CHINA ENERGINE

From Engine to New Energy

CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

中國航天萬源國際(集團)有限公司*

Stock Code : 1185

2018
INTERIM REPORT

* For identification purpose only

CORPORATE CULTURE

Mission

Devoted to new energy　Contributing to society　Benefiting mankind

Target

Pursuing excellence　Leading development of new energy

Value

Leveraging talents to full play　Win-win in harmony

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS	*Executive Directors* Mr. Liu Xiaowei *(Chairman)* Mr. Wang Xiaodong *(Vice-Chairman)* Mr. Li Guang *(Chief Executive Officer)* Mr. Xu Jun *Independent Non-executive Directors* Ms. Kan Lai Kuen, Alice Mr. Gordon Ng Mr. Li Dapeng
AUDIT COMMITTEE	Ms. Kan Lai Kuen, Alice *(Chairman)* Mr. Gordon Ng Mr. Li Dapeng
REMUNERATION COMMITTEE	Mr. Gordon Ng *(Chairman)* Mr. Li Guang Ms. Kan Lai Kuen, Alice Mr. Li Dapeng
NOMINATION COMMITTEE	Mr. Liu Xiaowei *(Chairman)* Mr. Xu Jun Ms. Kan Lai Kuen, Alice Mr. Gordon Ng Mr. Li Dapeng
DEVELOPMENT AND INVESTMENT COMMITTEE	Mr. Liu Xiaowei *(Chairman)* Mr. Wang Xiaodong Mr. Li Guang Mr. Xu Jun Mr. Li Dapeng
COMPANY SECRETARY	Ms. Luo Xiao Jing
REGISTERED OFFICE	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS	Suite 4701, 47/F, Central Plaza 18 Harbour Road Wanchai, Hong Kong
AUDITOR	Deloitte Touche Tohmatsu 35/F, One Pacific Place 88 Queensway, Hong Kong
PRINCIPAL SHARE REGISTRAR	SMP Partners (Cayman) Limited 3/F, Royal Bank House 24 Shedden Road, P.O. Box 1586 Grand Cayman KY1-1110 Cayman Islands
BRANCH SHARE REGISTRAR	Tricor Standard Limited Share Registration Public Office Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong
PRINCIPAL BANKERS	Bank of Communications Company Limited Agricultural Bank of China Industrial and Commercial Bank of China Limited Bank of China Limited
LEGAL ADVISERS	Sit, Fung, Kwong & Shum Conyers Dill & Pearman
WEBSITE	www.energine.hk
E-MAIL ADDRESS	energine@energine.hk
STOCK CODE	1185

BUSINESS REVIEW

On behalf of the Board of Directors, the business performance of China Energine International (Holdings) Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the first half of 2018 is summarised in the following paragraphs.

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"), the controlling shareholder of the Company, and Aerospace Science and Technology Finance Co. Ltd., a fellow subsidiary of CALT.

Gearing ratio (total borrowings over equity attributable to owners of the Company) as at 30 June 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).

ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Board of the Company did not recommend any interim dividend for the six months ended 30 June 2018 (same period in 2017: Nil).

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

As at 30 June 2018, none of the Directors and chief executives of the Company or their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO), or to be recorded in the register required to be maintained pursuant to Section 352 of the SFO, or otherwise to be notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six-month period ended 30 June 2018 was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangements to enable the Directors of the Company or their associates (as defined in the Listing Rules) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, the following persons (other than any directors or chief executives of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) and had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO:

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

Notes:

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

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

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

Save as disclosed above, the Company has not been notified of any other persons (other than any directors or chief executives of the Company) who had an interest or a short position in the Shares, underlying Shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO as at 30 June 2018.

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.

CHANGE IN DIRECTORSHIP

As disclosed in the Company's annual report for the year ended 31 December 2017, Mr. Han Shuwang was re-designated from an Executive Director to a Non-executive Director of the Company with effect from 14 February 2018, and afterwards resigned as the Chairman of the Company, the Non-executive Director, the Chairman of the Nomination Committee and the Chairman of the Development and Investment Committee on 29 March 2018; Mr. Liu Xiaowei was re-designated from a Non-executive Director to an Executive Director of the Company with effect from 29 March 2018. Meanwhile, he was appointed as the Chairman of the Company, the Chairman of the Nomination Committee and the Chairman of the Development and Investment Committee, and ceased to be a member of the Audit Committee.

CHANGE IN INFORMATION OF DIRECTOR

Since the publication of the Company's annual report for the year ended 31 December 2017, Ms. Kan Lai Kuen, Alice, an Independent Non-executive Director, has retired as an independent non-executive director of Shougang Concord International Enterprises Company Limited (a company listed on the Stock Exchange) with effect from 18 May 2018; Mr. Gordon Ng, an Independent Non-executive Director, was appointed as an independent non-executive director of ZTE Corporation (a company listed on the Stock Exchange and The Shenzhen Stock Exchange) with effect from 29 June 2018.

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

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six-month period ended 30 June 2018.

By Order of the Board
Liu Xiaowei
Chairman

Hong Kong, 30 August 2018

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF
CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Energine International (Holdings) Limited (the "Company") and its subsidiaries set out on pages 19 to 68, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 August 2018

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)
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)

	NOTE	1.1.2018 to 30.6.2018 HK$'000 (Unaudited)	1.1.2017 to 30.6.2017 HK$'000 (Unaudited) (Restated)
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**	31.12.2017
		HK$'000	*HK$'000*
		(Unaudited)	*(Audited)*
Non-current assets			
Investment properties	12	**148,262**	149,538
Property, plant and equipment	12	**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	17(ii)(b)(1)	**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	13	**2,329,302**	2,923,476
Contract assets		**419,184**	–
Amounts due from associates	17(ii)(a)	**266,904**	303,467
Amount due from a joint venture	17(ii)(b)(2)	**24,981**	25,196
Pledged bank deposits	14	**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	31.12.2017
		HK$'000	HK$'000
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	15	1,637,485	1,734,332
Contract liabilities		13,459	–
Amounts due to associates	17(ii)(a)	60,044	60,939
Amounts due to joint ventures	17(ii)(b)(3)	7,183	4,030
Government grants		729	775
Warranty provision		136,673	139,091
Taxation payable		2,679	3,256
Borrowings	16, 17(i)(a)	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	16, 17(i)(a) & 17(i)(b)(1)	483,929	488,091
Deferred tax liabilities		22,230	22,237
		536,013	540,553
Net assets		1,913,183	2,100,878

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to the owners of the Company									
	Share capital	Special reserve	Share premium	Property revaluation reserve	Exchange reserve	Other reserves	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note a)				(Note b)				
At 1 January 2018 (audited)	436,900	86,971	2,732,397	1,399	191,498	107,100	(1,522,136)	2,034,129	66,749	2,100,878
Loss for the period	–	–	–	–	–	–	(168,223)	(168,223)	(1,949)	(170,172)
Exchange differences arising on translation to presentation currency	–	–	–	–	(17,019)	–	–	(17,019)	(504)	(17,523)
Total comprehensive expense for the period	–	–	–	–	(17,019)	–	(168,223)	(185,242)	(2,453)	(187,695)
Transfer	–	–	–	–	–	76	(76)	–	–	–
At 30 June 2018 (unaudited)	436,900	86,971	2,732,397	1,399	174,479	107,176	(1,690,435)	1,848,887	64,296	1,913,183

	Attributable to the owners of the Company									
	Share capital *HK$'000*	Special reserve *HK$'000* (Note a)	Share premium *HK$'000*	Property revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Other reserves *HK$'000* (Note b)	Accumulated losses *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2017 (audited)	436,900	86,971	2,732,397	1,399	46,028	102,887	(1,281,677)	2,124,905	85,258	2,210,163
Loss for the period	–	–	–	–	–	–	(52,281)	(52,281)	(7,383)	(59,664)
Exchange differences arising on translation to presentation currency	–	–	–	–	47,010	–	–	47,010	2,061	49,071
Total comprehensive income (expense) for the period	–	–	–	–	47,010	–	(52,281)	(5,271)	(5,322)	(10,593)
Dividend paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	(1,169)	(1,169)
Transfer	–	–	–	–	–	633	(633)	–	–	–
At 30 June 2017 (unaudited)	436,900	86,971	2,732,397	1,399	93,038	103,520	(1,334,591)	2,119,634	78,767	2,198,401

Notes:

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	1.1.2018 to 30.6.2018	1.1.2017 to 30.6.2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Net cash used in operating activities	**(3,129)**	(118,867)
Investing activities		
Repayment from an associate	**1,186**	–
Interest received	**992**	1,886
Proceeds from disposal of property, plant and equipment	**32**	251
Payment of intangible assets	**(15,605)**	(5,431)
Purchase of property, plant and equipment	**(3,857)**	(2,128)
Withdrawal of pledged bank deposits	**–**	2,241
Net cash used in investing activities	**(17,252)**	(3,181)
Financing activities		
New other loans raised	**354,407**	149,783
Repayment of other loans	**(154,193)**	(149,783)
Repayment of bank loans	**(60,000)**	(60,000)
Interest paid	**(40,945)**	(36,391)
Repayment of obligation under a finance lease	**(22)**	(64)
New bank loans raised	**–**	83,044
Dividend paid to non-controlling interests of a subsidiary	**–**	(1,169)
Net cash from (used in) financing activities	**99,247**	(14,580)

	1.1.2018 to 30.6.2018 HK$'000 (Unaudited)	1.1.2017 to 30.6.2017 HK$'000 (Unaudited)
Net increase (decrease) in cash and cash equivalents	**78,866**	(136,628)
Cash and cash equivalents at beginning of the period	**107,871**	241,667
Effect of foreign exchange rate changes	**(890)**	7,250
Cash and cash equivalents at end of the period	**185,847**	112,289
Represented by:		
Bank balances and cash	**185,487**	112,289
Bank balances and cash included in assets classified as held for sale	**360**	–
	185,847	112,289

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 recognises revenue from the following major sources:

- Sales of wind energy related products
- Sales of electricity from operation of wind power field
- Sales of energy storage and related products

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.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts of wind energy related products that contain more than one performance obligations (including sales of goods, technical and training services and rights to purchase certain amounts of spare parts at a discount), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct goods or services underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised goods or services separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

2.1.2 Summary of effects arising from initial application of HKFRS 15

Below illustrates the impacts of applying HKFRS 15 on the Group's condensed consolidated financial statements:

- For contracts of sales of wind energy related products that have multiple deliverables (including sales of product, technical and training services and rights to purchase certain amounts of spare parts at a discount), revenue is recognised for each of these performance obligations when control over the corresponding goods or services is transferred to the customers. According to HKFRS 15, the transaction price is allocated to the different performance obligations on a relative stand-alone selling price basis. The revenue relating to the undelivered elements of the arrangements is deferred until delivery of these elements. The directors of the Company consider the impact of adopting of HKFRS 15 to revenue in relation to the undelivered elements for the six months ended 30 June 2018 is not material to the Group.

- For contracts of sales of wind energy related products and energy storage and related products that contain warranties, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as the directors of the Company consider these are assurance-type warranties.

- For sales of electricity from operation of wind energy field, revenue is recognised based on the electricity transmitted dates. The directors of the Company have not identified any separate performance obligations other than the transmission of electricity to the state grid company.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

2.1.2 Summary of effects arising from initial application of HKFRS 15 *(Continued)*

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The application of HKFRS 15 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. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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".

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, contract assets, amounts due from associates and a joint venture, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are made based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Measurement and recognition of ECL (Continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and amounts due from associates, where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

2.2.2 Summary of effects arising from initial application of HKFRS 9

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 investments 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 investment 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

2.2.2 *Summary of effects arising from initial application of HKFRS 9* *(Continued)*

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

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	**Financial assets at FVTOCI**
	HK$'000	*HK$'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 relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

2.2.2 *Summary of effects arising from initial application of HKFRS 9* *(Continued)*

Impairment under ECL model (Continued)

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.

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017	HKFRS 15	HKFRS 9	1 January 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
AFS investments	5,144	–	(5,144)	–
Financial assets at FVTOCI	–	–	5,144	5,144
Current assets				
Trade and other receivables	2,923,476	(413,267)	–	2,510,209
Contract assets	–	422,790	–	422,790
Amounts due from associates	303,467	(9,523)	–	293,944
Current liabilities				
Trade and other payables	1,734,332	(13,938)	–	1,720,394
Contract liabilities	–	13,938	–	13,938

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	1.1.2017 to 30.6.2017
	HK$'000	*HK$'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

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

Information reported to the Group's executive directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the 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).

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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.

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

Six months ended 30 June 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)

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2017 (Restated)

	Wind Energy Related Products	Operation of Wind Farm	Energy Storage and Related Products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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 HK$'000	1.1.2017 to 30.6.2017 HK$'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 HK$'000	1.1.2017 to 30.6.2017 HK$'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.

7. DISCONTINUED OPERATIONS/ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

(a) *(Continued)*

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	1.1.2017 to 30.6.2017
	HK$'000	*HK$'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	1.1.2017 to 30.6.2017
	HK$'000	*HK$'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)

7. DISCONTINUED OPERATIONS/ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

(a) *(Continued)*

	1.1.2018 to 30.6.2018	1.1.2017 to 30.6.2017
	HK$'000	*HK$'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)

7. DISCONTINUED OPERATIONS/ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

(a) *(Continued)*

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

During the period ended 30 June 2018, Telecommunications Products operation contributed to the Group's net operating cash inflow of HK$4,281,000 (1.1.2017 to 30.6.2017: HK$7,832,000), net investing cash outflow of HK$5,272,000 (1.1.2017 to 30.6.2017: net investing cash inflow of HK$45,000) and net financing cash outflow of HK$23,000 (1.1.2017 to 30.6.2017: HK$67,000).

Additions of property, plant and equipment relating to Telecommunications Products operation amounted to HK$460,000 (1.1.2017 to 31.12.2017: HK$208,000) for the period ended 30 June 2018.

7. DISCONTINUED OPERATIONS/ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

(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 from 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)

7. DISCONTINUED OPERATIONS/ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

(b) *(Continued)*

	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)

During the period ended 30 June 2017, REPM products operation contributed to the Group's net operating cash inflow of HK$508,000 and net investing cash outflow of HK$288,000.

Additions of property, plant and equipment relating to REPM Products operation amounted to HK$309,000 for the period ended 30 June 2017.

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	1.1.2017 to 30.6.2017
	HK$'000	*HK$'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

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

	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. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group paid approximately HK$3,857,000 (1.1.2017 to 30.6.2017: HK$2,128,000) on acquisition of property, plant and equipment.

The Group also disposed of certain property, plant and equipment with an aggregate carrying amount of HK$40,000 (1.1.2017 to 30.6.2017: HK$153,000) for cash proceeds of HK$32,000 (1.1.2017 to 30.6.2017: HK$251,000), resulting in loss on disposal of HK$8,000 (1.1.2017 to 30.6.2017: gain on disposal of HK$98,000).

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES *(Continued)*

Property, plant and equipment of HK$1,255,000 as at 30 June 2018 have been reclassified as assets classified as held for sale as shown in note 7(a).

The fair value of the Group's investment properties as at 30 June 2018 was determined by the directors of the Company. The valuation performed by the directors of the Company was arrived at by reference to recent market prices for similar properties in the PRC. No fair value gain or loss has been recognised for the investment properties in the current period (1.1.2017 to 30.6.2017: nil).

13. 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

Included in trade receivables at 31 December 2017 were retention receivables for the sales of wind turbines and energy storage and related products to third parties of HK$413,267,000. The balances will be settled upon the completion of warranty period of 1 to 5 years of which HK$411,528,000 will be settled after one year from the end of the reporting period. In the current interim period, retention receivables are reclassified as "Contract assets" under HKFRS 15.

13. TRADE AND OTHER RECEIVABLES *(Continued)*

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 ageing 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.

Included in the Group's other receivables at 30 June 2018 are deposits for purchases of inventories in the PRC of HK$75,315,000 (31.12.2017: HK$113,139,000), value added tax recoverable of HK$8,953,000 (31.12.2017: HK$9,452,000). Included in other receivables at 31 December 2017 was bills receivables of HK$71,180,000 in relation to the settlement of dividend receivable from a joint venture.

Trade and other receivables of HK$16,535,000 as at 30 June 2018 have been reclassified as assets classified as held for sale as shown in note 7(a).

14. PLEDGED BANK DEPOSITS

Included in the Group's pledged bank deposits are bank deposits amounting to HK$62,000 (31.12.2017: HK$63,000) pledged to banks to secure short-term general banking facilities granted to the Group and are therefore classified as current assets.

15. 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

Included in the Group's other payables at 30 June 2018 are bills payables of HK$382,275,000 (31.12.2017: HK$355,771,000) and consideration payable for the acquisition of a subsidiary of HK$12,910,000 (31.12.2017: HK$13,021,000). Included in other payables at 31 December 2017 were receipt in advance from customers of HK$13,938,000 under HKAS 39.

Trade and other payables of HK$6,165,000 as at 30 June 2018 have been reclassified as liabilities associated with assets classified as held for sale as shown in note 7(a).

16. BORROWINGS

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
Short-term bank loans (Note a)	**254,193**	315,519
Short-term other loans (Note a)	**841,892**	647,199
Short-term portion of shareholder's loans (Note b)	**296,525**	299,075
Long-term portion of shareholder's loans (Note b)	**474,440**	478,521
Long-term other loan (Note c)	**9,489**	9,570
	1,876,539	1,749,884
Less: Amount due within one year under current liabilities	**(1,392,610)**	(1,261,793)
Amount due after one year	**483,929**	488,091
The maturity of the Group's borrowings is as follows:		
Within one year	**1,392,610**	1,261,793
Between two to five years	**483,929**	488,091
	1,876,539	1,749,884

Notes:

(a) The amount at 30 June 2018 represents unsecured bank loans of HK$254,193,000 (31.12.2017: HK$315,519,000).

Bank loans of HK$154,193,000 or RMB130,000,000 (31.12.2017: HK$155,519,000 or RMB130,000,000) bear fixed-rate interest at 4.35% (31.12.2017: 4.35%) per annum.

Bank loans of HK$100,000,000 (31.12.2017: HK$160,000,000) bear floating-rate interest at Hong Kong inter-bank offered rate ("HIBOR") plus 1.4% (31.12.2017: HIBOR plus 1.4%) per annum.

The bank loans are repayable within one year (31.12.2017: within one year) and are used to finance the operations of the Group. Bank loans of HK$60,000,000 were repaid during the current period.

16. BORROWINGS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

The Group also obtained loans from Aerospace Science and Technology Finance Co., Ltd. ("ASTF"), a fellow subsidiary of China Academy of Launch Vehicle Technology ("CALT"), a state-owned enterprise and an intermediate holding company of the Company, amounting to HK$841,892,000 or RMB709,800,000 (31.12.2017: HK$647,199,000 or RMB541,000,000). The amounts are unsecured and are guaranteed by CALT, bear fixed-rate interest at 4.13% (31.12.2017: 4.13%) per annum.

As at 30 June 2018, loans of HK$260,942,000 or RMB220,000,000 (31.12.2017: HK$263,186,000 or RMB220,000,000), HK$28,466,000 or RMB24,000,000 (31.12.2017: HK$28,711,000 or RMB24,000,000), HK$198,077,000 or RMB167,000,000 (31.12.2017: HK$199,783,000 or RMB167,000,000), HK$154,193,000 or RMB130,000,000 (31.12.2017: nil), HK$46,021,000 or RMB38,800,000 (31.12.2017: nil) and HK$154,193,000 or RMB130,000,000 (31.12.2017: nil) are repayable in September 2018, October 2018, November 2018, March 2019, May 2019 and June 2019 respectively. Loan of HK$155,519,000 or RMB130,000,000 as at 31 December 2017 was fully repaid during the current period.

(b) The amounts represent loans advanced from CALT, through a fellow subsidiary of CALT, ASTF as the trustee in aggregate amounting to HK$770,965,000 or RMB650,000,000 (31.12.2017: HK$777,596,000 or RMB650,000,000).

The amounts are unsecured, bear fixed-rate interest ranging from 4.88% to 5.0% (31.12.2017: 4.88% to 5.0%) per annum. Loan of HK$296,525,000 or RMB250,000,000 (31.12.2017: HK$299,075,000 or RMB250,000,000) is repayable on demand and the Group is in the process to extend the maturity date of the loan with CALT. Loan of HK$474,440,000 or RMB400,000,000 (31.12.2017: HK$478,521,000 or RMB400,000,000) is repayable in April 2021.

(c) The amount represents a loan of HK$9,489,000 or RMB8,000,000 (31.12.2017: HK$9,570,000 or RMB8,000,000) advanced from a non-controlling shareholder of a subsidiary. The amount is unsecured, bears floating-rate interest at 0.9 times of the People's Bank of China Benchmark interest rate that is 4.28% (31.12.2017: 4.28%) per annum and is repayable in full in November 2020.

17. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

(a) Transactions with CASC Group

Included in borrowings at 30 June 2018 are two loans (31.12.2017: two loans) advanced from CALT through CASC's subsidiary, ASTF, as the trustee totalling HK$770,965,000 or RMB650,000,000 (31.12.2017: HK$777,596,000 or RMB650,000,000). Details are set out in note 16(b).

In addition, included in other loans are six loans (31.12.2017: four loans) from ASTF, a fellow subsidiary of CALT, a stated-owned enterprise and an intermediate holding company of the Company amounting to HK$841,892,000 or RMB709,800,000 (31.12.2017: HK$647,199,000 or RMB541,000,000). Details are set out in note 16(a).

(b) Transactions with other government-related entities

(1) Included in borrowings at 30 June 2018 was a loan of HK$9,489,000 or RMB8,000,000 (31.12.2017: HK$9,570,000 or RMB8,000,000) advanced from a non-controlling shareholder of a subsidiary. Details are set out in note 16(c).

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

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

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

(ii) Transactions with other related parties

(a) Included in the amounts due from associates are trade receivables of HK$224,126,000 (31.12.2017: HK$264,968,000), net of allowance for doubtful debts of HK$64,878,000 (31.12.2017: HK$36,045,000). The amount is unsecured, non-interest bearing and has credit periods for 180 days for sales of goods mainly wind energy related products. Balances of HK$31,211,000 (31.12.2017: HK$32,676,000) are loans advance to an associate that bear fixed interest of 4.35% (31.12.2017: 4.35%) per annum. The remaining balance of HK$11,567,000 (31.12.2017: HK5,823,000) are unsecured, non-interest bearing and repayable on demand. Included in the amounts due from associates at 31 December 2017 were retention receivables for the sales of wind turbines of HK$9,523,000. In the current interim period, retention receivables are reclassified as "Contract assets" under HKFRS 15.

Included in the amounts due to associates are trade payables of HK$60,017,000 (31.12.2017: HK$60,694,000). The amounts are unsecured, non-interest bearing and with credit period of 365 days. The remaining balance of HK$27,000 (31.12.2017: HK$245,000) are unsecured, non-interest bearing and repayable on demand.

(b) (1) Non-current balance

Included in the balances is an amount due from a joint venture of HK$107,005,000 (31.12.2017: HK$106,468,000), of which loans advanced to the joint venture amounted to HK$66,422,000 (31.12.2017: HK$66,993,000) that bear fixed interest rate at 4.35% (31.12.2017: 4.35%) per annum. The joint venture has pledged its land and buildings to the Group to secure the loan. The remaining amount of HK$40,583,000 (31.12.2017: HK$39,475,000) is non-interest bearing. The joint venture has pledged its land and buildings and certain other assets to the above loans of HK$66,422,000 (31.12.2017: HK$66,993,000) and other balance of HK$21,824,000 (31.12.2017: HK$22,012,000) as at 30 June 2018. The directors of the Company considered that the amount due from the joint venture will not be settled within 12 months from the end of the reporting period, therefore classified as non-current asset.

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

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

(b) *(Continued)*

(2) Current balance

The amount due from a joint venture at 30 June 2018 included trade receivables of HK$24,934,000 (31.12.2017: HK$25,149,000) which are unsecured, non-interest bearing and have credit periods for 180 days for wind energy products. The remaining balance of HK$47,000 (31.12.2017: HK$47,000) is unsecured, non-interest bearing and repayable on demand.

(3) Included in the amounts due to joint ventures are trade payables of HK$6,237,000 (31.12.2017: HK$3,602,000). The amount is unsecured, non-interest bearing and has credit period of 365 days. The remaining balances of HK$946,000 (31.12.2017: HK$428,000) are unsecured, non-interest bearing and repayable on demand.

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

	1.1.2018 to 30.6.2018	1.1.2017 to 30.6.2017
	HK$'000	*HK$'000*
Interest on loan from a shareholder, CALT	**16,394**	22,191
Interest on loan from a fellow subsidiary, ASTF	**17,902**	6,823
Interest paid to a non-controlling shareholder with significant influence over a subsidiary	**206**	403
Interest income from an associate	**716**	–
Interest income from a joint venture	**1,495**	1,378
Maintenance service expense paid to a joint venture	**5,337**	–

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

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

(d) Compensation of key management personnel

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

	1.1.2018 to 30.6.2018	1.1.2017 to 30.6.2017
	HK$'000	*HK$'000*
Salaries and other benefits	**2,576**	2,731
Contributions to retirement benefits scheme	**74**	9
	2,650	2,740

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