



CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED
中國航天萬源國際(集團)有限公司*

(Stock Code: 1185)

INTERIM REPORT
2023



*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. Han Qingping (*Chairman*)

Mr. Li Lei (*Chief Executive Officer*)

Mr. Xu Jun (*Financial Controller*)

Mr. Shen Jian (*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. Han Qingping (*Chairman*)

Mr. Li Lei

Mr. Lau Fai Lawrence

Mr. Gordon Ng

Mr. Li Dapeng

DEVELOPMENT AND INVESTMENT COMMITTEE

Mr. Han Qingping (*Chairman*)

Mr. Li Lei

Mr. Xu Jun

Mr. Shen Jian

Mr. Li Dapeng



COMPANY SECRETARY

Mr. Yu Ngai

AUTHORISED REPRESENTATIVES

Mr. Han Qingping

Mr. Yu Ngai

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Office B, 18th Floor
Tower A, Billion Center
1 Wang Kwong Road, Kowloon Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Share Registration Public Office
17/F., Far East Finance Centre
16 Harcourt Road
Hong Kong



PRINCIPAL BANKERS

China Construction Bank
Industrial and Commercial Bank of China Limited
Bank of China (Hong Kong) Limited

LEGAL ADVISERS

Conyers Dill & Pearman
Guantao & Chow Solicitors and Notaries
Guantao Law Firm (Beijing)

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STOCK CODE

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BUSINESS REVIEW

On behalf of the Board of Directors, the business performance of China Energinet International (Holdings) Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2023 is summarised in the following paragraphs.

RESULTS SUMMARY

The revenue for the six months ended 30 June 2023 was approximately HK\$12,404,000 compared to HK\$13,303,000 for the six months ended 30 June 2022. The profit for the six months ended 30 June 2023 was approximately HK\$85,042,000 as compared to HK\$254,000 for the six months ended 30 June 2022, mainly resulted from the gains from reversal of financial guarantee contracts of HK\$84,222,000.

PROSPECTS

Looking into the development prospect of China’s energy industry, the task of ensuring energy safety and transforming into green and low-carbon energy has become more urgent, industrial support policies have been further clarified, clean energy technology and energy storage technology have been rapidly iterated, construction of power generation, transmission, loading, and storage has been simultaneously promoted, new energy power absorption and transmission capacity has been rapidly improved, and the development of clean energy industry has entered a period of rapid growth.

The Chinese government is actively and steadily promoting the energy revolution, accelerating the planning and construction of a new energy system, pushing forward the transformation of the power system by increasing the proportion of new energy, and steadily promoting carbon neutrality in power sector, so as to facilitate the realisation of the “dual carbon goal”.

At the Paris Climate Summit, the Chinese government announced the goal of achieving “carbon emissions peaking” by 2030 and “carbon neutrality” by 2060 (referred to as the “double carbon goal”), and promoting the transformation to green energy is an inevitable way to achieve the “dual carbon goal”. The Report of the 20th National Congress of the Communist Party of China emphasised: “We must actively and steadily promote carbon emissions peaking and carbon neutrality, further promote energy revolution, and accelerate the planning and construction of a new energy system”. Promote the transformation of the power system and increase the proportion of new energy through deepening reform, steadily promote carbon neutrality in power sector, and help implement the “dual carbon goal” as planned.



China has successively issued certain policies, including the Outline of the Fourteenth Five-Year Plan for the National Economic and Social Development and the Long-Range Objectives Through the Year 2025 of the People's Republic of China, the 14th Five-Year Plan for Modern Energy System, the 14th Five-Year Plan for Renewable Energy Development, and the Implementation Plan for Promoting High-quality Development of New Energy in the New Era, to point out the direction for building a safe and efficient, clean and low-carbon, flexible, and intelligent and integrated new power system. According to the 2023 Energy Work Guidance issued by the National Energy Administration, it is expected that the installed capacity of wind power and photovoltaic will increase by about 160 million kilowatts in 2023, and it will steadily promote the construction of integrated energy stations and terminal energy storage mainly using renewable energy in areas where conditions permit. In June 2023, the National Energy Administration issued the Administrative Measures for Wind Farm Renovation, Upgrading and Decommissioning, which is helpful for the Group to further improve the development quality of wind farm business.

From now until 2030, China is entering a new stage of development to build a modern socialist country in all aspects, and the energy consumption of various industries will develop towards low carbon, the proportion of non-fossil energy consumption will reach 25%, the development of new energy will be conducted in centralised and distributed ways simultaneously, and the industry will be relocated from East China to Central and Western China. At present, the government authorities are continuously strengthening the construction of the efficient development and utilisation system of new energy and the large-scale deployment and application system of energy storage.

On the basis of maintaining the sound operation of wind farm business, the Group will strive to promote the market development of new energy projects, and steadily push forward the feasibility study of moderately expanding the operation scale of new energy projects. In addition, the Group will continuously promote and demonstrate the research and development of energy storage systems, and continue to promote the exploration of the integration of "Wind, Photovoltaic, Hydrogen, and Energy Storage".

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2023, the Group had 8 employees (31 December 2022: 8 employees) at the Hong Kong head office and 22 employees (31 December 2022: 29 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

As at 30 June 2023, the amount due to China Academy of Launch Vehicle Technology ("CALT"), by the Company of HK\$1,191,872,000 arising from certain counter-guarantee loans borrowed by a former subsidiary of the Company including interest payable from CALT and ASTF, which is repayable on demand.

On 14 March 2022, CALT issued the Company a letter undertaking not to demand immediate repayment from the Company for the aforesaid guarantee obligations and to provide all necessary financial support to the Company for further period ending on 20 November 2024.

Trade and Other Receivables

As at 30 June 2023, the Group's trade and other receivables, deposits and prepayments were HK\$25,372,000, HK\$4,292,000 and HK\$2,945,000, respectively (31 December 2022: HK\$25,999,000, HK\$6,227,000 and HK\$2,748,000).

The Group's trade receivables as at 30 June 2023 are net of allowance for credit losses of HK\$22,620,000 (31 December 2022: HK\$23,336,000).

Pledge of Assets

As at 30 June 2023, no material assets have been pledged (31 December 2022: nil).



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

Disclosed in the announcement of the Company dated 9 December 2020, the Company received a letter from a commercial bank that there might be a situation where an associate of the Group may fail to timely repay the aggregated loans of approximately RMB358 million, and two letters dated 22 April 2016 with the chop of the Company (the "Project Finance Letters") were attached, requesting the Company to fulfill its commitment to allocate its capital to ensure the full repayment of the bank loans in the future.

The Company was aware of that the actual loan principal amounted to RMB295 million (two loans with a principal of RMB230 million and a principal of RMB65 million) in relation to the proceeding.

The Company received the judgement of first instance made by the Intermediate People's Court of Lanzhou City, Gansu Province on 19 August 2022 regarding the breach of the loan contract amounting to RMB230 million: (1) the project company, as the borrower, shall repay the loan principal and interest accrued thereon and related expenses to the bank of approximately RMB208 million; (2) the parent company of the project company, as the guarantor, shall be jointly and severally liable for repayment; and (3) the Company shall be jointly and severally liable for repayment.

The Company received the judgement of first instance made by the Intermediate People's Court of Lanzhou City, Gansu Province of the PRC on 19 December 2022 regarding the breach of a loan contract amounting to RMB65,000,000 or HK\$72,766,000: (1) the Project Company, as the borrower, shall repay the loan principal and interest accrued thereon and related expenses to the commercial bank of approximately RMB56,000,000 or HK\$62,691,000; and the commercial bank has priority of claim for the cash and receivables in the charge account of the Project Company, as well as the priority of claim for the income from disposal of the assets of the photovoltaic power station pledged by the Project Company; (2) the parent company of the Project Company, as the guarantor, shall be jointly and severally liable for repayment in the event that the above liabilities cannot be fully discharged; and (3) the Company shall assume the liability for guarantee in the event that the borrower is still unable to pay off after being enforced in accordance with the law of the PRC.

The above proceedings have been heard but not been finally adjudicated as of the date of this report.

The Company has engaged a professional legal counsel to assist in responding to the appeal to the above judgements, which have been further analysed after being received by the Company. According to the legal opinion given by the legal counsel of the Company, the claim of joint and several liabilities against the Company is unlikely to be valid.

On 8 September 2022 and 6 February 2023, the Group made appeal to the judgements, and while the final outcome of the proceedings is uncertain, it is the directors' opinion that the claim is not probable to succeed and the amount of ultimate liability, if any, cannot be measured with sufficient reliability and accordingly no provision in respect of the proceedings was made by the Group as at 30 June 2023.

Saved as disclosed above, the Group did not have any significant contingent liabilities as at 30 June 2023.

Legal Proceedings

The Company has received the judgment made by Beijing No.1 Intermediate People's Court (the "Judgment") in July 2023 regarding a claim against New Image Development Limited, a former subsidiary of the Group, for its unpaid capital contribution and claiming joint and several liability of the Company. The Company was notified that the plaintiff has submitted the application to withdraw the claim against New Image Development Limited and the Company. Beijing No.1 Intermediate People's Court approved the withdrawal of the claim.

According to the analysis of the professional legal counsel appointed by the Group, the claim against the Company is unlikely to be valid and no provision regarding the claim was made to the Company. The withdraw of the claim have no financial impact to the Group's consolidated financial statements.

Saved as disclosed above, the Group did not have any significant legal proceedings as at 30 June 2023.



ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Board of the Company did not recommend any interim dividend for the six months ended 30 June 2023 (same period in 2022: Nil).

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

As at 30 June 2023, 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 2023 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 2023, the following persons (other than any directors or chief executives of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) and had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares <i>(Note 1)</i>	Approximate percentage of the total number of shares in issue
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:

- The letter "L" denotes the shareholder's long position in the shares.
- CASC is deemed to be interested in 2,649,244,000 shares as it holds 100% equity of CALT.
- 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 2023.



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 2023.

Model Code for Securities Transactions by Directors

Throughout the six-month period ended 30 June 2023, 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 financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2023.

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 2023.

By Order of the Board

Han Qingping

Chairman and Executive Director

Hong Kong, 31 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	NOTES	1.1.2023 to 30.6.2023 HK\$'000 (Unaudited)	1.1.2022 to 30.6.2022 HK\$'000 (Unaudited)
Revenue	3	12,404	13,303
Cost of revenue		(10,429)	(10,050)
Gross profit		1,975	3,253
Other income	4	748	936
Reversal of financial guarantee contracts	5	84,222	–
Other gains and losses	6	810	(122)
Selling and distribution expenses		(345)	(153)
Administrative expenses		(6,383)	(6,627)
Profit (loss) from operations		81,027	(2,713)
Finance costs		(26)	(33)
Share of results of associates		4,549	3,875
Profit before taxation	7	85,550	1,129
Income tax expense	8	(508)	(875)
Profit for the period		85,042	254
Other comprehensive income:			
Item that will not be reclassified to profit or loss			
– Exchange differences arising on translation to presentation currency		32,010	77,732
Total comprehensive income for the period		117,052	77,986



	NOTES	1.1.2023 to 30.6.2023 HK\$'000 (Unaudited)	1.1.2022 to 30.6.2022 HK\$'000 (Unaudited)
Profit (loss) for the period attributable to:			
– Owners of the Company		84,435	(844)
– Non-controlling interests		607	1,098
		85,042	254
Total comprehensive income/(expense) attributable to:			
– Owners of the Company		118,459	73,259
– Non-controlling interests		(1,407)	4,727
		117,052	77,986
Profit (loss) per share – Basic and Diluted	10	HK 1.93 cents	HK (0.02) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	NOTES	30.6.2023 <i>HK\$'000</i> <i>(Unaudited)</i>	31.12.2022 <i>HK\$'000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment		40,311	45,610
Right-of-use assets		22,295	22,962
Interests in associates		189,925	191,504
		252,531	260,076
Current assets			
Inventories		2,041	2,208
Trade and other receivables, deposits and prepayments	11	32,609	34,974
Amounts due from associates		3,340	6,895
Pledged bank deposits, bank balances and cash		41,377	44,998
		79,367	89,075
Current liabilities			
Trade and other payables	12	44,047	54,025
Amount due to an intermediate holding company	13	1,191,872	1,317,108
Current tax payable		86	130
Lease liabilities		553	256
		1,236,558	1,371,519
Net current liabilities		(1,157,191)	(1,282,444)
Total assets less current liabilities		(904,660)	(1,022,368)



	NOTES	30.6.2023 <i>HK\$'000</i> <i>(Unaudited)</i>	31.12.2022 <i>HK\$'000</i> <i>(Audited)</i>
Non-current liabilities			
Lease liabilities		758	–
Warranty provision		817	843
Deferred tax liabilities		6,207	6,283
		7,782	7,126
NET LIABILITIES		(912,442)	(1,029,494)
Capital and reserves			
Share capital		436,900	436,900
Reserves		(1,411,892)	(1,530,351)
Deficiency attributable to owners of the Company		(974,992)	(1,093,451)
Non-controlling interests		62,550	63,957
TOTAL DEFICIENCY		(912,442)	(1,029,494)

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Attributable to the owners of the Company							Non-controlling interests	Total	
	Share capital	Special reserve	Share premium	Property revaluation reserve	Exchange reserve	Other reserve	Accumulated losses			Sub-total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2023 (audited)	436,900	86,971	2,732,397	-	83,049	3	(4,432,771)	(1,093,451)	63,957	(1,029,494)
Profit for the period	-	-	-	-	-	-	84,435	84,435	607	85,042
Exchange differences arising on translation to presentation currency	-	-	-	-	34,024	-	-	34,024	(2,014)	32,010
Total comprehensive income/(expenses) for the period	-	-	-	-	34,024	-	84,435	118,459	(1,407)	117,052
Transfer	-	-	-	-	-	-	-	-	-	-
At 30 June 2023 (unaudited)	436,900	86,971	2,732,397	-	117,073	3	(4,348,336)	(974,992)	62,550	(912,442)
At 1 January 2022 (audited)	436,900	86,971	2,732,397	-	(42,357)	3	(4,891,144)	(1,677,230)	(86,663)	(1,763,893)
Profit/(loss) for the period	-	-	-	-	-	-	(844)	(844)	1,098	254
Exchange differences arising on translation to presentation currency	-	-	-	-	74,103	-	-	74,103	3,628	77,731
Total comprehensive income/(expenses) for the period	-	-	-	-	74,103	-	(844)	73,259	4,726	77,985
Transfer	-	-	-	-	-	-	-	-	-	-
At 30 June 2022 (unaudited)	436,900	86,971	2,732,397	-	31,746	3	(4,891,988)	(1,603,971)	(81,937)	(1,685,908)



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	1.1.2023 to 30.6.2023 HK\$'000 (Unaudited)	1.1.2022 to 30.6.2022 HK\$'000 (Unaudited)
Net cash generated from/(used in) operating activities	(3,656)	10,576
Investing activities		
Receipt of dividend income from an associate	3,448	4,485
Interest received	47	36
Proceeds from disposal of property, plant and equipment	–	27
Purchase of property, plant and equipment	–	(52)
Net cash generated from investing activities	3,495	4,496
Financing activities		
Interest paid	(26)	(33)
Repayment of lease liabilities	(438)	(739)
Net cash used in financing activities	(464)	(772)
Net (decrease)/increase in cash and cash equivalents	(625)	14,300
Cash and cash equivalents at beginning of the period	44,998	31,257
Effect of foreign exchange rate changes	(2,996)	(3,158)
Cash and cash equivalents at end of the period	41,377	42,399

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 profit of HK\$85,042,000 during the period ended 30 June 2023 and, as of 30 June 2023, the Group had net current liabilities and net liabilities of HK\$1,157,191,000 and HK\$912,442,000, respectively. The Group’s amount due to CALT as at 30 June 2023 amounted to HK1,191,872,000, which is repayable on demand; while its cash and cash equivalents amounted to HK\$41,377,000 only as at 30 June 2023.

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 following:

- (i) The Group has been actively negotiating with CALT to obtain sufficient financial support from CALT to enable the Group to continue its operations and for not demanding the Company to fulfill its counter guarantee and guarantee obligations in respect of the amount due to CALT by the Company as at 30 June 2023 of HK\$1,191,872,000 arising from certain counter-guarantee loans borrowed by a former subsidiary of the Company including interest payable from CALT and Aerospace Science and Technology Finance Co., Ltd. (“ASTF”), a fellow subsidiary of the Company, which is repayable on demand. On 14 March 2022, CALT issued the Company a letter undertaking not to demand repayment from the Company for the aforesaid guarantee obligations and to provide all necessary financial support to the Company for further period ending on 20 November 2024.



1. BASIS OF PREPARATION *(Continued)*

- (ii) On 16 September 2022, CALT provided the Company a letter of intent confirming that CALT would agree to capitalise the amount due to it from the Company of HK\$1,191,872,000 (the “Debt-to-Equity Swap”) if certain criteria are met. The criteria have not been formally agreed between the parties but are expected to include the following:
- (1) Beijing Engin liquidation procedures have been fully completed and the amount to be paid from Beijing Engin to CALT has been fixed.
 - (2) The trading of the Company’s shares has been resumed.
 - (3) Achievement by the Group of specified revenue, net profit and share price targets.
 - (4) Approval of the Debt-to-Equity Swap by CASC and the relevant authority in the PRC.

The directors of the Company are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as they fall due within twelve months from the date of approval of the consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Group’s ability to continue as a going concern depends on its ability to generate positive cashflows from operations and on the continued financial support of CALT and completion of the Debt-to-Equity Swap with CALT and successful agreement with the Group’s creditors of settlement arrangements where required.

Accordingly, a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

1. BASIS OF PREPARATION *(Continued)*

Should the Group fail to achieve the above mentioned plans and measures, or should CALT no longer has 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 amounts 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.

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 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKFRS 8	Definition of Accounting Estimates
Amendments to HKFRS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKFRS 17	Insurance Contracts

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



3. TURNOVER AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers by major products line for the period is as follows:

	1.1.2023 to 30.6.2023 HK\$'000	1.1.2022 to 30.6.2022 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of electricity from operation of wind power field	12,404	13,303
Technical service income from new energy development operation	-	-
	<u>12,404</u>	<u>13,303</u>

All sales contracts have an original expected duration of one year or less; or the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the Group's performance completed to date. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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.

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

During the period ended 30 June 2023, the Group has the following two operating and reporting segments.

Operation of Wind Farm – sales of electricity from operation of wind power field

Development of New Energy – provision of technical services for new energy development operation

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

Six months ended 30 June 2023

	Operation of Wind Farm <i>HK\$'000</i>	Development of New Energy <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover			
External sales	12,404	–	12,404
Result			
Segment result	5,996	(1,496)	4,500
Unallocated other income			47
Unallocated gains from reversal of financial guarantee contracts			84,222
Unallocated other gain and losses			811
Unallocated administrative expenses			(4,004)
Finance costs			(26)
Profit (loss) before tax			85,550



3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2022

	Operation of Wind Farm <i>HK\$'000</i>	Development of New Energy <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover			
External sales	13,303	–	13,303
Result			
Segment result	6,756	(910)	5,846
Unallocated other income			108
Unallocated other gain and losses			(122)
Unallocated administrative expenses			(4,670)
Finance costs			(33)
Profit (loss) before tax			1,129

4. OTHER INCOME

	1.1.2023 to 30.6.2023 <i>HK\$'000</i>	1.1.2022 to 30.6.2022 <i>HK\$'000</i>
Bank interest income	47	36
Government grants (note)	701	900

note: The government grants mainly represent operating subsidies granted to the Group by the PRC government/authorities for operation of windfarm and other technology development, and reduction approval from the PRC tax authorities on Value Added Tax ("VAT"). There are no unfulfilled conditions attached to those grants.

5. REVERSAL OF FINANCIAL GUARANTEE CONTRACTS

	1.1.2023 to 30.6.2023 HK\$'000	1.1.2022 to 30.6.2022 HK\$'000
Reversal of financial guarantee contracts	84,222	–

On 1 March 2023, a former subsidiary of the Company repaid a loan of approximately HK\$84,222,000 or RMB77,651,000 to China Academy of Launch Vehicle Technology (“CALT”) and a gain of approximately HK\$84,222,000 or RMB77,651,000 was recognised on the reversal of the amount due to CALT by the Company in the same amount.

6. OTHER GAIN AND LOSSES

	1.1.2023 to 30.6.2023 HK\$'000	1.1.2022 to 30.6.2022 HK\$'000
Net exchange gain/(loss) recognised	47	(142)
Impairment losses, net of reversal, on financial assets and contract assets	702	–
Sundry gain and losses, net	61	20



7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	1.1.2023	1.1.2022
	to	to
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	5,460	6,312
Bank interest income	(47)	(36)

8. INCOME TAX EXPENSE

	1.1.2023	1.1.2022
	to	to
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
The tax charge comprises:		
PRC Enterprise Income Tax ("EIT")		
– Current period	383	565
Deferred taxation charge	125	310

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

Taxation arising in the PRC is recognised based on EIT rate of 25% (1.1.2022 to 30.6.2022: 25%) for the six months ended 30 June 2023.

9. DIVIDENDS

No dividend was paid or declared for the six months ended 30 June 2023 and 2022. The directors do not recommend the payment of an interim dividend for the interim period.

10. PROFIT (LOSS) PER SHARE

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

	1.1.2023	1.1.2022
	to	to
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
Profit (loss) for the period attributable to owners of the Company for the purpose of basic profit (loss) per share	84,435	(844)
	Number of shares	
	2023	2022
Weighted average number of shares for the purpose of basic loss per share	4,368,995,668	4,368,995,668

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

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

As at 30 June 2023, the Group's total trade and other receivables, deposits and prepayments comprised of trade receivables, other receivables, deposits and prepayments of HK\$25,372,000, HK\$4,292,000 and HK\$2,945,000 (31.12.2022: HK\$25,999,000, HK\$6,227,000 and HK\$2,748,000), respectively.



11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

The Group's trade receivables as at 30 June 2023 are net of allowance for credit losses of HK\$22,620,000 (31.12.2022: HK\$23,336,000). 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\$25,372,000 (31.12.2022: HK\$25,999,000) 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 approximate the respective revenue recognition dates:

	30.6.2023 <i>HK\$'000</i>	31.12.2022 <i>HK\$'000</i>
Over 1 year	6,229	6,430

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$41,486,000 (31.12.2022: HK\$50,577,000). The Group normally receives credit period for 30 to 90 days from its suppliers. The following is an aging analysis of trade payables based on the invoice date at the end of the reporting period:

	30.6.2023 <i>HK\$'000</i>	31.12.2022 <i>HK\$'000</i>
Over 1 year	41,036	42,974

Included in the Group's other payables as at 30 June 2023 are amounts due to ex-subsiaries of the Company of HK\$319,000 (31.12.2022: HK\$329,000).

13. AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

The amount due to an intermediate holding company is unsecured, non-interest bearing and repayable on demand.

14. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following significant transactions and balances with its related parties during the period ended 30 June 2023:

(a) 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. CASC and its group entities are collectively referred to as CASC Group.

(i) *Transactions with CASC Group*

During the period ended 30 June 2023, there is no transaction with CASC Group.

(ii) *Transactions with other government entities*

The Group conducts business with other government-related entities. The directors of the Company 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.

(b) Transactions with other related parties

- (i) The amounts due from associates of HK\$3,340,000 (31.12.2022: HK\$6,895,000) net of allowance for ECL of HK\$156,000 (31.12.2022: HK\$161,000) were unsecured and repayable on demand and non-interest bearing.



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

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

(ii) *Compensation of key management personnel*

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

	1.1.2023 to 30.6.2023 HK\$'000 (Unaudited)	1.1.2022 to 30.6.2022 HK\$'000 (Unaudited)
Salaries and other benefits	431	487
Contributions to retirement benefits scheme	81	84
	512	571

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