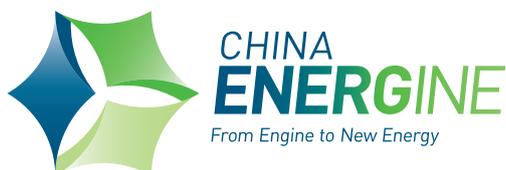


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CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

中國航天萬源國際（集團）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1185)

FURTHER ANNOUNCEMENT OF THE AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of the Company dated 31 March 2020 in connection with the unaudited annual results for the year ended 31 December 2019 (the “**Unaudited Annual Results Announcement**”). Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the Unaudited Annual Results Announcement.

AUDITED ANNUAL RESULTS

The Board announces that the Group’s auditor, Deloitte Touche Tohmatsu (“**Deloitte**”), has completed its audit of the annual results of the Group for the year ended 31 December 2019 and issued a disclaimer opinion in which the extract of Deloitte’s independent auditor’s report is set out in pages 21 to 23. The audited annual results for the year ended 31 December 2019 were approved by the Board on 15 May 2020, details of which are set out below.

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>NOTES</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Restated)
Continuing operations			
Turnover	3	38,307	59,116
Cost of sales		<u>(40,881)</u>	<u>(53,157)</u>
Gross (loss) profit		(2,574)	5,959
Other income	4	17,914	24,283
Other gains and losses	5	(107,024)	(190,038)
Impairment losses, net of reversal, on financial assets and contract assets	6	(569,049)	(698,933)
Selling and distribution expenses		(130,533)	(73,007)
Administrative expenses		(146,025)	(165,525)
Finance costs	7	(80,860)	(82,546)
Share of results of associates		(5,076)	(129,834)
Share of results of joint ventures		<u>31,359</u>	<u>76,177</u>
Loss before taxation	8	(991,868)	(1,233,464)
Taxation	9	<u>(3,770)</u>	<u>(580)</u>
Loss for the year from continuing operations		<u>(995,638)</u>	<u>(1,234,044)</u>
Discontinued operations			
Loss for the year from discontinued operations	10	<u>(59,841)</u>	<u>(96,102)</u>
Loss for the year		<u>(1,055,479)</u>	<u>(1,330,146)</u>

		2019	2018
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Other comprehensive expense:			
Item that will not be reclassified to profit or loss			
– exchange differences arising on translation to presentation currency		<u>2,332</u>	<u>(66,293)</u>
Total comprehensive expense for the year		<u>(1,053,147)</u>	<u>(1,396,439)</u>
Loss for the year attributable to owners of the Company			
– from continuing operations		<u>(985,465)</u>	<u>(1,224,423)</u>
– from discontinued operations		<u>(59,841)</u>	<u>(96,102)</u>
		<u>(1,045,306)</u>	<u>(1,320,525)</u>
Loss for the year attributable to non-controlling interests			
– from continuing operations		<u>(10,173)</u>	<u>(9,621)</u>
Loss for the year		<u>(1,055,479)</u>	<u>(1,330,146)</u>
Total comprehensive expense attributable to:			
Owners of the Company		<u>(1,042,031)</u>	<u>(1,384,076)</u>
Non-controlling interests		<u>(11,116)</u>	<u>(12,363)</u>
		<u>(1,053,147)</u>	<u>(1,396,439)</u>
Loss per share – Basic			
From continuing and discontinued operations	12	<u>HK(23.93) cents</u>	<u>HK(30.22) cents</u>
From continuing operations	12	<u>HK(22.56) cents</u>	<u>HK(28.03) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>NOTES</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Investment properties		130,724	133,531
Property, plant and equipment		194,507	238,574
Right-of-use assets		6,342	–
Goodwill		2,004	2,004
Intangible assets		–	63,165
Deferred tax assets		–	1,643
Interests in associates		194,587	206,108
Interests in joint ventures		932,381	1,015,299
Amount due from a joint venture		67,351	104,165
Financial assets at fair value through other comprehensive income		4,800	4,908
		1,532,696	1,769,397
Current assets			
Inventories		41,170	78,291
Trade and other receivables, deposits and prepayments	13	1,079,654	1,760,599
Contract assets		226,518	304,759
Amounts due from associates		154,507	252,457
Amount due from a joint venture		19,186	20,089
Pledged bank deposits, bank balances and cash		78,236	88,838
		1,599,271	2,505,033
Current liabilities			
Trade and other payables	14	1,320,176	1,467,241
Amounts due to associates		23,372	25,876
Amounts due to joint ventures		2,862	2,459
Government grants		696	711
Warranty provision		328,231	259,918
Taxation payable		1,621	1,888
Borrowings		659,983	125,542
Lease liabilities		5,078	–
		2,342,019	1,883,635
Net current (liabilities) assets		(742,748)	621,398
Total assets less current liabilities		789,948	2,390,795

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Government grants	27,520	28,123
Borrowings	1,094,019	1,641,178
Lease liabilities	1,363	–
Deferred tax liabilities	17,833	18,337
	<u>1,140,735</u>	<u>1,687,638</u>
	<u>(350,787)</u>	<u>703,157</u>
Capital and reserves		
Share capital	436,900	436,900
(Deficit) reserves	(828,878)	213,153
	<u>(391,978)</u>	<u>650,053</u>
Equity attributable to owners of the Company	(391,978)	650,053
Non-controlling interests	41,191	53,104
	<u>(350,787)</u>	<u>703,157</u>
Total (deficit) equity	<u>(350,787)</u>	<u>703,157</u>

NOTES

1. BASIS OF PREPARATION

The Company and its subsidiaries (collectively referred to as the “**Group**”) incurred a net loss from continuing operations of approximately HK\$995,638,000 during the year ended 31 December 2019 and, as of 31 December 2019, the Group had net current liabilities and net liabilities of approximately HK\$742,748,000 and HK\$350,787,000, respectively. The Group’s aggregate borrowings amounted to approximately HK\$1,754,002,000, out of which HK\$659,983,000 will be due for repayment within twelve months from 31 December 2019; while its cash and cash equivalents amounted to approximately HK\$78,227,000 only as at 31 December 2019.

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

- (i) The Group has been actively negotiating with Aerospace Science and Technology Finance Co. Ltd (“**ASTF**”), a fellow subsidiary of the Company, and CALT for the extension of the existing unsecured loans of RMB792,200,000 (equivalent to approximately HK\$884,369,000) advanced from ASTF and loans of RMB400,000,000 (equivalent to approximately HK\$446,538,000) advanced from CALT through ASTF as the trustee, both of which will be due within twelve months from the date of approval of the consolidated financial statements. In the opinion of the directors of the Company, it is expected that further extension of such loans would be granted by these counterparties based on past experience;
- (ii) As set out in the Company’s announcement dated 25 September 2019 and the Company’s circular dated 28 February 2020, the Group and ASTF, entered into a loan agreement (the “**Loan Agreement**”) on 25 December 2019 for a loan facility of RMB300,000,000 (equivalent to approximately HK\$333,000,000) to be provided by ASTF to the Group, which are secured by the share charge (the “**Share Charge**”) to be granted by the Group in favour of ASTF over all its shares held in a joint venture, Beijing Delphi Wan Yuan Engine Management Systems Co., Ltd (“**Delphi**”) (representing 49% of the share capital of Delphi). The loan is repayable on the first anniversary of the Loan Agreement. The Loan Agreement and the Share Charge were approved by the shareholders in the extraordinary general meeting of the shareholders of the Company on 18 March 2020. As at the date of the approval of the consolidated financial statements, an amount of RMB61,450,000 (equivalent to approximately HK\$68,599,000) has been drawn down by the Group. The Group is expected to utilise the full amount of this loan facility up to RMB300,000,000 (equivalent to approximately HK\$333,000,000) to enable sufficient financial resources are available to the Group within twelve months from the date of approval of the consolidated financial statements. In the opinion of the directors of the Company, it is expected that further extension of such loan facility would be granted by ASTF upon expiry;

- (iii) The Group has been arranging the collection of outstanding balance from its joint venture of HK\$67,351,000, through disposal of the pledged land and buildings by such joint venture;
- (iv) The Group has been looking for potential buyers to acquire the Group's equity interests in a joint venture and an associate with an aggregate carrying amount of HK\$46,871,000;
- (v) The Group has been looking for potential buyer to purchase an investment property of the Group located in Shenzhen with carrying amount of HK\$48,226,000;
- (vi) The Group is currently re-negotiating the repayment schedules with certain debtors and endeavoring to request its debtors to repay the trade receivables in accordance with the repayment schedules agreed with them; and
- (vii) The Group has been arranging for settlement of part of the trade payables outstanding to its creditors. The Group has ongoing communication with its creditors, and monitored closely any settlement requests of trade payables. In the opinion of the directors of the Company, it is expected that the Group could further negotiate with its creditors and agree on the settlement arrangements where applicable.

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.

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

- (i) successful extension of the existing unsecured loans of RMB792,200,000 (equivalent to approximately HK\$884,369,000) advanced from ASTF and loans of RMB400,000,000 (equivalent to approximately HK\$446,538,000) advanced from CALT through ASTF as the trustee;
- (ii) successful extension of the loan facility of RMB300,000,000 (equivalent to approximately HK\$333,000,000) provided by ASTF upon maturity;
- (iii) successful disposal of the pledged land and buildings by a joint venture in order to collect the amount due from that joint venture of HK\$67,351,000;
- (iv) successful disposal of the equity interests in a joint venture and an associate with an aggregate carrying amount of HK\$46,871,000;
- (v) successful disposal of an investment property located in Shenzhen with carrying amount of HK\$48,226,000;
- (vi) timely collection of the Group's certain debtors in accordance with the repayment schedules agreed with them; and

(vii) successful agreement with the Group's creditors of settlement arrangements where applicable.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year:

HKFRS 16 Leases	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases”, and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.35%.

	At 1 January 2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	8,946
Less:	
Recognition exemption – short-term leases	(225)
Practical expedient – leases with lease terms ended within 12 months at the date of initial application	(3,852)
	<u>4,869</u>
Lease liabilities discounted at relevant incremental borrowing rates as at 1 January 2019	<u>4,725</u>
Analysed as	
Current	3,306
Non-current	1,419
	<u>4,725</u>

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u>4,725</u>
By class:	
Land and buildings	<u>4,725</u>

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

	Carrying amounts previously reported at 31 December 2018 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 January <i>HK\$'000</i>
Non-current assets			
Right-of-use assets	–	4,725	4,725
Current liability			
Lease liabilities	–	(3,306)	(3,306)
Non-current liability			
Lease liabilities	<u>–</u>	<u>(1,419)</u>	<u>(1,419)</u>

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

As a lessor

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

The directors of the Company considered the application of HKFRS 16 in the current year has had no material impact on the Group's financial position and performance as a lessor for the current year.

Refundable rental deposits

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. However, the adjustments are insignificant at the date of initial application, 1 January 2019.

3. TURNOVER

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Restated)
Continuing operations		
Sales of wind energy related products	12,345	33,678
Sales of electricity from operation of wind power field	25,962	25,438
	38,307	59,116

4. OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Restated)
Continuing operations		
Other income mainly comprises:		
Government grants	2,161	2,609
Rental income from investment properties, net of negligible outgoings	6,132	6,698
Interest income		
– bank balances	487	963
– advance to a joint venture	3,677	2,878
– advance to an associate	1,301	1,365
	<u>1,301</u>	<u>1,365</u>

5. OTHER GAINS AND LOSSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Restated)
Continuing operations		
Impairment losses recognised in respect of intangible assets	(38,582)	(89,912)
Loss on disposal/write off of property, plant and equipment	(4,267)	(5,949)
Net exchange (loss) gain recognised	(2,569)	988
Impairment loss recognised in respect of property, plant and equipment	(15,753)	(23,501)
Prepayment written off	(23,342)	–
Write-down of inventories	(22,623)	(62,212)
Gain (loss) from changes in fair value of investment properties	112	(9,452)
	<u>(107,024)</u>	<u>(190,038)</u>

6. IMPAIRMENT LOSSES, NET OF REVERSAL, ON FINANCIAL ASSETS AND CONTRACT ASSETS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Restated)
Continuing operations		
Impairment losses, net of reversal, recognised in respect of trade balances arising from contracts with customers and amounts due from associates in trade nature	(493,080)	(698,933)
Impairment loss recognised in respect of amount due from an associate and a joint venture which are non-trade nature	<u>(75,969)</u>	<u>–</u>
	<u>(569,049)</u>	<u>(698,933)</u>

7. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Restated)
Continuing operations		
Interest on:		
– bank and other loans	80,541	82,546
– lease liabilities	<u>319</u>	<u>–</u>
	<u>80,860</u>	<u>82,546</u>

8. LOSS BEFORE TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Restated)
Continuing operations		
Loss before taxation from continuing operations has been arrived at after charging:		
Directors' emoluments	4,703	5,415
Other staff costs	58,730	68,093
Other staff's retirement benefits scheme contributions	10,460	11,286
	<u>73,893</u>	<u>84,794</u>
Auditor's remuneration	3,150	3,200
Amortisation of intangible assets	9,577	30,410
Cost of inventories recognised as an expense	31,516	40,099
Depreciation of property, plant and equipment	24,081	28,415
Depreciation of right-of-use assets	5,698	–
Expenses relating to short-term leases and other leases with lease terms ended within 12 months at the date of initial application of HKFRS 16	3,791	–
Minimum lease payments under operating leases in respect of land and buildings	–	10,005
Research and development expenses	13,890	9,990
	<u><u>13,890</u></u>	<u><u>9,990</u></u>

9. TAXATION

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Tax charge for the year comprises:		
PRC Enterprise Income Tax		
Current year	2,379	3,193
(Over) underprovision in prior years	<u>(134)</u>	<u>309</u>
	2,245	3,502
Deferred tax charge (credit)	<u>1,525</u>	<u>(2,922)</u>
	<u>3,770</u>	<u>580</u>

10. DISCONTINUED OPERATIONS

During the year ended 31 December 2019, the Group ceased its business in the Energy Storage and Related Products operation due to deterioration of operating results and financial performance during the year. It has been presented as a discontinued operation in the audited consolidated statement of comprehensive income, the comparative figures have been restated to represent it as a discontinued operation.

11. DIVIDENDS

No dividend in respect of year ended 31 December 2019 and 2018 has been proposed by the directors of the Company.

12. LOSS PER SHARE – BASIC

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Restated)
From continuing operations		
Loss for the year attributable to owners of the Company	(1,045,306)	(1,320,525)
Add: loss for the year from discontinued operations	<u>59,841</u>	<u>96,102</u>
Loss for the purpose of basic loss per share from continuing operations	<u><u>(985,465)</u></u>	<u><u>(1,224,423)</u></u>
Number of shares		
	2019	2018
Number of shares for the purpose of basic loss per share	<u><u>4,368,995,668</u></u>	<u><u>4,368,995,668</u></u>
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
From continuing and discontinued operations		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	<u><u>(1,045,306)</u></u>	<u><u>(1,320,525)</u></u>

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

From discontinued operations

Basic loss per share for the discontinued operations is HK\$1.37 cents per share (2018 (restated): HK\$2.20 cents), based on the loss for the year from the discontinued operation of HK\$59,841,000 (2018 (restated): HK\$96,102,000) and the denominators detailed above for basic loss per share.

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

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

As at 31 December 2019, the Group's total trade and other receivables comprised of trade receivables, other bills receivables and other receivables, deposits and prepayments of HK\$983,249,000 (2018: HK\$1,495,086,000), HK\$13,508,000 (2018: HK\$184,739,000) and HK\$82,897,000 (2018: HK\$80,774,000), respectively.

As at 1 January 2018, trade receivables arising from contracts with customers was HK\$2,690,233,000.

The Group's trade receivables as at 31 December 2019 are net of allowance for credit losses of HK\$1,002,592,000 (2018: HK\$632,447,000).

The Group allows credit periods for not more than six months to its customers for sales of goods. At the discretion of the executive director, 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\$579,219,000 (2018: HK\$943,820,000) without bills received while the remaining balances are trade receivables with bills received for future settlements. The following is an aging analysis of trade receivables without bills received, net of allowances, presented based on the invoices dates at the end of the reporting period, which approximately the respective revenue recognition dates:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	3,700	11,023
Between 31 – 90 days	1,837	3,702
Between 91 – 180 days	1,171	28,829
Between 181 – 365 days	12,248	6,467
Over 1 year	560,263	893,799
	<u>579,219</u>	<u>943,820</u>

All the Group's trade receivables with bills received as at 31 December 2019 and 31 December 2018 are aged over one year, based on invoice dates at the end of the reporting period.

The Group's trade receivables without bills received of HK\$18,956,000 (2018: HK\$50,021,000) as at 31 December 2019 are aged within one year while the remaining balances are aged over one year, based on the invoice dates at the end of reporting period.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$982,728,000 (2018: HK\$1,463,344,000) which are past due as at the reporting date. Included in the past due balances of HK\$494,986,000 (2018: HK\$1,461,074,000) has been past due 90 days or more but is not considered as in default based on repayment records for those customers and continuous business with the Group. Other than those balances with bills received, the Group does not hold any collateral over these balances.

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$1,129,823,000 (2018: HK\$944,674,000). The Group normally receives credit period for 30 to 90 days from its suppliers. The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	9,361	19,010
Between 31 – 90 days	11,431	8,697
Between 91 – 180 days	2,233	11,053
Between 181 – 365 days	32,181	35,255
Over 1 year	1,074,617	870,659
	<u>1,129,823</u>	<u>944,674</u>

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since financial information contained in the Unaudited Annual Results Announcement was neither audited nor agreed by Deloitte, as at the date of their publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. Set forth below are principal details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

Item for the year ended 31 December 2019	Disclosure in this announcement <i>(HK\$'000)</i>	Disclosure in the Unaudited Annual Results Announcement <i>(HK\$'000)</i>	Difference <i>(HK\$'000)</i>	Notes
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Continued operations

Cost of sales	40,881	53,642	(12,761)	1
Other gains and losses	107,024	91,518	15,506	2
Selling and distribution expenses	130,533	117,772	12,761	1
Administrative expenses	146,025	132,869	13,156	3
Impairment losses, net of reversal, on financial assets and contract assets	569,049	531,913	37,136	4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Property, plant and equipment	194,507	209,741	(15,234)	2
Trade and other receivables, deposits and prepayments	1,079,654	1,101,729	(22,075)	5
Contract assets	226,518	204,443	22,075	5
Amounts due from associates	154,507	190,992	(36,485)	4
Trade and other payables	1,320,176	1,332,001	(11,825)	3
Warranty provision	328,231	303,477	24,754	3

Notes:

1. The difference in cost of sales was approximately HK\$12.761 million and the difference in selling and distribution expenses was approximately HK\$12.761 million, due to the reclassification of selling and distribution expenses from cost of sales.
2. The difference in other gains and losses was approximately HK\$15.506 million and the difference in property, plant and equipment was approximately HK\$15.234 million, mainly due to the provision for property, plant and equipment of wind energy related segment with exchange difference of approximately HK\$0.272 million.
3. The increase in administrative expenses was approximately HK\$13.156 million, the increase in trade and other payables was approximately HK\$12.929 million, mainly due to the provision for legal proceedings of approximately HK\$13.156 million with exchange difference of approximately HK\$0.227 million; the increase in warranty was approximately HK\$24.754 million and the decrease in trade and other payables was approximately HK\$24.754 million, mainly due to the reclassification of approximately HK\$24.754 million from trade and other payables to warranty.
4. The difference in impairment losses, net of reversal, on financial assets and contract assets was approximately HK\$37.136 million and the difference in amounts due from associates was approximately HK\$36.485 million, mainly due to the write off of amount due from an associate with exchange difference of approximately HK\$0.651 million.
5. The difference in trade and other receivables, deposits and prepayments was approximately HK\$22.075 million and the difference in contract assets was approximately HK\$22.075 million, mainly due to the reclassification of contract assets from trade and other receivables, deposits and prepayments.

Save as disclosed in this announcement and the corresponding adjustments in totals, percentages, ratios and comparative figures related to the above material differences, all other information contained in the Unaudited Annual Results Announcement remain unchanged.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this further announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board of Directors on 15 May 2020. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this further announcement.

EXTRACT FROM DELOITTE'S INDEPENDENT AUDITOR'S REPORT

The "Disclaimer of Opinion" and "Basis for Disclaimer of Opinion" are extracted from Deloitte's independent auditor's report for the year ended 31 December 2019 as follows:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to form an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

As described in Note 1B to the consolidated financial statements, the Group incurred a net loss from continuing operations of approximately HK\$995,638,000 during the year ended 31 December 2019 and, as of 31 December 2019, the Group had net current liabilities and net liabilities of approximately HK\$742,748,000 and approximately HK\$350,787,000, respectively. The Group's aggregate borrowings amounted to approximately HK\$1,754,002,000 as at 31 December 2019, out of which HK\$659,983,000 will be due for repayment within twelve months from 31 December 2019; while its cash and cash equivalents amounted to approximately HK\$78,227,000 only as at 31 December 2019.

The directors of the Company have undertaken a number of plans and measures to improve the Group's liquidity and financial position, as set out in Note 1B to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including (i) successful extension of the existing unsecured loans of RMB792,200,000 (equivalent to approximately HK\$884,369,000) advanced from Aerospace Science and Technology Finance Co. Ltd ("ASTF"), a fellow subsidiary of the Company, and loans of RMB400,000,000 (equivalent to approximately HK\$446,538,000) advanced from China Academy of Launch Vehicle Technology ("CALT"), an intermediate holding company of the Company, through ASTF as the trustee, for which both of them will be due for repayment within twelve months from the date of approval of the consolidated financial statements; (ii) successful extension of the loan facility of RMB300,000,000 (equivalent to approximately HK\$333,000,000) provided by ASTF upon expiry; (iii) successful disposal of the pledged land and buildings by a joint venture in order to collect the amount due from that joint venture of HK\$67,351,000; (iv) successful disposal of the Group's equity interests in a joint venture and an associate with an aggregate carrying amount of HK\$46,871,000; (v) successful disposal of an investment property located in Shenzhen with carrying amount of HK\$48,226,000; (vi) timely collection of the Group's certain debtors in accordance with the repayment schedules agreed with them; and (vii) successful agreement with the Group's creditors of settlement arrangements where applicable.

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

Since the execution of the above plans and measures are in progress with details as set out in Note 1B to the consolidated financial statements, and in view of the significance of the extent of the uncertainty relating to the ongoing availability of finance to the Group, we disclaim our opinion in respect of the year ended 31 December 2019.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (“AGM”) is scheduled to be held on Friday, 12 June 2020.

THE AUDIT COMMITTEE

The Audit Committee has reviewed and discussed the audited annual results for the year ended 31 December 2019.

PUBLICATION OF 2019 ANNUAL REPORT

As the audit of the annual result for the year ended 31 December 2019 has been completed, the 2019 annual report is published on 15 May 2020.

On behalf of the Board
China Energin International (Holdings) Limited
Liu Zhiwei
Chairman and Executive Director

Hong Kong, 15 May 2020

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Liu Zhiwei, Mr. Li Lei, Mr. Han Qingping, Mr. Xu Jun and Mr. Wang Guanghui; and three independent non-executive Directors, namely Mr. Lau Fai Lawrence, Mr. Gordon Ng and Mr. Li Dapeng.