



CHINA
ENERGINE

From Engine to New Energy

CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

中國航天萬源國際(集團)有限公司*

Stock Code : 1185

2015

Interim Report



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* For identification purpose only



CORPORATE CULTURE

Mission

Devoted to new energy Contributing to society Benefiting mankind

Target

Pursuing excellence Leading development of new energy

Value

Leveraging talents to full play Win-win in harmony

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Han Shuwang (*Chairman*)

Mr. Wang Xiaodong (*Vice-Chairman*)

Mr. Li Guang (*Chief Executive Officer*)

Mr. Xu Jun

Non-executive Director

Mr. Fang Shili

Independent Non-executive Directors

Mr. Wang Dechen

Ms. Kan Lai Kuen, Alice

Mr. Gordon Ng

COMPANY SECRETARY

Mr. Au-Yeung Keung, Steve

AUDIT COMMITTEE

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

Mr. Wang Dechen

Mr. Gordon Ng

Mr. Fang Shili

REMUNERATION COMMITTEE

Mr. Wang Dechen (*Chairman*)

Mr. Li Guang

Ms. Kan Lai Kuen, Alice

Mr. Gordon Ng

NOMINATION COMMITTEE

Mr. Han Shuwang (*Chairman*)

Mr. Xu Jun

Mr. Wang Dechen

Ms. Kan Lai Kuen, Alice

Mr. Gordon Ng

DEVELOPMENT AND INVESTMENT COMMITTEE

Mr. Han Shuwang (*Chairman*)

Mr. Wang Xiaodong

Mr. Li Guang

Mr. Xu Jun

Mr. Wang Dechen

REGISTERED OFFICE	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
PRINCIPAL PLACE OF BUSINESS	Suite 4701, 47/F, Central Plaza 18 Harbour Road Wanchai, Hong Kong
AUDITOR	Deloitte Touche Tohmatsu 35/F, One Pacific Place 88 Queensway, Hong Kong
PRINCIPAL SHARE REGISTRAR	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
BRANCH SHARE REGISTRAR	Tricor Standard Limited Share Registration Public Office Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong
PRINCIPAL BANKERS	Bank of Communications Company Limited Agricultural Bank of China Industrial and Commercial Bank of China Limited Bank of China Limited
LEGAL ADVISERS	Sit, Fung, Kwong & Shum Conyers Dill & Pearman
WEBSITE	www.energine.hk
E-MAIL ADDRESS	energine@energine.hk
STOCK CODE	1185

MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Directors, the business performance of China Engerine International (Holdings) Ltd. (the “Company”) and its subsidiaries (collectively the “Group”) for the first half of this year 2015 is summarized in the following paragraphs.

RESULTS SUMMARY

As of 30 June 2015, the Group’s turnover for the first half of 2015 amounted to HK\$1,490.94 million as compared to that of 2014 of HK\$809.25 million, representing HK\$681.69 million, or 84%, increase in turnover; the profit for the period amounted to HK\$71.56 million as compared to that of 2014 of HK\$18.17 million, representing HK\$53.39 million, or 294%, increase in profit. The turnover for the period comprised sale of wind energy related products of HK\$1,361.67 million, sale of energy storage and related products of HK\$50.94 million, sale of electricity generated from wind farm of HK\$13.05 million, sale of rare-earth permanent magnet motor products of HK\$17.34 million, and sales of HK\$47.94 million related to telecommunication business whereas that of the same period last year comprised sale of wind energy related products of HK\$589.11 million, sale of energy storage and related products of HK\$167.23 million, sale of electricity generated from wind farm of HK\$13.25 million, sale of rare-earth permanent magnet motor products of HK\$22.85 million, and sales of HK\$16.81 million related to telecommunication business.

The increase in turnover was mainly due to the increase in sales of the Group’s wind energy related products by HK\$772.56 million, representing an increase of 131% period-on-period, with sales of wind turbines in the first half of 2015 i) increased by 45 sets of 2MW wind turbines, ii) and there being sales of 65 sets of 1.5MW wind turbines or wind turbine hubs as against no such sales in the same period of 2014 despite the decrease in sales of the energy storage and related products by \$116.29 million period-on-period. The increase in profit for the period was mainly due to the increase in sales of the Group’s wind energy related products.

BUSINESS REVIEW

Business of Wind Energy

In 2015, the directdrive wind turbine developed by the Group with proprietary intellectual property rights features its strengths: simple structure, high reliability, high efficiency and low operation and maintenance costs. In the course of elimination in terms of production capacity, enhancement of technology and quality, the wind energy market in China entered into the phase of rational development with growth rate of over 10% per annum, the Group is competing with about 30 enterprises staying after the elimination. In winning highly regarded recognition from wind farm developers in the industry, the Group ranked 11 in terms of new installed capacity in China for 2014, creating record. The Group continued to give full play to the advantages of technology, quality and service of Aerospace directdrive wind turbines. On this basis, the Group capitalised on its products' leading edge and achieved cost control by adopting the strategy of technology enhancement and batch production through research and development, thereby achieving high supply chain performance and enhanced cost effectiveness to proactively address challenges. Through Inner Mongolia Wind Turbine General Assembling Plant, and Gansu Wind Turbine General Assembling Plant, the Group realized batch productions of a number of self-developed models (especially 1.5MW excitation magnetic directdrive wind turbine, 2MW permanent magnet directdrive wind turbine and 2MW excitation magnetic directdrive wind turbine), and adopted the strategy of establishing good relationship with several provincial and autonomous regions' governments to gain their supports and leveraging on provincial and autonomous regions' quotas for wind energy to obtain more wind resources in seeking more production orders for wind turbines, thereby increasing our market share. At present, the Group has considerable wind energy resources in various major wind power bases planned by the State, including Wulatehouqi in Inner Mongolia, Jiuquan City and Wuwei City in Gansu, Ningde City in Fujian, Tieling City and Kaiyuan City in Liaoning, Suihua City in Heilongjiang and Tangshan City in Hebei, effective pushing sales of wind turbines and bringing in promising income to the Group continually.

In 2015, the marketing strategy was that of exchanging resources for orders, developing and maintaining key areas and key customers, plus that of participating in market competition on a large scale to expand the sales regions and increase our sales efforts.

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

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

In the first half of 2015, the Group completed the assembling, commissioning and deliveries of 2MW excitation magnetic wind turbines in the amount of 50 sets to Jingyuan Project in Gansu and 65 sets to Wuwei Hongshagang Project in Gansu, 115 sets in total, and of 1.5MW wind turbines in 34 sets to Guazhou Project in Gansu in closing the sales of them. In addition, a batch production of 31 sets of 1.5MW wind turbine hubs were completed and they were delivered in closing the sales of them.

Research and Development of Technology

In 2014, the research and development of 3MW permanent magnet directdrive wind turbine were being conducted. In January 2015, we passed the whole-turbine design review made by the expert panel of China Academy of Launch Vehicle Technology ("CALT") and could proceed prototype trial production. In June, the selection as to prototype engineering location was completed. Besides its high power, this wind turbine has innovative design on safety and maintainability, making readiness for managing in attracting more customers' appeal.

In July 2015, the Group purchased 100% equity in Shanghai Hanli Machine Tool Co. Ltd. ("Shanghai Hanli") from Long March Launch Vehicle Industry Co. Ltd. ("Long March Launch Vehicle"), a subsidiary of CALT, pursuant to which the Group purchased all of the ownership rights as to the technology and knowhow of 1.5MW excitation magnet directdrive wind turbine and 2MW permanent-magnet directdrive wind turbine researched and developed by Shanghai Hanli at the purchase price of RMB80.88 million. This transaction also enabled the Group poised for the upgrade to 2MW excitation magnetic directdrive turbine and the research and development of 3 to 5MW permanent magnet directdrive wind turbine strategically. The technologies and knowhow of the 2 models had been applied by the Group yet without charge.

Quality, Environment, Occupational Health Management System

In the first half of 2015, the quality, environment, occupational health and safety management system of the Company passed the audit and inspection conducted by China Quality Certification Centre. The products, various management activities and services of the Group comply with the state laws, regulations and standards, as well as the requirements for sustainable development, procuring more stable in product quality, environment improved to more stunning ambience, occupational health becoming more secured and higher repute on the brand, thereby pushing sustainable and healthy development in the principal business of the Company on new energy relating to wind energy, energy storage systems for wind and solar energy.

Energy Storage Business

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

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

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

Meanwhile, another new type of street lighting system with complementary wind energy and solar energy based on a lithium battery energy storage system has been developed. The scope of applications of the system may extend to unmanned communication base stations, data transmission by high voltage wire towers, boundary outposts, islands, remote areas with no electricity, etc. and may even connect to power grid for electricity generation. Currently, the energy storage street lights with complementary wind energy and solar energy have been installed in Chengde City, Pingquan County of Chengde City, Zuidong Development Zone in Tangshan, and Shijiazhuang International Shopping Mall, etc.

Wind and solar power storage integration

The Phase One Project of the “Aerospace Demonstration Works relating to Wind and Solar Power Projects” as supported by People’s Government of Wuwei includes a 300MW wind energy project, a 180MW solar energy project and a 30MW storage project, where the construction as to the 300MW wind energy project and the 50MW photovoltaic power generation project had already been commenced in full scope.

Electric vehicles market

The Group is committed to the exploitation of electric vehicle market which has achieved significant breakthroughs. The key technologies in electric vehicles include vehicle, motor, battery, control and driving system as well as charging point system, where main technical bottlenecks that restrict the development of electric vehicles are the performances of batteries and vehicle control system, which, however, are the Group’s advantages and features.

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

In the first half of 2015, the Group completed the batch production of the battery products and battery management system as researched and developed for 50 electric buses of Tangshan City Public Transport Company and they were delivered for being in use. In addition, the battery products and battery management system for 300 city electric taxis as purchased under the other part of the agreement are now under production.

The Group allied with Jinbei Group in Shenyang in the joint development, production and sales of electric logistic vehicles. A sample of pure electric light van with a loading capacity of one tonne was successfully developed jointly by both parties. The content in seeking approval from the Ministry of Industry and Telecommunication is being prepared.

Wind Farm Operations

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

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

Business of New Materials

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

Wuxi CASC Energiner Xindali Electricity Co., Ltd. ("Wuxi Generator Plant"), the Group's associated company, is engaged in batch production of 900KW, 1.5MW and 2MW generators. Its self-developed 1.5MW excitation magnetic directdrive wind power generator, with application of many new technologies, was awarded the First Prize of Outstanding Contribution to Science and Technology Progress in 2011 by CALT. Therefore, the Group is equipped with the internal capacity to supply core parts and components of wind turbines, including blades and generators, thereby reducing its reliance on upstream suppliers of the wind turbine supply chain for purchasing generators and controlling the supply risk of the wind turbine supply chain and production cost. In 2014, the Group entered into a contract of exporting 42 units of 900KW wind tribune generators to Netherlands.

Business of Automotive Component Parts

Automotive engine management systems

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

The joint venture recorded sales revenue of HK1.73 billion for the first half of 2015, representing an increase of HK\$95 million period-on-period.

PROSPECTS

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

As hazy weather and air pollution are worsening in China, China government has increased the support for development of clean energy as well as policy support thereon. The Group will in parallel to making every effort in large-scale industrialized production of wind energy equipment, continue to expand market share in reliance on our proven record of stable orders received, ensuring a rapid growth in the Group's operational results in 2015 and beyond.

Given that the Group has strong technical advantages in the application of energy storage system and electric vehicle technology and operates in the clean energy industry as staunchly encouraged by the supports from state policies, the development of new technology and exploitation of new market are focusing on the areas of wind and solar power storage integration as well as electric vehicles intensively. The Group will strive to develop wind and solar power storage integration and electric vehicles rapidly into new growth points and core businesses of the Group in 2015 on the basis of established market results by hinging on tremendous technical edges obtained in the said sectors, grasping the opportunity of staunch assistances and supports from China policies and devoting greater efforts in market exploitation with the aim of re-addition of momentum in the course of the rapid growth of the Group's operational results.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2015, the Group had 22 employees (31 December 2014: 22 employees) in the Hong Kong head office and 645 employees (31 December 2014: 629 employees) in the Mainland China offices. Remuneration of employee is determined according to individual employee's performance and the prevailing trends in different areas and reviewed on an annual basis. The Group also provides Mandatory Provident Fund and medical insurance to its employees. In addition, discretionary performance bonus is available at the discretion of the Directors.

FINANCIAL REVIEW

Group Finance

In December 2014, the Group proceeded a placing of the existing shares and subscription for new shares of 400 million shares, with the placing price of HK\$ 0.75 per share (whereas HK\$0.91 per share as quoted on the Stock Exchange on the last trading day of 15 December 2014), obtaining a net fund of approximately HK\$ 291 million, which is mainly used for general working capital and to finance projects on energy storage including the development of wind and solar power storage integration and that on electric vehicle, thereby improving the Group's capital structure and enhancing the market value. The placing shares were placed to no less than six placees who are individual, institutional or professional investors and whose ultimate beneficial owners are (i) independent of and not connected with the Company and its connected persons; and (ii) third parties independent of and not acting in concert with Astrotech Group Ltd. or any person acting in concert with it. As of August 2015, the fund has been used to the extent of HK\$175.58 million, comprising working capital for wind energy business in purchase of materials of wind turbine of HK\$125.00 million, working capital for telecommunication business of HK\$20.00 million, and dividend distribution of HK\$30.58 million.

Liquidity and Financial Resources

Total borrowings of the Group as at 30 June 2015 were HK\$1,612,640,000 (31 December 2014: HK\$1,714,807,000), of which HK\$103,114,000 (31 December 2014: HK\$117,044,000) was floating-rate borrowing and the remaining was fixed-rate borrowing. All borrowings of the Group were determined at market interest rate. The Group has not issued any financial instruments for hedging or other purposes.

Gearing ratio (total borrowings to shareholders' equity) as at 30 June 2015 was 70% (31 December 2014: 76%).

Exchange and Other Exposures

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

Contingent Liabilities

As at 30 June 2015, the Group has issued no guarantee to a bank in respect of a banking facility (31 December 2014: HK\$38,029,000 with HK\$12,676,000 utilized) granted to an associate, and has issued a guarantee to a third party with an amount of HK\$6,239,000 (31 December 2014: HK\$6,237,000).

ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Board of the Company did not recommend any interim dividend for the six months ended 30 June 2015 (same period 2014: Nil).

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

As at 30 June 2015, 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 2015 as the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangements to enable the Directors of the Company or their associates (as defined in the "Listing Rules") to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, so far as is known to the Directors, the persons/entities had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities or in any options in respect of such capital were as follows:

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

Note:

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

Save as disclosed herein, according to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors, there is no other person/entity who, as at 30 June 2015, had any interest or short position in the shares of underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of each of such person's interest in such securities or in any options in respect of such capital.

CORPORATE GOVERNANCE

Corporate Governance Code

The Group has complied with all principles as set out in the Corporate Governance Code in Appendix 14 of the Listing Rules (the "Code") applicable to the Group in respect of the six-month period ended 30 June 2015 under review, and complied with the relevant code provisions in the Code throughout the period, with the exception of one deviation from the Code Provision A.4.1 of the Code which stipulates that Non-executive Directors should be appointed for a specific term subject to re-election.

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

Model Code for Securities Transactions by Directors

Throughout the six-month period ended 30 June 2015, the Group has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Group by the Directors. Having made specific enquiry, all the Directors confirmed that they have complied with the Model Code.

Independent Non-executive Directors

Throughout the six-month period ended 30 June 2015, the Board at all times met the requirements of the Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules in appointment of a sufficient number of three Independent Non-executive Directors, representing one-third of the Board, one of whom has appropriate professional qualifications, accounting and financial management expertise.

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

Audit Committee

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

Change in Directorship

Ms. Zhang Jianhua retired from Non-executive Director by rotation under the Articles of Association of the Company on the AGM of 5 June 2015 due to her assuming Chairman Assistant with the Company from 1 June 2015. At the same time, she retired from Remuneration Committee's member of the Company.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTION

During the six-month period ended 30 June 2015 and the year 2014, the Group entered into the following continuing connected transactions and connected transaction:

(I) Continuing Connected Transactions

(A) *Leasing of Property*

It was also announced on 31 December 2013 that Inner Mongolia Engin New Energy Development Co. Ltd. ("IM New Energy"), a wholly-owned subsidiary of the Company, entered into a property leasing agreement with IM Composite Material whereby IM New Energy was to lease its premises of No. 1 Aerospace Road, Xing Wang Jiao Industrial Park, Xinghe County, Inner Mongolia to Inner Mongolia CASC Engin Composite Material Co. Ltd. ("IM Composite Material") as industrial plant, office, warehouse and associated facilities for manufacture of turbine blades and other composite materials for a 2-year term from 1 January 2014 to 31 December 2015 at an annual rental and management fee of RMB5,181,413 in total.

The property leasing agreement was entered into on normal commercial terms with the rental being at market prices or prices no less favourable to IM New Energy than those available from independent third parties. By this agreement, IM Composite Material was enabled to occupy and use the leased premises for its principal activities of manufacture of wind turbine blades of composite materials to its customers.

Since one of the shareholders of IM Composite Material as to 41.03% shareholding is Aerospace Research Institute of Materials & Processing Technology ("Aerospace Material"), which is a subsidiary of CALT, the Company's major controlling shareholder, IM Composite Material is a connected person of the Company by virtue of being a non wholly-owned subsidiary with the said more than 10% shareholding. The leasing of property to them constituted continuing connected transactions under Chapter 14A of the Listing Rules. The total lease amount received by IM New Energy pursuant thereto for the year 2014 amounted to RMB5,181,413 in total which was equal to the agreed annual amount of RMB5,181,413.

(B) *Purchase of Wind Turbine Blades for Turbine Assembling*

It was announced on 29 December 2011 that two subsidiaries of the Company, Inner Mongolia CASC Energiner Wind Turbine Manufacture Co. Ltd. ("IM Turbine Manufacture") and IM Turbine Manufacture entered into a Framework Agreement whereby IM Composite Material was to supply wind turbine blades as to 900KW and 2MW to IM Turbine Manufacture from time to time in accordance with the terms of the Framework Agreement for the three financial years ended 31 December 2014 ("Framework Agreement").

The purchase prices be determined in accordance with the prevailing market rate for such purchases or, if there is no prevailing market rate available, by reference to the prevailing rate for the supply of similar blades offered within the same industry. By this agreement, IM Turbine Manufacture will obtain its requisite supply of wind turbine blades with state-of-the-art composite materials of glass fabrics for manufacture and sales of its wind turbines as to 900KW, 1.5MW, 2MW, and 3MW.

Since IM Composite Material is a connected person as aforesaid. The supplies of wind turbine blades by IM Composite Material under the Framework Agreement constituted continuing connected transactions under Chapter 14A of the Listing Rules.

Pursuant to the Framework Agreement, the maximum purchase costs payable by IM Turbine Manufacture under the Framework Agreement for the year ended 31 December 2014 amounted to RMB249,700,000. The total purchase costs recognized and payable by IM Turbine Manufacture pursuant to purchase agreement under the Framework Agreement amounted to RMB22,222,000 for the year 2014 which was within the annual cap of RMB249,700,000.

There was no such purchase up to August in 2015.

(C) *Review of the Continuing Connected Transactions*

The Company has engaged the auditor of the Company to conduct a review of the above transactions (A) and (B) ("Disclosed Continuing Connected Transactions") for the year ended 31 December 2014. The auditor has reported their factual findings to the board of directors (the "Board") of the Company and has confirmed to the Board in writing that the Disclosed Continuing Connected Transactions for the year ended 31 December 2014:

- (1) nothing has come to our attention that causes us to believe that the Disclosed Continuing Connected Transactions have not been approved by the Company's board of directors.
- (2) for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.
- (3) nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- (4) with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to our attention that causes us to believe that the Disclosed Continuing Connected Transactions have exceeded the maximum aggregate annual value disclosed in the previous announcement dated 29 December 2011 and 31 December 2013 made by the Company in respect of each of the Disclosed Continuing Connected Transactions.

(II) Connected Transaction

Acquisition of Shanghai Hanli

It was announced on 10 July 2015 that Beijing Engerine, a subsidiary of the Company, entered into an Equity Transfer Agreement with Long March Launch Vehicle on 10 July 2015 in relation to purchase of 100% equity in Shanghai Hanli at the purchase price of RMB80,884,000 as mentioned in the management discussion and analysis.

Since Long March Launch Vehicle is a wholly-owned subsidiary of the Company's major controlling shareholder of CALT, Long March Launch Vehicle is a connected person of the Company. The purchase of 100% equity in Shanghai Hanli under the Equity Transfer Agreement constitutes a connected transaction under chapter 14A of the Listing Rules.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six-month period ended 30 June 2015.

By Order of the Board

Han Shuwang

Chairman

Hong Kong, 28 August 2015

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Engin International (Holdings) Limited (the "Company") and its subsidiaries set out on pages 25 to 52, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		1.1.2015 to 30.6.2015	1.1.2014 to 30.6.2014
	<i>NOTES</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	<i>(Unaudited)</i>
Turnover	3	1,490,942	809,246
Cost of sales		(1,337,444)	(716,039)
Gross profit		153,498	93,207
Other income		12,906	12,924
Other gains and losses	4	88	2,385
Distribution costs		(77,930)	(37,645)
Administrative expenses		(65,626)	(68,079)
Finance costs	5	(43,513)	(46,399)
Share of results of associates		997	(8,397)
Share of results of joint ventures		92,697	71,062
Profit before taxation	6	73,117	19,058
Taxation	7	(1,557)	(885)
Profit for the period		71,560	18,173

	<i>NOTES</i>	1.1.2015 to 30.6.2015 HK\$'000 (Unaudited)	1.1.2014 to 30.6.2014 HK\$'000 (Unaudited)
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
– exchange difference arising on translation to presentation currency		3,795	(17,832)
Total comprehensive income for the period		<u>75,355</u>	<u>341</u>
Profit (loss) for the period attributable to:			
Owners of the Company		73,380	18,351
Non-controlling interests		(1,820)	(178)
		<u>71,560</u>	<u>18,173</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		77,149	1,235
Non-controlling interests		(1,794)	(894)
		<u>75,355</u>	<u>341</u>
Earnings per share - Basic	9	<u>HK1.68 cents</u>	<u>HK0.46 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

	NOTES	30.6.2015 HK\$'000 (Unaudited)	31.12.2014 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	359,129	372,854
Investment properties	10	148,743	148,694
Deposits paid for acquisition of property, plant and equipment		10,814	10,810
Goodwill		2,004	2,004
Intangible assets		62,099	52,798
Deferred tax assets		2,003	1,937
Interests in associates		451,331	455,600
Interests in joint ventures		1,372,974	1,279,855
Amount due from a joint venture	15(ii) (b) (1)	110,979	108,813
Available-for-sale investment		1,521	1,521
		2,521,597	2,434,886
Current assets			
Inventories		402,790	485,730
Trade and other receivables	11	1,759,050	1,491,795
Amounts due from associates	15(ii) (a)	727,112	592,162
Amounts due from joint ventures	15(ii) (b) (2)	30,132	30,347
Pledged bank deposits	12	5,592	7,779
Bank balances and cash		329,385	862,568
		3,254,061	3,470,381

	NOTES	30.6.2015 HK\$'000 (Unaudited)	31.12.2014 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	13	1,530,085	1,461,740
Amount due to an associate	15(ii) (a)	78,413	248,841
Amounts due to joint ventures	15(ii) (b) (3)	6,305	6,303
Government grants		263	1,173
Taxation payable		3,006	2,537
Warranty provision		103,437	74,032
Borrowings - amount due within one year	14, 15(i) (a)	1,087,666	985,916
Obligation under a finance lease		121	119
		2,809,296	2,780,661
Net current assets		444,765	689,720
Total assets less current liabilities		2,966,362	3,124,606
Non-current liabilities			
Borrowings - amount due after one year	14, 15(i) (a) & 15(i) (b) (1)	524,974	728,891
Deferred tax liabilities		21,193	20,831
Government grants		34,479	33,879
Obligation under a finance lease		215	276
		580,861	783,877
Net assets		2,385,501	2,340,729

	30.6.2015	31.12.2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Capital and reserves		
Share capital	436,900	436,900
Reserves	1,877,444	1,830,878
Equity attributable to owners of the Company	2,314,344	2,267,778
Non-controlling interests	71,157	72,951
Total equity	2,385,501	2,340,729

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to the owners of the Company							Non-controlling		
	Share capital	Special reserve	Share premium	Revaluation reserve	Exchange reserve	Other reserves	Accumulated losses	Total	interests	Total
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
		<i>(Note a)</i>				<i>(Note b)</i>				
At 1 January 2015 (audited)	436,900	117,554	2,732,397	1,399	318,503	75,351	(1,414,326)	2,267,778	72,951	2,340,729
Profit for the period	—	—	—	—	—	—	73,380	73,380	(1,820)	71,560
Exchange differences arising on translation to presentation currency	—	—	—	—	3,769	—	—	3,769	26	3,795
Total comprehensive (expense) income for the period	—	—	—	—	3,769	—	73,380	77,149	(1,794)	75,355
Transfer	—	—	—	—	—	423	(423)	—	—	—
Dividend recognised as distribution (note 8)	—	(30,583)	—	—	—	—	—	(30,583)	—	(30,583)
At 30 June 2015 (unaudited)	436,900	86,971	2,732,397	1,399	322,272	75,774	(1,341,369)	2,314,344	71,157	2,385,501

	Attributable to the owners of the Company							Non-		
	Share capital	Special reserve	Share premium	Revaluation reserve	Exchange reserve	Other reserves	Accumulated losses	Total	controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note a)				(Note b)				
At 1 January 2014 (audited)	396,900	117,554	2,483,141	1,399	324,664	62,435	(1,492,304)	1,893,789	73,365	1,967,154
Profit for the period	—	—	—	—	—	—	18,351	18,351	(178)	18,173
Exchange differences arising on translation to presentation currency	—	—	—	—	(17,116)	—	—	(17,116)	(716)	(17,832)
Total comprehensive (expense) income for the period	—	—	—	—	(17,116)	—	18,351	1,235	(894)	341
Dividend declared to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	(2,235)	(2,235)
At 30 June 2014 (unaudited)	396,900	117,554	2,483,141	1,399	307,548	62,435	(1,473,953)	1,895,024	70,236	1,965,260

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	1.1.2015 to 30.6.2015 HK\$'000 (Unaudited)	1.1.2014 to 30.6.2014 HK\$'000 (Unaudited)
Net cash used in operating activities	(377,200)	(330,739)
Investing activities		
Product development costs paid	(12,278)	—
Purchase of property, plant and equipment	(2,065)	(3,874)
Payments for intangible assets	(335)	—
Release of pledged bank deposits	2,269	3,491
Proceeds from disposal of property, plant and equipment	117	955
Other investing cash flows	3,174	4,485
Proceeds from disposal of interest in a joint venture	—	273,906
Dividend received from a joint venture	—	73,714
Proceeds from disposal of a subsidiary	—	20
Deposits paid for acquisition of property, plant and equipment	—	(2,620)
Net cash (used in) from investing activities	(9,118)	350,077

	1.1.2015 to 30.6.2015 HK\$'000 (Unaudited)	1.1.2014 to 30.6.2014 HK\$'000 (Unaudited)
Financing activities		
Repayment of other loans	(394,365)	(324,966)
Repayment of bank loans	(38,042)	(139,914)
Interest paid	(43,513)	(46,399)
New other loans raised	317,014	314,961
New bank loans raised	12,681	37,795
	<hr/>	<hr/>
Net cash used in financing activities	(146,225)	(158,523)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(532,543)	(139,185)
Effect of foreign exchange rate changes	(640)	(4,445)
Cash and cash equivalents at beginning of the period	862,568	631,817
	<hr/>	<hr/>
Cash and cash equivalents at end of the period, representing bank balances and cash	329,385	488,187
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which is measured at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

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

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts and/or disclosures reported in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

Specifically, the Group's operating and reportable segments during the period are as follows:

Wind Energy Related Products	—	Manufacture and sales of wind energy related products
Operation of Wind Farm	—	Sales of electricity from operation of wind power field
Rare-earth Permanent Magnet Motor Products	—	Manufacture and distribution of elevator motors
Energy Storage and Related Products	—	Distributed energy renewal solutions by combining wind energy, solar energy and energy storage
Telecommunication	—	Development, manufacture and distribution of communication products, information technology systems, broadband systems, equipment and accessories

Segment results represent the profit before taxation earned by each segment, excluding finance costs, share of result of a joint venture which cannot be allocated, unallocated other income and corporate expenses such as central administration costs and directors' remuneration. Share of profit of associates of HK\$997,000 (1.1.2014 to 30.6.2014: share of loss of associates HK\$8,397,000) and share of loss of certain joint ventures of HK\$1,612,000 (1.1.2014 to 30.6.2014: HK\$6,134,000) were allocated to reportable and operating segments. This is the measure reported to the Group's Executive Directors, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance.

3. SEGMENT INFORMATION *(Continued)*

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

Six months ended 30 June 2015

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

3. SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2014

	Wind Energy Related Products <i>HK\$'000</i>	Operation of Wind Farm <i>HK\$'000</i>	Rare-earth Permanent Magnet Motor Products <i>HK\$'000</i>	Energy Storage and Related Products <i>HK\$'000</i>	Tele- communication <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover						
External sales	589,111	13,249	22,854	167,225	16,807	809,246
Result						
Segment result	2,433	5,107	2,548	21,536	(6,160)	25,464
Unallocated other income						8,010
Unallocated corporate expenses						(45,213)
Finance costs						(46,399)
Share of result of a joint venture						77,196
Profit before taxation						19,058

4. OTHER GAINS AND LOSSES

	1.1.2015	1.1.2014
	to	to
	30.6.2015	30.6.2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net exchange gain (loss) recognised	163	(2,931)
(Loss) gain on disposal of property, plant and equipment	(75)	381
Gain on deemed disposal of interest in an associate	—	4,902
Recovery of trade receivables previously impaired	—	13
Gain on disposal of a subsidiary	—	20
	88	2,385

5. FINANCE COSTS

	1.1.2015	1.1.2014
	to	to
	30.6.2015	30.6.2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
– bank and other loans wholly repayable within five years	42,036	44,628
– bank and other loans not wholly repayable within five years	1,469	1,771
– finance lease wholly repayable within five years	8	—
	43,513	46,399

6. PROFIT BEFORE TAXATION

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

Depreciation of property, plant and equipment	15,742	14,620
Amortisation of intangible assets	3,329	2,076
Allowance for obsolete inventories	2,419	—
Interest income from		
– advance to a joint venture	(2,214)	(2,242)
– bank balances	(960)	(2,243)
	<u>15,742</u>	<u>14,620</u>

1.1.2015	1.1.2014
to	to
30.6.2015	30.6.2014
HK\$'000	HK\$'000

7. TAXATION

The tax charge comprises:

Current tax:

PRC Enterprise Income Tax ("EIT")	1,197	1,316
Deferred taxation charge (credit)	360	(431)
	<u>1,557</u>	<u>885</u>

1.1.2015	1.1.2014
to	to
30.6.2015	30.6.2014
HK\$'000	HK\$'000

7. TAXATION *(Continued)*

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

Taxation arising in the PRC is recognised based on EIT rate of 25% (1.1.2014 to 30.6.2014: 25%) for the six months ended 30 June 2015.

8. DIVIDENDS

At the Board meeting held on 26 March 2015, the Directors proposed a final dividend of HK0.7 cent per share for the year ended 31 December 2014 (year ended 31 December 2013: nil). Such proposed dividend totaling HK\$30,583,000 (year ended 31 December 2013: nil) was subsequently approved by shareholders on 5 June 2015. The directors do not recommend the payment of an interim dividend for the interim period.

9. EARNINGS PER SHARE - BASIC

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

	1.1.2015	1.1.2014
	to	to
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
Profit for the period for the purpose of		
basic earnings per share		
– attributable to the owners of the Company	73,380	18,351

9. EARNINGS PER SHARE - BASIC *(Continued)*

	Number of shares	
	2015	2014
Number of ordinary shares for the purpose of basic earnings per share	<u>4,368,995,668</u>	<u>3,968,995,668</u>

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

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

During the period, the Group disposed of certain plant and machinery with an aggregate carrying amount of HK\$192,000 (1.1.2014 to 30.6.2014: HK\$574,000) for cash proceeds of HK\$117,000 (1.1.2014 to 30.6.2014: HK\$955,000), resulting in loss on disposal of HK\$75,000 (1.1.2014 to 30.6.2014: gain on disposal of HK\$381,000).

During the period, the Group paid approximately HK\$2,065,000 (1.1.2014 to 30.6.2014: HK\$3,874,000) on acquisition of plant and machinery.

The fair value of the Group's investment properties as at 30 June 2015 were determined by the directors of the Company. The valuation performed by the directors of the Company was arrived at by reference to recent market prices for similar commercial properties in the PRC. No fair value gain or loss has been recognised for the investment properties in the current period (1.1.2014 to 30.6.2014: nil).

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$1,085,869,000 (31.12.2014: HK\$805,945,000). The amount of trade receivables at 30 June 2015 included retention receivables for the sales of wind turbines to third parties of HK\$273,549,000 (31.12.2014: HK\$270,181,000). The balances will be settled upon the completion of warranty period of 1 - 5 years (31.12.2014: 1 - 5 years). For the remaining balances of trade receivables, the Group allows credit periods for 90 days on average to its customers for sales of goods mainly wind energy related products. At the discretion of the executive directors, several major customers were allowed to settle their balances beyond the credit terms up to one year. The following is an ageing analysis of trade receivables net of allowances, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	30.6.2015	31.12.2014
	HK\$'000	HK\$'000
Within 30 days	485,306	263,918
Between 31 and 90 days	47,586	94,809
Between 91 and 180 days	10,813	352
Between 181 and 365 days	189,305	363,533
Over 1 year	352,859	83,333
	<u>1,085,869</u>	<u>805,945</u>

Included in the Group's other receivables at 30 June 2015 are dividend receivable from a joint venture of HK\$12,980,000 (31.12.2014: HK\$12,972,000), deposits paid for purchase of inventories in the PRC of HK\$172,252,000 (31.12.2014: HK\$184,877,000), VAT recoverable of HK\$9,739,000 (31.12.2014: HK\$49,316,000) and bills receivables of HK\$387,524,000 (31.12.2014: HK\$265,377,000) in relation to the settlement of trade receivables. Bills receivables as at 31 December 2014 of HK\$44,865,000 (30.6.2015: nil) were in relation to settlement of dividend receivable from a joint venture. All bills receivables of the Group are aged within 90 days (31.12.2014: 180 days).

12. PLEDGED BANK DEPOSITS

Included in the Group's pledged bank deposits are bank deposits amounting to HK\$5,592,000 (31.12.2014: HK\$7,779,000) pledged to banks to secure general banking facilities granted to the Group and are therefore classified as current assets. They will be released in September 2015 upon the settlement of the related borrowings.

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$1,276,141,000 (31.12.2014: HK\$1,055,807,000). The following is an ageing analysis of trade payables based on the invoice dates at the end of each reporting period:

	30.6.2015	31.12.2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	526,452	235,162
Between 31 and 90 days	277,898	452,160
Between 91 and 180 days	300,481	191,003
Between 181 and 365 days	73,129	124,072
Over 1 year	98,181	53,410
	<u>1,276,141</u>	<u>1,055,807</u>

Included in the Group's other payables at 30 June 2015 are accrual for construction work of HK\$1,323,000 (31.12.2014: HK\$2,590,000), receipt in advance from customers of HK\$13,259,000 (31.12.2014: HK\$257,259,000), project guarantee deposits of HK\$2,536,000 (31.12.2014: HK\$2,535,000), accrued transportation cost of HK\$18,358,000 (31.12.2014: HK\$15,683,000), office rental payable of HK\$4,364,000 (31.12.2014: HK\$4,363,000), bills payables aged within 180 days of HK\$85,941,000 (31.12.2014: HK\$31,482,000) and dividend payables of HK\$30,583,000 (31.12.2014: nil).

14. BORROWINGS

	30.6.2015	31.12.2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term bank loans (Note a)	453,639	478,862
Short-term other loans (Note a)	126,805	190,145
Short-term shareholder's loans (Note b)	507,222	316,909
Long-term shareholder's loans (Note b)	481,860	671,847
Long-term other loan (Note c)	43,114	57,044
	<hr/>	<hr/>
	1,612,640	1,714,807
Less: Amount due within one year under current liabilities	(1,087,666)	(985,916)
	<hr/>	<hr/>
Amount due after one year	524,974	728,891
	<hr/> <hr/>	<hr/> <hr/>
The maturity of the Group's borrowings is as follows:		
Within one year	1,087,666	985,916
Between two to five years	481,860	671,847
Over five years	43,114	57,044
	<hr/>	<hr/>
	1,612,640	1,714,807
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14. BORROWINGS *(Continued)*

Notes:

- (a) The amount at 30 June 2015 represents unsecured bank loans of HK\$453,639,000 or RMB357,744,000 (31.12.2014: HK\$478,862,000 or RMB377,760,000). Loans of HK\$60,000,000 (31.12.2014: HK\$60,000,000) bear floating-rate interest at 2.85% (31.12.2014: 2.85%) on top of Hong Kong inter-bank offered rate per annum. The remaining loans of HK\$393,639,000 or RMB310,428,000 (31.12.2014: HK\$418,862,000 or RMB330,428,000) bear fixed-rate interest ranging from 5.6% to 6.0% (31.12.2014: 5.6% to 6.96%) per annum.

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

Included in other loans represent a loan (31.12.2014: two loans) from Aerospace Science and Technology Finance Co. Ltd. ("ASTF"), a fellow subsidiary of China Academy of Launch Vehicle Technology ("CALT"), a stated-owned enterprise and an intermediate holding company of the Company, amounting to HK\$126,805,000 or RMB100,000,000 (31.12.2014: HK\$126,763,000 or RMB100,000,000). The amount is unsecured, bears fixed-rate interest of 5.32% per annum and is repayable in December 2015. Loan of HK\$63,382,000 or RMB50,000,000 as at 31 December 2014 was fully repaid during the current period.

- (b) The amounts in aggregate amounting to HK\$989,082,000 or RMB780,000,000 (31.12.2014: HK\$988,756,000 or RMB780,000,000) represent loans advanced from CALT, through a fellow subsidiary of CALT, ASTF.

The amounts are unsecured, bear fixed-rate interest ranging from 4.88% to 5.0% (31.12.2014: 3.7% to 5.0%) per annum. Loans of HK\$507,222,000 or RMB400,000,000 (31.12.2014: HK\$507,054,000 or RMB400,000,000), HK\$164,847,000 or RMB130,000,000 (31.12.2014: HK\$164,793,000 or RMB130,000,000) and HK\$317,013,000 or RMB250,000,000 (31.12.2014: nil) are repayable in April 2016, July 2017 and March 2018 respectively. Loans of HK\$316,909,000 or RMB250,000,000 at 31 December 2014 was fully repaid during the period.

- (c) The amount represents a loan of HK\$43,114,000 or RMB34,000,000 (31.12.2014: HK\$57,044,000 or RMB45,000,000) 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 4.86% (31.12.2014: 5.54%) per annum and is repayable in full in November 2020. An amount of HK\$13,930,000 or RMB11,000,000 was settled during the current period.

15. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

(a) Transactions with CASC Group

Included in borrowings at 30 June 2015 are three (31.12.2014: three) loans advanced from CALT through CASC's subsidiary, ASTF, as the trustee totalling HK\$989,082,000 or RMB780,000,000 (31.12.2014: HK\$988,756,000 or RMB780,000,000). Details are set out in note 14(b).

In addition, included in other loans represent a loan (31.12.2014: two loans) from ASTF, a fellow subsidiary of CALT, a stated-owned enterprise and an intermediate holding of the Company amounting to HK\$126,805,000 or RMB100,000,000 (31.12.2014 totalling: HK\$190,145,000 or RMB150,000,000). Details are set out in note 14(a).

(b) Transactions with other government-related entities

(1) Included in borrowings at 30 June 2015 was a loan of HK\$43,114,000 or RMB34,000,000 (31.12.2014: HK\$57,044,000 or RMB45,000,000) advanced from a non-controlling shareholder of a subsidiary. Details are set out in note 14(c).

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

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

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

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

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

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

- (a) Included in the amounts due from associates are prepayments for inventories of HK\$68,336,000 (31.12.2014: HK\$239,971,000) and trade receivables of HK\$655,653,000 (31.12.2014: HK\$349,069,000). With respect to the prepayments for inventories, the amounts are unsecured, non-interest bearing and will be utilised upon receipt of inventories. For trade receivables, the amounts are unsecured, non-interest bearing and with credit periods for 90 days for sales of goods mainly wind energy related products. The remaining balance of HK\$3,123,000 (31.12.2014: HK\$3,122,000) are unsecured, non-interest bearing and repayable on demand.

Included in the amount due to an associate is trade payables of HK\$78,413,000 (31.12.2014: HK\$149,141,000). The amounts are unsecured, non-interest bearing and with credit period of 365 days. The amount due to an associate as at 31 December 2014 also included receipt in advance of HK\$99,700,000 (30.6.2015: nil).

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

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

(b) (1) Non-current balance

Included in the balance is a loan advanced to a joint venture amounted to HK\$71,011,000 brought forward from prior years (31.12.2014: HK\$70,988,000) and was repayable in July 2015. At the end of the reporting period, the Group is in the process to extend the maturity date of the loan with the joint venture to July 2016. The loan is therefore classified as non-current in the current period. In July 2015, the Group has signed renewed loan agreement with the joint venture to extend the maturity date of the loan to July 2016 and the joint venture has pledged its land and buildings with a carrying amount of HK\$55,694,000 ("Pledged Assets") to the Group to secure the loan. The loan bears fixed interest rate at 4.85% (2014: 6%) per annum.

For the other non-current account balance of HK\$23,332,000 (31.12.2014: HK\$23,324,000), the joint venture has entered into arrangements with the Group that the balance shall be repaid from the proceeds upon the realisation of the Pledged Assets and certain other assets of the joint venture. The other non-current account balance of HK\$23,332,000 and the remaining balance of HK\$16,636,000 are unsecured, non-interest bearing and repayable on demand. The directors of the Company expected that the Pledged Assets and certain other assets of the joint venture will not be realised within 12 months from the end of the reporting period, therefore classified as non-current.

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

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

(b) *(Continued)*

(2) Current balance

The amounts due from joint ventures at 30 June 2015 included retention receivables of HK\$30,012,000 (31.12.2014: HK\$30,003,000) for the sales of wind turbines to a joint venture that took place in prior years. The balance is unsecured, non-interest bearing and will be settled upon the completion of warranty period in 2015. The remaining balance of HK\$120,000 (31.12.2014: HK\$344,000) is unsecured, non-interest bearing and repayable on demand.

- (3) Included in the amounts due to joint ventures are a financial guarantee of HK\$6,239,000 (31.12.2014: HK\$6,237,000) granted to a customer of the joint venture. The joint venture deposited the same amount to the Group as guarantee deposit under the arrangement. The remaining balance of HK\$66,000 (31.12.2014: HK\$66,000) is unsecured, non-interest bearing and repayable on demand.

15. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)***(ii) Transactions with other related parties** *(Continued)*

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

	1.1.2015	1.1.2014
	to	to
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
Sales of goods to associates	602,558	171,425
Sales of goods to a fellow subsidiary	2,203	—
Purchase of goods from an associate	192,250	81,567
Interest on loan from a shareholder, CALT	24,423	28,571
Interest on loan from a fellow subsidiary, ASTF	4,306	1,795
Interest paid to a non-controlling shareholder with significant influence over a subsidiary	1,469	1,771
Interest income from a joint venture	2,214	2,242

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

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

(d) Compensation of key management personnel

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

	1.1.2015	1.1.2014
	to	to
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
Salaries and other benefits	3,594	3,755
Contributions to retirement benefits scheme	9	8
	3,603	3,763

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

16. CONTINGENT LIABILITIES

	30.6.2015	31.12.2014
	HK\$'000	HK\$'000
Guarantee given to a bank, in respect of a banking facility granted to an associate		
– amount guaranteed	—	38,029
– amount utilised	—	12,676
Guarantee given to a third party	6,239	6,237

In the opinion of the directors, the fair values of the guarantee are not significant.

17. EVENT AFTER REPORTING PERIOD

On 10 July 2015, the Company entered into an equity transfer agreement with Long March Launch Vehicle Industry Co. Ltd (“Long March Launch Vehicle”), a wholly-owned subsidiary of CALT to acquire 100% equity interest in Shanghai Hanli Machine Tool Co. Ltd (“Shanghai Hanli”), a wholly-owned subsidiary of Long March Launch Vehicle, for a consideration of HK\$101,105,000 or RMB80,884,300. Shanghai Hanli is a limited liability company established in Shanghai, PRC and is principally engaged in the research and development of magnet direct drive wind turbine. Details of which is disclosed in the Company’s announcement dated 10 July 2015. At the date of this report, this transaction has not been completed.