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)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Director(s)**") of China Energine International (Holdings) Limited (the "**Company**") hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	NOTES	**2018** ***HK$'000***	2017 *HK$'000* (Restated)
Continuing operations			
Turnover	3	**75,759**	263,414
Cost of sales		**(67,434)**	(228,844)
Gross profit		**8,325**	34,570
Other income	4	**24,283**	16,071
Other gains and losses	5	**(247,532)**	(15,737)
Impairment losses, net of reversal, on financial assets and contract assets	6	**(727,193)**	(128,660)
Selling and distribution expenses		**(73,007)**	(40,746)
Administrative expenses		**(165,525)**	(157,534)
Finance costs	7	**(82,546)**	(74,489)
Share of results of associates		**(129,834)**	(27,854)
Share of results of joint ventures		**76,177**	166,127
Loss before taxation	8	**(1,316,852)**	(228,252)
Taxation	9	**(580)**	(5,165)
Loss for the year from continuing operations		**(1,317,432)**	(233,417)

	NOTES	2018 HK$'000	2017 HK$'000 (Restated)
Discontinued operations			
Loss for the year from discontinued operations	10	**(12,714)**	(14,531)
Loss for the year		**(1,330,146)**	(247,948)
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss			
– exchange differences arising on translation to presentation currency		**(66,293)**	151,807
Total comprehensive expense for the year		**(1,396,439)**	(96,141)
Loss for the year attributable to owners of the Company			
– from continuing operations		**(1,307,811)**	(225,451)
– from discontinued operations		**(12,714)**	(11,647)
		(1,320,525)	(237,098)
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(9,621)**	(7,966)
– from discontinued operations		**–**	(2,884)
		(9,621)	(10,850)
Loss for the year		**(1,330,146)**	(247,948)
Total comprehensive expense attributable to:			
Owners of the Company		**(1,384,076)**	(90,776)
Non-controlling interests		**(12,363)**	(5,365)
		(1,396,439)	(96,141)
Loss per share – Basic	12		
From continuing and discontinued operations		**HK(30.22) cents**	HK(5.43) cents
From continuing operations		**HK(29.93) cents**	HK(5.16) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	**2018** *HK$'000*	2017 *HK$'000*
Non-current assets			
Investment properties		**133,531**	149,538
Property, plant and equipment		**238,574**	303,926
Goodwill		**2,004**	2,004
Intangible assets		**63,165**	212,654
Deferred tax assets		**1,643**	1,784
Interests in associates		**206,108**	348,268
Interests in joint ventures		**1,015,299**	1,192,284
Amount due from joint ventures		**104,165**	106,468
Financial assets at fair value through other comprehensive income		**4,908**	–
Available-for-sale investments		**–**	5,144
		1,769,397	2,322,070
Current assets			
Inventories		**78,291**	163,526
Trade and other receivables	13	**1,760,599**	2,923,476
Contract assets		**304,759**	–
Amounts due from associates		**252,457**	303,467
Amount due from a joint venture		**20,089**	25,196
Pledged bank deposits, bank balances and cash		**88,838**	107,934
		2,505,033	3,523,599
Current liabilities			
Trade and other payables	14	**1,467,241**	1,734,332
Amounts due to associates		**25,876**	60,939
Amounts due to joint ventures		**2,459**	4,030
Government grants		**711**	775
Warranty provision		**259,918**	139,091
Taxation payable		**1,888**	3,256
Borrowings		**125,542**	1,261,793
Obligation under a finance lease		**–**	22
		1,883,635	3,204,238
Net current assets		**621,398**	319,361
Total assets less current liabilities		**2,390,795**	2,641,431

	2018	2017
	HK$'000	*HK$'000*
Non-current liabilities		
Government grants	**28,123**	30,225
Borrowings	**1,641,178**	488,091
Deferred tax liabilities	**18,337**	22,237
	1,687,638	540,553
	703,157	2,100,878
Capital and reserves		
Share capital	**436,900**	436,900
Reserves	**213,153**	1,597,229
Equity attributable to owners of the Company	**650,053**	2,034,129
Non-controlling interests	**53,104**	66,749
Total equity	**703,157**	2,100,878

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties and financial assets at fair value through other comprehensive income which are measured at fair value.

2. APPLICATION OF NEW AND REVISED 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 and an interpretation issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sales of wind energy related products
- Sales of electricity from operation of wind power field
- Sales of energy storage and related products

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017 HK$'000 (audited)	Reclassifications HK$'000	Carrying amounts under HKFRS 15 at 1 January 2018 HK$'000
Current assets				
Trade and other receivables	a	2,923,476	(413,267)	2,510,209
Contract assets	a	–	422,790	422,790
Amounts due from associates	a	303,467	(9,523)	293,944
Current liabilities				
Trade and other payables	b	1,734,332	(13,938)	1,720,394
Contract liabilities	b	–	13,938	13,938

Notes:

(a) At the date of initial application of HKFRS 15, retention receivable of HK$422,790,000 previously included in trade receivables and amounts due from associates were reclassified to contract assets.

(b) At the date of initial application of HKFRS 15, receipt in advance from customers of HK$13,938,000 in respect of sales contracts signed with customers previously included in other payables were reclassified to contract liabilities.

The application of HKFRS 15 has had no material impact on the timing and amounts of revenue recognised when compared to that under HKAS 18. Therefore, there is no adjustment on the Group's accumulated losses as at 1 January 2018.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impacts on the consolidated statement of financial position

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current assets			
Trade and other receivables	1,760,599	295,674	2,056,273
Contract assets	304,759	(304,759)	–
Amount due from associates	252,457	9,085	261,542

2.2 HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Any difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

Below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

Reclassification from available-for-sale ("**AFS**") equity investments to financial assets at fair value through other comprehensive income ("**FVTOCI**")

The Group elected to present in the other comprehensive income ("**OCI**") the fair value changes of its equity investments previously classified as AFS, which is related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$5,144,000 were reclassified from AFS investments to financial assets at FVTOCI, which is related to unquoted equity investments previously measured at cost less impairment under HKAS 39. No fair value adjustment relating to these unquoted equity investments previously carried at cost less impairment was adjusted to financial assets at FVTOCI and investment revaluation reserve as at 1 January 2018 because carrying value under HKAS 39 was not materially different from the fair value as at 1 January 2018.

Impairment under ECL model

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables, contract assets and those balances with associates which are trade in nature.

Loss allowance for other financial assets at amortised cost mainly comprise of other receivables, amounts due from associates and a joint venture, pledged bank deposits and bank balances, and are measured on 12–month ("**12m**") ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised against accumulated losses as the estimated allowance under the ECL model was not significantly different to that under HKAS 39.

2.3 *Impacts on opening consolidated statement of financial position arising from the application of all new standards*

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position has to be restated. The following table shows the adjustments recognised for each individual line item.

	31 December 2017 *HK$'000*	HKFRS 15 *HK$'000*	HKFRS 9 *HK$'000*	1 January 2018 *HK$'000*
Non-current assets				
AFS investments	5,144	–	(5,144)	–
Financial assets at FVTOCI	–	–	5,144	5,144
Current assets				
Trade and other receivables	2,923,476	(413,267)	–	2,510,209
Contract assets	–	422,790	–	422,790
Amounts due from associates	303,467	(9,523)	–	293,944
Current liabilities				
Trade and other payables	1,734,332	(13,938)	–	1,720,394
Contract liabilities	–	13,938	–	13,938

3. TURNOVER AND SEGMENT INFORMATION

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

	2018 ***HK$'000***	2017 *HK$'000* (Restated)
Continuing operations		
Sales of wind energy related products	**33,678**	234,028
Sales of energy storage and related products	**16,643**	3,677
Sales of electricity from operation of wind power field	**25,438**	25,709
	75,759	263,414

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.

In prior year, there were 4 reportable and operating segments namely Wind Energy Related Products, Operation of Wind Farm, Telecommunication Business and Energy Storage and Related Products.

During the year ended 31 December 2018, the CODM has reviewed the Group's business operation and considered Telecommunication Business segment was discontinued. Therefore, it is no longer a reportable and operating segment of the Group. Details are described in note 10.

Specifically, the Group's operating and reportable segments for the year under HKFRS 8 "Operating Segments" 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
Energy Storage and Related Products	–	Manufacture and sales of energy renewal products by combining wind energy, solar energy and energy storage

Information regarding these segments is presented below.

Segment revenue and results

The following is an analysis of the Group's turnover and results from continuing operations by operating and reportable segment.

For the year ended 31 December 2018

	Wind Energy Related Products *HK\$'000*	**Operation of Wind Farm** *HK\$'000*	**Energy Storage and Related Products** *HK\$'000*	**Consolidated** *HK\$'000*
Continuing operations				
TURNOVER				
External sales	**33,678**	**25,438**	**16,643**	**75,759**
RESULT				
Segment result	**(1,099,698)**	**(6,331)**	**(83,388)**	**(1,189,417)**
Unallocated corporate expenses				**(119,301)**
Unallocated other income				**14,597**
Finance costs				**(82,546)**
Share of results of an associate – unallocated portion				**(5,925)**
Share of results of a joint venture – unallocated portion				**75,192**
Loss from changes in fair value of investment properties				**(9,452)**
Loss before taxation				**(1,316,852)**

For the year ended 31 December 2017

	Wind Energy Related Products *HK$'000*	Operation of Wind Farm *HK$'000*	Energy Storage and Related Products *HK$'000*	Consolidated *HK$'000* (Restated)
Continuing operations				
TURNOVER				
External sales	234,028	25,709	3,677	263,414
RESULT				
Segment result	(222,383)	10,431	(9,251)	(221,203)
Unallocated corporate expenses				(111,227)
Unallocated other income				11,573
Finance costs				(74,489)
Share of results of a joint venture – unallocated portion				165,019
Gain from changes in fair value of investment properties				2,075
Loss before taxation				(228,252)

Segment results represent the loss before taxation incurred by each segment, excluding finance costs, gain from changes in fair value of investment properties, share of results of an associate and a joint venture which cannot be allocated, unallocated other income and corporate expenses such as central administration costs and directors' salaries. Share of loss of associates of HK$123,909,000 (2017: HK$27,854,000) and share of profit of a joint venture of HK$985,000 (2017: HK$1,108,000) are allocated to reportable segments. This is the measure reported to the Group's Executive Directors for the purpose of resources allocation and assessment of segment performance.

4. OTHER INCOME

	2018 ***HK$'000***	2017 *HK$'000* (Restated)
Continuing operations		
Other income mainly comprises:		
Government grants	**2,609**	2,791
Rental income from investment properties, net of negligible outgoings	**6,698**	6,461
Interest income		
– bank balances	**963**	1,505
– advance to a joint venture	**2,878**	2,809
– advance to an associate	**1,365**	–

5. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Impairment losses recognised in respect of intangible assets	**(147,406)**	(17,399)
Write-down of inventories	**(62,212)**	–
Impairment loss recognised in respect of property, plant and equipment	**(23,501)**	–
(Loss) gain from changes in fair value of investment properties	**(9,452)**	2,075
(Loss) gain on disposal/write-off of property, plant and equipment	**(5,949)**	80
Net exchange gain (loss) recognised	**988**	(493)
	(247,532)	(15,737)

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

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Impairment losses recognised in respect of trade balances arising from contracts with customers and associates	**(727,193)**	(128,660)

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Interest on:		
– bank and other loans	**82,546**	74,489

8. LOSS BEFORE TAXATION

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Loss before taxation from continuing operations has been arrived at after charging:		
Directors' emoluments	**5,415**	5,646
Other staff costs	**68,093**	69,177
Other staff's retirement benefits scheme contributions	**11,286**	11,670
	84,794	86,493
Auditor's remuneration	**3,200**	3,050
Amortisation of intangible assets	**30,410**	21,387
Cost of inventories recognised as an expense	**40,099**	206,084
Depreciation of property, plant and equipment	**30,753**	28,357
Minimum lease payments under operating leases in respect of land and buildings	**10,005**	10,558
Research and development expenses	**9,990**	8,654

9. TAXATION

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Tax charge for the year comprises:		
PRC Enterprise Income Tax		
Current year	**3,193**	3,743
Underprovision in prior years	**309**	879
	3,502	4,622
Deferred tax (credit) charge	**(2,922)**	543
	580	5,165

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

10. DISCONTINUED OPERATION

During the year ended 31 December 2018, a subsidiary of the Company entered into an agreement with an independent third party in respect of the disposal of 51% interests of 航天科技通信電子技術(深圳)有限公司 (“**深圳電子**”).

The loss from the discontinued Telecommunication Business operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present Telecommunication Business operation as a discontinued operation.

	Period ended 29.12.2018	Year ended 31.12.2017
	HK$'000	*HK$'000*
Loss for the period/year from discontinued operation	**(30,131)**	(9,943)
Gain on disposal of a subsidiary	**17,417**	–
	(12,714)	(9,943)

The results of Telecommunication Business operation for the period from 1 January 2018 to 29 December 2018, the date of disposal, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period ended 29.12.2018	Year ended 31.12.2017
	HK$'000	*HK$'000*
Turnover	**12,065**	19,960
Cost of sales	**(14,966)**	(17,691)
Gross (loss) profit	**(2,901)**	2,269
Other income	**615**	429
Other gains and losses	**(16,518)**	(98)
Selling and distribution expenses	**(542)**	(1,742)
Administrative expenses	**(10,785)**	(10,773)
Loss before taxation	**(30,131)**	(9,915)
Taxation	**–**	(28)
Loss for the period/year	**(30,131)**	(9,943)

	Period ended 29.12.2018 HK$'000	Year ended 31.12.2017 HK$'000
Loss for the period/year attributable to:		
Owners of the Company	**(30,131)**	(9,943)

Loss for the period/year from discontinued operation has been arrived at after charging:

	Period ended 29.12.2018 HK$'000	Year ended 31.12.2017 HK$'000
Other staff costs	**4,172**	4,600
Other staffs retirement benefits scheme contributions	**362**	401
	4,534	5,001
Amortisation of intangible assets	**3,064**	2,236
Cost of inventories recognised as an expense	**14,966**	17,691
Depreciation of property, plant and equipment	**413**	259
Impairment losses recognised in respect of intangible assets	**16,200**	–
Loss on disposal of property, plant and equipment	**–**	2
Minimum lease payments under operating leases in respect of land and buildings	**478**	544
Research and development expenses	**3,362**	3,372
and after crediting:		
Interest income	**5**	10

11. DIVIDENDS

No final dividend in respect of year ended 31 December 2018 and 2017 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.

	2018 HK$'000	2017 HK$'000 (Restated)
From continuing operations		
Loss for the year attributable to owners of the Company	**(1,320,525)**	(237,098)
Add: loss for the year from discontinued operations	**12,714**	11,647
Loss for the purpose of basic loss per share from continuing operations	**(1,307,811)**	(225,451)

	Number of shares 2018	2017
Number of shares for the purpose of basic loss earnings per share	**4,368,995,668**	4,368,995,668

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
From continuing and discontinued operations		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(1,320,525)**	(237,098)

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

From discontinued operations

Basic earnings per share for the discontinued operations is HK$0.29 cents per share (2017 (restated): HK$0.27 cents), based on the loss for the year from the discontinued operations of HK$12,714,000 (2017 (restated): HK$11,647,000) 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

As at 31 December 2018, total trade receivables amounted to HK$1,679,825,000 (2017: HK$2,690,233,000), net of allowance for credit losses of HK$632,447,000 (2017: HK$149,141,000). Included in trade receivables are balances of HK$736,005,000 (2017: HK$1,077,506,000) with bills received for future settlement. The Group allows credit periods for not more than six months to its customers for sales of goods. At the discretion of the executive directors, several major customers were allowed to settle their balances beyond the credit terms up to one year. The following is an aged analysis of trade receivables without bills received, net of allowances, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**11,023**	149,431
Between 31 – 90 days	**3,702**	7,804
Between 91 – 180 days	**28,829**	2,917
Between 181 – 365 days	**6,467**	712
Over 1 year	**893,799**	1,451,863
	943,820	1,612,727

The Group's trade receivable with bills received of nil (2017: HK$63,404,000) are aged within one year, and HK$736,005,000 (2017: HK$1,014,102,000) are aged over one year, based on invoice dates at the end of the reporting period.

The Group's total trade receivables of HK$50,021,000 (2017: HK$224,268,000) are aged within one year, and HK$1,629,804,000 (2017: HK$2,465,965,000) are aged over one year, based on invoice dates at the end of the reporting period.

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$944,674,000 (2017: HK$1,237,354,000). 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:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**19,010**	218,321
Between 31 – 90 days	**8,697**	15,368
Between 91 – 180 days	**11,053**	227,626
Between 181 – 365 days	**35,255**	163,222
Over 1 year	**870,659**	612,817
	944,674	1,237,354

RESULTS SUMMARY

The Group has been operating in an extremely challenging market environment, despite its efforts, the results of the operations for the current year have not improved. The turnover for the year 2018 comprised sales of wind energy related products of approximately HK$34 million, operation of wind power field of approximately HK$25 million and sales of energy storage and related products of approximately HK$17 million whereas that of 2017 comprised sales of wind energy related products of approximately HK$234 million, operation of wind power field of approximately HK$26 million and sales of energy storage and related products of approximately HK$4 million.

For the year ended 31 December 2018, the Group's turnover of continuing operations amounted to approximately HK$76 million as compared to that of 2017 of approximately HK$263 million, representing HK$187 million or 71% decrease in turnover; the loss for the year attributable to owners amounted to approximately HK$1,308 million as compared to that of 2017 of approximately HK$225 million, representing HK$1,083 million or 480% increase in loss attributable to the equity holders of the Company, which was attributable mainly to:

1. Sales dropped during the year, resulting in an operating loss of approximately HK$316 million, as compared to HK$240 million for the year ended 31 December 2017, representing an increase of approximately HK$76 million; and

2. As a result of the changing in policies and market environment during the year, the results of the operations have not improved as well as the collection of accounts receivables falling below expectations, a significant impairment loss was recorded on the relevant assets of approximately HK$960 million for the year, of which impairment losses on property, plant and equipment, intangible assets and inventories of approximately HK$233 million was included in the other gains and losses; approximately HK$727million was included in the impairment losses on financial assets and contract assets.

3. Due to the significant decline in the results of operations of certain joint ventures and associates during the year, the net share of loss of joint ventures and associates was approximately HK$54 million, amongst them, including:

   a. the Group recorded the share of profit of a joint venture of approximately HK$76 million, which was, compared to the year ended 31 December 2017, representing a decrease of approximately HK$90 million. This was due to the structural changes in Chinese auto-motive market, which resulted in a significant reduction in orders from major customers; and

b. the Group recorded the share of losses of associates of approximately HK$130 million. Amongst them, the Group recorded a share of loss of an associate of approximately HK$79 million for the year due to its debtor's default and its inability to repay debts. Another associate and its affiliates were filed for bankruptcy liquidation by creditors due to defaults of contract debt during the year, and a bankruptcy administrator was appointed by the local court in China on 2 January 2019. The Group has engaged an independent third party appraiser to assess the value of the assets of such associate. Based on the appraiser's assessment, the Group's share of loss of such associate would be approximately HK$42 million for the year.

BUSINESS REVIEW

Wind Power Generation Business

Followed by the Document No. 52 announced by the National Energy Administration ("**NEA**") in 2017, the "Notice of the National Energy Administration on Requirements relating to Wind Power Construction and Management in 2018" (Guo Neng Fa Xin Neng [2018] No. 47) was published during the year with the aim of eliminating non-technical costs. Meanwhile, financial subsidies for the wind power industry is reducing gradually and the wind power industry is transforming into an industry without government subsidy. The price competition has been intense for the development of wind power projects in China, presenting tremendous challenges for the Group's wind turbine business segment.

In 2018, the Group continued its market development in Inner Mongolia and other regions, as Phase II of the Damao project commenced, vigorous efforts have been made to facilitate the acquisition of wind resources in Tongliao, Xilingol League, Baotou, Ulanqab and Bayan Nur. The Group adjusted its business model and participated in market tenders in a proactive manner to address to the price competition, the Group's effort was rewarded with a winning bid for a project in Chaha'er Youyi Zhongqi relating to the development of 50,000+30,000 kw distributed wind power resources. In the meantime, the Gaizhou Wind Farm Project was included in Liaoning Province's 2018 master plan for special wind power development and construction.

In addition to ongoing efforts to strengthen existing long-term partnerships, the Group was also engaged in vigorous endeavours to drive strategic cooperation with potential partners, with a view to joint development of wind power projects and sharing of project information. During the year, we entered into strategic cooperation agreements with 7 enterprises, proactively seeking an in-depth cooperation in wind power and mutual beneficiary outcomes.

To address the changes of national policies, industry landscape and intense market competition, the Group conducted meticulous studies on national policies and industry trends. On top of the implementation of market orders and related deliveries, we also endeavoured to increase the competitiveness of our products. The Group has also been looking for transformation into a supplier of integrated energy services, with the aim of developing new energy power generation farms/stations.

Research and Development of Technology

On top of importing and utilising foreign technologies, the Group has also persisted in in-house research and development. In this connection, we have completed the research and design for models such as 2MW excitation magnetic direct-drive low-speed large-blade wind turbines and 2MW/3MW permanent magnetic direct-drive wind turbines, to further improve the performance of the units and enrich our product portfolio. During the year, the product design was focused on lowering the consolidated cost per KWh at source, as we produced validation and planning and completed initial designs for a permanent magnetic wind power platform series comprising 2.5MW and 3MW models etc, devised to accommodate different types of wind farms.

The Group targeted the market for low wind speed products, making diligent efforts on cost control, and jointly commenced the research and development of applications for all-steel flexible tower technologies and completed the research and manufacturing of a new model of the 2MW permanent magnetic direct-drive wind turbine. The verification of sample models has commenced and is ready for mass production. In response to the shifting of the Company's target market, we have commenced the research and development of new wind turbine models, aiming to deliver refined wind turbine models with superior competitiveness. To address changes in the industry and the market, dedicated researches were conducted on multiple aspects in relation to the wind turbine, such as research, production and after-sales services, with a view to enhancing the compatibility and technical reliability of the units.

The Group completed the evaluation and certification of the designs for Model 117 2MW excitation magnetic wind turbines and Model 110 2MW permanent magnetic wind turbines, as well as low-voltage ride-through tests for the four converters of Model 117 2MW excitation magnetic wind turbines and electrical energy tests and noise tests for the sample 3MW permanent magnetic wind turbine.

In respect of the research and development of core technologies, the Group commenced the research and development of the electronic wind turbine control system with proprietary intellectual rights together with its in-house developed core wind turbine technologies. The installation and operation of sample models indicated that our in-house developed power control system had fulfilled our project objectives in terms of stability, output power curve matching and interface-friendliness. The marketing of our in-house developed power control systems will contribute to the improvement of operating efficiency and the utilisation rate of wind farms.

The technological research on the output power curve and transmission chain of wind turbine units has been commenced, with the aim of increasing power generation efficiency and operating stability, in a move to enhance independently conducted and controllable research and development of systems.

Certificates of accreditation for our management systems for version updates have been obtained following successful completion of the accreditation process, in a further reinforcement of the Company's systems and regimes for quality, environment and occupational health and safety management. We have completed 13 technological assessments, including the "Report on the Design Scheme for the New 2MW Permanent Magnetic Direct-drive Wind Turbine Unit", as well as process assessment for the sample product of the new 2MW permanent magnetic turbine in a bid to improve our process documentation and refine the supplementary process parameters. Thirteen patents have been obtained, including 2 invention patents. For the year under review, we have submitted applications for 4 patents, including 3 invention patents, and commenced the registration process for 3 software copyrights.

As at the end of 2018, the Company had obtained 163 valid patents, including 21 general invention patents, more than 140 utility model patents, 2 design patents and 11 software copyright registrations.

Wind Farm Operations

The wind farms operated by the Group include the CASC Long Yuan (Benxi) Wind Farm in which the Group holds a controlling interest, which provides a capacity of 24,650KW with 29 sets of 850KW wind turbines. The three wind farms invested in and constructed by the Group include the Jilin Longyuan Tongyu Wind Farm providing a capacity of 200,000KW with 236 sets of 850KW wind turbines; the Jiangsu Longyuan Rudong Wind Farm providing a capacity of 150,000KW with 100 sets of 1.5MW wind turbines; and the Inner Mongolia Datang Wanyuan Xinghe Wind Farm providing a capacity of 49,500KW with 55 sets of 900KW direct-drive wind turbines.

Revenue contributions to the Group from the aforesaid wind farm operations have been relatively stable.

Energy Storage Business

In view of intense market competition and the business environment highly susceptible to policy changes, as well as limitations on the marketability of the graphene preparation technology developed in the early stage, the Group planned to slow down the operation and considering different path to develop business. As emerging market of auxiliary electrical services, we are seeking the development scenario of energy storage engineering.

The Group is identifying potential scattered new energy projects with profitability.

Business of Automotive Engine Management Systems

Beijing Delphi Wan Yuan Engine Management Systems Co., Ltd, a joint venture of the Group, is a major supplier in the domestic automotive electronic fuel injection market. It reported a substantial decline in operating results for 2018 owing to profound corrections in the domestic market for whole-set vehicles and escalating competition.

PROSPECTS

As the "13th Five-Year Planning ("**FYP**")" is closing to the end, the wind power generation industry remains considerably underdeveloped in terms of installed capacity by reference to the "13th FYP for the Development of Renewable Energy". At the 2019 National Energy Working Conference, the following targets were set: reduction of the ratio of coal consumption to approximately 59% and reduction of the nationwide average wind power curtailment rate to below 10% by 2019; all power generation facilities using renewable energy reaching 680 million KW in installed capacity, 1,900 billion KWh in power generation volume and 27% as a percentage of total power generation volume, out of which the on-grid installed capacity of wind power should be assured to exceed 210 million KW on the back of an annual average growth of 20 million KW, by 2020. As such, the outlook of in the wind turbine manufacturing industry in the foreseeable future is positive.

With the tightened regulation on the new energy sector, the market have been improving with fewer haphazard competition. Grid parity will boost the domestic market, while the price of generator sets is expected to stabilise to the benefit of resurging business results, although the pressure of market competition should never be underestimated.

The Group emphasis on the customer-oriented approach, we are able to adjust the focus of our research and development and consolidating our advantageous strengths to deliver models with superior competitiveness and enhance the adaptability and reliability of our products. We will also foster strengths in differentiation to meet the bespoke requirements of customers and enhance user experience.

The Group will focus on the acquisition of resources, meanwhile, to accommodate policy changes and escalating competition in the industry, the Group will work on its technologies to further lower unit costs and increase the competitiveness of its products, while vigorously engaging itself in market competition to broaden the channels for securing sales orders, in order to improve its business performance as soon as practicable.

As the direction of developing the energy storage sector is identified, the Group will continue to pursue in-depth research on engineering-based applications for energy storage, develop scattered new energy business and expand its business structure in accordance with eco-friendly principles, such that the extensive experience and application of resources developed by the energy storage business will be further enhanced to provide added energy and impetus for future development. In the meantime, in response to the national policy of integrating military and civil industries, the Group is seeking to contribute to the wind power industry with the development of an "aerospace + smart wind power". Seeking for cooperation with strategic partners, with a view to contributing our strengths and sharing resources in co-development in a joint effort to facilitate the construction and operation of smart wind farms.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2018, the Group had 18 employees (31 December 2017: 24 employees) in the Hong Kong head office and 439 employees (31 December 2017: 559 employees) in the offices of the PRC. The staff costs incurred for the year ended 31 December 2018 was approximately HK$84 million (for the year ended 31 December 2017: approximately HK$86 million). 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

Liquidity and Financial Resources

Total borrowings of the Group as at 31 December 2018 were approximately HK$1,767 million (2017: approximately HK$1,750 million), of which approximately HK$135 million (2017: approximately HK$170 million) was floating-rate borrowings and the remaining was fixed-rate. 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

Gearing ratio (total borrowings over equity attributable to owners of the Company) as at 31 December 2018 was 272% (2017: 86%).

Financial Position

The capital structure of the Group at 31 December 2018 comprised total equity of HK$703 million (2017: HK$2,101 million) and non-current borrowings of HK$1,641 million (2017: HK$488 million) due within 1 to 5 years. This structure of net asset value of HK$703 million (2017: HK$2,101 million) coupling with gearing ratio of 272% (2017: 86%), current ratio 1.33 (2017: 1.10), quick ratio 1.29 (2017: 1.05) as well as bank and cash balance HK$89 million (2017: HK$108 million).

Distribution to Shareholders

There was no distribution to the Company's shareholders in the year 2018 (2017: nil).

Pledge of Assets

As at 31 December 2018, no material assets have been pledged to secure bank facility (31 December 2017: nil).

Exchange Exposures

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

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2018 (31 December 2017: nil).

FINAL DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2018. No dividend has been declared by the Company for the year ended 31 December 2018 (2017: nil).

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent events after 31 December 2018 and up to the date of this announcement.

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 shares during the year 2018.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is currently planned to be held on Friday, 31 May 2019 (the "**2019 AGM**"). A notice convening the 2019 AGM and all other relevant documents will be published and dispatched to the Shareholders in due course.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The Company recognises that corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and enhance shareholder value. The Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2018.

SCOPE OF WORK OF MESSRS. 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 2018 as set out in the preliminary 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. 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 the preliminary announcement."

AUDIT COMMITTEE

As at the date of this announcement, the audit committee (the "**Audit Committee**") of the Board comprises three independent non-executive Directors, namely Ms. Kan Lai Kuen, Alice, Mr. Gordon Ng and Mr. Li Dapeng.

PUBLICATION OF 2018 FINAL RESULTS AND ANNUAL REPORT

The final results announcement of the Company for the year ended 31 December 2018 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.energine.hk) respectively. The 2018 annual report of the Company will be dispatched to the shareholders of the Company and made available on the above websites in due course.

By Order of the Board
China Energine International (Holdings) Limited
Liu Xiaowei
the Chairman and Executive Director

Hong Kong, 28 March 2019

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Liu Xiaowei, Mr. Wang Xiaodong, Mr. Li Guang and Mr. Xu Jun; and three independent non-executive Directors, namely Ms. Kan Lai Kuen, Alice, Mr. Gordon Ng and Mr. Li Dapeng.

* *For identification purpose only*