the completion of the construction of the ultra-high voltage transmission lines for the transmission of national power from west to east (Hami—Zhengzhou and Jiuquan—Changsha), the capacity of current transmission lines for 60 million KW complementary wind energy and solar energy project (comprising 30 million KW wind farm and 30 million KW photovoltaic power station) will be capable of accommodating wind and solar power generation capacity under grid-connection.

Meanwhile, Wuwei municipal government has formulated plan to construct 190MW photovoltaic power stations, of which the Group's share accounts for 100MW. In 2014, the Development and Reform Committee of Gansu Province approved the construction of 90MW photovoltaic power station in Wuwei and the construction of the 50MW thereof allocated to the Group has commenced, out of which 30 MW project filing has been completed and sales relating thereto were recognized in the first half of this year. The Group will complete project filing for another 20MW in the second half of the year.

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.

As the performance of high-capacity lithium batteries launched by the technical team of the Company and its major shareholder, China Academy of Launch Vehicle Technology ("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.

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 Aerospace Wan Yuan REPM Motor Co., Ltd., controlled and operated by the Group, is a high-tech enterprise which specializes 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 and 1.5MW 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.

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. It is expected that administrative measures for non-hydro new energy quota will be launched in 2014 by the government, laying the foundation for sustainable and healthy development of wind energy.

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. 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 Group will, in addition to making every effort in large-scale industrialized production of wind energy equipment and continuing to expand market share in reliance on our proven record of stable orders received, ensure a rapid growth in the Group's operational results in 2014, 2015 and beyond. 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.

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 the second half of 2014 and 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 30 June 2014, the Group had 23 employees (31 December 2013: 27 employees) in the Hong Kong head office and 573 employees (31 December 2013: 558 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

Liquidity and Financial Resources

Total borrowings of the Group as at 30 June 2014 were HK$1,826,772,000 (31 December 2013: HK$1,954,706,000), of which HK$113,386,000 (31 December 2013: HK$123,111,000) was floating-rate borrowing and the remaining was fixed-rate borrowing. 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 to shareholders' equity) as at 30 June 2014 was 96% (31 December 2013: 103%).

Exchange and Other Exposures

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

Contingent Liabilities

As at 30 June 2014, the Group has issued a guarantee to a bank in respect of a banking facility with an amount of HK$44,094,000 (31 December 2013: HK$44,518,000) granted to an associate, of which HK$37,795,000 (31 December 2013: HK$25,439,000) has been utilized, and has issued a guarantee to a third party with an amount of HK$6,198,000 (31 December 2013: HK$6,258,000).

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Group has complied with all principles as set out in the Corporate Governance Code in Appendix 14 of the Listing Rules (the "Code") applicable to the Group in respect of the six-month period ended 30 June 2014 under review, and complied with the relevant code provisions in the Code throughout the period, with the exception of one deviation from the Code Provision A.4.1 of the Code which stipulates that Non-executive Directors should be appointed for a specific term subject to re-election.

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 specific term of 3 years, but are subject to retirement and rotation and re-election at the Company's Annual General Meeting 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.

Model Code for Securities Transactions by Directors

Throughout the six-month period ended 30 June 2014, the Group has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Group by the Directors. Having made specific enquiry, all the Directors confirmed that they have complied with the Model Code.

Independent Non-executive Directors

Throughout the six-month period ended 30 June 2014, the Board at all times met the requirements of the Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules in appointment of a sufficient number of three Independent Non-executive Directors, representing one-third of the Board, one of whom has appropriate professional qualifications, accounting and financial management expertise.

The appointment of Independent Non-executive Directors adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Group has received in writing confirmations of their independence from each of the Independent Non-executive Director and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgment. The Board considers that each of the Non-executive Director and Independent Non-executive Director brings his own relevant expertise to the Board.

Audit Committee

The Audit Committee of the Company set up comprises all of three Independent Non-executive Directors, Ms. Kan Lai Kuen, Alice, Mr. Wang Dechen and Mr. Gordon Ng and a Non-executive Director, Mr. Fang Shili. The principal duties of the Audit Committee include the review of the Company's financial reporting procedure, internal controls and results of the Group. The unaudited condensed consolidated interim financial statements have been reviewed by the Audit Committee and Deloitte Touche Tohmatsu, the external auditor of the Company.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six-month period ended 30 June 2014.

By Order of the Board
Han Shuwang
Chairman

Hong Kong, 28 August 2014

As at the date hereof, the Board of the Company comprises Mr. Han Shuwang (Chairman), Mr. Wang Xiaodong (Vice-Chairman), Mr. Li Guang and Mr. Wang Lijun as Executive Directors; Mr. Fang Shili and Ms. Zhang Jianhua as Non-executive Directors and Mr. Wang Dechen, Ms. Kan Lai Kuen, Alice and Mr. Gordon Ng as Independent Non-executive Directors.

* *for identification purpose only*