



CHINA  
**ENERGINE**

*From Engine to New Energy*

**CHINA ENGERINE INTERNATIONAL (HOLDINGS) LIMITED**

中國航天萬源國際(集團)有限公司\*

Stock Code : 1185

# 2012

## *Interim Report*

中國航天

## CORPORATE CULTURE

Mission

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**Devoted to new energy   Contributing to society   Benefiting mankind**

Target

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**Pursuing excellence   Leading development of new energy**

Value

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**Leveraging talents to full play   Win-win in harmony**

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## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors*

Mr. Han Shuwang (*Chairman*)

Mr. Wang Xiaodong (*Vice-Chairman*)

Mr. Li Guang (*Chief Executive Officer*)

Mr. Wang Lijun

#### *Non-executive Directors*

Mr. Fang Shili

Ms. Zhang Jianhua

#### *Independent Non-executive Directors*

Mr. Wang Dechen

Ms. Kan Lai Kuen, Alice

Mr. Gordon Ng

### Company Secretary

Mr. Au-Yeung Keung, Steve

### Audit Committee

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

Mr. Wang Dechen

Mr. Gordon Ng

Mr. Fang Shili

### Remuneration Committee

Mr. Wang Dechen (*Chairman*)

Mr. Li Guang

Ms. Kan Lai Kuen, Alice

Mr. Gordon Ng

Ms. Zhang Jianhua

### Nomination Committee

Mr. Han Shuwang (*Chairman*)

Mr. Wang Lijun

Mr. Wang Dechen

Ms. Kan Lai Kuen, Alice

Mr. Gordon Ng

### Development and Investment Committee

Mr. Han Shuwang (*Chairman*)

Mr. Wang Xiaodong

Mr. Li Guang

Mr. Wang Lijun

Mr. Wang Dechen

<b>Registered Office</b>	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
<b>Principal Place of Business</b>	Suite 4701, 47/F, Central Plaza 18 Harbour Road Wanchai, Hong Kong
<b>Auditor</b>	Deloitte Touche Tohmatsu 35/F, One Pacific Place 88 Queensway, Hong Kong
<b>Principal Share Registrar</b>	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street, P.O. Box 705 Grand Cayman KY1-1107 Cayman Islands
<b>Branch Share Registrar</b>	Tricor Standard Limited Share Registration Public Office 26/F, Tesbury Centre 28 Queen's Road East, Hong Kong
<b>Principal Bankers</b>	Bank of China (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited
<b>Legal Advisers</b>	Sit, Fung, Kwong & Shum Conyers Dill & Pearman
<b>Website</b>	<a href="http://www.energinet.hk">www.energinet.hk</a>
<b>Email Address</b>	<a href="mailto:energinet@energinet.hk">energinet@energinet.hk</a>
<b>Stock Code</b>	1185

## **MANAGEMENT DISCUSSION AND ANALYSIS**

On behalf of the Board of Directors, the business performance of China Energin International (Holdings) Ltd. (the “Company”) and its subsidiaries (collectively the “Group”) for the first half of this year 2012 is summarized in the following paragraphs.

### **RESULTS SUMMARY**

As of 30 June 2012, the Group’s turnover for the first half of 2012 amounted to HK\$248.06 million with a profit for the period of HK\$33.05 million as compared to that for the year 2011 of HK\$157.12 million with a profit for the period of HK\$28.81 million respectively, representing 58% increase in turnover and 15% increase in profit for the period. The turnover for the period comprised sale of wind energy related products of HK\$128.43 million, sale of electricity generated from wind farm of HK\$15.83 million, sale of rare-earth permanent-magnet motor products of HK\$14.56 million, sale of chemical materials of HK\$73.53 million and sales of HK\$15.71 million related to telecommunication business whereas that of the same period last year comprised sale of wind energy related products of HK\$5.40 million, sale of electricity generated from wind farm of HK\$16.44 million, sale of rare-earth permanent-magnet motor products of HK\$9.01 million, sale of chemical materials of HK\$100.79 million and sales of HK\$25.48 million related to telecommunication business.

## BUSINESS REVIEW

### Business of Wind Energy

In 2012, the directdrive wind turbine, on the strength of its simple structure, high reliability, high efficiency and low operation and maintenance costs, had participated in the fierce competition in the domestic wind turbine market. With the market price drop having steadied, the Group proactively addressed these challenges by giving full play to the advantages of the technology, quality and service of CASC directdrive wind turbines. In line with this, the Group capitalised on its products' leading edge and achieved cost control by adopting the strategy of technology advancement and batch production through research and development, thereby achieving high supply chain performance and cost effectiveness. In addition, through Inner Mongolia Wind Turbine General Assembling Plant, Gansu Wind Turbine General Assembling Plant and Jiangsu Energiner Wind Turbine General Assembling Plant, the Group adopted the strategy of establishing good relationship with several provincial and autonomous region governments and leveraging provincial and autonomous regions' quotas for wind energy to obtain more wind resources in seeking more production orders for wind turbines, thereby increasing our market share. In particular, the Group's successful bid in June 2012 relating to the China Huadian Group's 200,000KW wind turbine in Gansu (about 100 2MW excitation magnetic directdrive wind turbines) and the entering into contract with China Guodian Kehuan Group in July as to order of 150 1.5MW directdrive wind turbines will provide a solid foundation for the wind turbine batch production of the Group in the second half of this year and in the next year, bringing considerable income for the Group.

Since the directdrive wind turbines have gearless drive and are characterised with the use of low-speed large-torque generators and full power convertor and strong resistance to grid voltage fluctuation, their advantages include low wear and tear, high efficiency of electricity generation, small size, light, ready to repair and low operating cost as compared to the traditional wind turbines. As such, the directdrive wind turbines, in particular, the primary promoted makes of 1.5MW and 2MW excitation magnetic directdrive wind turbines in the next phase, with no reliance on rare-earth permanent-magnet motors in avoiding the operational risks arising from the state revision policies on such strategic materials, pave the way for a promising market outlook.

In the first half of 2012, the Group completed the production of 25 2MW excitation magnet directdrive wind turbines and 66 1.5MW excitation magnet directdrive wind turbines, where 25 2MW wind turbines are for the supply to China Huadian Group's wind farm in Baiyin City, Gansu and 66 1.5MW wind turbines are for the supply to China Datang Group's wind farm in Guazhou, Gansu, of which 16 2MW wind turbines have been installed and their related revenues recognised.

## Research and Development of Technology

In the first half of 2012, the Group ascertained the 1.5MW and 2MW excitation magnetic directdrive wind turbines as the primary promoted makes in the next phase. According to the wind farm environments in terms of wind speed, air density and altitude, the Group has been pursuing the research and development of the 77-metre, 83-metre and 88-metre rotor diameter for the 1.5MW excitation magnetic directdrive wind turbine and the 90-metre, 93-metre, 97-metre and 101-metre rotor diameter for the 2MW excitation magnetic directdrive wind turbine.

The Science and Technology Committee established in September 2011 formed a research and development project team on 2MW excitation magnetic directdrive wind turbine. In June 2012, the installation of the prototype of 2MW excitation magnetic directdrive wind turbine was completed and the batch production of this model was expected to be commenced at the end of the year.

## Production Management

In 2012, the management system and operation process of batch production were further enhanced in the course of batch production of 1.5MW excitation magnetic and 2MW permanent directdrive wind turbines. The driving department for scientific research and production management was clarified in strengthening planning management. Through project planning and deployment manoeuvring, batch production of wind turbines was assured to be conducted in an orderly manner under planned manoeuvring. The process management was smoothed out, with clarified job responsibility scopes among departments for coordination, enabling a high-efficiency operation on personnel, logistics, cash flow and information flow in aspects of sales, planning, design, production, procurement and finance as well as an effective closed-loop management and control.

In 2012, the Group's focus of production management is on strengthening of quality assurance management. The sense of quality assurance cost was established through the formation of the quality engineer team. In pursuing in-depth study of the properties of wind turbine parts mingling with product key controls and actual production needs, the production monitoring and receipt examination mechanisms of the parts are being determined and the process quality control principles are being formulated in effort to enhance the quality assurance of wind turbine gears and control quality management costs. A severe quality and safety issues reporting system for wind farm gear is being formulated, ensuring that all quality issues in the operation of wind turbines entered in the control ledger set up are timely and accurately tackled and the subsequent perfection of the technicality.

## Trading of Materials

In 2012, BEI continued the trading business of raw materials. However, the scale of the material trading business shrunk in effort to control the risk arising from the price volatility of the material trade as compared to the corresponding period of last year.

## Wind Farm Operations

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

In addition, Engerine Min Jian New Energy Investment Co., Ltd., the Group's associated company, through its subsidiary, Yinkou Wind Power Generation Co., Ltd., had formally been engaged in offshore and land wind power projects in eastern Fujian. It secured market orders for the Group for purchase of the Group's existing make of 2MW directdrive wind turbines.

In the first half of 2012, wind farm operations realised total profits of HK\$10.47 million.

## Business of New Materials

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

Wuxi CASC Energene Xindali Electricity Co., Ltd. (“Wuxi Wind Turbine Plant”), the Group’s associated company, is engaged in batch production of 900KW and 1.5MW generators. Its self-developed 1.5MW excitation magnetic directdrive generator with application of many new technologies has been awarded the First Prize of Outstanding Contribution to Science and Technology Progress in 2011 by the China Academy of Launch Vehicle Technology. Therefore, the Group is equipped with the capacity to supply key components of wind turbines, including blades and generators, thereby reducing its reliance on upstream suppliers of the wind turbine supply chain for purchasing generators and controlling the wind turbine supply chain risk and production cost.

## **Business of Automotive Component Parts**

### *Automotive engine management systems*

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

The jointly controlled entity recorded sales revenue of HK\$1,653.75 million in the first half of 2012, representing an increase of HK\$27.06 million over the corresponding period of last year. Its sales expansion were successfully achieved.

### *Automotive sealing systems*

Beijing Wanyuan-Henniges Sealing Systems Co., Ltd., a jointly controlled entity, is a company specialising in manufacturing of medium-to-high class automotive sealing products in the domestic market. Its quality control standards are on par with the international advanced level. The jointly controlled entity not only realises the development on and complement to the medium-to-high class models in the domestic market, but also attains the standards applicable to Germany, France, the United States, Japan and South Korea with its products.

The jointly controlled entity recorded sales revenue of HK\$333.80 million in the first half of 2012, representing an increase of HK\$82.04 million over the corresponding period of last year.

## Telecommunication Business

The telecommunication products of the Group cover categories such as Beidou GPS dual-mode soft- and hardware comprehensive solution packages and wireless communication.

## PROSPECTS

Looking ahead, the Group will speed up the progress in domestic production of wind turbines, continue to sell in both domestic and foreign wind energy markets, conduct batch production of 900KW, 1.5MW and 2.0MW directdrive wind turbine products in expanding the business scale; focus on the development of 3MW and 5MW wind turbines to tie in with the Twelfth Five-year Plan, capture the share of the potential wind turbine market in future and identify cooperation opportunities with other large-scale power generation groups; refine the batch production of rare-earth motors; and secure financing for the Group. We shall broaden the scale of energy conservation and environmental protection business, as well as strengthen its internal management to ensure the sustainable development of the Group and create greater shareholder worth and repute.

## HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2012, the Group had 32 employees (31 December 2011: 35 employees) in the Hong Kong head office and 749 employees (31 December 2011: 463 employees) in the Mainland China offices. Remuneration of employee is determined according to individual employee's performance and the prevailing trends in different areas and reviewed on an annual basis. The Group also provides Mandatory Provident Fund and medical insurance to its employees. In addition, discretionary performance bonus is available at the discretion of the Directors.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

Total borrowings of the Group as at 30 June 2012 were HK\$1,636,548,000 (31 December 2011: HK\$1,326,948,000), of which HK\$512,400,000 (31 December 2011: HK\$374,400,000) was floating-rate borrowing and the remaining was fixed-rate borrowing. All borrowings of the Group were determined at market interest rate. The Group has not issued any financial instruments for hedging or other purposes.

Gearing ratio (total borrowings to shareholders' equity) as at 30 June 2012 was 93% (31 December 2011: 77%).

### Exchange and Other Exposures

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

As at 30 June 2012, the Group provided a guarantee of HK\$24,000,000 (31 December 2011: nil) to a bank for banking facilities granted to an associate of the Group.

## **ADDITIONAL INFORMATION**

### **INTERIM DIVIDEND**

The Board of the Company did not recommend any interim dividend for the six months ended 30 June 2012 (2011: Nil).

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

As at 30 June 2012, none of the Directors and chief executives of the Company or their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO), or to be recorded in the register required to be maintained pursuant to Section 352 of the SFO, or otherwise to be notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

### **DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the six month period ended 30 June 2012 was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangements to enable the Directors of the Company or their associates (as defined in the "Listing Rules") to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, so far as is known to the Directors, the persons/entities had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities or in any options in respect of such capital were as follows:

Name	Capacity	Number of shares <i>(Note 1)</i>	Percentage of shareholding
China Aerospace Science & Technology Corporation ("CASC")	Interest of a controlled corporation <i>(Note 2)</i>	2,649,244,000(L)	66.75%
China Academy of Launch Vehicle Technology ("CALT")	Interest of a controlled corporation <i>(Note 3)</i>	2,649,244,000(L)	66.75%
Astrotech Group Limited ("Astrotech")	Beneficial owner	2,649,244,000(L)	66.75%

*Notes:*

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

Save as disclosed herein, according to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors, there is no other person/entity who, as at 30 June 2012, had any interest or short position in the shares of underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of each of such person's interest in such securities or in any options in respect of such capital.

## **CORPORATE GOVERNANCE**

### **Code on Corporate Governance Practices**

The Group has complied with all principles as set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules (the "Code"), which became applicable to the Group in respect of the six month period ended 30 June 2012 under review, and complied with the relevant code provisions in the Code throughout the period, with the exception of one deviation from the Code Provision A.4.1 of the Code which stipulates that Non-executive Directors should be appointed for a specific term subject to re-election.

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

### **Model Code for Securities Transactions by Directors**

Throughout the six month period ended 30 June 2012, the Group has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Group by the Directors. Having made specific enquiry, all the Directors confirmed that they have complied with the Model Code.

### **Independent Non-executive Directors**

Throughout the six month period ended 30 June 2012, the Board at all times met the requirements of the Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules in appointment of a sufficient number of three Independent Non-executive Directors, representing one-third of the Board, one of whom has appropriate professional qualifications, accounting and financial management expertise.

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

### **Audit Committee**

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

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six month period ended 30 June 2012.

By Order of the Board

**Han Shuwang**

*Chairman*

Hong Kong, 28 August 2012

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Engin International (Holdings) Limited and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 38, which comprises the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

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

**Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

28 August 2012

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

		<b>1.1.2012</b>	1.1.2011
		<b>to</b>	to
	<i>NOTE</i>	<b>30.6.2012</b>	30.6.2011
		<b>HK\$' 000</b>	<i>HK\$' 000</i>
		<b>(Unaudited)</b>	<i>(Unaudited)</i>
Turnover	3	<b>248,062</b>	157,120
Cost of sales		<b>(246,782)</b>	(147,976)
Gross profit		<b>1,280</b>	9,144
Other income		<b>33,873</b>	11,996
Other gains and losses	4	<b>17,122</b>	(3,897)
Distribution costs		<b>(13,301)</b>	(4,466)
Administrative expenses		<b>(76,339)</b>	(49,304)
Finance costs	5	<b>(39,666)</b>	(27,302)
Share of results of associates		<b>719</b>	12,666
Share of results of jointly controlled entities		<b>114,061</b>	83,171
Profit before taxation	6	<b>37,749</b>	32,008
Taxation	7	<b>(4,701)</b>	(3,199)
Profit for the period		<b>33,048</b>	28,809
Other comprehensive income			
– change in fair value of available-for-sale financial asset		<b>3,348</b>	—
– exchange difference arising on translation to presentation currency		—	56,448
		<b>36,396</b>	85,257

	<i>NOTE</i>	<b>1.1.2012 to 30.6.2012 <i>HK\$'000</i> <i>(Unaudited)</i></b>	1.1.2011 to 30.6.2011 <i>HK\$'000</i> <i>(Unaudited)</i>
Profit (loss) for the period attributable to:			
Owners of the Company		<b>39,603</b>	34,000
Non-controlling interests		<b>(6,555)</b>	(5,191)
		<b><u>33,048</u></b>	<u>28,809</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		<b>42,951</b>	87,357
Non-controlling interests		<b>(6,555)</b>	(2,100)
		<b><u>36,396</u></b>	<u>85,257</u>
Earnings per share - Basic	9	<b><u>HK1.00 cent</u></b>	<u>HK0.86 cent</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	NOTE	30.6.2012 HK\$'000 (Unaudited)	31.12.2011 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	449,022	450,099
Investment property	10	37,680	37,680
Deposits paid for acquisition of property, plant and equipment	10	—	14,293
Goodwill		4,903	4,903
Intangible assets		65,123	69,842
Deferred tax assets		4,243	3,985
Interests in associates	11	348,854	370,566
Interests in jointly controlled entities		1,239,558	1,272,882
Available-for-sale financial asset	12	119,051	—
		<b>2,268,434</b>	<b>2,224,250</b>
Current assets			
Inventories		416,522	469,638
Trade and other receivables	13	879,363	558,342
Amounts due from associates	18(ii)(a)	28,094	45,856
Amounts due from jointly controlled entities	18(ii)(b)	151,436	161,795
Pledged bank deposits	14	14,673	22,606
Fixed bank deposits		—	12,409
Bank balances and cash		342,053	356,562
		<b>1,832,141</b>	<b>1,627,208</b>

	<i>NOTE</i>	<b>30.6.2012</b> <i>HK\$'000</i> <i>(Unaudited)</i>	31.12.2011 <i>HK\$'000</i> <i>(Audited)</i>
Current liabilities			
Trade and other payables	15	<b>432,280</b>	525,090
Taxation payable		<b>4,287</b>	1,674
Amounts due to associates	18(ii)(a)	<b>49,694</b>	63,708
Government grants		<b>249</b>	249
Warranty provision		<b>29,069</b>	22,380
Borrowings - amount due within one year	16, 18(i)(a) & (ii)(b)	<b>776,400</b>	530,400
		<b>1,291,979</b>	1,143,501
Net current assets		<b>540,162</b>	483,707
Total assets less current liabilities		<b>2,808,596</b>	2,707,957
Non-current liabilities			
Borrowings - amount due after one year	18(i)(a) & (b)	<b>860,148</b>	796,548
Deferred tax liabilities		<b>17,843</b>	19,188
Government grants		<b>7,706</b>	7,830
		<b>885,697</b>	823,566
Net assets		<b>1,922,899</b>	1,884,391
Capital and reserves			
Share capital		<b>396,900</b>	396,900
Reserves		<b>1,369,845</b>	1,327,124
Equity attributable to owners of the Company		<b>1,766,745</b>	1,724,024
Non-controlling interests		<b>156,154</b>	160,367
Total equity		<b>1,922,899</b>	1,884,391

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Attributable to the owners of the Company										
	Share capital	Special reserve	Share premium	Revaluation reserve	Asset revaluation reserve	Exchange reserve	General reserve	Acc-umulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(Note a)</i>			<i>(Note b)</i>							
At 1 January 2012 (audited)	396,900	117,554	2,483,141	1,399	—	221,516	42,110	(1,538,596)	1,724,024	160,367	1,884,391
Profit (loss) for the period	—	—	—	—	—	—	—	39,603	39,603	(6,555)	33,048
Change in fair value of available-for-sale financial asset	—	—	—	—	3,348	—	—	—	3,348	—	3,348
Total comprehensive income (expense) for the period	—	—	—	—	3,348	—	—	39,603	42,951	(6,555)	36,396
Dividend declared to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	(3,888)	(3,888)
Capital contribution from non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	6,000	6,000
Acquisition of non-controlling interests of a subsidiary	—	—	—	—	—	—	—	(230)	(230)	230	—
At 30 June 2012 (unaudited)	396,900	117,554	2,483,141	1,399	3,348	221,516	42,110	(1,499,223)	1,766,745	156,154	1,922,899

Attributable to the owners of the Company

	Share capital	Special reserve	Share premium	Revaluation reserve	Asset		General reserve	Acc-umulated losses	Non-controlling		
					revaluation reserve	Exchange reserve			Total	interests	Total
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	
		<i>(Note a)</i>					<i>(Note b)</i>				
At 1 January 2011 (audited)	396,900	117,554	2,483,141	1,399	—	168,067	39,415	(1,547,373)	1,659,103	100,064	1,759,167
Profit (loss) for the period	—	—	—	—	—	—	—	34,000	34,000	(5,191)	28,809
Exchange difference arising on translation to presentation currency	—	—	—	—	—	53,357	—	—	53,357	3,091	56,448
Total comprehensive income (expense) for the period	—	—	—	—	—	53,357	—	34,000	87,357	(2,100)	85,257
Dividend declared to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	(5,220)	(5,220)
At 30 June 2011 (unaudited)	396,900	117,554	2,483,141	1,399	—	221,424	39,415	(1,513,373)	1,746,460	92,744	1,839,204

## Notes:

- The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of the subsidiaries acquired by the Company and the aggregate amount of HK\$116,025,000 transferred from other reserves pursuant to the Group's reorganisation on 11 August 1997.
- Included in general reserve is reserve fund of a subsidiary established in the People's Republic of China (the "PRC") used to i) make up prior years' losses or ii) expand production operations.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	<b>1.1.2012</b>	1.1.2011
	<b>to</b>	to
	<b>30.6.2012</b>	30.6.2011
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash used in operating activities	<b>(144,943)</b>	(75,551)
Investing activities		
Purchase of available-for-sale investment	<b>(116,515)</b>	—
Settlement of deferred consideration for the acquisition of intangible assets in prior period	<b>(71,838)</b>	—
Purchase of property, plant and equipment	<b>(1,737)</b>	(6,814)
Proceeds from disposal of associates	<b>13,560</b>	13,880
Release of fixed bank deposits	<b>12,409</b>	—
Decrease in pledged bank deposits	<b>7,933</b>	16,809
Proceeds from disposal of property, plant and equipment	<b>1,675</b>	1,272
Repayment from (advance to) jointly controlled entities	<b>10,359</b>	(100,150)
Deposits paid for acquisition of property, plant and equipment	—	(10,440)
Investment in an associate	—	(3,000)
Dividend received from jointly controlled entities	—	14,616
Other investing cash flows	<b>3,874</b>	2,783
Net cash used in investing activities	<b>(140,280)</b>	(71,044)

	<b>1.1.2012 to 30.6.2012 HK\$'000 (Unaudited)</b>	1.1.2011 to 30.6.2011 HK\$'000 (Unaudited)
Financing activities		
New bank loans raised	<b>258,000</b>	168,000
New other loans raised	<b>99,600</b>	636,000
Capital contribution from non-controlling interests of a subsidiary	<b>6,000</b>	—
Repayment of bank loans	<b>(48,000)</b>	—
Repayment of other loans	—	(642,000)
Dividend paid to non-controlling shareholders of a subsidiary	<b>(5,220)</b>	(3,936)
Interest paid	<b>(39,666)</b>	(27,662)
	<hr/> <b>270,714</b>	<hr/> 130,402
Net cash generated from financing activities		
	<b>(14,509)</b>	(16,193)
Net decrease in cash and cash equivalents		
Effect of foreign exchange rate changes	—	26,176
Cash and cash equivalents at the beginning of the period	<b>356,562</b>	450,061
	<hr/> <b>342,053</b>	<hr/> 460,044
Cash and cash equivalents at the end of the period, representing bank balances and cash		

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment property and available-for-sale financial asset, which are measured at fair value, as appropriate.

Except disclosed below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

### **Available-for-sale financial asset**

In the current period, the Group acquired equity investments and designated them as available-for-sale financial assets, as set out in note 12. Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. The Group designated the investment in Huadian Fuxin Energy Corporation Limited ("Huadian Fuxin") as available-for-sale financial asset as the shares of Huadian Fuxin are listed on The Stock Exchange of Hong Kong and the management has no intention to trade the shares subscribed.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Available-for-sale financial asset** *(Continued)*

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in asset revaluation reserve, until the financial assets are disposed of or are determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the asset revaluation reserve is reclassified to profit or loss.

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

### **Amendments to HKAS 12 Deferred tax: Recovery of underlying assets**

Under the amendments to HKAS 12 “Deferred tax: Recovery of underlying assets”, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment property” are presumed to be recovered through sale for the purpose of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment property using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group’s investment property portfolios and concluded that the Group’s investment property was held under a business model whose objective was to consume substantially all of the economic benefits embodied in the investment property over time, and that the presumption set out in the amendments to HKAS 12 is rebutted. The Group continues to recognise the deferred tax arising on the fair value change of the investment property in the condensed consolidated financial statements.

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

### 3. SEGMENT INFORMATION

The Group currently organises its operations into five operating and reportable segments. They represent five major lines of businesses engaged by the Group. Segment results represent the profit before taxation earned or loss before taxation incurred by each segment, excluding finance costs, share of results of certain jointly controlled entities which cannot be allocated, unallocated other income and corporate expenses such as central administration costs and directors' remuneration. Share of profit of associates of HK\$719,000 (1.1.2011 to 30.6.2011: HK\$12,666,000) and share of loss (1.1.2011 to 30.6.2011: profit) of certain jointly controlled entities of HK\$2,022,000 (1.1.2011 to 30.6.2011: HK\$222,000) were allocated to operating and reportable segments. This is the measure reported to the Company's Executive Directors for the purposes of resources allocation and assessment of segment performance.

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

#### Six months ended 30 June 2012

	Wind Energy Related Products <i>HK\$'000</i>	Operation of Wind Farm <i>HK\$'000</i>	Rare-earth Permanent Magnet Motor ("REPM") Products <i>HK\$'000</i>	Trading of materials <i>HK\$'000</i>	Tele- communication <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover						
External sales	<u>128,432</u>	<u>15,827</u>	<u>14,564</u>	<u>73,533</u>	<u>15,706</u>	<u>248,062</u>
Result						
Segment result	(50,737)	10,469	953	70	6,137	(33,108)
Unallocated other income						27,728
Unallocated corporate expenses						(33,288)
Finance costs						(39,666)
Share of results of jointly controlled entities						<u>116,083</u>
Profit before taxation						<u><u>37,749</u></u>

### 3. SEGMENT INFORMATION *(Continued)*

#### Six months ended 30 June 2011

	Wind Energy Related Products <i>HK\$'000</i>	Operation of Wind Farm <i>HK\$'000</i>	REPM Products <i>HK\$'000</i>	Trading of materials <i>HK\$'000</i>	Tele- communication <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover						
External sales	<u>5,403</u>	<u>16,435</u>	<u>9,014</u>	<u>100,793</u>	<u>25,475</u>	<u>157,120</u>
Result						
Segment result	(23,475)	32,465	(8,841)	381	(7,030)	(6,500)
Unallocated other income						4,359
Unallocated corporate expenses						(21,498)
Finance costs						(27,302)
Share of results of jointly controlled entities						<u>82,949</u>
Profit before taxation						<u>32,008</u>

The following is an analysis of the Group's assets by operating and reportable segment:

	<b>30.6.2012</b>	31.12.2011
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Wind energy related products	<b>1,585,723</b>	1,487,141
Operation of wind farm	<b>579,568</b>	581,491
REPM products	<b>34,330</b>	42,208
Trading of materials	—	3,411
Telecommunication	<b>58,297</b>	54,359
Total segment assets	<b>2,257,918</b>	2,168,610
Interests in jointly controlled entities	<b>1,176,895</b>	1,202,977
Unallocated assets	<b>665,762</b>	479,871
Consolidated total assets	<b>4,100,575</b>	3,851,458

#### 4. OTHER GAINS AND LOSSES

	<b>1.1.2012</b>	1.1.2011
	<b>to</b>	to
	<b>30.6.2012</b>	30.6.2011
	<b>HK\$'000</b>	HK\$'000
Gain (loss) on disposal of interests in associates ( <i>note 11</i> )	<b>11,801</b>	(882)
Recovery of trade receivables previously impaired (impairment loss recognised in respect of trade receivables)	<b>3,613</b>	(3,564)
Net exchange gain recognised	<b>1,102</b>	853
Gain (loss) on disposal of property, plant and equipment	<b>606</b>	(304)
	<b>17,122</b>	(3,897)

#### 5. FINANCE COSTS

	<b>1.1.2012</b>	1.1.2011
	<b>to</b>	to
	<b>30.6.2012</b>	30.6.2011
	<b>HK\$'000</b>	HK\$'000
Interests on bank and other loans:		
– wholly repayable within five years	<b>37,173</b>	25,099
– repayable over five years	<b>2,493</b>	2,203
	<b>39,666</b>	27,302

## 6. PROFIT BEFORE TAXATION

	<b>1.1.2012</b>	1.1.2011
	<b>to</b>	to
	<b>30.6.2012</b>	30.6.2011
	<b>HK\$'000</b>	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<b>16,038</b>	14,930
Amortisation of intangible assets	<b>5,998</b>	—
Allowance for obsolete inventories	—	1,479
Interest income		
– bank balances	<b>(2,851)</b>	(1,732)
– advance to a jointly controlled entity	<b>(2,302)</b>	(1,051)
Other income		
– gain on disposal of a property development project (note 13)	<b>(22,185)</b>	—
	<b>—————</b>	<b>—————</b>

## 7. TAXATION

	<b>1.1.2012</b>	1.1.2011
	<b>to</b>	to
	<b>30.6.2012</b>	30.6.2011
	<b>HK\$'000</b>	HK\$'000
The tax charge comprises:		
Current tax:		
– PRC Enterprise Income Tax (“EIT”)	<b>4,458</b>	3,471
Deferred taxation	<b>243</b>	(272)
	<b>—————</b>	<b>—————</b>
	<b>4,701</b>	3,199
	<b>—————</b>	<b>—————</b>

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

Taxation arising in the PRC is recognised based on EIT rate of 25% (2011: 25%) for the six months ended 30 June 2012.

## 8. DIVIDENDS

No dividends were paid or declared for both periods. The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2012.

## 9. EARNINGS PER SHARE - BASIC

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

	<b>1.1.2012</b>	1.1.2011
	<b>to</b>	to
	<b>30.6.2012</b>	30.6.2011
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Profit for the period for the purpose of basic earnings per share	<b>39,603</b>	34,000
- attributable to the owners of the Company	<u><u>39,603</u></u>	<u><u>34,000</u></u>
		<b>Number of shares 2012 &amp; 2011</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share		<u><u>3,968,995,668</u></u>

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

## **10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY AND DEPOSITS PAID FOR PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group disposed of certain plant and machinery with an aggregate carrying amount of HK\$1,069,000 (1.1.2011 to 30.6.2011: HK\$1,576,000) for proceeds of HK\$1,675,000 (1.1.2011 to 30.6.2011: HK\$1,272,000), resulting in a gain (1.1.2011 to 30.6.2011: loss) on disposal of HK\$606,000 (1.1.2011 to 30.6.2011: HK\$304,000).

During the period, the Group spent approximately HK\$16,030,000 (1.1.2011 to 30.6.2011: HK\$6,814,000) on acquisition of plant and machineries. At 31 December 2011, the Group made deposits for the acquisition of property, plants and machineries of HK\$14,293,000, which were used to settle the consideration for the acquisition of plant and machineries during the current period.

The fair value of the Group's investment property as at 30 June 2012 was determined by the directors of the Company. The valuation performed by the directors of the Company was arrived at by reference to recent market prices for similar commercial properties in Shenzhen, the PRC. No fair value gain or loss has been recognised for the investment property in the current period (1.1.2011 to 30.6.2011: nil).

## **11. INTERESTS IN ASSOCIATES**

During the six months ended 30 June 2012, the Group disposed of its entire interests in certain associates to independent third parties for a cash consideration of HK\$13,560,000, resulting in gain on disposal of interests in associates of HK\$11,801,000.

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSET

	<b>30.6.2012</b>	31.12.2011
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Equity security listed in Hong Kong	<b>119,051</b>	—

Included in the listed equity security is the Company's investment in Huadian Fuxin through subscription of new shares in Huadian Fuxin's initial public offering. The shares of Huadian Fuxin are listed on The Stock Exchange of Hong Kong Limited. The investment is classified as available-for-sale financial asset with its fair value change recognised in other comprehensive income.

## 13. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$229,517,000 (31.12.2011: HK\$169,502,000). The amount of trade receivables at 30 June 2012 included retention receivables for the sales of wind turbines to third parties of HK\$28,624,000 (31.12.2011: HK\$28,624,000). The balances will be settled upon the completion of warranty period of 3 years. For the remaining balances, the Group allows credit periods for 90 days on average to its customers for sales of goods and rendering of services. At the discretion of the executive directors, several major customers were allowed to settle their balances beyond the credit terms up to one year. The following is an ageing analysis of trade receivables net of allowances, presented based on the invoice date at the end of the reporting period:

	<b>30.6.2012</b>	31.12.2011
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 30 days	<b>99,421</b>	48,503
Between 31 and 90 days	<b>16,328</b>	7,740
Between 91 and 180 days	<b>5,294</b>	3,821
Between 181 and 365 days	<b>194</b>	389
Over 1 year	<b>108,280</b>	109,049
	<b>229,517</b>	169,502

### 13. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in the Group's other receivables at 30 June 2012 are dividend receivables from jointly controlled entities and associates with aggregate carrying amount of HK\$173,874,000 (31.12.2011: HK\$7,118,000), deposits paid for purchase of inventories for subsidiaries in the PRC of HK\$165,848,000 (31.12.2011: HK\$85,013,000), bills receivables of HK\$112,920,000 (31.12.2011: HK\$121,696,000) and consideration receivable from transferring property development project of HK\$11,400,000 (31.12.2011: nil). The consideration receivable from transferring property development project was settled subsequent to the reporting period.

### 14. PLEDGED BANK DEPOSITS

Included in the Group's pledged bank deposits are bank deposits amounting to HK\$4,957,000 (31.12.2011: HK\$22,606,000) pledged to banks to secure general banking facilities granted to the Group and are therefore classified as current assets. They will be released in September 2012 upon the settlement of the related borrowings.

The remaining balance of HK\$9,716,000 (31.12.2011: nil) are bank deposits pledged to banks to provide security to the customers for the delivery of wind turbines and are therefore classified as current assets. The deposits will be matured in September 2012.

### 15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$241,851,000 (31.12.2011: HK\$246,043,000). The following is an ageing analysis of trade payables based on the invoice date at the end of each reporting period:

	<b>30.6.2012</b>	31.12.2011
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 30 days	<b>40,790</b>	223,628
Between 31 and 90 days	<b>26,253</b>	11,720
Between 91 and 180 days	<b>118,597</b>	2,598
Between 181 and 365 days	<b>53,238</b>	3,069
Over 1 year	<b>2,973</b>	5,028
	<b>241,851</b>	246,043

## 15. TRADE AND OTHER PAYABLES *(Continued)*

Included in the Group's other payables at 30 June 2012 are accrual for construction work of HK\$5,034,000 (31.12.2011: HK\$11,739,000), receipt in advance from customers of HK\$85,797,000 (31.12.2011: HK\$122,905,000) and dividend payable to non-controlling interests of a subsidiary of HK\$3,888,000 (31.12.2011: HK\$5,220,000).

## 16. BORROWINGS

- (a) During the period, the Group obtained a new bank loan amounting to RMB25,000,000 (HK\$30,000,000) (31.12.2011: nil). The loan carries interest at benchmark loan rates set by the People's Bank of China ("PBOC") in the PRC, secured by a land and building of a non-controlling shareholder with a carrying amount of HK\$54,761,000 at 30 June 2012 and repayable on 9 October 2012. The proceeds are used to finance the sales orders of wind turbines.
- (b) In addition, the Group obtained three (31.12.2011: five) new unsecured bank loans during the period, amounting to RMB190,000,000 (HK\$228,000,000) (31.12.2011: RMB212,000,000 (HK\$254,400,000)). The loans bear floating-rate interest with a range from 0% to 10% on top of benchmark loan rates set by the PBOC and are repayable in 2013 (31.12.2011: repayable in 2012). The loans are used to finance the operations of the Group.
- (c) The Group obtained a new loan of RMB30,000,000 (HK\$36,000,000) (31.12.2011: nil) from a financial institution in the PRC. The loan carries interest at benchmark loan rates set by the PBOC in the PRC and is repayable on 30 May 2013.

## 17. CAPITAL COMMITMENTS

At 30 June 2012, the Group was committed to capital expenditure contracted but not provided for of HK\$114,634,000 (31.12.2011: HK\$111,034,000) relating to establishment of subsidiaries in the PRC. In addition, capital commitment contracted but not provided for relating to the Group's interests in jointly controlled entities established in the PRC amounted to HK\$19,042,000 as at 30 June 2012 (31.12.2011: HK\$29,865,000).

## 18. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

#### (a) Transactions with CASC Group

Included in borrowings at 30 June 2012 were five (31.12.2011: four) loans advanced from China Academy of Launch Vehicle Technology ("CALT"), the immediate holding company of the Company, through CASC's subsidiary, Aerospace Science & Technology Finance Co., Ltd. ("ASTF"), as the trustee totalling HK\$936,000,000 or RMB780,000,000 (31.12.2011: HK\$872,400,000 or RMB727,000,000) which are unsecured and bear fixed interest at 3.7% to 5% (31.12.2011: 3.7% to 5%) per annum. Loans of HK\$156,000,000 or RMB130,000,000 (31.12.2011: HK\$156,000,000 or RMB130,000,000), HK\$300,000,000 or RMB250,000,000 (31.12.2011: HK\$236,400,000 or RMB197,000,000) and HK\$480,000,000 or RMB400,000,000 (31.12.2011: HK\$480,000,000 or RMB400,000,000) are repayable in June 2012, April 2014 and April 2016 respectively.

## 18. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

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

#### (b) Transactions with other government entities

- (1) Included in borrowings at 30 June 2012 was a loan of HK\$80,148,000 or RMB66,790,000 (31.12.2011: HK\$80,148,000 or RMB66,790,000) advanced from a non-controlling shareholder of a subsidiary. The amount is unsecured, bears fixed interest at 6.12% per annum and is repayable in full in November 2020.
- (2) The Group conducts business with other government-related entities. The directors consider those government-related entities are independent third parties so far as the Group's business with them are concerned. The Group also has certain sales and purchases transactions with certain customers and suppliers in which the directors of the Company are of the opinion that it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions are with other government-related entities.

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

## 18. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

### (ii) Transactions with other related parties

- (a) The amount due from an associate of HK\$27,000,000 is trade nature, unsecured, non-interest bearing and is repayable within one year according to the credit period. The remaining balances with associates are unsecured, non-interest bearing and are repayable on demand.
- (b) Included in the balances is an amount due from a jointly controlled entity of HK\$122,712,000 (31.12.2011: HK\$133,391,000), of which loans advanced to the jointly controlled entity amounted to HK\$84,000,000 (31.12.2011: HK\$96,000,000) that bear fixed-rate interest at a range from 5.6% to 6.1% (31.12.2011: a range from 4.8% to 6.1%) per annum and are repayable in July 2012 and December 2012 (31.12.2011: June and July 2012). The remaining amounts of HK\$38,712,000 are non-interest bearing, repayable on demand and are expected to be settled within 12 months from the end of the reporting date.

The amounts due from jointly controlled entities at 30 June 2012 and 31 December 2011 also included retention receivables of HK\$28,404,000 for the sales of wind turbines to a jointly controlled entity which will be settled upon the completion of warranty period in 2015.

## 18. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

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

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

	<b>1.1.2012</b>	1.1.2011
	<b>to</b>	to
	<b>30.6.2012</b>	30.6.2011
	<b>HK\$'000</b>	HK\$'000
Sales of goods to an associate	<b>175</b>	6,747
Purchase of goods from associate	<b>18,277</b>	—
Interest paid to ASTF	<b>21,535</b>	21,448
Interest paid to a non-controlling shareholder of a subsidiary	<b>2,493</b>	2,203
Interest income from a jointly controlled entity	<b>2,302</b>	1,051
	<b><u>2,302</u></b>	<u>1,051</u>

(d) Compensation of key management personnel

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

	<b>1.1.2012</b>	1.1.2011
	<b>to</b>	to
	<b>30.6.2012</b>	30.6.2011
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>2,617</b>	1,937
Contributions to retirement benefits scheme	<b>6</b>	6
	<b><u>2,623</u></b>	<u>1,943</u>

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