



**CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED**

**中國航天萬源國際(集團)有限公司\***

(Stock Code: 1185)

INTERIM REPORT  
**2020**

\* For identification purpose only

# CORPORATE CULTURE

## Mission

Devoted to new energy • Contributing to Society • Benefiting mankind

## Target

Pursuing excellence • Leading the development of new energy

## Value

Leveraging talents to full play • Win-win in harmony

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

Mr. Liu Zhiwei (*Chairman*)

Mr. Li Lei (*Vice-Chairman*)

Mr. Han Qingping (*Chief Executive Officer*)

Mr. Xu Jun (*Financial Controller*)

Mr. Wang Guanghui (*Vice-Chief Executive Officer*)

#### *Independent Non-executive Directors*

Mr. Lau Fai Lawrence

Mr. Gordon Ng

Mr. Li Dapeng

### AUDIT COMMITTEE

Mr. Lau Fai Lawrence (*Chairman*)

Mr. Gordon Ng

Mr. Li Dapeng

### REMUNERATION COMMITTEE

Mr. Gordon Ng (*Chairman*)

Mr. Han Qingping

Mr. Lau Fai Lawrence

Mr. Li Dapeng

### NOMINATION COMMITTEE

Mr. Liu Zhiwei (*Chairman*)

Mr. Li Lei

Mr. Lau Fai Lawrence

Mr. Gordon Ng

Mr. Li Dapeng

### DEVELOPMENT AND INVESTMENT COMMITTEE

Mr. Liu Zhiwei (*Chairman*)

Mr. Li Lei

Mr. Han Qingping

Mr. Xu Jun

Mr. Wang Guanghui

Mr. Li Dapeng

**COMPANY SECRETARY**

Mr. Yu Ngai

**AUTHORISED REPRESENTATIVES**

Mr. Liu Zhiwei

Mr. Yu Ngai

**REGISTERED OFFICE**

Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman  
KY1-1111, Cayman Islands

**PRINCIPAL PLACE OF BUSINESS**

Unit 2301, 23rd Floor, Office Tower, Convention Plaza  
1 Harbour Road  
Wan Chai, Hong Kong

**PRINCIPAL SHARE REGISTRAR**

SMP Partners (Cayman) Limited  
3/F, Royal Bank House  
24 Shedden Road, P.O. Box 1586  
Grand Cayman KY1-1110  
Cayman Islands

**BRANCH SHARE REGISTRAR**

Tricor Standard Limited  
Share Registration Public Office  
Level 54, Hopewell Centre  
183 Queen's Road East, Hong Kong

**PRINCIPAL BANKERS**

Bank of Communications Company Limited  
Agricultural Bank of China Limited  
Industrial and Commercial Bank of China Limited  
Bank of China Limited

**LEGAL ADVISERS**

Sit, Fung, Kwong & Shum  
Conyers Dill & Pearman  
Guantao Law Firm (Beijing)

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**STOCK CODE**

1185



## BUSINESS REVIEW

On behalf of the Board of Directors, the business performance of China Engine International (Holdings) Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the first half of 2020 is summarised in the following paragraphs.

## RESULTS SUMMARY

For the six months ended 30 June 2020 (the “Period”), the Group’s turnover of continuing operations amounted to HK\$13.82 million as compared to HK\$21.35 million for the same period of 2019, representing a decrease by HK\$7.53 million. Turnover for the Period comprised sale of wind energy related products amounting to HK\$0.92 million and sale of electricity generated from wind farm amounting to HK\$12.90 million, compared to turnover for the same period of 2019 which 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.

Loss for the Period from continuing operations attributable to owners of the Company amounted to HK\$58.56 million, such loss was principally due to: (1) the performance of the Group’s business segments resulting in operating loss of HK\$29.26 million; (2) unallocated corporate expenses amounted to HK\$14.47 million; and (3) finance costs amounted to HK\$40.55 million.

### Wind Power Generation Business

In the first half of 2020, the PRC government has successively issued a series of policies in relation to the wind power industry clarifying, among others, the construction of grid parity projects, the construction of state-subsidized projects, the construction of distributed wind power projects, the implementation of power transmission and consumption conditions. The wind power industry has entered an era of comprehensive competition, which presents tremendous challenges to the Group’s wind power business and business model.

In the first half of 2020, the number of installation of wind turbines of the wind power industry has dropped significantly, the price of wind turbines units has stabilized and mainstream onshore models have gradually been replaced with 3.X MW and above platform units. Due to the keen competition in the wind power industry, the market concentration of the industry has been increased, resulting in the pressure in profitability of the middle stream companies of the wind power industry.

As disclosed in the announcement of the Company dated 7 August 2020, in the first half of 2020, as affected by factors including quality issues of wind turbine and the COVID-19 outbreak, there were difficulties in the collection of trade receivables of wind turbine manufacture segment of the Group, which led to continued funding constraints and failure to pay relevant payables as agreed.

Due to the grim situation as stated in the profit warning announcement issued by the Company dated 24 June 2020 and the emerging impact of the COVID-19 outbreak, the Group can hardly fully implement all of the operation improvement plans as scheduled and there is an increasing number of wind turbines being temporarily shut down due to malfunction in respect of which the wind turbines are subject to the Group's warranty obligations. Although the Group has adopted various measures to maintain the ongoing operation of the wind turbine manufacture business, such business faces serious operational difficulties.

Facing the fierce competition and the changing policy environment, the Group proactively adjusted its market strategy to focus on acquiring market resources for the Gaizhou Project, the Baotou Damao Phase II Project, and a clean energy project in a district of Inner Mongolia. Among those projects, saved for the proposal in relation to the environmental protection of the Gaizhou Project which has been submitted to the Ministry of Natural Resources for approval, there is no substantial progress in other projects.

### **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.

In the first half of 2020, the operating income of the above-mentioned wind farms was basically the same as the corresponding period in 2019, with decreased profit contribution and relatively stable contribution to the Group.



## Business of Automotive Engine Management Systems

Beijing Delphi Wan Yuan Engine Management Systems Co., Ltd (“Delphi”), a joint venture of the Group, is a major supplier in the domestic automotive electronic fuel injection market. In the first half of 2020, Delphi has overcome the impact of the COVID-19 epidemic and the continuous decline in national automobile production and sale by implementing various measures to reduce costs and increase revenue. The operating income and profit increased by 3.7% and 143%, respectively, compared with the corresponding period in 2019.

## PROSPECTS

In the first half of 2020, the PRC government has successively issued a series of new energy industry policies and notices regarding the wind power industry’s grid parity, low-price competition, monitoring and early warning mechanism of wind power investment and etc., the Group’s original business plan and the demand for the manufacture of wind energy products are expected to be materially affected.

As disclosed in the Annual Report 2019 of the Company dated 15 May 2020, due to continuous impact of COVID-19 outbreak, the Company has difficulties in fulfilling all the requirements of productions orders and difficulties in the combination of power network by the end of 2020 as a result of our suppliers’ difficulties in delivering certain key ancillary equipment.

There are still unsolved technical deficiencies and quality issues associated with certain wind turbine products of the Group, resulting in difficulty for the Group to obtain new orders of the wind turbines manufacture segment. Further financial resources are required to solve these issues, and the Group is still under evaluation of the potential financial impact.

The Company has taken relevant measures to meet the above challenges, but it remains difficult. As of the date of this report, the Company will continue to provide operation and maintenance services for wind turbines related products and operation service for wind farms, and actively explore new business cooperation opportunities in relation to core aerospace technology products.

## HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 13 employees (31 December 2019: 12 employees) at the Hong Kong head office and 293 employees (31 December 2019: 342 employees) at 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, 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 2020 amounted to HK\$1,781,891,000 (31 December 2019: HK\$1,754,002,000), of which HK\$96,339,000 (31 December 2019: HK\$98,239,000) 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\$1,685,551,000 (31 December 2019: HK\$1,655,764,000) 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 2020 was -441% (31 December 2019: -500%).

### Trade and Other Receivables and Contract Assets

As at 30 June 2020, trade and other receivables and contract assets were HK\$1,074,266,000 and HK\$218,441,000 respectively (31 December 2019: HK\$1,079,654,000 and HK\$226,518,000).

Reversal of impairment loss of HK\$3,408,000 in respect of financial assets and contract assets were recognised from continuing operations for the current period (impairment loss for the same period in 2019: HK\$55,073,000).

## Pledge of Assets

As at 30 June 2020, the Group has pledged the 49% equity interest in Delphi with a carrying value of approximately HK\$853,648,000 as security for the borrowings obtained from a wholly owned subsidiary of the controlling shareholder.

## Exchange and Other Exposures

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

## Contingent Liabilities

Other than those stated in the legal proceedings section below, the Group had no significant contingent liabilities as at 30 June 2020.

## Legal Proceedings

Since 15 May 2020, the date of the publication of audited results announcement, and up to 21 August 2020, 18 new arbitrations/litigations were raised against the Group and its subsidiaries for the payment of contractual arrears of approximately RMB128,760,000. The relevant amounts are due considered and accrued for in the condensed consolidated financial statements as at 30 June 2020. Among the arbitrations/litigations, 12 cases amounted to approximately RMB120,000,000 are concluded and pending for settlement, and 6 out of the 12 cases have been applied for enforcement. The total amount of claims involved in outstanding cases is approximately RMB418,710,000. The bank accounts of three subsidiaries of the Group's wind turbine manufacture segment have been frozen, the counterparties applied to freeze the amount of approximately RMB80,880,000, the aggregated amount of approximately RMB17,400,000 is freezed, which results in the failure to make payments for normal operations of the wind turbine manufacture segment. Preservation measures are adopted against the equity interests in Delphi and an associate held by the Group with carrying value of approximately HK\$853,648,000 and HK\$7,072,000 respectively, and such equity interests are subject to the risk of being auctioned if the outstanding payments are not settled in the future.

Other than those stated above, the Group did not have any significant legal proceedings.

## **ADDITIONAL INFORMATION**

### **INTERIM DIVIDEND**

The Board of the Company did not recommend any interim dividend for the six months ended 30 June 2020 (same period in 2019: Nil).

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

As at 30 June 2020, 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 2020 was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangements to enable the Directors of the Company or their associates (as defined in the Listing Rules) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, the following persons (other than any directors or chief executives of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) and had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of shares</b> <i>(Note 1)</i>	<b>Approximate percentage of the total number of shares in issue</b>
China Aerospace Science & Technology Corporation ("CASC")	Interest of a controlled corporation <i>(Note 2)</i>	2,649,244,000 (L)	60.64%
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%

*Notes:*

1. The letter "L" denotes the shareholder's long position in the shares.
2. CASC is deemed to be interested in 2,649,244,000 shares as it holds 100% equity of CALT.
3. Astrotech is a wholly-owned subsidiary of CALT. Accordingly, CALT is deemed to be interested in all the shares held by Astrotech.

Save as disclosed above, the Company has not been notified of any other persons (other than any directors or chief executives of the Company) who had an interest or a short position in the Shares, underlying Shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO as at 30 June 2020.

## **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 2020.

### **Model Code for Securities Transactions by Directors**

Throughout the six-month period ended 30 June 2020, 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 has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2020.

## **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 2020.

By Order of the Board

**Liu Zhiwei**

*Chairman and Executive Director*

Hong Kong, 21 August 2020



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTES	1.1.2020 to 30.6.2020 HK\$'000 (Unaudited)	1.1.2019 to 30.6.2019 HK\$'000 (Unaudited)
<b>Continuing operations</b>			
Turnover	3	13,824	21,350
Cost of sales		(10,558)	(16,789)
Gross profit		3,266	4,561
Other income		7,075	7,502
Other gains and losses	4	(898)	(12,939)
Impairment loss, net of reversal, on financial assets and contract assets	5	3,408	(55,073)
Selling and distribution expenses		(3,847)	(5,897)
Administrative expenses		(47,663)	(64,111)
Finance costs	6	(40,553)	(40,921)
Share of results of associates		(370)	373
Share of results of joint ventures		21,785	7,686
Loss before taxation	8	(57,797)	(158,819)
Taxation	9	(1,145)	(1,512)
Loss for the period from continuing operations		(58,942)	(160,331)
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	7	–	(47,208)
Loss for the period		(58,942)	(207,539)
<b>Other comprehensive expense:</b>			
Item that will not be reclassified to profit or loss – exchange differences arising on translation to presentation currency		5,901	(485)
Total comprehensive expense for the period		(53,041)	(208,024)

	NOTE	<b>1.1.2020 to 30.6.2020 HK\$'000 (Unaudited)</b>	1.1.2019 to 30.6.2019 HK\$'000 (Unaudited)
Loss for the period attributable to owners of the Company			
– from continuing operations		<b>(58,557)</b>	(159,430)
– from discontinued operations		–	(47,208)
		<b>(58,557)</b>	(206,638)
Loss for the period attributable to non-controlling interests			
– from continuing operations		<b>(385)</b>	(901)
Loss for the period		<b>(58,942)</b>	(207,539)
Total comprehensive expense attributable to:			
Owners of the Company		<b>(53,455)</b>	(206,938)
Non-controlling interests		<b>414</b>	(1,086)
		<b>(53,041)</b>	(208,024)
Loss per share – Basic	11		
From continuing and discontinued operations		<b>HK(1.34) cents</b>	HK(4.73) cents
From continuing operations		<b>HK(1.34) cents</b>	HK(3.65) cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	NOTES	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
Non-current assets			
Investment properties	12	126,992	130,724
Property, plant and equipment	12	180,319	194,507
Right-of-use assets	12	6,574	6,342
Goodwill		2,004	2,004
Interests in associates		190,458	194,587
Interests in joint ventures		853,648	932,381
Amount due from a joint venture	19(ii)(b)(1)	–	67,351
Financial assets at fair value through other comprehensive income		4,707	4,800
		<b>1,364,702</b>	<b>1,532,696</b>
Current assets			
Inventories		54,376	41,170
Trade and other receivables, deposits and prepayments	13	1,074,266	1,079,654
Contract assets		218,441	226,518
Amounts due from associates	19(ii)(a)	131,966	154,507
Amounts due from joint ventures	19(ii)(b)(2)	79,692	19,186
Restricted bank balances	14	19,057	–
Pledged bank deposits, bank balances and cash	15	73,481	78,236
		<b>1,651,279</b>	<b>1,599,271</b>
Non-current asset held-for-sale	16	33,994	–
		<b>1,685,273</b>	<b>1,599,271</b>

	NOTES	<b>30.6.2020</b> <i>HK\$'000</i> <i>(Unaudited)</i>	31.12.2019 <i>HK\$'000</i> <i>(Audited)</i>
Current liabilities			
Trade and other payables	17	<b>1,272,717</b>	1,320,176
Amounts due to associates	19(ii)(a)	<b>26,694</b>	23,372
Amounts due to joint ventures	19(ii)(b)(3)	<b>3,762</b>	2,862
Government grants		<b>683</b>	696
Warranty provision		<b>314,357</b>	328,231
Taxation payable		<b>2,282</b>	1,621
Borrowings	18, 19(i)(a)	<b>1,508,200</b>	659,983
Lease liabilities		<b>4,548</b>	5,078
		<b>3,133,243</b>	2,342,019
Net current liabilities		<b>(1,447,970)</b>	(742,748)
Total assets less current liabilities		<b>(83,268)</b>	789,948
Non-current liabilities			
Government grants		<b>26,655</b>	27,520
Borrowings	18, 19(i)(a)		
	19(i)(b)(1)	<b>273,691</b>	1,094,019
Lease liabilities		<b>2,477</b>	1,363
Deferred tax liabilities		<b>17,737</b>	17,833
		<b>320,560</b>	1,140,735
Net liabilities		<b>(403,828)</b>	(350,787)

	<b>30.6.2020</b>	31.12.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Capital and reserves		
Share capital	<b>436,900</b>	436,900
Reserves	<b>(881,534)</b>	(828,878)
Equity attributable to owners of the Company	<b>(444,634)</b>	(391,978)
Non-controlling interests	<b>40,806</b>	41,191
Total deficit	<b>(403,828)</b>	(350,787)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to the owners of the Company							Non-controlling interests	Total	
	Share capital	Special reserve	Share premium	Property revaluation reserve	Exchange reserve	Other reserves	Accumulated losses			
	HK\$'000	HK\$'000 (Note a)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2020 (audited)	436,900	86,971	2,732,397	1,399	150,041	107,825	(3,907,511)	(391,978)	41,191	(350,787)
Loss for the period	-	-	-	-	-	-	(58,356)	(58,356)	414	(58,942)
Exchange differences arising on translation to presentation currency	-	-	-	-	6,700	-	-	6,700	(799)	5,901
Total comprehensive income (expense) for the period	-	-	-	-	6,700	-	(58,356)	(52,656)	(385)	(53,041)
Transfer	-	-	-	-	-	-	-	-	-	-
At 30 June 2020 (unaudited)	436,900	86,971	2,732,397	1,399	156,741	107,825	(3,966,867)	(444,634)	40,806	(403,828)
At 1 January 2019 (audited)	436,900	86,971	2,732,397	1,399	146,766	107,424	(2,861,804)	650,053	53,104	703,157
Loss for the period	-	-	-	-	-	-	(206,638)	(206,638)	(901)	(207,539)
Exchange differences arising on translation to presentation currency	-	-	-	-	(300)	-	-	(300)	(185)	(485)
Total comprehensive expense for the period	-	-	-	-	(300)	-	(206,638)	(206,938)	(1,086)	(208,024)
Transfer	-	-	-	-	-	167	(167)	-	-	-
At 30 June 2019 (unaudited)	436,900	86,971	2,732,397	1,399	146,466	107,591	(3,068,609)	443,115	52,018	495,133

### 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") which can be used only to i) make up prior years' losses or ii) expand production operations and reserve fund for future enhancement of safety production environment and improvement of facilities and is not available for distribution to shareholders.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	<b>1.1.2020 to 30.6.2020 HK\$'000 (Unaudited)</b>	1.1.2019 to 30.6.2019 HK\$'000 (Unaudited)
Net cash used in operating activities	<b>(15,112)</b>	(79,245)
Investing activities		
Interest received	<b>7</b>	908
Payment of intangible assets	<b>–</b>	(598)
Proceeds from disposal of property, plant and equipment	<b>566</b>	312
Purchase of property, plant and equipment	<b>(1,037)</b>	(4,870)
Settlement of other bills receivables	<b>13,651</b>	183,385
Other investing cash flows	<b>(2,190)</b>	210
Net cash from investing activities	<b>10,997</b>	179,347
Financing activities		
Interest paid	<b>(40,008)</b>	(40,789)
New other loans raised	<b>166,897</b>	341,042
Repayment of other loans	<b>(105,097)</b>	(338,984)
Repayment of lease liabilities	<b>(1,312)</b>	(2,034)
Other financing cash flows	<b>(1,729)</b>	(2,268)
Net cash from (used in) financing activities	<b>18,751</b>	(43,033)
Net increase in cash and cash equivalents	<b>14,636</b>	57,069
Cash and cash equivalents at beginning of the period	<b>78,236</b>	88,829
Effect of foreign exchange rate changes	<b>(334)</b>	(1,613)
Cash and cash equivalents at end of the period	<b>92,538</b>	144,285

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

### 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.

The Group incurred a net loss from continuing operations of approximately HK\$58,942,000 during the period ended 30 June 2020 and, as of 30 June 2020, the Group had net current liabilities and net liabilities of approximately HK\$1,447,970,000 and HK\$403,828,000, respectively. The Group’s aggregate borrowings amounted to approximately HK\$1,781,891,000, out of which HK\$1,508,200,000 will be due for repayment within twelve months from 30 June 2020; while its cash and cash equivalents amounted to approximately HK\$73,472,000 only as at 30 June 2020.

In view of the above circumstances, the directors of the Company have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity position and to improve the Group’s financial position which include, but are not limited to, the followings:

- (i) The Group has been actively negotiating with Aerospace Science and Technology Finance Co. Ltd. (“ASTF”), a fellow subsidiary of the Company, and CALT for the extension of the existing unsecured loans of RMB792,200,000 (equivalent to approximately HK\$867,271,000) advanced from ASTF and loans of RMB400,000,000 (equivalent to approximately HK\$437,905,000) advanced from CALT through ASTF as the trustee, both of which will be due within twelve months from the date of approval of the condensed consolidated financial statements. In the opinion of the directors of the Company, it is expected that further extension of such loans would be granted by these counterparties based on past experience;

## 1. BASIS OF PREPARATION *(Continued)*

- (ii) As set out in the Company's circular dated 28 February 2020, the Group and ASTF entered into a loan agreement (the "Loan Agreement") on 25 December 2019 for a loan facility of RMB300,000,000 (equivalent to approximately HK\$328,000,000) to be provided by ASTF to the Group, which are secured by the share charge (the "Share Charge") to be granted by the Group in favour of ASTF over all its shares held in a joint venture, Beijing Delphi Wan Yuan Engine Management Systems Co., Ltd ("Delphi") (representing 49% of the share capital of Delphi). The loan is repayable on the first anniversary of the Loan Agreement. The Loan Agreement and the Share Charge were approved by the shareholders in the extraordinary general meeting of the shareholders of the Company on 18 March 2020. As at the date of the condensed consolidated financial statements, an amount of RMB97,450,000 (equivalent to approximately HK\$106,685,000) has been drawn down by the Group. The Group is expected to utilise the full amount of this loan facility up to RMB300,000,000 (equivalent to approximately HK\$328,000,000) to enable sufficient financial resources are available to the Group within twelve months from the date of approval of the consolidated financial statements. In the opinion of the directors of the Company, based on past experience, it is expected that further extension of such loan facility would be granted by ASTF upon expiry;
- (iii) The Group has been arranging the collection of outstanding balance from its joint venture of HK\$67,821,000, through disposal of the pledged land and buildings by such joint venture;
- (iv) The Group has been looking for potential buyers to acquire the Group's equity interests in a joint venture and an associate with an aggregate carrying amount of HK\$41,067,000;
- (v) The Group has been looking for potential buyer to purchase an investment property of the Group located in Shenzhen with carrying amount of HK\$46,090,000;
- (vi) The Group is currently re-negotiating the repayment schedules with certain of its debtors and endeavoring to request them to repay the trade receivables in accordance with the repayment schedules agreed with them; and

## 1. BASIS OF PREPARATION *(Continued)*

- (vii) The Group has been arranging for settlement of part of the balances outstanding to its creditors. The Group has ongoing communication with its creditors, and monitored closely any settlement requests of trade payables. In the opinion of the directors of the Company, due to the impact of the COVID-19 epidemic, the uncertainty in negotiating deferred settlement agreements with relevant creditors has increased, which has posed a severe challenge to the Group's debt repayment pressure.

Accordingly, certain non-current assets of the Group are classified as "non-current assets held-for-sale" as at 30 June 2020 (see Note 16).

The directors of the Company believe that, taking into account the above-mentioned plans and measures, although the Group faces severe challenges, with the support of major shareholder and the understanding of creditors, it will have the working capital to deal with debt pressure and to meet its financial obligations as they fall due within twelve months from the date of approval of the condensed consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

Notwithstanding the above, since the execution of the above plans and measures are in progress, significant uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the followings:

- (i) successful extension of the existing unsecured loans of RMB792,200,000 (equivalent to approximately HK\$867,271,000) advanced from ASTF and loans of RMB400,000,000 (equivalent to approximately HK\$437,905,000) advanced from CALT through ASTF as the trustee;
- (ii) successful extension of the loan facility of RMB300,000,000 (equivalent to approximately HK\$328,000,000) provided by ASTF upon expiry;
- (iii) successful disposal of the pledged land and buildings by a joint venture in order to collect the amount due from that joint venture of HK\$67,821,000;

## 1. BASIS OF PREPARATION *(Continued)*

- (iv) successful disposal of the equity interests in a joint venture and an associate with an aggregate carrying amount of HK\$41,067,000;
- (v) successful disposal of an investment property located in Shenzhen with carrying amount of HK\$46,090,000;
- (vi) timely collection of the Group's certain debtors in accordance with the repayment schedules agreed with them; and
- (vii) successful agreement with the Group's creditors of settlement arrangements where applicable.

Should the Group fail to achieve the above mentioned plans and measures, or should ASTF and CALT no longer have the financial ability to provide finance to the Group, it might not be able to continue to operate as a going concern, and adjustments would have to be made to reclassify the Group's non-current assets and non-current liabilities as current assets and current liabilities respectively, to write down the carrying values of the Group's assets to their recoverable amounts and to provide for any provision for any contractual commitments that have become onerous as at the end of the reporting period. The effects of these adjustments have not been reflected in the condensed consolidated financial statements.

## 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 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Application of new and amendments to HKFRSs**

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3,  
Amendment to HKFRS 16,

*Definition of a Business*  
*Covid-19-Related Rent Concessions*

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 position for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### **Amendment to HKFRS 16, *Covid-19-Related Rent Concessions***

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.



### 3. TURNOVER AND SEGMENT INFORMATION

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

	<b>1.1.2020</b>	1.1.2019
	<b>to</b>	to
	<b>30.6.2020</b>	30.6.2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Continuing operations</b>		
Sales of wind energy related products	<b>919</b>	6,906
Sales of electricity from operation of wind power field	<b>12,905</b>	14,444
	<b>13,824</b>	21,350

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

Information reported to the Group's executive directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the 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 7.

### 3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

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 2020

	<b>Wind Energy Related Products <i>HK\$'000</i></b>	<b>Operation of Wind Farm <i>HK\$'000</i></b>	<b>Consolidated <i>HK\$'000</i></b>
<b>Continuing operations</b>			
Turnover			
External sales	919	12,905	13,824
Result			
Segment result	(32,638)	3,381	(29,257)
Unallocated other income			5,064
Unallocated corporate expenses			(14,466)
Finance costs			(40,553)
Share of result of an associate			(370)
Share of result of a joint venture			21,785
Loss before taxation			(57,797)

### 3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2019

	Wind Energy Related Products <i>HK\$'000</i>	Operation of Wind Farm <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Continuing operations</b>			
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)

#### 4. OTHER GAINS AND LOSSES

	<b>1.1.2020 to 30.6.2020 HK\$'000</b>	1.1.2019 to 30.6.2019 HK\$'000
<b>Continuing operations</b>		
Gain (loss) on disposal of property, plant and equipment	<b>474</b>	(40)
Net exchange loss recognised	<b>(159)</b>	(2,616)
Impairment losses recognised in respect of intangible assets (Note)	–	(10,283)
Loss from changes in fair value of investment properties	<b>(1,213)</b>	–
	<b>(898)</b>	(12,939)

*Note:* The management of the Group performed impairment review based on value in use calculation using discounted cash flow forecast with respect to the cash generating unit of the wind energy related products segment and no impairment loss was recognised as at 30 June 2020 (As at 30 June 2019: impairment loss of HK\$10,283,000).

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

	<b>1.1.2020 to 30.6.2020 HK\$'000</b>	1.1.2019 to 30.6.2019 HK\$'000
<b>Continuing operations</b>		
(Reversal of) impairment loss recognised in respect of trade balances arising from contracts with customers and an associate	<b>(3,408)</b>	55,073

## 6. FINANCE COSTS

	<b>1.1.2020 to 30.6.2020 HK\$'000</b>	1.1.2019 to 30.6.2019 HK\$'000
<b>Continuing operations</b>		
Interest on bank and other loans	<b>40,417</b>	40,789
Interest on lease liabilities	<b>136</b>	132
	<b>40,553</b>	40,921

## 7. DISCONTINUED OPERATIONS

During the year ended 31 December 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 preceding interim periods is analysed as follows:

	1.1.2019
	to
	30.6.2019
	<i>HK\$'000</i>
Loss for the period from a discontinued operation	<u>(47,208)</u>

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

	1.1.2019
	to
	30.6.2019
	<i>HK\$'000</i>
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	<u>(748)</u>
Loss for the period and attributable to owners of the Company	<u>(47,208)</u>



## 8. LOSS BEFORE TAXATION

Loss before taxation from continuing operations has been arrived at after charging (crediting):

	<b>1.1.2020 to 30.6.2020 HK\$'000</b>	1.1.2019 to 30.6.2019 HK\$'000
Depreciation of property, plant and equipment	<b>5,043</b>	12,426
Depreciation of right-of-use assets	<b>3,623</b>	2,189
Amortisation of intangible assets	–	5,573
Interest income from		
– advance to a joint venture	<b>(1,784)</b>	(1,410)
– advance to an associate	<b>(631)</b>	(675)
– bank balances	<b>(170)</b>	(233)
	<b><u>(170)</u></b>	<b><u>(233)</u></b>



## 11. LOSS PER SHARE – BASIC

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

	<b>1.1.2020</b> <b>to</b> <b>30.6.2020</b> <b>HK\$'000</b>	1.1.2019 to 30.6.2019 <i>HK\$'000</i>
<b>From continuing operations</b>		
Loss for the period attributable to owners of the Company	<b>(58,557)</b>	(206,638)
Add: Loss for the period from discontinued operations	–	47,208
	<hr/>	<hr/>
Loss for the purpose of basic loss per share from continuing operations	<b><u>(58,557)</u></b>	<u>(159,430)</u>

	<b>Number of shares</b>	
	<b>2020</b>	2019
Weighted average number of shares for the purpose of basic loss per share	<b><u>4,368,995,668</u></b>	<u>4,368,995,668</u>

	<b>1.1.2020</b> <b>to</b> <b>30.6.2020</b> <b>HK\$'000</b>	1.1.2019 to 30.6.2019 <i>HK\$'000</i>
<b>From continuing and discontinued operations</b>		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<b><u>(58,557)</u></b>	<u>(206,638)</u>

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

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

### **From discontinued operations**

Basic loss per share for the discontinued operations is HK\$1.08 cent per share for the period ended 30 June 2019, based on the loss for the period from the discontinued operations attributable to owners of the Company of HK\$47,208,000 and the denominators detailed above for basic loss per share.

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

## 12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

During the period, the Group paid approximately HK\$1,037,000 (1.1.2019 to 30.6.2019: HK\$4,870,000) on acquisition of property, plant and equipment.

The Group also disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$92,000 (1.1.2019 to 30.6.2019: HK\$352,000) for consideration of HK\$566,000 (1.1.2019 to 30.6.2019: HK\$312,000), resulting in gain on disposal of HK\$474,000 (1.1.2019 to 30.6.2019: loss on disposal of HK\$40,000).

During the current interim period, the Group entered into new lease agreements for the use of land and buildings in HK for 3 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised HK\$3,938,000 of right-of-use assets and HK\$3,938,000 lease liabilities.

The fair value of the Group's investment properties as at 30 June 2020 was determined by the directors of the Company. The valuation performed by the directors of the Company was arrived at by reference to recent market prices for similar properties in the PRC. Loss from changes in fair value of HK\$1,213,000 has been recognised for the investment properties in the current period (1.1.2019 to 30.6.2019: Nil).

### 13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

As at 30 June 2020, the Group's total trade and other receivables, deposits and prepayments comprised of trade receivables, other bills receivables and other receivables, deposits and prepayments of HK\$919,133,000, HK\$25,423,000 and HK\$129,710,000 (31.12.2019: HK\$983,249,000, HK\$13,508,000 and HK\$82,897,000), respectively.

The Group's trade receivables as at 30 June 2020 are net of allowance for credit losses of HK\$767,495,000 (31.12.2019: HK\$784,431,000). 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\$537,176,000 (31.12.2019: HK\$579,219,000) 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:

	<b>30.6.2020</b> <i>HK\$'000</i>	31.12.2019 <i>HK\$'000</i>
Within 30 days	<b>1,998</b>	3,700
Between 31 and 90 days	<b>2,759</b>	1,837
Between 91 and 180 days	<b>2,646</b>	1,171
Between 181 and 365 days	<b>18,318</b>	12,248
Over 1 year	<b>511,455</b>	560,263
	<b>537,176</b>	579,219

All the Group's trade receivables with bills receivables as at 30 June 2020 are aged over one year (31.12.2019: over one year), based on invoice dates at the end of reporting period.

## 14. RESTRICTED BANK BALANCES

As at 30 June 2020, the Group had bank balances of HK\$19,057,000 (31.12.2019: HK\$Nil) been frozen, which results in the failure to make payments for normal operations of the wind turbine manufacture segment.

The restricted bank balances were denominated in RMB.

## 15. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

Included in the Group's pledged bank deposits, bank balances and cash are pledged bank deposits of HK\$9,000 (31.12.2019: HK\$9,000).

## 16. NON-CURRENT ASSET HELD-FOR-SALE

	<b>30.6.2020</b> <i>HK\$'000</i>	31.12.2019 <i>HK\$'000</i>
Interest in a joint venture	<b>33,994</b>	–

## 17. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$1,100,558,000 (31.12.2019: HK\$1,129,823,000). The Group normally receives credit period for 30 to 90 days from its suppliers. The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	<b>30.6.2020</b> <i>HK\$'000</i>	31.12.2019 <i>HK\$'000</i>
Within 30 days	<b>8,891</b>	9,361
Between 31 and 90 days	<b>6,976</b>	11,431
Between 91 and 180 days	<b>6,793</b>	2,233
Between 181 and 365 days	<b>26,854</b>	32,181
Over 1 year	<b>1,051,044</b>	1,074,617
	<b>1,100,558</b>	1,129,823

Included in the Group's other payables at 30 June 2020 are bills payables of HK\$57,733,000 (31.12.2019: HK\$88,760,000) and consideration payable for the acquisition of a subsidiary of HK\$11,916,000 (31.12.2019: HK\$12,151,000).

## 18. BORROWINGS

	<b>30.6.2020</b>	31.12.2019
	<b>HK\$'000</b>	HK\$'000
Short-term bank loans (Note a)	<b>87,581</b>	89,308
Short-term other loans (Note b)	<b>982,714</b>	570,675
Long-term other loans (Note b)	–	368,395
Short-term shareholder's loans (Note c)	<b>437,905</b>	–
Long-term shareholder's loans (Note c)	<b>273,691</b>	725,624
	<b>1,781,891</b>	1,754,002
Less: Amount due within one year under current liabilities	<b>(1,508,200)</b>	(659,983)
Amount due after one year	<b>273,691</b>	1,094,019
The maturity of the Group's borrowings is as follows:		
Within one year	<b>1,508,200</b>	659,983
Between one to two years	<b>273,691</b>	1,094,019
	<b>1,781,891</b>	1,754,002

### Notes:

- (a) The amount at 30 June 2020 represents unsecured bank loans of HK\$87,581,000 (31.12.2019: HK\$89,308,000).

Loan of HK\$87,581,000 or RMB80,000,000 as at 30 June 2020 bears floating-rate interest at PRC Loan Prime Rate plus 0.04% that is 4.39% per annum.

Loan of HK\$89,308,000 or RMB80,000,000 as at 31 December 2019 bears floating-rate interest at PRC Loan Prime Rate plus 0.15% that is 4.35% per annum.

The loans are repayable within one year (31.12.2019: within one year) and are used to finance the operations of the Group.

## 18. BORROWINGS *(Continued)*

*Notes: (Continued)*

- (b) The Group obtained loans from Aerospace Science and Technology Finance Co., Ltd. ("ASTF"), a fellow subsidiary of China Academy of Launch Vehicle Technology ("CALT"), a state-owned enterprise and an intermediate holding company of the Company, amounting to HK\$973,956,000 or RMB889,650,000 (31.12.2019: HK\$930,139,000 or RMB833,200,000), of which HK\$867,271,000 are unsecured and are guaranteed by CALT and HK\$106,685,000 are secured by the equity interest in a joint venture with a carrying value of approximately HK\$853,648,000, bearing fixed rate interest at 4.10% (31.12.2019: 4.10%) per annum.

As at 30 June 2020, loans of HK\$240,848,000 or RMB220,000,000, HK\$38,317,000 or RMB35,000,000, HK\$204,720,000 or RM187,000,000, HK\$128,799,000 or RMB117,650,000, HK\$328,429,000 or RMB300,000,000 and HK\$32,843,000 or RMB30,000,000 are repayable in September 2020, October 2020, November 2020, December 2020, January 2021 and February 2021 respectively.

As at 31 December 2019, loan of HK\$45,770,000 or RMB41,000,000 is repayable in March 2020. The amount was fully repaid in the first half of 2020. Loans of HK\$245,596,000 or RMB220,000,000, HK\$39,072,000 or RMB35,000,000, HK\$208,756,000 or RM187,000,000, HK\$22,550,000 or RMB20,200,000, HK\$334,905,000 or RMB300,000,000 and HK\$33,490,000 or RMB30,000,000 are repayable in September 2020, October 2020, November 2020, December 2020, January 2021 and February 2021, respectively.

Included in the balances of other loans is also a loan of HK\$8,758,000 or RMB8,000,000 (2019: HK\$8,931,000 or RMB8,000,000) advanced from a non-controlling shareholder of a subsidiary. The amount is unsecured, bears floating-rate interest at 0.9 times of the People's Bank of China Benchmark interest rate that is 4.28% (2019: 4.28%) per annum and is repayable in November 2020.

- (c) The amounts represent loans advanced from CALT through a subsidiary of China Aerospace Science & Technology Corporation ("CASC"), ASTF as the trustee in aggregate amounting to HK\$711,596,000 or RMB650,000,000 (31.12.2019: HK\$725,624,000 or RMB650,000,000). The amounts are unsecured, bear fixed-rate interest ranging from 4.88% to 5.00% (31.12.2019: 4.88% to 5.00%) per annum.

As at 30 June 2020, loans of HK\$437,905,000 or RMB400,000,000 and HK\$273,691,000 or RMB250,000,000 are repayable in April 2021 and December 2021 respectively.

As at 31 December 2019, loans of HK\$446,538,000 or RMB400,000,000 and HK\$279,086,000 or RMB250,000,000 are repayable in April 2021 and December 2021 respectively.



## 19. 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 CASC which is controlled by the PRC government.

#### (a) Transactions with CASC Group

Included in borrowings at 30 June 2020 are two loans (31.12.2019: two loans) advanced from CALT through CASC's subsidiary, ASTF, as the trustee totalling HK\$711,596,000 or RMB650,000,000 (31.12.2019: HK\$725,624,000 or RMB650,000,000). Details are set out in note 18(c).

In addition, included in other loans are loans from ASTF, a fellow subsidiary of CALT, amounting to HK\$973,956,000 or RMB889,650,000 (31.12.2019: HK\$930,139,000 or RMB833,200,000). Details are set out in note 18(b).

#### (b) Transactions with other government-related entities

(1) Included in borrowings at 30 June 2020 was a loan of HK\$8,758,000 or RMB8,000,000 (31.12.2019: HK\$8,931,000 or RMB8,000,000) advanced from a non-controlling shareholder of a subsidiary. Details are set out in note 18(b).

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

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

## 19. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

### (ii) Transactions with other related parties

- (a) Included in the amounts due from associates are trade receivables of HK\$37,843,000 (31.12.2019: HK\$38,589,000), net of allowance for credit loss of HK\$210,826,000 (31.12.2019: HK\$214,982,000). The amount is unsecured, non-interest bearing and has credit periods for 180 days for sales of goods mainly wind energy related products. The remaining balance of HK\$94,123,000 (31.12.2019: HK\$115,918,000) are unsecured, non-interest bearing and repayable on demand.

Included in the amounts due to associates are trade payables of HK\$22,920,000 (31.12.2019: HK\$23,360,000). The amounts are unsecured, non-interest bearing and with credit period of 365 days. The remaining balance of HK\$3,774,000 (31.12.2019: HK\$12,000) are unsecured, non-interest bearing and repayable on demand.

### (b) (1) *Non-current balance*

At 31 December 2019, included in the balances is an amount due from a joint venture of HK\$67,351,000, of which loans advanced to the joint venture amounted to HK\$62,516,000 that bear fixed interest rate at 4.35% per annum. The remaining gross amount of HK\$42,985,000 is non-interest bearing. The joint venture has pledged its land and buildings and certain other assets to the Group to secure the above loans of HK\$62,516,000 and other balance of HK\$20,541,000 as 31 December 2019.

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

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

**(b)** (Continued)

**(2)** Current balance

As at 30 June 2020, the amounts due from joint ventures is HK\$79,692,000, of which HK\$62,516,000 is reclassified from non-current assets. Since the Group has requested the joint venture to dispose of the pledged assets to repay the payables to the Group, the directors of the Company considered that the amount due from the joint venture will be settled within 12 months from the end of the reporting period, therefore classified as current asset. The remaining balance of HK\$17,176,000 (31.12.2019: HK\$19,186,000) are unsecured, non-interest bearing and repayable on demand.

(3) Included in the amounts due to joint ventures are trade payables of HK\$2,852,000 (31.12.2019: HK\$1,933,000). The amount is unsecured, non-interest bearing and has credit period of 365 days. The remaining balances of HK\$910,000 (31.12.2019: HK\$929,000) are unsecured, non-interest bearing and repayable on demand.

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

	<b>1.1.2020 to 30.6.2020 HK\$'000</b>	1.1.2019 to 30.6.2019 HK\$'000
Interest on loans from a shareholder, CALT	<b>17,945</b>	18,424
Interest on loans from a fellow subsidiary, ASTF	<b>20,217</b>	19,118
Interest paid to a non-controlling shareholder with significant influence over a subsidiary	<b>186</b>	193
Interest income from a joint venture	<b>1,784</b>	1,410
Interest income from an associate	<b>631</b>	675
Maintenance service expense paid to a joint venture	<b>988</b>	2,426

**19. 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:

	<b>1.1.2020</b>	1.1.2019
	<b>to</b>	to
	<b>30.6.2020</b>	30.6.2019
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>2,498</b>	2,807
Contributions to retirement benefits scheme	<b>18</b>	84
	<b>2,516</b>	2,891

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