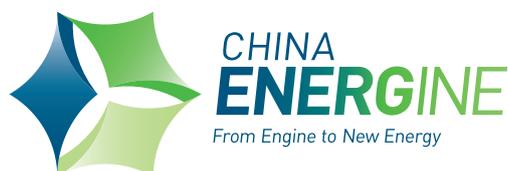


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CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

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)

**ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

UNAUDITED CONSOLIDATED RESULTS

For the reasons explained below under “Review of Unaudited Annual Results”, the auditing process for the annual results of China EnerGINE International (Holdings) Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) has not been completed. In order to keep its shareholders and potential investors of the Company informed of the Company’s business operation and financial condition, the board of directors (the “**Board**”) of the Company would like to provide the unaudited consolidated results of the Group for the year ended 31 December 2019 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	NOTES	HK\$'000	HK\$'000
		(Unaudited)	(Restated)
Continuing operations			
Turnover	3	38,307	59,116
Cost of sales		(53,642)	(53,157)
Gross (loss)/profit		(15,335)	5,959
Other income		17,914	24,283
Other gains and losses		(91,518)	(190,038)
Impairment losses, net of reversal, on financial assets and contract assets	4	(531,913)	(698,933)
Selling and distribution expenses		(117,772)	(73,007)
Administrative expenses		(132,869)	(165,525)
Finance costs		(80,860)	(82,546)
Share of results of associates		(5,076)	(129,834)
Share of results of joint ventures		31,359	76,177
Loss before taxation	5	(926,070)	(1,233,464)
Taxation	6	(3,770)	(580)
Loss for the year from continuing operations		(929,840)	(1,234,044)

	NOTES	Year ended 31 December	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited) (Restated)
Discontinued operations			
Loss for the year from discontinued operations	7	<u>(59,841)</u>	<u>(96,102)</u>
Loss for the year		<u>(989,681)</u>	<u>(1,330,146)</u>
Other comprehensive expense:			
Item that will not be reclassified to profit or loss			
– exchange differences arising on translation to presentation currency		<u>1,241</u>	<u>(66,293)</u>
Total comprehensive expense for the year		<u>(988,440)</u>	<u>(1,396,439)</u>
Loss for the year attributable to owners of the Company			
– from continuing operations		<u>(919,667)</u>	<u>(1,224,423)</u>
– from discontinued operations		<u>(59,841)</u>	<u>(96,102)</u>
		<u>(979,508)</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>(989,681)</u>	<u>(1,330,146)</u>
Total comprehensive expense attributable to:			
Owners of the Company		<u>(977,324)</u>	<u>(1,384,076)</u>
Non-controlling interests		<u>(11,116)</u>	<u>(12,363)</u>
		<u>(988,440)</u>	<u>(1,396,439)</u>
Loss per share – Basic and diluted			
From continuing and discontinued operations	9	<u>HK(22.42) cents</u>	<u>HK(30.22) cents</u>
From continuing operations	9	<u>HK(21.05) cents</u>	<u>HK(28.03) cents</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2019	2018
	NOTES	HK\$'000	HK\$'000
		(Unaudited)	
Non-current assets			
Investment properties		130,724	133,531
Property, plant and equipment		209,741	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
		1,547,930	1,769,397
Current assets			
Inventories		41,170	78,291
Trade and other receivables	10	1,101,729	1,760,599
Contract assets		204,443	304,759
Amounts due from associates		190,992	252,457
Amount due from a joint venture		19,186	20,089
Pledged bank deposits, bank balances and cash		78,236	88,838
		1,635,756	2,505,033
Current liabilities			
Trade and other payables	11	1,332,001	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		303,477	259,918
Taxation payable		1,621	1,888
Borrowings		659,983	125,542
Lease liabilities		5,078	–
		2,329,090	1,883,635
Net current (liabilities)/assets		(693,334)	621,398
Total assets less current liabilities		854,596	2,390,795

		At 31 December	
		2019	2018
	<i>NOTES</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	
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>(286,139)</u>	<u>703,157</u>
Capital and reserves			
Share capital	12	436,900	436,900
(Deficiency)/Reserves		<u>(764,230)</u>	<u>213,153</u>
Equity attributable to owners of the Company		(327,330)	650,053
Non-controlling interests		<u>41,191</u>	<u>53,104</u>
(Deficiency)/Total equity		<u>(286,139)</u>	<u>703,157</u>

NOTES

1. BASIS OF PREPARATION

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This financial information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (“**HK\$’000**”) except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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 16	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

3. TURNOVER

An analysis of the Group’s turnover for the year ended 31 December is as follows:

	Year ended 31 December	
	2019	2018
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(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
	<u>38,307</u>	<u>59,116</u>

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

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Continuing operations		
Impairment losses recognised in respect of trade balances arising from contracts with customers and associates	(493,080)	(698,933)
Impairment loss recognised in respect of amount due from a joint venture	(38,833)	–
	<u>(531,913)</u>	<u>(698,933)</u>

5. LOSS BEFORE TAXATION

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(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	–
Minimum lease payments under operating leases in respect of land and buildings	–	10,005
Short term lease payment	3,791	–
Research and development expenses	13,890	9,990
	<u>13,890</u>	<u>9,990</u>

6. TAXATION

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Continuing operations		
Tax charge for the year comprises:		
PRC Enterprise Income Tax		
Current year	1,725	3,193
Underprovision in prior years	—	309
	<u>1,725</u>	<u>3,502</u>
Deferred tax charge/(credit)	<u>2,045</u>	<u>(2,922)</u>
	<u><u>3,770</u></u>	<u><u>580</u></u>

7. DISCONTINUED OPERATIONS

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

8. DIVIDENDS

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

9. LOSS PER SHARE – BASIC

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

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
From continuing operations		
Loss for the year attributable to owners of the Company	(979,508)	(1,320,525)
Add: loss for the year from discontinued operations	59,841	96,102
	<u> </u>	<u> </u>
Loss for the purpose of basic loss per share from continuing operations	<u>(919,667)</u>	<u>(1,224,423)</u>
	Number of shares	
	2019	2018
Number of shares for the purpose of basic loss per share	<u>4,368,995,668</u>	<u>4,368,995,668</u>
	2019	2018
	HK\$'000	HK\$'000
From continuing and discontinued operations		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	<u>(979,508)</u>	<u>(1,320,525)</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.

10. TRADE RECEIVABLES

The Group allows credit periods for not more than six months to its customers for sale 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. 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:

	At 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	
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	493,744	893,799
	<u>512,700</u>	<u>943,820</u>

11. 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:

	At 31 December	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
	(Unaudited)	
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	<u>1,074,617</u>	<u>870,659</u>
	<u><u>1,129,823</u></u>	<u><u>944,674</u></u>

12. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	<u>10,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 31 December 2019	<u><u>4,368,995,668</u></u>	<u><u>436,900</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

UNAUDITED GROUP RESULTS

For the year ended 31 December 2019, the Group's turnover of continuing operations amounted to approximately HK\$38 million as compared to that of 2018 of approximately HK\$59 million, representing a decrease by HK\$21 million or 35.6%.

The turnover for the year 2019 comprised sales of wind energy related products of approximately HK\$12 million and operation of wind power field of approximately HK\$26 million whereas that of 2018 comprised sales of wind energy related products of approximately HK\$34 million and operation of wind power field of approximately HK\$25 million.

The loss for the year attributable to owners amounted to approximately HK\$980 million as compared to that of 2018 of approximately HK\$1,321 million, representing a decrease by HK\$341 million or 25.81% in loss attributable to the equity holders of the Company. The main reasons were 1) the market landscape of wind energy industry remained challenging; 2) impairment provision for the assets attributable to the wind energy segment; and 3) significant impairment provision for the trade receivables.

Basic and diluted losses per share were both HK\$22.42 cents (2018: HK\$30.22 cents) and HK\$21.05 cents (2018: HK\$28.03 cents) from continuing and discontinued operations and from continuing operations respectively. As stated under "Dividend" below, the Board has resolved not to declare a final dividend for the year ended 31 December 2019 (2018: Nil).

BUSINESS REVIEW

Wind Power Generation Business

Further to Document No. 52 announced by the National Energy Administration (“NEA”) in 2017 which continued to affect the Group’s wind turbine business, the Document No. 47 was published in 2018 with the aim of eliminating non-technical costs. During the year, the National Development and Reform Commission (“NDRC”) announced the Notice on Improvement of Policies Regarding On-Grid Tariff of Wind Power (《關於完善風電上網電價政策的通知》) (Fa Gai Jia Ge [2019] No. 882), which stipulated that the on-grid tariff of all newly approved centralised onshore wind power projects shall be determined through competition. The wind power industry is entering an era of subsidies deduction and comprehensive competition on the basis of cost per KWh, which presents tremendous challenges to the business development and business model of the Group’s wind turbine business segment.

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 remained relatively stable.

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 continued to report a decline in operating results for 2019 due to the downside pressure in the macro-economy and national policies such as imminent implementation of the National Stage 6 Emission Standards.

OUTLOOK

As disclosed in the announcement of the Company dated 27 March 2020, the wind turbines manufacture business, which is the main business in the wind energy related product segment of the Group, have difficulties in fulfilling all the requirements of productions orders given: (a) there are difficulties in the combination of power network by the end of 2020 as a result of our suppliers' difficulties in delivering certain key ancillary equipment in wind power generation manufacturing project(s) of the Company as affected, among others, by the recent outbreak of the COVID-19 disease; and (b) there are currently no pipeline orders for the wind turbines manufacture business while the wind turbines manufacture business is conducted based on a made-to-order model.

The demand for the manufacture of wind energy products is expected to be materially affected as the termination of the fiscal subsidy mechanism to the wind energy industry (the “**Subsidy Policy**”) which will be effective from the end of 2020 and all non-combined wind farms will not be able to entitle to the Subsidy Policy after the effectiveness of such termination.

It is increasingly difficult for the Company to acquire new orders for the wind turbines manufacture business as there are still certain unsolved technical deficiencies and quality issues associated with the certain wind turbine products of the Company.

The Company has taken steps to attempt to address the challenges to its wind turbines manufacture business, and as of the date of this announcement, the Company continues to operate business in providing maintenance services for wind energy related products and in operation of wind farms.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2019, based on unaudited financial information, the Group had total assets of HK\$3,184 million as compared to that of HK\$4,274 million as at 31 December 2018, representing a decrease by 1,090 million or 25.5%.

As at 31 December 2019, the Group had pledged bank deposits, bank balances and cash of HK\$78 million as compared to that of HK\$89 million as at 31 December 2018, representing a decrease by 11 million or 12.4%.

All the borrowings of the Group are denominated in Renminbi (“RMB”) as at 31 December 2019 and 2018. As at 31 December 2019, the Group’s fixed interest rate borrowings amounted to HK\$1,754 million as compared to that of HK\$1,767 million as at 31 December 2018, representing a decrease by 13 million or 0.7%.

As at 31 December 2019, the Group’s gearing ratio was 1.09 and 0.55, represented by the ratio of total liabilities to total assets and the ratio of total borrowings to total assets respectively (31 December 2018: 0.84 and 0.41).

CAPITAL STRUCTURE

The Group finances its working capital requirements through a combination of internal resources generated from operations and borrowings. The Group had pledged bank deposits, cash and cash equivalents of HK\$78 million as at 31 December 2019, a decrease of HK\$11 million compared to HK\$89 million as at 31 December 2018.

CHARGES ON GROUP ASSETS

Other than stated in this announcement, no material assets of the Group have been pledged.

CONTINGENT LIABILITIES

As of the date of this announcement, several subsidiaries of the Company are involved in 16 outstanding legal proceedings in relation to contract payment disputes with business counterparties with an aggregate claim amount of approximately HK\$380 million. The aggregate amount of approximately HK\$305 million were recorded as trade payable as at 31 December 2019.

In addition, there are five concluded legal proceedings with a total unsatisfied claim amount of approximately HK\$59 million against several subsidiaries of the Company which are also in relation to contract payment disputes with business counterparties. The aggregate amount of approximately HK\$59 million were recorded as trade payable as at 31 December 2019.

Other than those stated above, the Group did not have any significant contingent liabilities.

SUBSEQUENT NON-ADJUSTING EVENT

Financial Assistance From A Connected Person

On 25 December 2019, the Group entered into the loan agreement for a RMB300,000,000 (equivalent to approximately HK\$330,000,000) loan facility to be provided by a wholly-owned subsidiary of the controlling shareholder, which are to be secured by the share charge over all the shares held by the Group in the joint venture, Beijing Delphi Wan Yuan Engine Management Systems Co., Ltd.

Such loan agreement and the share charge are approved by the independent shareholders on 18 March 2020.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 12 employees (31 December 2018: 18 employees) in the Hong Kong head office and 354 employees (31 December 2018: 439 employees) in the offices of the PRC. 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.

EXPOSURE TO FOREIGN CURRENCY RISK

During 2019, the Group had a relatively low foreign currency risk since the principal businesses of the Group are mainly domestic sales in China denominated in Renminbi and payables to suppliers are also mainly denominated in Renminbi. The Group mainly operated in the PRC with most of the transactions settled in RMB and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

DIVIDEND

The board of directors of the Company has resolved not to declare a dividend for the year ended 31 December 2019 (2018: nil), on the assumption that the audited annual results of the company for the year ended 31 December 2019 to be published upon completion of the auditing process will be consistent in all material respects with the unaudited results set out herein.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining strict corporate governance standards. The principles of these standards are to uphold a high standard of ethics, transparency, accountability and integrity in all aspects of business and to ensure that affairs are conducted in accordance with applicable laws and regulations.

In the opinion of the Board, the Company has applied the principles and complied with the code provisions prescribed in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited throughout the year 2019.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Code of Conduct for Securities Transactions, which is based on the required standards set out in Appendix 10 to the Listing Rules – Model Code for Securities Transactions by Directors of Listed Issuers, as the code of conduct for dealings in the Company’s securities by its directors. In response to a specific enquiry by the Company, all directors of the Company have confirmed that they complied with the required standard set out in the Code of Conduct for Securities Transactions during 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to, among others, restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak, the auditing process for the annual results for the year ended 31 December 2019 has not been completed, including but not limited to, the assessment on the preparation of consolidated financial statements on going concern basis and the impairment losses recognised in respect of trade balances arising from contracts with customers and associates. If such outstanding issues cannot be resolved to the satisfaction of the Company's auditor, the Company cannot rule out the possibility of the auditor issuing a disclaimer of opinion on one or more of such areas of the financial statements of the Group. The unaudited results contained herein have not been agreed with the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

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

During 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein which is expected to be issued on or before end of April 2020, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting (and the proposed arrangements relating to dividend payment, if any). In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 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