



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

Interim Report
2016

中國
航天

中國
航天

* 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

	<i>Page</i>
Corporate Information	2
Business Review	5
Additional Information	16
Report on Review of Condensed Consolidated Financial Statements	21
Condensed Consolidated Financial Statements	
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	23
Condensed Consolidated Statement of Financial Position	25
Condensed Consolidated Statement of Changes in Equity	28
Condensed Consolidated Statement of Cash Flows	30
Notes to the Condensed Consolidated Financial Statements	32

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Han Shuwang (*Chairman*)

Mr. Wang Xiaodong (*Vice-Chairman*)

Mr. Li Guang (*Chief Executive Officer*)

Mr. Xu Jun

Non-executive Director

Mr. Fang Shili

Independent Non-executive Directors

Ms. Kan Lai Kuen, Alice

Mr. Gordon Ng

Mr. Li Dapeng

COMPANY SECRETARY

Mr. Au-Yeung Keung, Steve

AUDIT COMMITTEE

Ms. Kan Lai Kuen, Alice (*Chairman*)

Mr. Gordon Ng

Mr. Li Dapeng

Mr. Fang Shili

REMUNERATION COMMITTEE

Mr. Gordon Ng (*Chairman*)

Mr. Li Guang

Ms. Kan Lai Kuen, Alice

Mr. Li Dapeng

NOMINATION COMMITTEE

Mr. Han Shuwang (*Chairman*)

Mr. Xu Jun

Ms. Kan Lai Kuen, Alice

Mr. Gordon Ng

Mr. Li Dapeng

**DEVELOPMENT AND
INVESTMENT COMMITTEE**

Mr. Han Shuwang (*Chairman*)
Mr. Wang Xiaodong
Mr. Li Guang
Mr. Xu Jun
Mr. Li Dapeng

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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
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

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STOCK CODE

1185

BUSINESS REVIEW

On behalf of the Board of Directors, the business performance of China Energinet International (Holdings) Ltd. (the "Company") and its subsidiaries (collectively the "Group") for the first half of this year 2016 is summarised in the following paragraphs.

RESULTS SUMMARY

As of 30 June 2016, the Group's turnover for the first half of 2016 amounted to HK\$827.54 million as compared to that of 2015 of HK\$1,490.94 million, representing HK\$663.40 million, or 45%, decrease in turnover; the profit for the period attributable to owners of the Company amounted to HK\$3.92 million as compared to that of 2015 of HK\$73.38 million, representing HK\$69.46 million, or 95%, decrease in profit. The turnover for the period comprised sale of wind energy related products of HK\$463.78 million, sale of electricity generated from wind farm of HK\$11.76 million, sale of rare-earth permanent magnet motor products of HK\$12.45 million, sale of energy storage and related products of HK\$287.69 million and sales of HK\$51.86 million related to telecommunication business whereas that of the same period last year comprised sale of wind energy related products of HK\$1,361.67 million, sale of electricity generated from wind farm of HK\$13.05 million, sale of rare-earth permanent magnet motor products of HK\$17.34 million, sale of energy storage and related products of HK\$50.94 million and sales of HK\$47.94 million related to telecommunication business.

The decrease in turnover for the period from that of last year was due to the decrease in sales of the Group's wind energy related products by HK\$897.89 million, or 66% period-on-period, equivalent to decrease in sales by 90.9 sets of 2MW excitation wind turbine units, as offset by increase in sales of energy storage and related products by HK\$236.75 million, or 465% period-on-period, representing the difference between sales of 66MW relating to photovoltaic power equipment in the period and sales of 50 sets of new energy batteries in the same period last year. The results for the half year were unfavourable and profit decreased where the delay in the plan on assembling of wind turbines to the second half of the year was mainly due to the technology reason on the part of wind farm clients.

Business of Wind Energy

In 2016, the directdrive wind turbine developed by the Group with proprietary intellectual property rights features its strengths: simple structure, high reliability, high efficiency and low operation and maintenance costs. In the course of elimination in terms of production capacity, enhancement of technology and quality, the wind energy market in China entered into the phase of rational development with growth rate of over 10% per annum, the Group is competing with about 30 enterprises staying after the elimination. In winning highly regarded recognition from wind farm developers in the industry, the Group continued to give full play to the advantages of technology, quality and service of Aerospace directdrive wind turbines. On this basis, the Group capitalised on its products' leading edge and achieved cost control by adopting the strategy of technology enhancement and batch production through research and development, thereby achieving high supply chain performance and enhanced cost effectiveness to proactively address challenges. Through Inner Mongolia Wind Turbine General Assembling Plant, and Gansu Wind Turbine General Assembling Plant, the Group realised batch productions of a number of self-developed models (especially 2MW excitation magnetic directdrive wind turbine), and adopted the strategy of establishing good relationship with several provincial and autonomous regions' governments to gain their supports and leveraging on provincial and autonomous regions' quotas for wind energy to obtain more wind resources in seeking more production orders for wind turbines, thereby increasing our market share. At present, the Group has considerable wind energy resources in various major wind power bases planned by the State, including Wulatehouqi in Inner Mongolia, Jiuquan City and Wuwei City in Gansu, Ningde City in Fujian, Tieling City and Kaiyuan City in Liaoning, Suihua City in Heilongjiang and Tangshan City in Hebei, effective pushing sales of wind turbines and bringing in promising income to the Group continually.

In 2016, the marketing strategy was that of exchanging resources for orders, developing and maintaining key areas and key customers, plus that of participating in market competition through open market bidding to expand the sales regions and increase our sales efforts.

The Group had formulated market development strategies for key regions and key customers. As of to date, in terms of customers, the Group has established more stable and secure business relationship with large power companies which have become our key customers. In terms of sales regions, the Group has made substantial progress in the key regions of Inner Mongolia, Gansu and Liaoning, paving a solid foundation for future developments.

Since the directdrive wind turbines are characterised by gearless drive, the use of low-speed large-torque generators, full-power convertor and strong resistance to grid voltage fluctuations, their advantages include low wear and tear, high efficiency of electricity generation, small size, light weight, easy to maintain and low operating cost when compared with the traditional wind turbines. As such, the directdrive wind turbines, in particular, the 1.5MW and 2MW excitation magnetic directdrive wind turbines being launched mainly by the Group have visible optimism in the market. In addition, the AC-DC-AC total inverter grid-connection technology employed by directdrive wind turbines can allow the grid companies to meet the standards under the "Design regulations for grid-connection technology of large-scale wind farms" issued by National Energy Administration in 2011, which provides a series of requirements such as low-voltage ride-through, grid compatibility and power test, bringing rare opportunities to the Group's wind turbine business.

In the first half of 2016, the Group completed the assembling, commissioning and deliveries of a total of 50 sets of 2MW excitation magnetic wind turbines, including 25 sets to Songshantan Project in Tianzhu, Gansu, and 25 sets to Bai Ling Miao Project in Damaoqi, Inner Mongolia.

Research and Development of Technology

In the first half of 2016, the technology as to 3MW permanent magnet directdrive wind turbine, hoisted in Daxipo wind farm in Xinghe County, Inner Mongolia in December 2015 under research and development, was being optimised. With a sleek, beautiful and graceful appearance design, the wind turbine not only minimises air friction of the unit, but also increases the overall aerodynamic performance and reduces the load of parts and components with lower production cost. The unit features a rotary of 120m in diameter and a wheel centre of 95m in height, allowing the wind energy utilisation to reach over 97%. Besides its high power, this wind turbine has innovative design on safety and maintainability, making readiness for managing in attracting more customers' appeal.

Energy Storage Business

Whilst maintaining the leading position in wind energy technology, the Group has been actively nurturing a new core major business from the research and development of a series of wind and solar energy storage products and a series of distributed energy storage system products and extends the industrial chain to a distributed energy renewal solutions by combining wind energy, solar energy and energy storage subtly in providing customers with more flexible and reliable energy solutions.

In May 2012, the Group initiated the research and development on graphene materials and lithium battery of high storage capacity. Cooperative research and development agreements were signed with international and domestic renowned experts and teams in order to achieve mass production of high quality graphene by leveraging on the graphene extraction technology mastered by them and conducted research and development on new graphene-based cathode material for batteries and high capacity lithium battery in order to launch a series of energy storage products with an integrated system based on high capacity lithium batteries. In 2013, international renowned experts were invited by the Group to join the Energy Storage Technology Research and Development Centre and effectively commenced the research and development on graphene and energy storage system.

A lithium iron phosphate battery for application in wind turbines of variable pitch has been developed and applied to 2MW excitation magnetic wind turbines successfully. Applying this battery in assembling battery packs of variable pitch could enable the packs not to be replaced for 5 years. Meanwhile, the anode and cathode materials and electrolyte being researched and developed in the laboratory have formed a dynamic lithium iron phosphate battery of excellent performance, which will be applied to electric cars and electric bicycles, developing a large-capacity energy storage system. In relying on our edges in electrical control and system integration, a battery management system with container-type energy storage system and a grid connection device for the energy storage system have been developed, where the lithium iron phosphate battery utilised in the energy storage battery has a high energy ratio and long utilisation life. Its energy ratio amounts to 130% of those of commercial batteries for general usage, and the electrical energy released by battery of the same weight is 30% more than an ordinary battery. The product will be utilised in the control system relating to recovery of rocket parafoils in supplying electrical energy for the recovery of satellites and rockets in its employment in military areas.

Meanwhile, another new type of street lighting system with complementary wind energy and solar energy based on a lithium battery energy storage system has been developed. The scope of applications of the system may extend to unmanned communication base stations, data transmission by high voltage wire towers, boundary outposts, islands, remote areas with no electricity, etc. and may even connect to power grid for electricity generation.

Wind and solar power storage integration

The objective of the Group is to apply street lamps relating to wind and solar power storage integration in many municipal lighting projects in cities. The Phase One Project of the "Aerospace Demonstration Works relating to Wind and Solar Power Projects" as supported by People's Government of Wuwei includes a 300MW wind energy project, a 180MW solar energy project and a 30MW storage project, where the construction as to the 300MW wind energy project and the 50MW photovoltaic power generation project had already been commenced in full scope.

Electric vehicles market

The Group is committed to the exploitation of electric vehicle market which has achieved significant breakthroughs. The key technologies in electric vehicles include vehicle, motor, battery, control and driving system as well as charging point system, where main technical bottlenecks that restrict the development of electric vehicles are the performances of batteries and vehicle control system, which, however, are the Group's advantages and features. The Group placed a strong emphasis on developing markets, such as Tangshan of Hebei, Tongzhou district of Beijing, airport terminal of the capital, Shenyang and Dalian of Liaoning, Wuwei and Lanzhou of Gansu. Efforts were also made to grasp the development opportunities of new energy cars in the international market.

As the performance of high-capacity lithium batteries launched by the technical team of the Company and China Academy of Launch Vehicle Technology (“CALT”), and an international expert reaches 160 wh/kg, exceeding market level of 130 wh/kg, and the “four in one” vehicle control system launched by us could place motor driver, vehicle controller, high voltage distribution box and DC power switching device in one control box, the batteries feature comprehensive functions and high level of integration. The electric buses installed with the Group’s batteries and control systems are capable of running over 300 km mileage per charge. Exactly thanks to this edge, the Group has made major breakthroughs in promoting electric vehicle market, in particular the market of electric buses and proven track record.

In the first half of 2016, 66MW photovoltaic equipment was sold under the photovoltaic and energy storage businesses of the Group, including 44MW equipment to Oubeili Project and 22MW equipment to Kenuo Project.

In February 2016, the Company and Hefei Guoxuan High-Tech Power Energy Co., Ltd. (“Guoxuan Hitech”), which ranked the third in the current power battery industry, entered into a Strategic Cooperative Framework Agreement (“Framework Agreement”). Pursuant to the Framework Agreement, the Company and Guoxuan Hitech will rely on the tremendous market of new energy vehicles in Beijing, Tianjin and Hebei and will establish a joint-venture company in Tangshan, mainly engaging in research and development and manufacture of power battery, research and development and application of graphene material, as well as the application and promotion of energy storage products in military and civil areas. The name of the joint-venture company is Energiner Guoxuan (Tangshan) New Energy Technology Co., Ltd. whose shareholding Guoxuan Hitech will hold 51% and the Company 49%. In assimilating the market demand, the power battery product capacity of the joint-venture company to be established is planned to be 1 billion Ah.

Both parties will jointly develop the graphene material and its application technology, focusing on the applications of graphene in power battery as driven by the market demand to build up more extensive development of the industry chain and innovation platform in exploitation of new energy vehicle market. The joint venture will strengthen the research and development and application of military energy storage product, stressing on promoting power battery application on military vehicles and military ships and boats. Both parties will commence cooperation with new energy whole-vehicle enterprises in development of Huachen Jinbei, Changan project in the first phase for joint pursuit of research and development, market exploitation, and capital co-operation on battery sets relating to electric logistic vehicles, transport vehicles, taxi and other specialised vehicles.

Wind Farm Operations

The Group's wind farm operations comprise a wind farm controlled and operated by the Group: the CASC Long Yuan (Benxi) wind farm of Liaoning Benxi, installed with 29 sets of 850KW wind turbines with a capacity of 24,650KW; three wind farms invested and constructed by the Group: the Jilin Tongyu wind farm of Jilin Longyuan, installed with 236 sets of 850KW wind turbines with a capacity of 200,000KW; the Jiangsu Rudong wind farm of Jiangsu Longyuan, installed with 100 sets of 1.5MW wind turbines with a capacity of 150,000KW and the Datang Wanyuan Xinghe wind farm of Inner Mongolia Xinghe, installed with 55 sets of 900KW directdrive wind turbines with a capacity of 49,500KW.

In addition, Energiner Min Jian New Energy Investment Co., Ltd., the Group's associated company, formally engaging in offshore and land wind power projects in eastern Fujian through its subsidiary, Yingkou Wind Power Generation Co., Ltd., secured market orders for the Group for the purchase of 2MW directdrive wind turbine models produced by the Group.

Business of New Materials

Jiangsu Energiner Technology Co. Ltd., controlled and operated by the Group, is a high-tech enterprise which specialises in the research and development, manufacture, and sales of rare-earth permanent magnet gearless traction machines for elevators. The “航天萬源” branded rare-earth permanent magnet gearless traction machines and its driving control system researched and developed by the company itself had filled the technological gap of the domestic gearless elevator sector.

Wuxi CASC Energiner Xindali Electricity Co., Ltd. ("Wuxi Generator Plant"), the Group's associated company, is engaged in batch production of 900KW, 1.5MW and 2MW generators. Its self-developed 1.5MW excitation magnetic directdrive wind power generator, with application of many new technologies, was awarded the First Prize of Outstanding Contribution to Science and Technology Progress in 2011 by CALT. Therefore, the Group is equipped with the internal capacity to supply core parts and components of wind turbines, including blades and generators, thereby reducing its reliance on upstream suppliers of the wind turbine supply chain for purchasing generators and controlling the supply risk of the wind turbine supply chain and production cost.

Business of Automotive Component Parts

Automotive engine management systems

Beijing Delphi Wan Yuan Engine Management Systems Co., Ltd, a joint venture, is a leading supplier in the domestic automotive electronic fuel injection market with a stable market share, ranking the second nationwide and supplies to almost all major domestic automobile manufacturers. As for export sales, its products are sold to automobile manufacturers in Europe and North America.

The joint venture recorded sales revenue of HK\$1.42 billion for the first half of 2016, representing a decrease of HK\$0.31 billion period-on-period.

Quality, Environment, Occupational Health Management System

In the first half of 2016, the quality, environment, occupational health and safety management system of the Company passed the audit and inspection conducted by China Quality Certification Centre. The products, various management activities and services of the Group comply with the state laws, regulations and standards, as well as the requirements for sustainable development, procuring more stable in product quality, environment improved with more stunning ambience, occupational health becoming more secured and higher reputation on the brand, thereby pushing sustainable and healthy development in the principal business of the Company on new energy relating to wind energy, energy storage systems for wind and solar energy. In the first half of 2016, this management system operated effectively. In June, it passed the 2016 external supervision audit conducted by the audit unit of China Quality Certification Centre.

PROSPECTS

Due to consumption of huge amounts of traditional energy and demand for environmental conservation, there will be basically no changes as to the rapid growth of China's wind energy industry in the future. Currently, serious air pollution has been spread as a national issue and becomes a stimulating or driving force to the China government. The National Energy Administration stated that, during the "Thirteenth-Five" period, the wind power is expected to gradually change the status of "alternative energy" and rises to pose as the China main energy structural body in the future, providing an assurance on the sustainable and healthy development of wind power.

As hazy weather and air pollution are worsening in China, China government has increased the support for development of clean energy as well as policy support thereon. In 2015, the consumption of non-fossil fuels continued to rise to 12%. As pointed out by the director of the National Energy Administration of China, China has entered into a strategic restructuring of energy consumption in shifting from a heavy reliance on fossil fuels to increase in demand for non-fossil fuels. There is an accelerating replacement of fossil fuels by non-fossil ones, ensuring a rapid growth of the Group's operating results in 2016 and beyond.

Given that the Group has strong technical advantages in the application of energy storage system and electric vehicle technology and operates in the clean energy industry as staunchly encouraged by the supports from state policies, the development of new technology and exploitation of new market are focusing on the areas of wind and solar power storage integration as well as electric vehicles intensively. In particular, photovoltaic power generation is undoubtedly the fastest growing industry among those of non-fossil fuels. As at the end of 2015, the total installed capacity of photovoltaic power generation in China amounted to 43.18 million KW, surpassing Germany successfully and ranking the top in the world in terms of installed capacity of photovoltaic power generation. In June 2016, "Notice on Implementation Proposal relating to Construction of Photovoltaic Power Generation" was promulgated by the National Energy Administration. This Proposal provides to continue implementation of "Lead-runner" technological standard on the the construction of photovoltaic power lead-run technology base

such as photovoltaic corridor in the Winter Olympic Games. The industry therefore started to enter into an era of "Lead-runner" with competition in quality and efficiency. As such, the Group will hinge on tremendous technical edges obtained in the said two sectors, grasping the opportunity of staunch assistances and supports from China policies and devoting greater efforts in market exploitation with the aim of adding momentum in the course of the rapid growth of the Group's operational results.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2016, the Group had 20 employees (31 December 2015: 19 employees) in the Hong Kong head office and 614 employees (31 December 2015: 609 employees) in the Mainland China offices. Remuneration of employee is determined according to individual employee's performance and the prevailing trends in different areas and reviewed on an annual basis. The Group also provides Mandatory Provident Fund and medical insurance to its employees. In addition, discretionary performance bonus is available at the discretion of the Directors.

FINANCIAL REVIEW

Group Finance

In December 2014, the Group proceeded a placing of the existing shares and subscription for new shares of 400 million shares, with the placing price of HK\$0.75 per share (whereas HK\$0.91 per share as quoted on the Stock Exchange on the last trading day of 15 December 2014), obtaining a net fund of approximately HK\$291 million, which is mainly used for general working capital and to finance projects on energy storage including the development of wind and solar power storage integration and that on electric vehicle, thereby improving the Group's capital structure and enhancing the market value. The placing shares were placed to no less than six placees who are individual, institutional or professional investors and whose ultimate beneficial owners are (i) independent of and not connected with the Company and its connected persons; and (ii) third parties independent of and not acting in concert with Astrotech Group Ltd. or any person acting in concert with it. As of August 2016, the fund has been used to the extent of HK\$225.58 million, comprising working capital for wind energy business in purchase of materials of wind turbine of HK\$175.00 million, working capital for telecommunication business of HK\$20.00 million, and dividend distribution of HK\$30.58 million.

Liquidity and Financial Resources

Total borrowings of the Group as at 30 June 2016 were HK\$1,806,468,000 (31 December 2015: HK\$1,624,876,000), of which HK\$238,611,000 (31 December 2015: HK\$180,583,000) was floating-rate borrowing and the remaining was fixed-rate borrowing. All borrowings of the Group were determined at market interest rate. The Group has not issued any financial instruments for hedging or other purposes.

Gearing ratio (total borrowings to shareholders' equity) as at 30 June 2016 was 84% (31 December 2015: 74%).

Exchange and Other Exposures

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

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2016 (31 December 2015: nil).

ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Board of the Company did not recommend any interim dividend for the six months ended 30 June 2016 (same period 2015: Nil).

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

As at 30 June 2016, 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 2016 as 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 2016, so far as is known to the Directors, the persons/entities had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities or in any options in respect of such capital were as follows:

Name	Capacity	Number of shares <i>(Note 1)</i>	Percentage of shareholding
China Aerospace Science & Technology Corporation ("CASC")	Interest of a controlled corporation <i>(Note 2)</i>	2,649,244,000(L)	60.64%
China Academy of Launch Vehicle Technology ("CALT")	Interest of a controlled corporation <i>(Note 3)</i>	2,649,244,000(L)	60.64%
Astrotech Group Limited ("Astrotech")	Beneficial owner	2,649,244,000(L)	60.64%

Note:

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 herein, according to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors, there is no other person/entity who, as at 30 June 2016, had any interest or short position in the shares of underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of each of such person's interest in such securities or in any options in respect of such capital.

CORPORATE GOVERNANCE

Corporate Governance Code

The Group has complied with all principles as set out in the Corporate Governance Code in Appendix 14 of the Listing Rules (the "Code") applicable to the Group in respect of the six-month period ended 30 June 2016 under review, and complied with the relevant code provisions in the Code throughout the period, with the exception of one deviation from the Code Provision A.4.1 of the Code which stipulates that Non-executive Directors should be appointed for a specific term subject to re-election.

All of the Non-executive Directors of the Company are not appointed for a specific term, except that Independent Non-executive Directors are of a specific term of 3 years, but are subject to retirement and rotation and re-election at the Company's Annual General Meeting ("AGM") in accordance with the retirement provisions under the Articles of Association of the Company. The Company considers that sufficient measures have been taken in this regard to ensure that the Group's corporate governance practices are no less exacting than those in the Code.

Model Code for Securities Transactions by Directors

Throughout the six-month period ended 30 June 2016, the Group has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Group by the Directors. Having made specific enquiry, all the Directors confirmed that they have complied with the Model Code.

Independent Non-executive Directors

Throughout the six-month period ended 30 June 2016, the Board at all times met the requirements of the Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules in appointment of a sufficient number of three Independent Non-executive Directors, representing more than one-third of the Board, one of whom has appropriate professional qualifications, accounting and financial management expertise.

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

Audit Committee

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

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six-month period ended 30 June 2016.

By Order of the Board

Han Shuwang

Chairman

Hong Kong, 31 August 2016

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 Engerine International (Holdings) Limited (the “Company”) and its subsidiaries set out on pages 23 to 50, which comprise the condensed consolidated statement of financial position as of 30 June 2016 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 Main Board Listing 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

31 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	NOTES	1.1.2016 to 30.6.2016 HK\$'000 (Unaudited)	1.1.2015 to 30.6.2015 HK\$'000 (Unaudited)
Turnover	3	827,544	1,490,942
Cost of sales		(744,361)	(1,337,444)
Gross profit		83,183	153,498
Other income		9,451	12,906
Other gains and losses	4	(8,530)	88
Distribution costs		(27,012)	(77,930)
Administrative expenses		(72,241)	(65,626)
Finance costs	5	(39,038)	(43,513)
Share of results of associates		(11,210)	997
Share of results of joint ventures		70,419	92,697
Profit before taxation	6	5,022	73,117
Taxation	7	(1,819)	(1,557)
Profit for the period		3,203	71,560

	<i>NOTES</i>	1.1.2016 to 30.6.2016 HK\$'000 (Unaudited)	1.1.2015 to 30.6.2015 HK\$'000 (Unaudited)
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
– exchange difference arising on translation to presentation currency		(35,640)	3,795
Total comprehensive (expense) income for the period		<u>(32,437)</u>	<u>75,355</u>
Profit (loss) for the period attributable to:			
Owners of the Company		3,919	73,380
Non-controlling interests		(716)	(1,820)
		<u>3,203</u>	<u>71,560</u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(30,734)	77,149
Non-controlling interests		(1,703)	(1,794)
		<u>(32,437)</u>	<u>75,355</u>
Earnings per share - Basic	9	<u>HK0.09 cents</u>	<u>HK1.68 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	NOTES	30.6.2016 HK\$'000 (Unaudited)	31.12.2015 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	310,167	329,082
Investment properties	10	137,831	140,610
Goodwill		2,004	2,004
Intangible assets		236,802	244,382
Deferred tax assets		1,744	1,759
Interests in associates		388,500	407,587
Interests in joint ventures		1,234,874	1,189,068
Amount due from a joint venture	15(ii) (b) (1)	99,851	100,244
Available-for-sale investment		2,691	2,745
		2,414,464	2,417,481
Current assets			
Inventories		266,409	402,650
Trade and other receivables	11	2,032,848	1,668,582
Amounts due from associates	15(ii) (a)	618,773	880,737
Amount due from a joint venture	15(ii) (b) (2)	27,774	28,358
Pledged bank deposits	12	1,242	696
Bank balances and cash		343,706	300,298
		3,290,752	3,281,321

	<i>NOTES</i>	30.6.2016 HK\$'000 (Unaudited)	31.12.2015 <i>HK\$'000</i> <i>(Audited)</i>
Current liabilities			
Trade and other payables	13	1,377,745	1,422,312
Amounts due to associates	15(ii) (a)	108,178	241,451
Amounts due to joint ventures	15(ii) (b) (3)	66	88
Government grants		563	1,104
Taxation payable		2,469	2,483
Warranty provision		114,700	106,258
Borrowings	14, 15(i) (a)	866,924	1,130,714
Obligation under a finance lease		127	124
		2,470,772	2,904,534
Net current assets		819,980	376,787
Total assets less current liabilities		3,234,444	2,794,268
Non-current liabilities			
Borrowings	14, 15(i) (a) & 15(i) (b) (1)	939,544	494,162
Deferred tax liabilities		19,779	19,731
Government grants		30,899	31,295
Obligation under a finance lease		88	152
		990,310	545,340
Net assets		2,244,134	2,248,928

	30.6.2016	31.12.2015
	HK\$'000	<i>HK\$'000</i>
	(Unaudited)	<i>(Audited)</i>
Capital and reserves		
Share capital	436,900	436,900
Reserves	1,722,675	1,746,618
Equity attributable to owners of the Company	2,159,575	2,183,518
Non-controlling interests	84,559	65,410
Total equity	2,244,134	2,248,928

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to the owners of the Company							Non-controlling		
	Share capital	Special reserve	Share premium	Property revaluation reserve	Exchange reserve	Other reserves	Accumulated losses	Total	interests	Total
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
		<i>(Note a)</i>				<i>(Note b)</i>				
At 1 January 2016 (audited)	436,900	86,971	2,732,397	1,399	189,357	88,368	(1,351,874)	2,183,518	65,410	2,248,928
Profit (loss) for the period	—	—	—	—	—	—	3,919	3,919	(716)	3,203
Exchange differences arising on translation to presentation currency	—	—	—	—	(34,653)	—	—	(34,653)	(987)	(35,640)
Total comprehensive (expense) income for the period	—	—	—	—	(34,653)	—	3,919	(30,734)	(1,703)	(32,437)
Transfer	—	—	—	—	—	638	(638)	—	—	—
Deemed disposal of partial interest in a subsidiary without loss of control	—	—	—	—	—	—	6,791	6,791	14,709	21,500
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	6,143	6,143
At 30 June 2016 (unaudited)	436,900	86,971	2,732,397	1,399	154,704	89,006	(1,341,802)	2,159,575	84,559	2,244,134

	Attributable to the owners of the Company									
	Share capital	Special reserve	Share premium	Property revaluation reserve	Exchange reserve	Other reserves	Accumulated losses	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 2015 (audited)	436,900	117,554	2,732,397	1,399	318,503	75,351	(1,414,326)	2,267,778	72,951	2,340,729
Profit (loss) for the period	—	—	—	—	—	—	73,380	73,380	(1,820)	71,560
Exchange differences arising on translation to presentation currency	—	—	—	—	3,769	—	—	3,769	26	3,795
Total comprehensive income (expense) for the period	—	—	—	—	3,769	—	73,380	77,149	(1,794)	75,355
Transfer	—	—	—	—	—	423	(423)	—	—	—
Dividend recognised as distribution (Note 8)	—	(30,583)	—	—	—	—	—	(30,583)	—	(30,583)
At 30 June 2015 (unaudited)	436,900	86,971	2,732,397	1,399	322,272	75,774	(1,341,369)	2,314,344	71,157	2,385,501

Notes:

- 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.
- Included in other reserves are reserve fund of a subsidiary established in the People's Republic of China (the "PRC") used 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 2016

	1.1.2016	1.1.2015
	to	to
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(81,353)	(377,200)
Investing activities		
Settlement of consideration payable for acquisition of a subsidiary in prior year	(58,502)	—
Product development costs paid	(9,384)	(12,278)
Purchase of property, plant and equipment	(2,223)	(2,065)
Placement of pledged bank deposits	(1,242)	(5,513)
Withdrawal of pledged bank deposits	682	7,782
Proceeds from disposal of property, plant and equipment	21	117
Other investing cash flows	2,256	3,174
Payments for intangible assets	—	(335)
Net cash used in investing activities	(68,392)	(9,118)

	1.1.2016	1.1.2015
	to	to
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Financing activities		
Repayment of other loans	(480,888)	(394,365)
Interest paid	(39,038)	(43,513)
Repayment of obligation under a finance lease	(61)	—
New bank loans raised	71,700	12,681
New other loans raised	620,123	317,014
Net cash inflow in respect of deemed disposal of partial interest in a subsidiary without loss of control	21,500	—
Capital contribution from non-controlling interests	6,143	—
Repayment of bank loans	—	(38,042)
	<hr/>	<hr/>
Net cash from (used in) financing activities	199,479	(146,225)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	49,734	(532,543)
Effect of foreign exchange rate changes	(6,326)	(640)
Cash and cash equivalents at beginning of the period	300,298	862,568
	<hr/>	<hr/>
Cash and cash equivalents at end of the period, representing bank balances and cash	343,706	329,385
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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, which is measured at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

Except as described below, the application of the above amendments to HKFRSs in the current interim period has had no material impact on the amounts and/or disclosures reported in these condensed consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendments to HKAS 1 Disclosure Initiative *(Continued)*

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

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes. The application of the amendments to HKAS 1 has not resulted in significant changes in the disclosure and presentation of the Group's condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the Group's Executive Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's operating and reportable segments 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
Rare-earth Permanent Magnet Motor Products	—	Manufacture and distribution of elevator motors
Energy Storage and Related Products	—	Manufacture and sales of energy renewal products by combining wind energy, solar energy and energy storage
Telecommunication	—	Development and distribution of communication products, information technology systems, broadband systems, equipment and accessories

3. SEGMENT INFORMATION *(Continued)*

Segment results represent the profit before taxation earned by each segment, excluding finance costs, share of result of a joint venture which cannot be allocated, unallocated other income and corporate expenses such as central administration costs and directors' remuneration. Share of loss of associates of HK\$11,210,000 (1.1.2015 to 30.6.2015: share of profit of associates HK\$997,000) and share of profit of a joint venture of HK\$2,657,000 (1.1.2015 to 30.6.2015: share of loss of certain joint ventures of HK\$1,612,000) were allocated to reportable and operating segments. This is the measure reported to the Group's Executive Directors, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance.

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

Six months ended 30 June 2016

	Wind Energy		Rare-earth	Energy Storage		Consolidated
	Related Products	Operation of Wind Farm	Permanent Magnet Motor Products	and Related Products	Tele-communication	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
External sales	463,777	11,765	12,450	287,686	51,866	827,544
Result						
Segment result	3,398	8,667	(873)	15,699	(6,199)	20,692
Unallocated other income						5,804
Unallocated corporate expenses						(50,198)
Finance costs						(39,038)
Share of result of a joint venture						67,762
Profit before taxation						5,022

3. SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2015

	Wind Energy Related Products <i>HK\$'000</i>	Operation of Wind Farm <i>HK\$'000</i>	Rare-earth Permanent Magnet Motor Products <i>HK\$'000</i>	Energy Storage and Related Products <i>HK\$'000</i>	Tele- communication <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover						
External sales	1,361,668	13,054	17,338	50,939	47,943	1,490,942
Result						
Segment result	49,899	4,709	2,003	9,389	(9,609)	56,391
Unallocated other income						6,812
Unallocated corporate expenses						(40,882)
Finance costs						(43,513)
Share of result of a joint venture						94,309
Profit before taxation						73,117

4. OTHER GAINS AND LOSSES

	1.1.2016	1.1.2015
	to	to
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
Net exchange (loss) gain recognised	(8,528)	163
Loss on disposal of property, plant and equipment	(2)	(75)
	(8,530)	88

5. FINANCE COSTS

	1.1.2016 to 30.6.2016 HK\$'000	1.1.2015 to 30.6.2015 HK\$'000
Interest on:		
– bank and other loans	39,033	43,505
– finance lease	5	8
	39,038	43,513

6. PROFIT BEFORE TAXATION

	1.1.2016 to 30.6.2016 HK\$'000	1.1.2015 to 30.6.2015 HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	14,835	15,742
Amortisation of intangible assets	12,341	3,329
Allowance for obsolete inventories	—	2,419
Interest income from		
– advance to a joint venture	(1,615)	(2,214)
– bank balances	(641)	(960)

7. TAXATION

	1.1.2016	1.1.2015
	to	to
	30.6.2016	30.6.2015
	HK\$'000	<i>HK\$'000</i>
The tax charge comprises:		
Current tax		
PRC Enterprise Income Tax ("EIT")	1,236	1,197
Underprovision in prior years	158	—
	1,394	1,197
Deferred taxation charge	425	360
	1,819	1,557

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

Taxation arising in the PRC is recognised based on EIT rate of 25% (1.1.2015 to 30.6.2015: 25%) for the six months ended 30 June 2016.

8. DIVIDENDS

No dividend was paid or declared for the six months ended 30 June 2016. The directors do not recommend the payment of an interim dividend for the interim period. Final dividend of HK0.7 cents per share for the year ended 31 December 2014 was approved by shareholders during the six months ended 30 June 2015.

9. EARNINGS PER SHARE - BASIC

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

	1.1.2016	1.1.2015
	to	to
	30.6.2016	30.6.2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	3,919	73,380
	Number of shares	
	2016	2015
Number of ordinary shares for the purpose of basic earnings per share	4,368,995,668	4,368,995,668

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

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group paid approximately HK\$2,223,000 (1.1.2015 to 30.6.2015: HK\$2,065,000) on acquisition of property, plant and machinery.

The Group also disposed of certain property, plant and machinery with an aggregate carrying amount of HK\$23,000 (1.1.2015 to 30.6.2015: HK\$192,000) for cash proceeds of HK\$21,000 (1.1.2015 to 30.6.2015: HK\$117,000), resulting in loss on disposal of HK\$2,000 (1.1.2015 to 30.6.2015: HK\$75,000).

The fair value of the Group's investment properties as at 30 June 2016 were 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 commercial properties in the PRC. No fair value gain or loss has been recognised for the investment properties in the current period (1.1.2015 to 30.6.2015: nil).

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$1,377,190,000 (31.12.2015: HK\$690,745,000). The amount of trade receivables at 30 June 2016 included retention receivables for the sales of wind turbines and energy storage and related products to third parties of HK\$298,460,000 (31.12.2015: HK\$256,633,000). The balances will be settled upon the completion of warranty period of 1 to 5 years (31.12.2015: 1 to 5 years) of which HK\$213,588,000 (31.12.2015: HK\$178,194,000) will be settled after one year from the end of the reporting period. For the remaining balances of trade receivables, the Group allows credit periods for 90 days (31.12.2015: 90 days) on average to its customers for sales of goods and rendering of services. At the discretion of the executive directors, several major customers were allowed to settle their balances beyond the credit terms up to one year. The following is an aged analysis of trade receivables, net of allowances, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	30.6.2016	31.12.2015
	HK\$'000	HK\$'000
Within 30 days	456,790	77,481
Between 31 and 90 days	37,939	144,796
Between 91 and 180 days	44,856	1,208
Between 181 and 365 days	370,550	352,034
Over 1 year	467,055	115,226
	1,377,190	690,745

Included in the Group's other receivables at 30 June 2016 are dividend receivable from a joint venture of HK\$11,973,000 (31.12.2015: HK\$12,214,000), deposits for purchases of inventories in the PRC of HK\$120,839,000 (31.12.2015: HK\$197,843,000), value added tax recoverable of HK\$13,838,000 (31.12.2015: HK\$38,404,000) and bills receivables of HK\$457,651,000 (31.12.2015: HK\$668,607,000) in relation to the settlement of trade receivables. Bills receivables as at 31 December 2015 of HK\$20,540,000 (30.6.2016: nil) were in relation to settlement of dividend receivable from a joint venture. All bills receivables of the Group are aged within 180 days (31.12.2015: 180 days).

12. PLEDGED BANK DEPOSITS

Included in the Group's pledged bank deposits are bank deposits amounting to HK\$1,242,000 (31.12.2015: HK\$696,000) pledged to banks to secure short term general banking facilities granted to the Group and are therefore classified as current assets.

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$1,207,221,000 (31.12.2015: HK\$1,218,939,000). The following is an ageing analysis of trade payables based on the invoice dates at the end of each reporting period:

	30.6.2016	31.12.2015
	HK\$'000	HK\$'000
Within 30 days	323,754	353,564
Between 31 and 90 days	41,670	359,121
Between 91 and 180 days	262,154	110,991
Between 181 and 365 days	411,338	237,043
Over 1 year	168,305	158,220
	1,207,221	1,218,939

Included in the Group's other payables at 30 June 2016 are accrual for construction work of HK\$1,222,000 (31.12.2015: HK\$1,246,000), receipt in advance from customers of HK\$11,229,000 (31.12.2015: HK\$8,953,000), project guarantee deposits of HK\$2,473,000 (31.12.2015: HK\$2,387,000), accrued transportation cost of HK\$13,311,000 (31.12.2015: HK\$13,584,000), office rental payable of HK\$4,027,000 (31.12.2015: HK\$4,108,000), bills payables aged within 180 days of HK\$35,101,000 (31.12.2015: HK\$27,471,000) and consideration payable for the acquisition of a subsidiary of HK\$12,735,000 (31.12.2015: HK\$72,673,000).

14. BORROWINGS

	30.6.2016	31.12.2015
	HK\$'000	HK\$'000
Short-term bank loans (Note a)	597,814	533,898
Short-term other loans (Note a)	269,110	119,363
Short-term shareholder's loans (Note b)	—	477,453
Long-term shareholder's loans (Note b)	912,633	453,579
Long-term other loan (Note c)	26,911	40,583
	1,806,468	1,624,876
Less: Amount due within one year under current liabilities	(866,924)	(1,130,714)
Amount due after one year	939,544	494,162
The maturity of the Group's borrowings is as follows:		
Within one year	866,924	1,130,714
Between two to five years	939,544	453,579
Over five years	—	40,583
	1,806,468	1,624,876

14. BORROWINGS *(Continued)*

Notes:

- (a) The amount at 30 June 2016 represents unsecured bank loans of HK\$597,814,000 or RMB510,934,000 (31.12.2015: HK\$533,898,000 or RMB447,289,000). Loans of HK\$200,000,000 (31.12.2015: HK\$140,000,000) bear floating-rate interest at Hong Kong inter-bank offered rate ("HIBOR") plus 2.3% (31.12.2015: HIBOR plus 2.3%) per annum. Loan of HK\$11,700,000 or RMB10,000,000 (31.12.2015: nil) bears floating rate interest at the People's Bank of China Benchmark interest rate minus 0.17% per annum. The remaining loans of HK\$386,114,000 or RMB330,000,000 (31.12.2015: HK\$393,898,000 or RMB330,000,000) bear fixed-rate interest ranging from 4.35% to 4.85% (31.12.2015: 4.35% to 4.85%) per annum.

The loans are repayable within one year (31.12.2015: within one year) and are used to finance the operations of the Group.

Included in other loans represent two loans (31.12.2015: one loan) from Aerospace Science and Technology Finance Co. Ltd. ("ASTF"), a fellow subsidiary of China Academy of Launch Vehicle Technology ("CALT"), a stated-owned enterprise and an intermediate holding company of the Company, amounting to HK\$117,004,000 or RMB100,000,000 (31.12.2015: HK\$119,363,000 or RMB100,000,000) and HK\$152,106,000 or RMB130,000,000 (31.12.2015: nil) respectively. The amounts are unsecured and guaranteed by CALT, bear fixed-rate interest of 4.13% (31.12.2015: 4.13%) per annum and are repayable in December 2016 and March 2017 respectively.

- (b) The amounts in aggregate amounting to HK\$912,633,000 or RMB780,000,000 (31.12.2015: HK\$931,032,000 or RMB780,000,000) represent loans advanced from CALT, through a fellow subsidiary of CALT, ASTF.

The amounts are unsecured, bear fixed-rate interest ranging from 4.88% to 5.00% (31.12.2015: 4.88% to 5.00%) per annum. Loans of HK\$152,106,000 or RMB130,000,000 (31.12.2015: HK\$155,172,000 or RMB130,000,000), HK\$292,510,000 or RMB250,000,000 (31.12.2015: HK\$298,407,000 or RMB250,000,000) and HK\$468,017,000 or RMB400,000,000 (31.12.2015: nil) are repayable in July 2017, March 2018 and April 2021 respectively. Loans of HK\$477,453,000 or RMB400,000,000 at 31 December 2015 was fully repaid during the current period.

- (c) The amount represents a loan of HK\$26,911,000 or RMB23,000,000 (31.12.2015: HK\$40,583,000 or RMB34,000,000) 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% (31.12.2015: 5.09%) per annum and is repayable in full in November 2020. An amount of HK\$12,870,000 or RMB11,000,000 at 31 December 2015 was early repaid during the current period.

15. 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 2016 are three (31.12.2015: three) loans advanced from CALT through CASC's subsidiary, ASTF, as the trustee totalling HK\$912,633,000 or RMB780,000,000 (31.12.2015: HK\$931,032,000 or RMB780,000,000). Details are set out in note 14(b).

In addition, included in other loans represent two loans (31.12.2015: one loan) from ASTF, a fellow subsidiary of CALT, a stated-owned enterprise and an intermediate holding of the Company amounting to HK\$269,110,000 or RMB230,000,000 (31.12.2015: HK\$119,363,000 or RMB100,000,000). Details are set out in note 14(a).

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

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

(b) Transactions with other government-related entities

- (1) Included in borrowings at 30 June 2016 was a loan of HK\$26,911,000 or RMB23,000,000 (31.12.2015: HK\$40,583,000 or RMB34,000,000) advanced from a non-controlling shareholder of a subsidiary. Details are set out in note 14(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 are 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.

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

(ii) Transactions with other related parties

- (a) Included in the amounts due from associates are prepayments for inventories of HK\$23,400,000 (31.12.2015: HK\$52,505,000) and trade receivables of HK\$592,491,000 (31.12.2015: HK\$825,293,000). With respect to the prepayments for inventories, the amounts are unsecured, non-interest bearing and will be utilised upon receipt of inventories. For trade receivables, the amounts are unsecured, non-interest bearing and with credit periods for 90 days for sales of goods mainly wind energy related products. The remaining balance of HK\$2,882,000 (31.12.2015: HK\$2,939,000) are unsecured, non-interest bearing and repayable on demand.

Included in the amounts due to associates are trade payables of HK\$107,406,000 (31.12.2015: HK\$240,663,000). The amounts are unsecured, non-interest bearing and with credit period of 365 days. The remaining balance of HK\$772,000 (31.12.2015: HK\$788,000) are unsecured, non-interest bearing and repayable on demand.

Included in the amounts due from associates as at 31 December 2015 was an amount of HK\$220,858,000 representing trade receivables with an associate. During the current period, the Group's has lost its significant influence over that entity. Accordingly, the related outstanding trade receivables of HK\$215,323,000 was grouped under trade receivables as at 30 June 2016.

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

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

(b) (1) Non-current balance

Included in the balances is an amount due from a joint venture of HK\$99,851,000 (31.12.2015: HK\$100,244,000), of which loans advanced to the joint venture amounted to HK\$65,522,000 (31.12.2015: HK\$66,843,000) that bear fixed interest rate at 4.85% (31.12.2015: 4.85%) per annum. The joint venture has pledged its land and buildings with a carrying amount of HK\$48,407,000 to the Group to secure the loan. The remaining amount of HK\$34,329,000 (31.12.2015: HK\$33,401,000) is non-interest bearing. The joint venture has entered into arrangements with the Group in connection with the above loans of HK\$65,522,000 (31.12.2015: HK\$66,843,000) and other balance of HK\$21,529,000 (31.12.2015: HK\$21,963,000) as at 30 June 2016 that these amounts shall be repaid from the proceeds upon the realisation of the land and buildings and certain other assets of that joint venture. 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.

15. 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 2016 included retention receivables of HK\$27,693,000 (31.12.2015: HK\$28,251,000) for the sales of wind turbines to a joint venture that took place in prior years. The balance is unsecured, non-interest bearing and will be settled upon the completion of warranty period in 2017. The remaining balance of HK\$81,000 (31.12.2015: HK\$107,000) is unsecured, non-interest bearing and repayable on demand.

(3) The amounts due to joint ventures of HK\$66,000 (31.12.2015: HK\$88,000) are unsecured, non-interest bearing and repayable on demand.

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

	1.1.2016	1.1.2015
	to	to
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
Sales of goods to associates	—	602,558
Sales of goods to a fellow subsidiary	—	2,203
Purchases of goods from an associate	57,597	192,250
Interest on loan from a shareholder, CALT	22,897	24,423
Interest on loan from a fellow subsidiary, ASTF	4,294	4,306
Interest paid to a non-controlling shareholder with significant influence over a subsidiary	813	1,469
Interest income from a joint venture	1,615	2,214
	1,615	2,214

15. 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:

	1.1.2016	1.1.2015
	to	to
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
Salaries and other benefits	3,312	3,594
Contributions to retirement benefits scheme	9	9
	<hr/>	<hr/>
	3,321	3,603
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The remuneration of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.