CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED
中國航天萬源國際（集團）有限公司*
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 1185)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	NOTES	**1.1.2018 to 30.6.2018** ***HK$'000*** **(Unaudited)**	1.1.2017 to 30.6.2017 *HK$'000* (Unaudited) (Restated)
Continuing operations			
Turnover	3	**15,112**	16,057
Cost of sales		**(14,103)**	(11,547)
Gross profit		**1,009**	4,510
Other income		**9,207**	6,650
Other gains and losses	4	**7,323**	371
Impairment loss	5	**(40,172)**	(11,315)
Selling and distribution expenses		**(4,484)**	(2,774)
Administrative expenses		**(84,211)**	(64,921)
Finance costs	6	**(40,944)**	(36,388)
Share of results of associates		**(48,751)**	(25,137)
Share of results of joint ventures		**43,847**	79,032
Loss before taxation	8	**(157,176)**	(49,972)
Taxation	9	**(2,524)**	(2,371)
Loss for the period from continuing operations		**(159,700)**	(52,343)

	NOTES	1.1.2018 to 30.6.2018 HK$'000 (Unaudited)	1.1.2017 to 30.6.2017 HK$'000 (Unaudited) (Restated)
Discontinued operations			
Loss for the period from discontinued operations	7	**(10,472)**	(7,321)
Loss for the period		**(170,172)**	(59,664)
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss			
– exchange differences arising on translation to presentation currency		**(17,523)**	49,071
Total comprehensive expense for the period		**(187,695)**	(10,593)
Loss for the period attributable to owners of the Company			
– from continuing operations		**(157,751)**	(45,927)
– from discontinued operations		**(10,472)**	(6,354)
		(168,223)	(52,281)
Loss for the period attributable to non-controlling interests			
– from continuing operations		**(1,949)**	(6,416)
– from discontinued operations		**–**	(967)
		(1,949)	(7,383)
Loss for the period		**(170,172)**	(59,664)
Total comprehensive expense attributable to:			
Owners of the Company		**(185,242)**	(5,271)
Non-controlling interests		**(2,453)**	(5,322)
		(187,695)	(10,593)
Loss per share – Basic	11		
From continuing and discontinued operations		**HK(3.85) cents**	HK(1.20) cents
From continuing operations		**HK(3.61) cents**	HK(1.05) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018

	NOTES	**30.6.2018** **HK$'000** **(Unaudited)**	31.12.2017 HK$'000 (Audited)
Non-current assets			
Investment properties		**148,262**	149,538
Property, plant and equipment		**287,500**	303,926
Goodwill		**2,004**	2,004
Intangible assets		**202,348**	212,654
Deferred tax assets		**1,738**	1,784
Interests in associates		**298,725**	348,268
Interests in joint ventures		**1,224,486**	1,192,284
Amount due from a joint venture		**107,005**	106,468
Financial assets at fair value through other comprehensive income		**5,100**	–
Available-for-sale investments		**–**	5,144
		2,277,168	2,322,070
Current assets			
Inventories		**171,116**	163,526
Trade and other receivables	12	**2,329,302**	2,923,476
Contract assets		**419,184**	–
Amounts due from associates		**266,904**	303,467
Amount due from a joint venture		**24,981**	25,196
Pledged bank deposits		**62**	63
Bank balances and cash		**185,487**	107,871
		3,397,036	3,523,599
Assets classified as held for sale	7	**32,019**	–
		3,429,055	3,523,599

	NOTES	30.6.2018 HK$'000 (Unaudited)	31.12.2017 HK$'000 (Audited)
Current liabilities			
Trade and other payables	13	**1,637,485**	1,734,332
Contract liabilities		**13,459**	–
Amounts due to associates		**60,044**	60,939
Amounts due to joint ventures		**7,183**	4,030
Government grants		**729**	775
Warranty provision		**136,673**	139,091
Taxation payable		**2,679**	3,256
Borrowings		**1,392,610**	1,261,793
Obligation under a finance lease		**–**	22
		3,250,862	3,204,238
Liabilities associated with assets classified as held for sale	7	**6,165**	–
		3,257,027	3,204,238
Net current assets		**172,028**	319,361
Total assets less current liabilities		**2,449,196**	2,641,431
Non-current liabilities			
Government grants		**29,854**	30,225
Borrowings		**483,929**	488,091
Deferred tax liabilities		**22,230**	22,237
		536,013	540,553
Net assets		**1,913,183**	2,100,878
Capital and reserves			
Share capital		**436,900**	436,900
Reserves		**1,411,987**	1,597,229
Equity attributable to owners of the Company		**1,848,887**	2,034,129
Non-controlling interests		**64,296**	66,749
Total equity		**1,913,183**	2,100,878

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and the related interpretations.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2017**	**Reclassifications**	**Carrying amounts under HKFRS 15 at 1 January 2018**
		HK$'000	*HK$'000*	*HK$'000*
		(audited)		
Current Assets				
Trade and other receivables	a	2,923,476	(413,267)	2,510,209
Contract assets	a	–	422,790	422,790
Amounts due from associates	a	303,467	(9,523)	293,944
Current Liabilities				
Trade and other payables	b	1,734,332	(13,938)	1,720,394
Contract liabilities	b	–	13,938	13,938

Notes:

(a) At the date of initial application of HKFRS 15, retention receivable of HK$422,790,000 previously included in trade receivables and amounts due from associates were reclassified to contract assets.

(b) At the date of initial application of HKFRS 15, receipt in advance from customers of HK$13,938,000 in respect of sales contracts signed with customers previously included in other payables were reclassified to contract liabilities.

The application of HKFR15 has had no material impact on the Group's accumulated losses as at 1 January 2018.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impacts on the condensed consolidated statement of financial position as at 30 June 2018

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Current Assets			
Trade and other receivables	2,329,302	409,743	2,739,045
Contract assets	419,184	(419,184)	–
Amounts due from associates	266,904	9,441	276,345
Current Liabilities			
Trade and other payables	1,637,485	13,459	1,650,944
Contract liabilities	13,459	(13,459)	–

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Any difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

Reclassification from available-for-sale ("AFS") equity investments to financial assets at FVTOCI

The Group elected to present in OCI the fair value changes of its equity investment previously classified as available-for-sale, which is related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$5,144,000 were reclassified from available-for-sale investments to financial assets at FVTOCI, which is related to unquoted equity investments previously measured at cost less impairment under HKAS 39. No fair value adjustment relating to these unquoted equity investments previously carried at cost less impairment was adjusted to financial assets at FVTOCI and investments revaluation reserve as at 1 January 2018 because carrying value under HKAS 39 was not materially different from the fair value as at 1 January 2018.

The reclassification of AFS investments as at 31 December 2017 reconcile to the opening balances of financial assets at FVTOCI as at 1 January 2018 is as follows:

	AFS investments *HK$'000*	**Financial assets at FVTOCI** *HK$'000*
At 31 December 2017 (Audited)		
– HKAS 39	5,144	N/A
Reclassification	(5,144)	5,144
At 1 January 2018 (Unaudited)	–	5,144

Impairment under ECL model

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables and contract assets.

Loss allowance for other financial assets at amortised cost mainly comprise of other receivables, amounts due from associates and a joint venture, pledged bank deposits and bank balances, and are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised against accumulated losses as the estimated allowance under the ECL model was not significantly different to that under HKAS 39.

Except as disclosed above, the application of other amendments to HKFRSs and an interpretation in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

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

	1.1.2018 to 30.6.2018 *HK$'000*	1.1.2017 to 30.6.2017 *HK$'000* (Restated)
Continuing operations		
Sales of wind energy related products	**301**	391
Sales of electricity from operation of wind power field	**14,811**	12,911
Sales of energy storage and related products	**–**	2,755
	15,112	16,057

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 interim period, there were 5 reportable and operating segments namely Wind Energy Related Products, Operation of Wind Farm, Rare-Earth Permanent Magnet Motor ("REPM") Products, Energy Storage and Related Products and Telecommunication Products.

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

During the year ended 31 December 2017, the CODM reviewed the Group's business operation and considered REPM Products segment was discontinued. Therefore, it was no longer a reportable and operating segment of the Group. Details are described in note 7(b).

The comparative figures in the segment information have been restated to exclude Telecommunication Products and REPM Products operations.

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
Energy Storage and Related Products	–	Manufacture and sales of energy storage and related products by combining wind energy, solar energy and energy storage

Segment results represent the loss before taxation incurred by each segment, excluding finance costs, share of results of an associate and a joint venture which cannot be allocated, unallocated other income and corporate expenses such as central administration costs and directors' salaries. Share of losses of associates of HK$47,352,000 (1.1.2017 to 30.6.2017: HK$25,137,000) and share of profit of a joint venture of HK$3,796,000 (1.1.2017 to 30.6.2017: HK$1,219,000) are allocated to reportable segments. This is the measure reported to the Group's executive directors for the purposes of resources allocation and assessment of segment performance.

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

Six months ended 30 June 2018

	Wind Energy Related Products *HK$'000*	**Operation of Wind Farm** *HK$'000*	**Energy Storage and Related Products** *HK$'000*	**Consolidated** *HK$'000*
Continuing operations				
Turnover				
External sales	**301**	**14,811**	**–**	**15,112**
Result				
Segment result	**(114,252)**	**4,682**	**(6,171)**	**(115,741)**
Unallocated other income				**5,938**
Unallocated corporate expenses				**(45,081)**
Finance costs				**(40,944)**
Share of result of an associate				**(1,399)**
Share of result of a joint venture				**40,051**
Loss before taxation				**(157,176)**

Six months ended 30 June 2017 (Restated)

	Wind Energy Related Products *HK$'000*	Operation of Wind Farm *HK$'000*	Energy Storage and Related Products *HK$'000*	Consolidated *HK$'000* (Restated)
Continuing operations				
Turnover				
External sales	391	12,911	2,755	16,057
Result				
Segment result	(65,371)	9,695	230	(55,446)
Unallocated other income				5,446
Unallocated corporate expenses				(41,397)
Finance costs				(36,388)
Share of result of a joint venture				77,813
Loss before taxation				(49,972)

4. OTHER GAINS AND LOSSES

	1.1.2018 to 30.6.2018	1.1.2017 to 30.6.2017
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Loss on disposal of property, plant and equipment	**(8)**	(1)
Net exchange gain recognised	**7,331**	372
	7,323	371

5. IMPAIRMENT LOSS

	1.1.2018 to 30.6.2018	1.1.2017 to 30.6.2017
	HK$'000	*HK$'000*
Continuing operations		
Impairment loss recognised in respect of amount due from an associate	**30,156**	–
Impairment loss recognised in respect of trade receivables	**10,016**	11,315
	40,172	11,315

6. FINANCE COSTS

	1.1.2018 to 30.6.2018	1.1.2017 to 30.6.2017
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Interest on bank and other loans	**40,944**	36,388

7. DISCONTINUED OPERATIONS/ASSETS CLASSIFIED AS HELD FOR SALE

(a) During the period ended 30 June 2018, a subsidiary of the Company entered into an agreement with an independent third party in respect of the disposal of 51% interests of 航天科技通信電子技術(深圳)有限公司 ("深圳電子"). The disposal is expected to be completed within twelve months from the end of the current interim reporting period, the assets and liabilities of 深圳電子 have been presented separately in the condensed consolidated statement of financial position. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the Telecommunication Products operation as a discontinued operation.

The sale proceeds are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised.

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

	1.1.2018 to 30.6.2018 *HK$'000*	1.1.2017 to 30.6.2017 *HK$'000*
Loss for the period from discontinued operation	**(10,472)**	(5,783)

The results of Telecommunication Products operation for the current and preceding interim periods were as follows:

	1.1.2018 to 30.6.2018 *HK$'000*	1.1.2017 to 30.6.2017 *HK$'000*
Turnover	**5,731**	9,055
Cost of sales	**(8,680)**	(8,100)
Gross (loss) profit	**(2,949)**	955
Other income	**1,056**	1,057
Other gains and losses	**(393)**	(5)
Selling and distribution expenses	**(550)**	(1,126)
Administrative expenses	**(7,635)**	(6,633)
Finance costs	**(1)**	(3)
Loss before taxation	**(10,472)**	(5,755)
Taxation	**–**	(28)
Loss for the period	**(10,472)**	(5,783)

	1.1.2018 to 30.6.2018 *HK$'000*	1.1.2017 to 30.6.2017 *HK$'000*
Loss for the period attributable to:		
Owners of the Company	**(10,472)**	(5,783)

Loss for the period from discontinued operation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**286**	299
Amortisation of intangible assets	**1,511**	1,097
Gain on disposal of property, plant and equipment	**–**	(99)
Interest income from bank balances	**(3)**	(2)

Major classes of the assets and liabilities of 深圳電子 as at 30 June 2018 are as follows:

	HK$'000
Assets	
Property, plant and equipment	1,255
Intangible assets	8,048
Inventories	5,821
Trade and other receivables	16,535
Bank balances and cash	360
Total assets classified as held for sale	32,019
Liabilities	
Trade and other payables	6,165
Total liabilities associated with assets classified as held for sale	6,165

(b) 江蘇航天萬源科技有限公司 ("Jiangsu Energine"), which carried out the Group's REPM Products operation, was deemed disposed of during the year ended 31 December 2017. The Group continues to hold 37.14% equity interest of Jiangsu Energine after the deemed disposal and accounted for as an associate of the Group. Details of which were disclosed in note 10 of the Group's consolidated financial statements for the year ended 31 December 2017.

The loss for the period from the discontinued REPM Products operation for 1 January 2017 to 30 June 2017 were as follows:

	1.1.2017 to 30.6.2017 *HK$'000*
Loss for the period from discontinued operation	(1,538)

The results of REPM Products operation for the period from 1 January 2017 to 30 June 2017 were as follows:

	1.1.2017 to 30.6.2017 *HK$'000*
Turnover	8,434
Cost of sales	(7,366)
Gross profit	1,068
Other income	25
Other gains and losses	(5)
Selling and distribution expenses	(307)
Administrative expenses	(2,380)
Loss before taxation	(1,599)
Tax credit	61
Loss for the period	(1,538)

	1.1.2017 to 30.6.2017 *HK$'000*
Loss for the period attributable to:	
Owners of the Company	(571)
Non-controlling interests	(967)
	(1,538)

Loss for the period from discontinued operation has been arrived at after charging (crediting):	
Depreciation of property, plant and equipment	106
Interest income from bank balances	(21)

8. LOSS BEFORE TAXATION

	1.1.2018 to 30.6.2018 *HK$'000*	1.1.2017 to 30.6.2017 *HK$'000* (Restated)
Loss before taxation from continuing operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**16,062**	13,410
Amortisation of intangible assets	**15,051**	10,609
Interest income from		
– advance to a joint venture	**(1,495)**	(1,378)
– advance to an associate	**(716)**	–
– bank balances	**(223)**	(485)

9. TAXATION

	1.1.2018 to 30.6.2018 *HK$'000*	1.1.2017 to 30.6.2017 *HK$'000* (Restated)
The tax charge comprises:		
PRC Enterprise Income Tax ("EIT")		
Current period	**1,774**	1,127
Underprovision in prior years	**532**	898
	2,306	2,025
Deferred taxation charge	**218**	346
	2,524	2,371

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

Taxation arising in the PRC is recognised based on EIT rate of 25% (1.1.2017 to 30.6.2017: 25%) for the six months ended 30 June 2018.

10. DIVIDENDS

No dividend was paid or declared for the six months ended 30 June 2018 and 2017. The directors do not recommend the payment of an interim dividend for the interim period.

11. LOSS PER SHARE – BASIC

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

	1.1.2018 to 30.6.2018 *HK$'000*	1.1.2017 to 30.6.2017 *HK$'000* (Restated)
From continuing operations		
Loss for the period attributable to owners of the Company	**(168,223)**	(52,281)
Add: Loss for the period from discontinued operations	**10,472**	6,354
Loss for the purpose of basic loss per share from continuing operations	**(157,751)**	(45,927)

	Number of shares 2018	2017
Weighted average number of shares for the purpose of basic loss per share	**4,368,995,668**	4,368,995,668

	1.1.2018 to 30.6.2018 *HK$'000*	1.1.2017 to 30.6.2017 *HK$'000* (Restated)
From continuing and discontinued operations		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(168,223)**	(52,281)

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

From discontinued operations

Basic loss per share for the discontinued operations is HK$0.24 cent per share (1.1.2017 to 30.6.2017: HK$0.15 cent per share), based on the loss for the period from the discontinued operations attributable to owners of the Company of HK$10,472,000 (1.1.2017 to 30.6.2017: HK$6,354,000) and the denominators detailed above for basic loss per share.

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

12. TRADE AND OTHER RECEIVABLES

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
Trade receivables	**1,103,886**	1,612,727
Bills receivables	**1,086,481**	1,077,506
Total trade and bills receivables	**2,190,367**	2,690,233
Other receivables	**138,935**	233,243
Trade and other receivables	**2,329,302**	2,923,476

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 including HK$2,440,000 which have been classified as part of assets classified as held for sale as at 30 June 2018, net of allowances, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
Within 30 days	**2,927**	149,431
Between 31 and 90 days	**6,913**	7,804
Between 91 and 180 days	**3,269**	2,917
Between 181 and 365 days	**106,431**	712
Over 1 year	**986,786**	1,451,863
	1,106,326	1,612,727

The Group's bills receivables of HK$62,863,000 (31.12.2017: HK$63,404,000) are aged within one year and HK$1,023,618,000 (31.12.2017: HK$1,014,102,000) are aged over 1 year, respectively, based on invoice dates at the end of the reporting period.

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$1,148,657,000 (31.12.2017: HK$1,237,354,000). The following is an ageing analysis of trade payables including HK$5,346,000 which have been classified as part of liabilities associated with assets classified as held for sale based on the invoice dates at the end of each reporting period:

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
Within 30 days	**4,037**	218,321
Between 31 and 90 days	**9,539**	15,368
Between 91 and 180 days	**28,719**	227,626
Between 181 and 365 days	**248,501**	163,222
Over 1 year	**863,207**	612,817
	1,154,003	1,237,354

BUSINESS REVIEW

Results Summary

For the six months ended 30 June 2018 (the "Period"), the Group's turnover of continuing operations amounted to HK$15.11 million as compared to HK$16.06 million for the same period of 2017, representing a decrease by HK$950,000. Turnover for the Period comprised sale of wind energy related products amounting to HK$300,000, sale of electricity generated from wind farm amounting to HK$14.81 million and no sale of energy storage and related products, compared to turnover for the same period last year which comprised sale of wind energy related products amounting to HK$390,000, sale of electricity generated from wind farm amounting to HK$12.91 million and sale of energy storage and related products amounting to HK$2.76 million.

Loss for the Period from continuing operations attributable to owners of the Company amounted to HK$157.75 million, as compared to loss attributable to owners of the Company for the same period of 2017 amounting to HK$45.93 million. The increase in loss attributable to owners of the Company was primarily due to: (1) unsatisfactory operating results recorded by an associate of the Group (the "Associate") affected by the State's policies on wind energy industry, resulting in an increase in loss shared from the Associate to the Group for the Period of approximately HK$11.73 million as compared to the same period last year; as well as a lawsuit against the Associate for default of a bank loan, thus an independent professional valuer was engaged by the management for conducting assessment on the interest in the Associate held by the Group and the recoverability of trade receivables from the Associate. Based on the valuation report on the Associate, with basis date on 30 June 2018, by the independent professional valuer, share of losses of associates representing impairment loss in respect of certain underlying assets of the Associate held by the Group of approximately HK$18.25 million and impairment loss in respect of amount due from the Associate of approximately HK$30.16 million were recognised by the Group; and (2) a decrease in profit of a joint venture attributable to the Group for the Period of approximately HK$37.76 million as compared to the same period last year.

Business of Wind Turbine

To direct wind power operators towards more rational investments, provide supervision over local administrations regarding improvements in the environment for developing, constructing and investing in wind power, and procure sustained healthy development of the wind power sector, the National Energy Administration published the "Notice on the Publication of Results of Wind Power Investment Monitoring and Alert in 2018" (Guo Neng Fa Xin Neng 2018 No. 23) in March 2018, to redesignate Inner Mongolia and Heilongjiang as orange alert regions and Ningxia as a green alert region versus previous red-alert designations for these autonomous regions and provinces, indicating improved sentiments for the wind power sector. Nevertheless, the Group's projects in Gansu, Jilin and other regions remaining under the red alert continued to be affected. The Group's wind turbine business continued to face big challenges during the first half of 2018.

Confronted by a challenging market environment, the Group continued to actively optimise the distribution of its wind power resources with active efforts, as it developed sound partnerships with provinces (autonomous regions) such as Inner Mongolia, Hebei, Henan, Shanxi, Anhui and Shandong. Currently, we are implementing Damaoqi Project Phase II and Sanruili Project in Inner Mongolia, in a bid to provide assurances in terms of market for the sustained development of our wind power business.

The Group was also making vigorous efforts to identify opportunities for its international business in Eastern Europe, Southeast Asia and other regions in active response to the "Belt and Road" initiative of the State. As part of our effort to expand our business in the international market, we are currently advancing new energy projects in Canada and the Philippines.

In the meantime, in addition to ongoing efforts to cement cooperation with existing longstanding partners, the Group has also been actively driving strategic cooperation with potential partners for joint development of wind power projects and project information sharing. In the first half of 2018, the Group has entered into framework agreements for strategic cooperation with 5 central state-owned enterprises (including their subsidiaries) for a joint effort to advance the development of the new energy business leveraging their respective strengths. Elsewhere, following the completion of investigations into wind resources available in Heilongjiang province, a strategic cooperation agreement has been signed with a relevant electric power design institute for joint development of wind power projects in the province.

In light of the changes in the State's policies, industrial landscape and intensive market competition, the Group has conducted diligent studies on the State's policies and industry trends under the guidance of its strategies and enhanced its product competitiveness while expediting procurement of new orders and process of outstanding orders. The Group is also investigating paths for future development to identify new niches for profit growth.

Research and Development of Technology

On top of importing and learning foreign technologies, the Group has also persisted in independent research and development of technologies. In this connection, we have completed the research and design for models such as 1.5MW excitation magnetic direct-drive wind turbines, 2MW excitation magnetic direct-drive wind turbines and 2MW/3MW permanent magnetic direct-drive wind turbines, in a move to further improve the performance of the units and enrich our product portfolio. We have also completed technology approval, research design and preparations for large-scale production in connection with the 2MW excitation magnetic/permanent magnetic wind power unit platform.

The Group completed technology approval and product research and development for all-steel flexible tower technologies and hybrid tower structure technology suitable for the areas with low wind speed and high shear wind resources, with a view to active development of wind farms under low wind speeds. In the meantime, to cope with market competition, we have also commenced the development of optimised design for product adaptability, aiming to lower product costs with the application of relevant technologies.

In connection with product certification, the Group completed the certification of Model 117 2MW low wind speed excitation magnetic direct-drive wind turbines and Model 110 2MW permanent magnetic direct-drive wind turbines, as well as low-voltage ride-through tests for the three configurations of Model 117 2MW excitation magnetic direct-drive wind turbines, during the first half of 2018.

In respect of the research and development of core technologies, the Group commenced the a research and development of the electronic wind turbine control system with proprietary intellectual rights conducted on the back of its independently developed core wind turbine technologies and completed related factory tests and operation tests at wind farms to achieve further enhancements in performance. On top of independently completing the fabrication and simulation test of the external controller matching the autonomous control system of 2MW excitation magnetic/permanent magnetic and 3MW permanent magnetic wind turbines, we optimised our control strategy through operation tests and attained continuous running in actual application for prolonged periods without breakdown.

The Group implemented detailed management of research and development in 2018 with formulation of the "Rules for Product Research and Development Process Control". Control of details were implemented on all fronts from overall planning, assessment of wind resources, load calculation, control optimisation to sub-system design. The precision of technology research and development was enhanced with the employment of coordinated design platform. The accreditation of our management systems for version updates was successfully completed as our quality, environment and occupational health and safety management systems passed the audit for accreditation again this year and fulfilled the requirements of pertinent laws and regulations in terms of compliance with the designated accreditation standards and effectiveness. In connection with the management of intellectual property rights, we obtained 2 invention patents and 4 utility model patents during the first half of 2018. To date, the Company has obtained 96 valid patents, including 11 invention patents, 83 utility model patents, 2 design patents and 21 computer software copyright registrations.

The Group places a strong emphasis on the research of foundational technologies and have commenced foundational research such as analysis and simulation research on the loading capacity of the main axis system of the wind power unit and research on the application of lidar in increasing the power generation volume of the wind power unit.

Wind Farm Operations

The wind farms operated by the Group include the CASC Long Yuan (Benxi) wind farm in which the Group holds controlling interests, providing a capacity of 24,650KW with 29 sets of 850KW wind turbines, as well as three wind farms invested and constructed by the Group: the Jilin Longyuan Tongyu wind farm providing a capacity of 200,000KW with 236 sets of 850KW wind turbines; the Jiangsu Longyuan Rudong wind farm providing a capacity of 150,000KW with 100 sets of 1.5MW wind turbines; and the Inner Mongolia Datang Wanyuan Xinghe wind farm providing a capacity of 49,500KW with 55 sets of 900KW direct-drive wind turbines. Contributions from the aforesaid wind farm operations has been relatively stable. The segment revenue of the wind farm business for the first half of 2018 amounted to approximately HK$14.81 million, increasing by approximately HK$1.90 million compared to the same period last year.

Energy Storage Business

Whilst making intensive efforts to develop wind energy technology, the Group also drives the development of the energy storage business and dedicates itself to the research, development and application of graphene and energy storage technologies in response to the development of clean energy vigorously promoted by the State. The Group is conducting in-depth research on national policy directions and developments in the energy storage sector, while identifying a meeting point where a viable commercial model for the energy storage business can be developed using existing battery technologies. Regarding graphene manufacturing, the Company will continue to develop low-cost graphene manufacturing technologies and seek to expand the scope of application of the material subject to stable demand and supply in the market.

Business of Automotive Engine Management Systems

Beijing Delphi Wan Yuan Engine Management Systems Co., Ltd, a joint venture of the Group, is a major supplier in the domestic automotive electronic fuel injection market. For the first half of 2018, its operating results declined owing to market competition, and its profit contribution to the Group was approximately HK$40.05 million, decreasing by approximately HK$37.76 million as compared to the same period last year.

PROSPECTS

According to the "13th Five-Year Planning ("FYP") for the Development of Renewable Energy" announced by the National Development and Reform Commission in December 2016, new investments in China's renewable energy sector during the "13th FYP" period will reach RMB2,500 billion, representing growth of close to 39% over the "12th FYP" period. The incremental energy supply during the "13th FYP" period will be predominantly low-carbon clean energy. By 2020, the aggregate installed capacity of power generation using renewable energy will amount to 680 million KW, supplying 1,900 billion KWh of electricity or 27% of the total volume of the nation's power generation. This should include an installed capacity of on-grid wind power of 210 million KW or above, implying an average annual growth of 20 million KW in installed capacity. In connection with the consumption of clean energy, plans were made at the 2018 National Energy Working Conference to reduce the volume of hydropower, wind power and photovoltaic power curtailment and the power limitation ratio year by year, aiming to have the issue fundamentally solved nationwide by 2020. This will effectively enhance the value of wind power projects and broaden its scope of development.

In May 2018, the National Energy Administration issued the "Notice on Requirements relating to Wind Power Construction and Management in 2018" (Guo Neng Fa Xin Neng 2018 No. 47), aiming to facilitate qualitative development of the wind power sector and reduce subsidies per KWh. Such policy will deal a blow to the intermediary segments of the industry, eliminate non-technology-related costs, expedite the process of removing low-quality operations, and drive technological progress. Meanwhile, it also indicates that, going forward, wind power project development in China will be subject to competition on the basis of cost per KWh.

In view of changing characteristics of competition in the industry, the Group will increase its investment in the research and development of technology to optimise its technical conditions and enhance the performance indicators and reliability of its wind turbines, while employing a broader range of product development approaches to facilitate more refined designs. Efforts will also be made to strengthen cooperation with peers to fulfill specific requirements of users and provide system solutions to customers.

The Group will also actively acquire resources, expedite its project implementation, and endeavour translate such efforts into business orders. Meanwhile, we will strengthen policy research and the analysis of industry development trends to adapt to market changes, while enhancing our ability and effort in market development to provide a solid foundation for winning more orders in the second half of the year.

In connection with the energy storage business, the "Guidelines for Energy Work in 2018" (《2018年能源工作指導意見》) announced by the National Energy Administration in March 2018 has called for implementation of the requirement of producing "clean, low-carbon, safe and efficient" energy on all frontiers and in all segments of energy development in a full effort to drive the transformation of energy development in the new era. The Group will conduct in-depth research on national policy directions and developments in the energy storage sector and seek to advance the development of its energy storage business in a viable commercial model. In the meantime, we will also enhance research and development on the manufacturing of graphene and its low-cost application on battery materials.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2018, the Group had 23 employees (31 December 2017: 24 employees) at the Hong Kong head office and 485 employees (31 December 2017: 559 employees) at the Mainland China offices. The staff costs incurred for the six months ended 30 June 2018 was approximately HK$36.83 million (for the six months ended 30 June 2017: approximately HK$38.46 million). Remuneration of employee is determined according to individual employee's performance and the prevailing trends in different areas and reviewed on an annual basis. The Group also provides Mandatory Provident Fund and medical insurance to its employees. In addition, performance-based bonus is available at the discretion of the Directors.

FINANCIAL REVIEW

Group Finance

In December 2014, the Group conducted a placing of existing shares and subscription for new shares of 400 million shares at a placing price of HK$0.75 per share (versus the closing price of HK$0.91 per share as quoted on the Stock Exchange on the last trading day (being 15 December 2014)), raising net proceeds of approximately HK$291 million which were to be used mainly as general working capital and to finance energy storage projects, including the development of wind and solar power storage integration and electric vehicles, while improving the Group's capital structure and increasing its market capitalisation. The placing shares were placed to no less than six placees who were individual, institutional or professional investors and whose ultimate beneficial owners were (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 August 2018, the fund had been used to the extent of HK$225.58 million, comprising HK$175 million as working capital of the wind energy business for the purchase of wind turbine materials, HK$20.00 million as working capital of the telecommunication business, and dividend distribution of HK$30.58 million.

Liquidity and Financial Resources

Total borrowings of the Group as at 30 June 2018 amounted to HK$1,876,539,000 (31 December 2017: HK$1,749,884,000), of which HK$109,489,000 (31 December 2017: HK$169,570,000) was subject to floating interest rates, while the remainder was subject to fixed interest rates. All borrowings of the Group were incurred at market interest rates. The Group has not issued any financial instruments for hedging or other purposes. An amount of HK$1,612,857,000 (2017: HK$1,424,795,000) out of the total borrowings of the Group was from China Academy of Launch Vehicle Technology ("CALT"), an intermediate holding company of the Company, and Aerospace Science and Technology Finance Co. Ltd., a fellow subsidiary of CALT.

Gearing ratio (total borrowings over equity attributable to owners of the Company) as at 30 June 2018 was 101% (31 December 2017: 86%).

TRADE AND OTHER RECEIVABLES

As at 30 June 2018, trade and other receivables from continuing operations was HK$2,329,302,000, and retention receivables for the sales of wind turbines and energy storage and related products to third parties of HK$409,743,000 for the current period was reclassified as "contract assets" in accordance with HKFRS 15. As at 31 December 2017, trade and other receivables was HK$2,923,476,000, which included retention receivables for the sales of wind turbines and energy storage and related products to third parties of HK$413,267,000.

Impairment loss of HK$10,016,000 in respect of trade receivables was recognised for the current period (same period in 2017: HK$11,315,000).

Pledge of Assets

At 30 June 2018, certain assets of the Group valued at HK$62,000 (31 December 2017: HK$63,000) were pledged to banks to secure bank financing.

Exchange and Other Exposures

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

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2018 (31 December 2017: nil).

CORPORATE GOVERNANCE

Corporate Governance Code

The Group has complied with all code provisions as set out in the Corporate Governance Code in Appendix 14 of the Listing Rules for the six-month period ended 30 June 2018.

Model Code for Securities Transactions by Directors

Throughout the six-month period ended 30 June 2018, the Group has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Group by the Directors. Having made specific enquiry, all the Directors confirmed that they have complied with the Model Code.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "Audit Committee") comprises all of three Independent Non-executive Directors, Ms. Kan Lai Kuen, Alice (Chairman of the Audit Committee), Mr. Gordon Ng and Mr. Li Dapeng. The Audit Committee has reviewed the unaudited interim financial statements for six months ended 30 June 2018. Deloitte Touche Tohmatsu, the Group's external auditor, has carried out a review of the unaudited interim financial statements for the six months ended 30 June 2018 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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 2018.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT

This interim results announcement is available for viewing on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.energine.hk) and the interim report for the six months ended 30 June 2018 of the Company containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

By Order of the Board
Liu Xiaowei
Chairman

Hong Kong, 30 August 2018

As at the date hereof, the Board of the Company comprises Mr. Liu Xiaowei (Chairman), Mr. Wang Xiaodong (Vice-Chairman), Mr. Li Guang and Mr. Xu Jun as Executive Directors, and Ms. Kan Lai Kuen, Alice, Mr. Gordon Ng and Mr. Li Dapeng as Independent Non-executive Directors.

* *for identification purposes only*