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CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

中國航天萬源國際（集團）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1185)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

RESULTS

The Board of Directors of China Energine International (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	**1.1.2019 to 30.6.2019** ***HK$'000*** **(Unaudited)**	1.1.2018 to 30.6.2018 *HK$'000* (Unaudited) (Restated)
Continuing operations			
Turnover	3	**21,350**	15,112
Cost of sales		**(16,789)**	(14,103)
Gross profit		**4,561**	1,009
Other income		**7,502**	9,207
Other gains and losses	4	**(12,939)**	7,323
Impairment loss, net of reversal, on financial assets and contract assets	5	**(55,073)**	(40,172)
Selling and distribution expenses		**(5,897)**	(4,484)
Administrative expenses		**(64,111)**	(78,040)
Finance costs		**(40,921)**	(40,944)
Share of results of associates		**373**	(48,751)
Share of results of joint ventures		**7,686**	43,847
Loss before taxation	7	**(158,819)**	(151,005)
Taxation	8	**(1,512)**	(2,524)
Loss for the period from continuing operations		**(160,331)**	(153,529)

	NOTES	1.1.2019 to 30.6.2019 HK$'000 (Unaudited)	1.1.2018 to 30.6.2018 HK$'000 (Unaudited) (Restated)
Discontinued operations			
Loss for the period from discontinued operations	6	**(47,208)**	(16,643)
Loss for the period		**(207,539)**	(170,172)
Other comprehensive expense:			
Item that will not be reclassified to profit or loss			
– exchange differences arising on translation to presentation currency		**(485)**	(17,523)
Total comprehensive expense for the period		**(208,024)**	(187,695)
Loss for the period attributable to owners of the Company			
– from continuing operations		**(159,430)**	(151,580)
– from discontinued operations		**(47,208)**	(16,643)
		(206,638)	(168,223)
Loss for the period attributable to non-controlling interests			
– from continuing operations		**(901)**	(1,949)
Loss for the period		**(207,539)**	(170,172)
Total comprehensive expense attributable to:			
Owners of the Company		**(206,938)**	(185,242)
Non-controlling interests		**(1,086)**	(2,453)
		(208,024)	(187,695)
Loss per share – Basic			
From continuing and discontinued operations	10	**HK(4.73) cents**	HK(3.85) cents
From continuing operations		**HK(3.65) cents**	HK(3.47) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTE	**30.6.2019** **HK$'000** **(Unaudited)**	31.12.2018 *HK$'000* (Audited)
Non-current assets			
Investment properties		**133,006**	133,531
Right-of-use assets		**9,952**	–
Property, plant and equipment		**228,719**	238,574
Goodwill		**2,004**	2,004
Intangible assets		**47,949**	63,165
Deferred tax assets		**1,607**	1,643
Interests in associates		**207,956**	206,108
Interests in joint ventures		**1,018,851**	1,015,299
Amount due from a joint venture		**105,595**	104,165
Financial assets at fair value through other comprehensive income		**4,888**	4,908
		1,760,527	1,769,397
Current assets			
Inventories		**87,559**	78,291
Trade and other receivables	11	**1,471,909**	1,760,599
Contract assets		**289,297**	304,759
Amounts due from associates		**255,357**	252,457
Amount due from a joint venture		**17,570**	20,089
Pledged bank deposits, bank balances and cash		**144,294**	88,838
		2,265,986	2,505,033

	NOTE	30.6.2019 HK$'000 (Unaudited)	31.12.2018 HK$'000 (Audited)
Current liabilities			
Trade and other payables	12	**1,427,142**	1,467,241
Amounts due to associates		**29,288**	25,876
Amounts due to joint ventures		**4,175**	2,459
Government grants		**709**	711
Warranty provision		**250,232**	259,918
Taxation payable		**2,240**	1,888
Borrowings		**125,048**	125,542
Lease liabilities		**6,734**	–
		1,845,568	1,883,635
Net current assets		**420,418**	621,398
Total assets less current liabilities		**2,180,945**	2,390,795
Non-current liabilities			
Government grants		**27,895**	28,123
Borrowings		**1,636,087**	1,641,178
Lease liabilities		**3,271**	–
Deferred tax liabilities		**18,559**	18,337
		1,685,812	1,687,638
Net assets		**495,133**	703,157
Capital and reserves			
Share capital		**436,900**	436,900
Reserves		**6,215**	213,153
Equity attributable to owners of the Company		**443,115**	650,053
Non-controlling interests		**52,018**	53,104
Total equity		**495,133**	703,157

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

In the current interim period, the Group has applied, for the first time, a number of new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements.

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

Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16")

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

As a lessee

At the date of initial application, 1 January 2019, the Group adopted the HKFRS 16.C8 (b)(ii) and recognised the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated financial statements of financial position immediately before 1 January 2019.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$4,725,000 and right-of-use assets of HK$4,725,000 at 1 January 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustment	Carrying amounts at 1 January 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-Current Assets			
Right-of-use assets	–	4,725	4,725
Current Liabilities			
Lease liabilities	–	(3,306)	(3,306)
Non-Current Liabilities			
Lease liabilities	–	(1,419)	(1,419)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

The directors of the Company considered the application of HKFRS 16 in the current period has had no material impact on the Group's financial performance for the current period.

3. TURNOVER AND SEGMENT INFORMATION

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

	1.1.2019 to 30.6.2019	1.1.2018 to 30.6.2018
	HK$'000	*HK$'000*
Continuing operations		
Sales of wind energy related products	**6,906**	301
Sales of electricity from operation of wind power field	**14,444**	14,811
	21,350	15,112

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 CODM have been aggregated in arriving at the reportable segments of the Group.

In prior interim period, there were 3 reportable and operating segments namely Wind Energy Related Products, Operation of Wind Farm and Energy Storage and Related Products.

During the period ended 30 June 2019, the CODM reviewed the Group's business operation and considered Energy Storage and Related Products segment was discontinued. Therefore it is no longer a reportable and operating segment of the Group. Details are described in note 6.

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.

The comparative figures in the segment information have been restated to excluded Energy Storage and Related Products operation.

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

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 salaries. Share of profits of associates of HK$2,810,000 (1.1.2018 to 30.6.2018: losses of HK$47,352,000) and share of loss of a joint venture of HK$379,000 (1.1.2018 to 30.6.2018: profit of HK$3,796,000) are allocated to reportable segments. This is the measure reported to the Group's executive directors for the purposes of resources allocation and assessment of segment performance.

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

Six months ended 30 June 2019

	Wind Energy Related Products *HK$'000*	**Operation of Wind Farm** *HK$'000*	**Consolidated** *HK$'000*
Continuing operations			
Turnover			
External sales	**6,906**	**14,444**	**21,350**
Result			
Segment result	**(80,621)**	**7,583**	**(73,038)**
Unallocated other income			**6,091**
Unallocated corporate expenses			**(56,579)**
Finance costs			**(40,921)**
Share of result of an associate			**(2,437)**
Share of result of a joint venture			**8,065**
Loss before taxation			**(158,819)**

Six months ended 30 June 2018 (Restated)

	Wind Energy Related Products	Operation of Wind Farm	Consolidated
	HK$'000	*HK$'000*	*HK$'000* (Restated)
Continuing operations			
Turnover			
External sales	301	14,811	15,112
Result			
Segment result	(114,252)	4,682	(109,570)
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			(151,005)

4. OTHER GAINS AND LOSSES

	1.1.2019 to 30.6.2019	1.1.2018 to 30.6.2018
	HK$'000	*HK$'000*
Continuing operations		
Loss on disposal of property, plant and equipment	**(40)**	(8)
Net exchange (loss) gain recognised	**(2,616)**	7,331
Impairment losses recognised in respect of intangible assets	**(10,283)**	–
	(12,939)	7,323

5. IMPAIRMENT LOSS, NET OF REVERSAL, ON FINANCIAL ASSETS AND CONTRACT ASSETS

	1.1.2019 to 30.6.2019	1.1.2018 to 30.6.2018
	HK$'000	*HK$'000*
Continuing operations		
Impairment loss recognised in respect of trade balances arising from contracts with customers and an associate	**55,073**	40,172

6. DISCONTINUED OPERATION

During the period ended 30 June 2019, the Group ceased its business in the Energy Storage and Related Products operation due to deterioration of operating results and financial performance during the period.

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

	1.1.2019 to 30.6.2019	1.1.2018 to 30.6.2018
	HK$'000	*HK$'000*
Loss for the period from a discontinued operation	**(47,208)**	(6,171)

The result of Energy Storage and Related Products operation for the current and preceding interim periods is as follows:

	1.1.2019 to 30.6.2019	1.1.2018 to 30.6.2018
	HK$'000	*HK$'000*
Impairment losses in respect of trade balances arising from contract with customers	**(46,103)**	–
Impairment losses in respect of property, plant and equipment	**(357)**	–
Depreciation of property, plant and equipment	**(748)**	(6,171)
Loss for the period and attributable to owners of the Company	**(47,208)**	(6,171)

7. LOSS BEFORE TAXATION

	1.1.2019 to 30.6.2019	1.1.2018 to 30.6.2018
	HK$'000	*HK$'000* (Restated)
Loss before taxation from continuing operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**12,426**	9,891
Depreciation of right-of-use assets	**2,189**	–
Amortisation of intangible assets	**5,573**	15,051
Interest income from		
– advance to a joint venture	**(1,410)**	(1,495)
– advance to an associate	**(675)**	(716)
– bank balances	**(233)**	(223)

8. TAXATION

	1.1.2019 to 30.6.2019 *HK$'000*	1.1.2018 to 30.6.2018 *HK$'000*
The tax charge comprises:		
PRC Enterprise Income Tax ("EIT")		
Current period	**1,397**	1,774
(Over)underprovision in prior periods	**(213)**	532
	1,184	2,306
Deferred taxation charge	**328**	218
	1,512	2,524

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% (1.1.2018 to 30.6.2018: 25%) for the six months ended 30 June 2019.

9. DIVIDENDS

No dividend was paid or declared for the six months ended 30 June 2019 and 2018. The directors do not recommend the payment of an interim dividend for the interim period.

10. LOSS PER SHARE – BASIC

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

	1.1.2019 to 30.6.2019 *HK$'000*	1.1.2018 to 30.6.2018 *HK$'000* (Restated)
From continuing operations		
Loss for the period attributable to owners of the Company	**(206,638)**	(168,223)
Add: Loss for the period from discontinued operation	**47,208**	16,643
Loss for the purpose of basic loss per share from continuing operations	**(159,430)**	(151,580)

	Number of shares	
	2019	2018
Weighted average number of shares for the purpose of basic loss per share	**4,368,995,668**	4,368,995,668

	1.1.2019 to 30.6.2019	1.1.2018 to 30.6.2018
	HK$'000	*HK$'000*
From continuing and discontinued operations		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(206,638)**	(168,223)

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

From discontinued operation

Basic loss per share for the discontinued operation is HK$1.08 cent per share (1.1.2018 to 30.6.2018: HK$0.38 cent per share), based on the loss for the period from the discontinued operation attributable to owners of the Company of HK$47,208,000 (1.1.2018 to 30.6.2018: HK$16,643,000) 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.

11. TRADE AND OTHER RECEIVABLES

As at 30 June 2019, the Group's total trade and other receivables comprised of trade receivables, other bills receivables and other receivables, deposits and prepayments of HK$1,385,772,000, HK$3,986,000 and HK$82,151,000 (31.12.2018: HK$1,495,086,000, HK$184,739,000 and HK$80,774,000), respectively.

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. Included in trade receivables are balances of HK$861,295,000 (31.12.2018: HK$943,820,000) without bills received while the remaining balances are trade receivables with bills received for future settlements. The following is an aging analysis of trade receivables without bills received, net of allowances, presented based on the invoices dates at the end of the reporting period, which approximately the respective revenue recognition dates:

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
Within 30 days	**13,207**	11,023
Between 31 and 90 days	**1,871**	3,702
Between 91 and 180 days	**7,597**	28,829
Between 181 and 365 days	**10,116**	6,467
Over 1 year	**828,504**	893,799
	861,295	943,820

All the Group's trade receivables with bills receivables as at 30 June 2019 are aged over one year, based on invoice dates at the end of reporting period.

12. TRADE PAYABLES

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
Within 30 days	**16,766**	19,010
Between 31 and 90 days	**17,827**	8,697
Between 91 and 180 days	**20,604**	11,053
Between 181 and 365 days	**18,348**	35,255
Over 1 year	**1,092,221**	870,659
	1,165,766	944,674

BUSINESS REVIEW

Results Summary

For the six months ended 30 June 2019 (the "Period"), the Group's turnover of continuing operations amounted to HK$21.35 million as compared to HK$15.11 million for the same period of 2018, representing an increase by HK$6.24 million. Turnover for the Period comprised sale of wind energy related products amounting to HK$6.91 million and sale of electricity generated from wind farm amounting to HK$14.44 million, compared to turnover for the same period last year which comprised sale of wind energy related products amounting to HK$301,000 and sale of electricity generated from wind farm amounting to HK$14.81 million.

Loss for the Period from continuing operations attributable to owners of the Company amounted to HK$159.43 million, such loss was principally due to: (1) the performance of the Group's business segments resulting in operating loss of HK$73.04 million; (2) progress of settlement of sales not up to expectations, totaling HK$65.36 million of impairment of various types of assets recognised; (3) a decrease in overall sales volume of whole-set vehicles and accessories products of the automobile industry, profit of a joint venture attributable to the Group in the current period decreased by approximately HK$31.99 million as compared with that for the corresponding period in 2018.

Considering the uncertain prospects of engineering application of the technologies under development and the limitations of commercialisation, the Company has decided to discontinue the research and development on graphene and energy storage, and discontinue the Energy Storage segment. A provision for asset impairment of such segment was HK$46.46 million.

Wind Power Generation Business

Further to Document No. 52 announced by the National Energy Administration ("NEA") in 2017 which continued to affect the Group's wind turbine business and Document No. 47 published in 2018 with the aim of eliminating non-technical costs, the NDRC and NEA announced another series of policy documents during the first half of 2019 to further promote the construction of grid parity projects, presenting tremendous challenges to the business development and business model of the Group's wind turbine business segment.

During the first half of 2019, the Group proactively adjust its market strategy in response to the successive announcements of national policies on competitive wind power pricing and grid parity. Market development in the wind power sector was enhanced with the acquisition of wind resources in Tongliao, Xilingol League, Baotou, Ulanqab, Bayan Nur and Alxa League in Inner Mongolia and Gaizhou in Liaoning Province. We enhanced business cooperation with top-notch enterprises and launched the construction of the Damaoqi Phase II 50,000 KW Wind Power Project and preparation of wind turbine equipment in a mutually beneficial co-development effort; milestones of progress have been achieved in access system examination for the Chaha'er Youyi Qiangqi 50,000+30,000 KW Distributed Wind Power Project and the Gaizhou Project in Liaoning; meanwhile, the Tongliao 300,000+350,000 KW Wind Power Project has been submitted to the NDRC for approval.

To address the frequent adjustments in national policies, fast-changing industry landscape and intense market competition, the Group conducted meticulous studies on national policies and industry trends with a strategy-oriented approach. On top of expediting the implementation of market orders and related deliveries, we also endeavoured to increase the competitiveness of our products. In the meantime, the Group was also investigating the path of transformation into a supplier of integrated energy services, with the aim of developing and owning new energy power generation farms/stations to identify a new niche for profit growth and business opportunity.

With reference to the announcement of the Group dated 29 July 2019, it is not expected that the suspension of the certificates of quality, environment and safety will have material impacts on fulfilling the existing contracts and the day-to-day operation of the Group, and the financial impact of the loss of potential sales contracts during the suspension period is not expected to be significant.

The Group has set up a task force to review the Group's existing safety systems and procedures with the main objective to step up more stringent checks and better safeguards in line with the best practices and industry standards. The Group will use its best endeavours to procure the certificates of quality, environment and safety to be resumed as soon as possible.

Research and Development of Technology

The Group has also persisted in proprietary research and development, our key efforts in the first half of 2019 included the completion of the R&D of the complete-set manufacturing technology for research for the 2MW new permanent magnetic B-type direct-drive wind turbine unit with further improvements in the power generation duration (hours) of the wind turbine unit in areas with high wind speeds. This model represents a refined wind turbine model with superior competitiveness to address requirements of the imminent era of grid parity. Appraisal for the design accreditation of the 2MW new permanent magnetic low-speed units was completed and a certificate of accreditation was obtained.

In respect of the research and development of core technologies, our proprietary power control system had fulfilled our project objectives in terms of stability, output power curve matching and interface-friendliness.

The Group continued to conduct specialised technological research on the output power curve and transmission chain of wind turbine units, with the aim of improving the efficiency of power generation and stability of products.

Three technological assessments have completed. The process assessment for the new 2MW permanent magnetic project turbine has also been completed with improvements to relevant process documents and refinement of supplementary process parameters. One authorised patent has been obtained.

As at the end of the first half of 2019, the Company had obtained 160 valid patents, including 20 general invention patents, 138 utility model patents, 2 design patents and 17 software copyright registrations.

Wind Farm Operations

The wind farms operated by the Group include the CASC Long Yuan (Benxi) Wind Farm in which the Group holds a controlling interest, which provides a capacity of 24,650KW with 29 sets of 850KW wind turbines. The three wind farms invested in and constructed by the Group include 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.

Revenue contributions to the Group from the aforesaid wind farm operations for the first half of 2019 decreased slightly but remained relatively stable.

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. The decline in operating results for the first half of 2019 reflected the downside pressure in the macro-economy, imminent implementation of the National Stage 6 Emission Standards, national policies such as the abolition of mileage and purchase restrictions for new-energy vehicles and market corrections.

PROSPECTS

According to the "Statistics on the Nationwide Electrical Industry for January to June" published by NEA in July, China registered slight year-on-year increases in installed wind power capacity and new installed wind power capacity for the first half of 2019, and the wind turbine manufacturing industry should sustain positive development in the foreseeable future.

The State announced a further round of policies on new energy industries during the first half of 2019, as ferocious competition became gradually stabilized, lending to a more rational outlook for industrial development. While the price of generator sets stabilised during the first half of 2019 to the benefit of resurging business results, the Group remained subject to competitive pressure given a higher level of market concentration.

In persistent adherence to a customer-oriented approach, the Group has been able to adjust the focus of its research and development in tandem with the shift in the target market and consolidate its advantageous strengths to deliver the new model of 2MW new permanent magnetic B-type direct-drive wind turbine unit with superior competitiveness. We seek to enhance the adaptability and reliability of our products and foster strengths in differentiation to meet the bespoke requirements of customers and enhance user satisfaction.

The Group will continue to drive the acquisition of wind resources for conversion into sales orders, and to work on its technologies to further lower unit costs and strengthen cost control over auxiliary components taking into account policy changes and the competitive landscape, so that it could enhance the competitiveness and reliability in quality of its products, while vigorously engaging itself in market competition to secure sales orders, so as to improve its business performance as soon as practicable.

The Group will continue to expand its business structure in accordance with eco-friendly principles to provide added energy and impetus for future development. In the meantime, with aim of obtaining support from the national policy, we will consider the structural adjustments in business by aggressively acquiring resources, and pursue in-depth cooperation with strategic partners, with a view to engaging in mutual contribution of strengths and sharing of resources in co-development.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2019, the Group had 18 employees (31 December 2018: 18 employees) at the Hong Kong head office and 323 employees (31 December 2018: 439 employees) at the Mainland China offices. The staff costs incurred for the six months ended 30 June 2019 was approximately HK$33.62 million (for the six months ended 30 June 2018: approximately HK$36.83 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

Liquidity and Financial Resources

Total borrowings of the Group as at 30 June 2019 amounted to HK$1,761,140,000 (31 December 2018: HK$1,766,720,000), of which HK$134,140,000 (31 December 2018: HK$134,670,000) 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$1,626,990,000 (31 December 2018: HK$1,632,050,000) 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 2019 was 397% (31 December 2018: 272%).

Trade and Other Receivables and Contract Assets

As at 30 June 2019, trade and other receivables and contract assets were HK$1,457,909,000 and HK$289,297,000 (31 December 2018, HK$1,760,599,000 and HK$304,759,000) respectively.

Impairment loss of HK$55,073,000 in respect of financial assets and contract assets were recognised from continuing operations for the current period (same period in 2018: HK$40,172,000).

Pledge of Assets

As at 30 June 2019, no material assets have been pledged to secure bank facility.

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 2019 (31 December 2018: nil).

CORPORATE GOVERNANCE

Corporate Governance Code

The Group has complied with all code provisions as set out in the Corporate Governance Code in Appendix 14 of the Listing Rules for the six-month period ended 30 June 2019.

Model Code for Securities Transactions by Directors

Throughout the six-month period ended 30 June 2019, 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 2019. 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 2019 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six-month period ended 30 June 2019.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT

This interim results announcement is available for viewing on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.energine.hk) and the interim report for the six months ended 30 June 2019 of the Company containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

By Order of the Board
Liu Xiaowei
Chairman

Hong Kong, 30 August 2019

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Liu Xiaowei, Mr. Li Guang and Mr. Xu Jun, and three independent non-executive Directors, namely Ms. Kan Lai Kuen, Alice, Mr. Gordon Ng and Mr. Li Dapeng.

* *For identification purpose only*