



CHINA
ENERGINE

From Engine to New Energy

CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

中國航天萬源國際(集團)有限公司*

Stock Code : 1185

2013
Interim Report

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* For identification purposes only



CORPORATE CULTURE

Mission

Devoted to new energy Contributing to society Benefiting mankind

Target

Pursuing excellence Leading development of new energy

Value

Leveraging talents to full play Win-win in harmony





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Han Shuwang (*Chairman*)

Mr. Wang Xiaodong (*Vice-Chairman*)

Mr. Li Guang (*Chief Executive Officer*)

Mr. 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



REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Suite 4701, 47/F, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway, Hong Kong

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR

Tricor Standard Limited
Share Registration Public Office
26/F, Tesbury Centre
28 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

Bank of Communications Company Limited
Agricultural Bank of China
Industrial and Commercial Bank of China Limited
Bank of China Limited

LEGAL ADVISERS

Sit, Fung, Kwong & Shum
Conyers Dill & Pearman

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STOCK CODE

1185



MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Directors, the business performance of China Engin International (Holdings) Ltd. (the “Company”) and its subsidiaries (collectively the “group”) for the first half of this year 2013 is summarized in the following paragraphs.

RESULTS SUMMARY

As of 30 June 2013, the Group’s turnover for the first half of 2013 amounted to HK\$282.61 million as compared to that of 2012 of HK\$248.06 million, representing HK\$34.55 million, or 14%, increase in turnover; the profit attributable to the Company’s owners for the period amounted to HK\$9.72 million as compared to that of 2012 of HK\$39.60 million; the profit for the period attributable to the Company’s owners decreased by 75%, but slightly increased if excluding non-recurring gains on disposals of assets (HK\$3.63 million incurred in the first half of 2013, HK\$33.99 million incurred in the same period of 2012). The turnover for the period comprised sale of wind energy related products of HK\$165.44 million, sale of electricity generated from wind farm of HK\$15.67 million, sale of rare-earth permanent magnet motor products of HK\$23.51 million, sale of chemical materials of HK\$63.70 million and sales of HK\$14.29 million related to telecommunication business whereas that of the same period last year 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.



BUSINESS REVIEW

Business of Wind Energy

In 2013, the directdrive wind turbine developed by the Group with proprietary intellectual property rights participated in fierce competition in the domestic market which is currently a buyers' market, and was highly recognized by wind farm developers within the industry for its simple structure, high reliability, high efficiency and low operation and maintenance costs. The Group continued to give full play to the advantages of technology, quality and service of CASC directdrive wind turbines. On this basis, the Group capitalised on its products' leading edge and achieved cost control by adopting the strategy of technology enhancement and batch production through research and development, thereby achieving high supply chain performance and enhanced cost effectiveness to proactively address challenges. Through Inner Mongolia Wind Turbine General Assembling Plant, and Gansu Wind Turbine General Assembling Plant, the Group realized mass production of a number of self-developed models (especially 1.5MW excitation magnetic directdrive wind turbine, 2MW permanent magnet directdrive wind turbine and 2MW excitation magnetic directdrive wind turbine), and adopted the strategy of establishing good relationship with several provincial and autonomous regions' governments to gain their supports and leveraging on provincial and autonomous regions' quotas for wind energy to obtain more wind resources in seeking more production orders for wind turbines, thereby increasing our market share. At present, the Group has considerable wind energy resources in various major wind power bases planned by the State, including Wulatehouqi in Inner Mongolia, Jiuquan City and Wuwei City in Gansu, Ningde City in Fujian, Tieling City in Liaoning, Suihua City in Heilongjiang and Tangshan City in Hebei, effective pushing sales of wind turbines and bringing in promising income to the Group continually.

In 2013, the marketing strategy was adjusted. The Group's wind power operations were expanding gradually in scale, while the industrial layout tended to rationalise, with gradual improvements in technology and product series, and performance of products was gradually stabilized. Under such new trends, the strategy of "walking on two legs" was implemented, while exchanging resources for orders, developing and maintaining key areas and key customers, we also participated in market competition on a large scale to expand the sales regions and increase our sales efforts.



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

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

In 2013, the Group is producing 70 sets of 140,000KW 2MW excitation magnetic directdrive wind turbine which are to be delivered in this year and 50 sets of 100,000KW 2MW excitation magnetic directdrive wind turbine to be delivered in the first quarter of next year, including the sales contract for 200,000KW 2MW excitation magnetic wind turbines in Yumen City, Gansu, with Huadian New Energy and the sales contract for 40,000KW 2MW excitation magnetic wind turbines in Xiapu City, Fujian, with Enginere Min Jian. In addition, the Group entered into a sales contract for 150 sets of 1.5MW wind turbines in the first half of this year. The wind turbines are being produced, expecting to be delivered in the second half of this year.

In April 2013, the Group, according to strategy of focusing on our Group's main products of 1.5MW and 2MW excitation directdrive wind turbines, reduced resources on development and production of 2MW double-fed wind turbines in reducing appointing 1 director to the board of Suzhou Enginere Tepu Wind Energy Technology Co. Ltd. ("Suzhou Wind Energy"), a 41.28% equity subsidiary to appointing 2 directors, being less than half of the 5-director board. The Group therefore lost its control over Suzhou Wind Energy. Suzhou Wind Energy accordingly became an associate of the Group.



Research and Development of Technology

In early 2013, the research on storage technology was established as a project, researching graphene extraction technology in an effort to realize batch production of high-quality graphene and high-performance energy storage battery pack leveraging on their proprietary. Graphene, a kind of new material with singular flake structure composed of carbon atoms, is one of the best conductive materials in the world. The anode material of lithium ion battery made by graphene is able to significantly increase the energy storage capacity and shorten charging time of the battery, thus effectively resolving the bottleneck problem of applying lead-acid battery and traditional lithium ion battery to electric vehicles. The energy storage device of graphene is characterized by extra-long recycling life and high current during the process of charging and discharging, therefore there is huge market room of graphene-based new battery anode material and super capacitor under the research and development. In the meantime, the Company's Research and Development Centre has achieved a breakthrough progress on research and development area relating to energy storage system integration and intelligent power grip, enabling us to obtain market orders shortly in September to October this year.

During the same period, research and development on the 3MW permanent magnet directdrive wind turbines commenced officially. Currently, the technical development route and concept design plan for the 3MW permanent magnet wind turbines have been ascertained, and organizing preliminary survey and research on the ancillary market for wind turbine components has been completed.

In June, technical solutions regarding the research and development as well as localisation of production of the 2MW excitation magnetic wind turbine control system have been ascertained, and the design, production and commissioning of the control system prototype hardware for localisation have been initially completed, which will reduce the procurement costs of wind turbines effectively.

In the first half of the year, the Group had put forth improvement and optimization plans for 2MW excitation magnetic wind turbines in tackling low wind speed conditions, the theoretical model of the improved turbine prototype was completed and the adaptability design of the 2MW wind turbine for low wind speed commenced officially.

In the first half of the year, the Group's telecommunication business, as encouraged by China's state policies, invested funds in the research and development of Beidou GPS terminal technology.



Production Management

In 2013, the Group proceeded cost control rigorously with strengthening analyses of wind turbine costs and further reduction of purchasing costs of wind turbines in striving to realize the reduction of the purchasing cost of the localised control systems by no less than 15%. The supply chain relating to wind turbine components were further improved with system on conducting appraisals and dynamic assessments of eligible suppliers, establishing management structure on eligible suppliers.

Trading of Materials

In 2013, Beijing Energene continued the trading business of chemical raw materials.

Wind Farm Operations

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

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



Business of New Materials

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

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

Business of Automotive Component Parts

Automotive engine management systems

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

The joint venture recorded sales revenue of HK\$1,751.34 million in the first half of 2013, representing an increase of HK\$97.59 million period-on-period. Its sales expansion and costs reduction were successfully achieved.



Automotive sealing systems

Beijing Wanyuan-Henniges Sealing Systems Co., Ltd., a joint venture, is a company specializing 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 joint venture not only realized the development and ancillary items to the medium-to-high class models in the domestic market, but also attained the system standards applicable to Germany, France, United States, Japan and South Korea with its products.

The joint venture recorded sales revenue of HK\$523.67 million in the first half of 2013, representing an increase of HK\$189.87 million period-on-period.

PROSPECTS

Looking ahead, the Group will continue to improve the progress in domestic production of wind turbines, focus on the development of 3MW and 5MW wind turbines in line with the Twelfth Five-year Plan to capture the future market share of wind turbines and increase cooperation opportunities with other large-scale power generation groups, primarily develop new markets of graphene energy storage technology devices, refine the batch production of rare-earth motors and secure financing for the Group. We will further expand the scale of energy conservation and environmental protection business as well as strengthen our internal management to ensure the sustainable development of the Group and create greater benefits for shareholders in wealth and good reputation.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2013, the Group had 34 employees (31 December 2012: 33 employees) in the Hong Kong head office and 658 employees (31 December 2012: 674 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 2013 were HK\$1,795,107,000 (31 December 2012: HK\$1,836,702,000), of which HK\$71,295,000 (31 December 2012: HK\$530,048,000) 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 2013 was 98% (31 December 2012: 103%).

Exchange and Other Exposures

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

Contingent Liabilities

As at 30 June 2013, the Group issued guarantees to banks in respect of banking facilities with amounts of HK\$22,979,000 (31 December 2012: HK\$22,573,000) and HK\$25,108,000 (31 December 2012: HK\$24,665,000) granted to a third party and an associate respectively, of which HK\$25,108,000 (31 December 2012: HK\$24,665,000) has been utilised.



ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Board of the Company did not recommend any interim dividend for the six months ended 30 June 2013 (2012: Nil).

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

As at 30 June 2013, 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 2013 as the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangements to enable the Directors of the Company or their associates (as defined in the "Listing Rules") to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, 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 (Note 1) | Percentage of shareholding |
|---|---|------------------------------|----------------------------|
| China Aerospace Science & Technology Corporation ("CASC") | Interest of a controlled corporation (Note 2) | 2,649,244,000(L) | 66.75% |
| China Academy of Launch Vehicle Technology ("CALT") | Interest of a controlled corporation (Note 3) | 2,649,244,000(L) | 66.75% |
| Astrotech Group Limited ("Astrotech") | Beneficial owner | 2,649,244,000(L) | 66.75% |

Note:

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



Save as disclosed herein, according to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors, there is no other person/entity who, as at 30 June 2013, 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 Corporate Governance Code in Appendix 14 of the Listing Rules (the "Code") applicable to the Group in respect of the six-month period ended 30 June 2013 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 2013, 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 2013, 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.

Change in Information of Director

The change in the information of the Directors of the Company since the publication of the annual report of the Company for the year ended 31 December 2012 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

| Name of Director | Details of change |
|-------------------------|--------------------------|
|-------------------------|--------------------------|

Independent Non-executive Director:

Mr. Gordon Ng

Resigned as the partner of O' Melveny & Myers, Hong Kong from 1 July 2013 and assumed the office of Head of Corporate Finance/Capital Market, Asia of the Hong Kong office of an international law firm on the same day.



Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

The updated biographical details of Mr. Ng are set out below:

Mr. Gordon Ng, aged 48, obtained his Bachelor's degree in Microbiology and Biochemistry and Master's degree in Intellectual Property from University of London. He was qualified as a solicitor in England and Wales in 1993 and Hong Kong in 1994. He has been the Head of Corporate Finance/Capital Market, Asia of the Hong Kong Office of an international law firm since July 2013. Prior to that, he had been a partner of Sidley Austin Brown & Wood, Hong Kong and CMS Cameron Mckenna, Hong Kong, Hogan & Hartson, Hong Kong and O'Melveny & Myers, Hong Kong. He was appointed as an Independent Non-executive Director on 23 January 2008 and reappointed on 23 January 2011 for a tenure of 3 years.

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 2013.

By Order of the Board

Han Shuwang

Chairman

Hong Kong, 28 August 2013



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 Engerine International (Holdings) Limited and its subsidiaries (collectively referred to as the “Group”) set out on pages 19 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“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 2013



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

| | | 1.1.2013 | 1.1.2012 |
|------------------------------------|--------------|--------------------|-------------|
| | | to | to |
| | <i>NOTES</i> | 30.6.2013 | 30.6.2012 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Turnover | 3 | 282,608 | 248,062 |
| Cost of sales | | (263,034) | (246,782) |
| Gross profit | | 19,574 | 1,280 |
| Other income | | 5,905 | 33,873 |
| Other gains and losses | 4 | 4,628 | 17,122 |
| Distribution costs | | (7,870) | (13,301) |
| Administrative expenses | | (73,180) | (76,339) |
| Finance costs | 5 | (47,606) | (39,666) |
| Share of results of associates | | 4,373 | 719 |
| Share of results of joint ventures | | 102,660 | 114,061 |
| Profit before taxation | 6 | 8,484 | 37,749 |
| Taxation | 7 | (1,356) | (4,701) |
| Profit for the period | | 7,128 | 33,048 |



| | 1.1.2013 to 30.6.2013 HK\$'000 (Unaudited) | 1.1.2012 to 30.6.2012 HK\$'000 (Unaudited) |
|---|---|--|
| Other comprehensive income | | |
| Item that will not be reclassified to profit or loss: | | |
| – exchange difference arising on translation to presentation currency | 33,441 | — |
| Item that may be subsequently reclassified to profit or loss: | | |
| – reclassification adjustment upon sale of available-for-sale financial asset | 14,881 | — |
| – change in fair value of available-for-sale financial asset | — | 3,348 |
| Total comprehensive income for the period | <u>55,450</u> | <u>36,396</u> |
| Profit (loss) for the period attributable to: | | |
| Owners of the Company | 9,716 | 39,603 |
| Non-controlling interests | (2,588) | (6,555) |
| | <u>7,128</u> | <u>33,048</u> |
| Total comprehensive income (expense) for the period attributable to: | | |
| Owners of the Company | 56,192 | 42,951 |
| Non-controlling interests | (742) | (6,555) |
| | <u>55,450</u> | <u>36,396</u> |
| Earnings per share - Basic | 9 <u>HK0.24 cents</u> | <u>HK 1.00 cents</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

| | NOTES | 30.6.2013 HK\$'000 (Unaudited) | 31.12.2012 HK\$'000 (Audited) |
|---|--------------|--------------------------------------|-------------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 390,939 | 501,383 |
| Investment properties | 10 | 53,303 | 38,725 |
| Deposits paid for acquisition of property, plant and equipment | 10 | 8,195 | 22,851 |
| Deposits paid for acquisition of investment property | 10 | 11,531 | — |
| Goodwill | | 2,004 | 2,004 |
| Intangible assets | | 6,449 | 68,776 |
| Deferred tax assets | | 2,050 | 3,090 |
| Interests in associates | | 481,581 | 399,975 |
| Interests in joint ventures | | 1,544,307 | 1,416,222 |
| Amount due from a joint venture | 16(ii)(b)(1) | 113,991 | — |
| Available-for-sale financial asset | 11 | — | 102,944 |
| | | 2,614,350 | 2,555,970 |
| Current assets | | | |
| Inventories | | 500,892 | 482,686 |
| Trade and other receivables | 12 | 955,161 | 879,697 |
| Amounts due from associates | 16(ii)(a) | 10,968 | 15,448 |
| Amounts due from joint ventures | 16(ii)(b)(2) | 33,154 | 140,460 |
| Pledged bank deposits | 13 | 11,571 | 24,947 |
| Bank balances and cash | | 364,702 | 462,393 |
| | | 1,876,448 | 2,005,631 |

| | NOTES | 30.6.2013 HK\$'000 (Unaudited) | 31.12.2012 HK\$'000 (Audited) |
|---|-------------------------------|--------------------------------------|-------------------------------------|
| Current liabilities | | | |
| Trade and other payables | 14 | 580,601 | 526,986 |
| Amounts due to associates | 16(ii)(a) | 105,230 | 134,584 |
| Amounts due to joint ventures | 16(ii)(b)(3) | 23,044 | 22,573 |
| Government grants | | 260 | 502 |
| Warranty provision | | 24,584 | 31,218 |
| Taxation payable | | 2,368 | 489 |
| Bank borrowings - amount due within one year | 15 | 430,736 | 755,380 |
| Other borrowings - amount due within one year | 15, 16(i)(a) | 313,853 | 36,998 |
| | | 1,480,676 | 1,508,730 |
| Net current assets | | 395,772 | 496,901 |
| Total assets less current liabilities | | 3,010,122 | 3,052,871 |
| Non-current liabilities | | | |
| Other borrowings - amount due after one year | 15, 16(i)(a) &16(ii)(b)(1) | 1,050,518 | 1,044,324 |
| Deferred tax liabilities | | 18,690 | 18,823 |
| Government grants | | 9,277 | 8,531 |
| | | 1,078,485 | 1,071,678 |
| Net assets | | 1,931,637 | 1,981,193 |
| Capital and reserves | | | |
| Share capital | | 396,900 | 396,900 |
| Reserves | | 1,443,199 | 1,387,007 |
| Equity attributable to owners of the Company | | 1,840,099 | 1,783,907 |
| Non-controlling interests | | 91,538 | 197,286 |
| Total equity | | 1,931,637 | 1,981,193 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

| | Attributable to the owners of the Company | | | | | | | | Non-controlling | | |
|---|---|-----------------|---------------|---------------------|---------------------------|------------------|-----------------|--------------------|-----------------|-----------|-----------|
| | Share capital | Special reserve | Share premium | Revaluation reserve | Asset revaluation reserve | Exchange reserve | General reserve | Accumulated losses | Total | interests | Total |
| | HK\$ '000 | HK\$ '000 | HK\$ '000 | HK\$ '000 | HK\$ '000 | HK\$ '000 | HK\$ '000 | HK\$ '000 | HK\$ '000 | HK\$ '000 | HK\$ '000 |
| At 1 January 2013 (audited) | 396,900 | 117,554 | 2,483,141 | 1,399 | (14,881) | 268,557 | 47,513 | (1,516,276) | 1,783,907 | 197,286 | 1,981,193 |
| Profit for the period | — | — | — | — | — | — | — | 9,716 | 9,716 | (2,588) | 7,128 |
| Exchange differences arising on translation to presentation currency | — | — | — | — | — | 31,595 | — | — | 31,595 | 1,846 | 33,441 |
| Reclassification adjustment upon sale of available-for-sale financial asset | — | — | — | — | 14,881 | — | — | — | 14,881 | — | 14,881 |
| Total comprehensive income (expense) for the period | — | — | — | — | 14,881 | 31,595 | — | 9,716 | 56,192 | (742) | 55,450 |
| Dividend paid to non-controlling interests of a subsidiary | — | — | — | — | — | — | — | — | — | (1,665) | (1,665) |
| Deemed disposal of a subsidiary | — | — | — | — | — | — | — | — | — | (103,341) | (103,341) |
| At 30 June 2013 (unaudited) | 396,900 | 117,554 | 2,483,141 | 1,399 | — | 300,152 | 47,513 | (1,506,560) | 1,840,099 | 91,538 | 1,931,637 |

Attributable to the owners of the Company

| | Asset | | | | | | | | Non-controlling | | |
|---|-----------------|-----------------|------------------|---------------------|---------------------------|------------------|-----------------|--------------------|------------------|----------------|------------------|
| | Share capital | Special reserve | Share premium | Revaluation reserve | Asset revaluation reserve | Exchange reserve | General reserve | Accumulated losses | Total | 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) | <u>396,900</u> | <u>117,554</u> | <u>2,483,141</u> | <u>1,399</u> | <u>3,348</u> | <u>221,516</u> | <u>42,110</u> | <u>(1,499,223)</u> | <u>1,766,745</u> | <u>156,154</u> | <u>1,922,899</u> |

Notes:

- a. 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.
- b. Included in general reserve is reserve fund of subsidiaries 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 2013

| | 1.1.2013 | 1.1.2012 |
|--|--------------------|-------------|
| | to | to |
| | 30.6.2013 | 30.6.2012 |
| | HK\$' 000 | HK\$' 000 |
| | (Unaudited) | (Unaudited) |
| Net cash used in operating activities | (232,296) | (144,943) |
| Investing activities | | |
| Net proceeds on disposal of an available-for-sale financial asset | 122,481 | — |
| Dividend received from associates | 16,091 | — |
| Release of pledged bank deposits | 13,457 | 7,933 |
| Proceeds from disposal of property, plant and equipment | 508 | 1,675 |
| Net cash outflow from deemed disposal of a subsidiary | (9,718) | — |
| Purchase of property, plant and equipment | (7,114) | (1,737) |
| Deposits paid for acquisition of property, plant and equipment | (628) | — |
| Deposits paid for acquisition of investment property | (5,639) | — |
| Purchase of an investment property | (4,082) | — |
| Proceeds from disposal of associates | — | 13,560 |
| Release of fixed bank deposits | — | 12,409 |
| Repayment from joint ventures | — | 10,359 |
| Purchase of available-for-sale investment | — | (116,515) |
| Settlement of deferred consideration for the acquisition of intangible assets in prior period | — | (71,838) |
| Other investing cash flows | 4,388 | 3,874 |
| Net cash generated from (used in) investing activities | 129,744 | (140,280) |



| | 1.1.2013 to 30.6.2013 HK\$'000 (Unaudited) | 1.1.2012 to 30.6.2012 HK\$'000 (Unaudited) |
|---|---|--|
| Financing activities | | |
| New bank loans raised | 208,652 | 258,000 |
| New other loans raised | 313,854 | 99,600 |
| Repayment of bank loans | (471,408) | (48,000) |
| Repayment of other loans | (12,554) | — |
| Interest paid | (47,606) | (39,666) |
| Dividend paid to non-controlling shareholders of a subsidiary | (5,661) | (5,220) |
| Capital contribution from non-controlling interests of a subsidiary | — | 6,000 |
| | <hr/> (14,723) | <hr/> 270,714 |
| Net cash (used in) generated from financing activities | | |
| Net decrease in cash and cash equivalents | (117,275) | (14,509) |
| Effect of foreign exchange rate changes | 19,584 | — |
| Cash and cash equivalents at the beginning of the period | 462,393 | 356,562 |
| | <hr/> 364,702 | <hr/> 342,053 |
| 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 2013

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

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



2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) - INT 12 "Consolidation - Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.



2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

HKFRS 11 replaces HKAS 31 "Interests in joint ventures", and the guidance contained in a related interpretation, HK(SIC) - INT 13 "Jointly controlled entities - Non-monetary contributions by venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements - joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements - jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.



2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

The directors of the Company reviewed and assessed the application of these five standards in the current interim period and concluded that it 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.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.



2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendments to HKAS 34 Interim financial reporting (as part of the annual improvements to HKFRSs 2009-2011 cycle)

The Group has applied the amendments to HKAS 34 “Interim financial reporting as part of the annual improvements to HKFRSs 2009 - 2011 cycle” for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (“CODM”) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since there has been no material change from the amounts disclosed in the last annual financial statements for all reportable segments, the Group has not included total assets and total liabilities information as part of segment information.

Except as described above, the application of the other new or revised 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 reportable and operating 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 joint ventures 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\$4,373,000 (1.1.2012 to 30.6.2012: HK\$719,000) and share of loss of certain joint ventures of HK\$2,405,000 (1.1.2012 to 30.6.2012: HK\$2,022,000) were allocated to reportable and operating segments. This is the measure reported to the Group’s Executive Directors, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance.

3. SEGMENT INFORMATION *(Continued)*

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

Six months ended 30 June 2013

| | Wind Energy Related Products <i>HK\$'000</i> | Operation of Wind Farm <i>HK\$'000</i> | Rare-earth Permanent Magnet Motor Products <i>HK\$'000</i> | Trading of materials <i>HK\$'000</i> | Tele- communication <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---------------------------------------|---|---|---|--|---|---------------------------------|
| Turnover | | | | | | |
| External sales | <u>165,444</u> | <u>15,669</u> | <u>23,508</u> | <u>63,700</u> | <u>14,287</u> | <u>282,608</u> |
| Result | | | | | | |
| Segment result | (27,163) | 15,713 | 1,950 | 317 | (10,932) | (20,115) |
| Unallocated other income | | | | | | 7,011 |
| Unallocated corporate expenses | | | | | | (35,871) |
| Finance costs | | | | | | (47,606) |
| Share of results of joint ventures | | | | | | <u>105,065</u> |
| Profit before taxation | | | | | | <u><u>8,484</u></u> |

3. SEGMENT INFORMATION *(Continued)*

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 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 joint ventures | | | | | | <u>116,083</u> |
| Profit before taxation | | | | | | <u>37,749</u> |

4. OTHER GAINS AND LOSSES

| | 1.1.2013 | 1.1.2012 |
|--|------------------|-----------|
| | to | to |
| | 30.6.2013 | 30.6.2012 |
| | HK\$'000 | HK\$'000 |
| Gain on disposal of available-for-sale financial asset | 3,633 | — |
| Net exchange gain recognised | 868 | 1,102 |
| Recovery of trade receivables previously impaired | 127 | 3,613 |
| Gain on disposal of interests in associates | — | 11,801 |
| Gain on disposal of property, plant and equipment | — | 606 |
| | 4,628 | 17,122 |

5. FINANCE COSTS

| | 1.1.2013 | 1.1.2012 |
|--------------------------------------|------------------|-----------|
| | to | to |
| | 30.6.2013 | 30.6.2012 |
| | HK\$'000 | HK\$'000 |
| Interests on bank and other loans: | | |
| – wholly repayable within five years | 45,527 | 37,173 |
| – repayable over five years | 2,079 | 2,493 |
| | 47,606 | 39,666 |

6. PROFIT BEFORE TAXATION

| | 1.1.2013 | 1.1.2012 |
|--|------------------|-----------------|
| | to | to |
| | 30.6.2013 | 30.6.2012 |
| | HK\$'000 | <i>HK\$'000</i> |
| Profit before taxation has been arrived at after charging (crediting): | | |
| Depreciation of property, plant and equipment | 17,037 | 16,038 |
| Amortisation of intangible assets | 3,478 | 5,998 |
| Interest income | | |
| – advance to a joint venture | (1,582) | (2,302) |
| – bank balances | (933) | (2,851) |
| Other income | | |
| – gain on disposal of a property development project | — | (22,185) |
| | ===== | ===== |

7. TAXATION

| | 1.1.2013 | 1.1.2012 |
|-----------------------------------|------------------|-----------------|
| | to | to |
| | 30.6.2013 | 30.6.2012 |
| | HK\$'000 | <i>HK\$'000</i> |
| The tax charge comprises: | | |
| Current tax: | | |
| PRC Enterprise Income Tax ("EIT") | 793 | 4,458 |
| Deferred taxation | 563 | 243 |
| | ===== | ===== |
| | 1,356 | 4,701 |
| | ===== | ===== |

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% (2012: 25%) for the six months ended 30 June 2013.

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 2013.

9. EARNINGS PER SHARE - BASIC

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

| | 1.1.2013 | 1.1.2012 |
|---|------------------|---|
| | to | to |
| | 30.6.2013 | 30.6.2012 |
| | HK\$'000 | HK\$'000 |
| Profit for the period for the purpose of basic earnings per share | | |
| – attributable to the owners of the Company | 9,716 | 39,603 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | | Number of shares 2013 & 2012 |
| Number of ordinary shares for the purpose of basic earnings per share | | 3,968,995,668 |
| | | <hr/> <hr/> |

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



10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES AND DEPOSITS PAID FOR PROPERTY, PLANT AND EQUIPMENT/INVESTMENT PROPERTY

During the period, the Group derecognised certain plant and machinery with an aggregate carrying amount of HK\$108,403,000 (1.1.2012 to 30.06.2012: nil) due to a deemed disposal of a subsidiary. Details are set out in note 17.

During the period, the Group disposed of certain plant and machinery with an aggregate carrying amount of HK\$508,000 (1.1.2012 to 30.6.2012: HK\$1,069,000) for cash proceeds of HK\$508,000 (1.1.2012 to 30.6.2012: HK\$1,675,000), resulting in no gain or loss on disposal (1.1.2012 to 30.6.2012: gain on disposal of HK\$606,000).

During the period, the Group spent approximately HK\$7,114,000 (1.1.2012 to 30.6.2012: HK\$16,030,000) on acquisition of plant and machineries.

During the period, the Group acquired an investment property with a cost of HK\$13,883,000 (1.1.2012 to 30.6.2012: nil). The investment property was partially settled by deposits paid in prior year of HK\$9,801,000 (1.1.2012 to 30.6.2012: nil).

During the period, the Group made further deposits of HK\$628,000 (1.1.2012 to 30.6.2012: nil) and HK\$5,639,000 (1.1.2012 to 30.6.2012: nil) for the acquisition of property, plant and equipment and investment property, respectively.

Included in investment properties of HK\$53,303,000 is a balance of HK\$13,883,000 (31.12.2012: nil), which represented an investment property under construction, the fair value of the investment property under construction cannot be measured reliably, and thus, it is accounted for using cost model. The remaining balance is accounted for using fair value model. The fair value of the Group's investment property as at 30 June 2013 were determined by the directors of the Group. The valuation performed by the directors of the Group was arrived at by reference to recent market prices for similar commercial properties in the PRC. No fair value gain or loss has been recognised for the investment property in the current period (1.1.2012 to 30.6.2012: nil).



11. AVAILABLE-FOR-SALE FINANCIAL ASSET

| | 30.6.2013 | 31.12.2012 |
|-------------------------------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Equity security listed in Hong Kong | — | 102,944 |

During the period, the Group disposed of its investment in Huadian Fuxin Energy Corporation Limited, an equity security listed on The Stock Exchange of Hong Kong Limited, to third parties in the open market for total considerations of HK\$122,745,000. Gain on disposal of available-for-sale financial asset of HK\$3,633,000 is recognised after netting off the transaction cost of HK\$264,000.

12. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$462,631,000 (31.12.2012: HK\$493,668,000). The amount of trade receivables at 30 June 2013 included retention receivables for the sales of wind turbines to third parties of HK\$57,614,000 (31.12.2012: HK\$56,305,000). The balances will be settled upon the completion of warranty period of 2 - 5 years ranging from 2013 to 2017. For the remaining balances of trade receivables, the Group allows credit periods for 90 days on average to its customers for sales of goods mainly wind energy related products. At the discretion of the executive directors, several major customers were allowed to settle their balances beyond the credit terms up to one year. The following is an ageing analysis of trade receivables net of allowances, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

| | 30.6.2013 | 31.12.2012 |
|--------------------------|------------------|------------|
| | HK\$'000 | HK\$'000 |
| Within 30 days | 122,684 | 280,280 |
| Between 31 and 90 days | 8,841 | 4,987 |
| Between 91 and 180 days | 4,463 | 7,112 |
| Between 181 and 365 days | 260,483 | 85,916 |
| Over 1 year | 66,160 | 115,373 |
| | 462,631 | 493,668 |

Included in the Group's other receivables at 30 June 2013 are dividend receivable from a joint venture of HK\$12,381,000 (31.12.2012: HK\$12,231,000), dividend receivables from associates of HK\$11,450,000 (31.12.2012: HK\$16,480,000), deposits paid for purchase of inventories for subsidiaries in the PRC of HK\$170,790,000 (31.12.2012: HK\$88,820,000), VAT recoverable of HK\$83,585,000 (31.12.2012: HK\$82,714,000) and bills receivables of HK\$131,818,000 (31.12.2012: HK\$48,032,000) in relation to the settlement of trade receivables. All bills receivable of the Group are aged within 180 days (31.12.2012: 90 days).

13. PLEDGED BANK DEPOSITS

Included in the Group's pledged bank deposits are bank deposits amounting to HK\$11,571,000 (31.12.2012: HK\$24,947,000) 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 2013 upon the settlement of the related borrowings.

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$468,599,000 (31.12.2012: HK\$419,898,000). The following is an ageing analysis of trade payables based on the invoice dates at the end of each reporting period:

| | 30.6.2013 | 31.12.2012 |
|--------------------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within 30 days | 138,268 | 125,720 |
| Between 31 and 90 days | 95,034 | 159,941 |
| Between 91 and 180 days | 151,506 | 23,540 |
| Between 181 and 365 days | 25,965 | 71,541 |
| Over 1 year | 57,826 | 39,156 |
| | <u>468,599</u> | <u>419,898</u> |

Included in the Group's other payables at 30 June 2013 are accrual for construction work of HK\$6,065,000 (31.12.2012: HK\$6,341,000), receipt in advance from customers of HK\$52,425,000 (31.12.2012: HK\$9,548,000), project guarantee deposits of HK\$2,511,000 (31.12.2012: HK\$6,166,000), accrued transportation cost of HK\$4,342,000 (31.12.2012: HK\$3,730,000), office rental payable of HK\$4,357,000 (31.12.2012: HK\$4,280,000) and bills payables aged within 180 days of HK\$6,769,000 (31.12.2012: HK\$30,139,000). Dividend payable to non-controlling interests of a subsidiary of HK\$3,996,000 at 31 December 2012 was settled during the current period.

15. BORROWINGS

| | 30.6.2013 | 31.12.2012 |
|--|------------------|-----------------|
| | HK\$'000 | HK\$'000 |
| Short term bank loans (Note a) | 430,736 | 755,380 |
| Short term shareholder's loans (Note b) | 313,853 | — |
| Long term shareholder's loans (Note b) | 979,223 | 961,954 |
| Short term other loans | — | 36,998 |
| Long term other loan (Note c) | 71,295 | 82,370 |
| | 1,795,107 | 1,836,702 |
| Less: Amount due within one year under current liabilities | (744,589) | (792,378) |
| Amount due after one year | 1,050,518 | 1,044,324 |

The maturity of the Group's borrowings is as follows:

| | | |
|---------------------------|------------------|-----------|
| Within one year | 744,589 | 792,378 |
| Between one to two years | 313,853 | — |
| Between two to five years | 665,370 | 961,954 |
| Over five years | 71,295 | 82,370 |
| | 1,795,107 | 1,836,702 |



15. BORROWINGS *(Continued)*

Notes:

- (a) The amount at 30 June 2013 represents unsecured bank loans of HK\$430,736,000 or RMB343,103,000 (31.12.2012: HK\$724,548,000 or RMB587,500,000). The loans bear fixed-rate interest ranging from 3.25% to 6.90% (31.12.2012: 6% to 6.56%) per annum.

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

- (b) The amounts in aggregate amounting to HK\$1,293,076,000 or RMB1,030,000,000 (31.12.2012: HK\$961,954,000 or RMB780,000,000) represent loans advanced from China Academy of Launch Vehicle Technology ("CALT"), a stated-owned enterprise and intermediate holding of the Group, through a fellow subsidiary of CALT, Aerospace Science and Technology Finance Co., Ltd. ("ASTF"). HK\$313,853,000 or RMB250,000,000 was additionally raised during the period.

The amounts are unsecured, bear fixed-rate interest ranging from 3.7% to 5% (31.12.2012: 3.7% to 4.88%) per annum. Loans of HK\$313,853,000 or RMB250,000,000 (31.12.2012: HK\$308,319,000 or RMB250,000,000), HK\$313,853,000 or RMB250,000,000 (31.12.2012: nil), HK\$502,166,000 or RMB400,000,000 (31.12.2012: HK\$493,309,000 or RMB400,000,000) and HK\$163,204,000 or RMB130,000,000 (31.12.2012: HK\$160,326,000 or RMB130,000,000) are repayable in April 2014, March 2015, April 2016 and July 2017 respectively.

- (c) The amount represents a loan of HK\$71,295,000 or RMB56,790,000 (31.12.2012: HK\$82,370,000 or RMB66,790,000) advanced from a non-controlling shareholder of a subsidiary. The amount is unsecured, bears floating-rate interest at 0.9 times of the People's Bank of China Benchmark interest rate that is 5.90% (31.12.2012: 6.12%) per annum and is repayable in full in November 2020. Amount of HK\$12,554,000 or RMB10,000,000 was settled during the current period.



16. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

(a) Transactions with CASC Group

Included in borrowings at 30 June 2013 were five (31.12.2012: four) loans advanced from CALT through CASC’s subsidiary, ASTF, as the trustee totalling HK\$1,293,076,000 or RMB1,030,000,000 (31.12.2012: HK\$961,954,000 or RMB780,000,000). Details are set out in note 15(b).

(b) Transactions with other government-related entities

(1) Included in borrowings at 30 June 2013 was a loan of HK\$71,295,000 or RMB56,790,000 (31.12.2012: HK\$82,370,000 or RMB66,790,000) advanced from a non-controlling shareholder of a subsidiary. Details are set out in note 15(c).

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

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



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

(ii) Transactions with other related parties

(a) The amounts due from/to associates are unsecured, non-interest bearing and repayable on demand.

(b) (1) Non-current balance

Included in the balance is a loan advanced to a joint venture amounted to HK\$70,303,000 brought forward from prior year (31.12.2012 under current account: HK\$69,063,000) and was repayable in June and July 2013. At the end of the reporting period, the Group is in the process to extend the maturity date of the loan with the joint venture to July 2014. The loan is therefore classified as non-current in the current period. In July 2013, the Group has signed renewed loan agreement with the joint venture to extend the maturity date of the loan to July 2014 and the joint venture has pledged its land and buildings with a carrying amount of HK\$75,600,000 ("Pledged Assets") to the Group to secure the loan. The loan bears fixed interest rate at 6% per annum.

For the other non-current account balance of HK\$35,654,000 (31.12.2012 under current account: HK\$30,832,000), the joint venture has entered into a new arrangement during the current period with the Group that the balance shall be repaid from the proceeds upon the realisation of the Pledged Assets and certain other assets of the joint venture. The other non-current account balance of HK\$35,654,000 and the remaining balance of HK\$8,034,000 are unsecured, non-interest bearing and repayable on demand. The directors of the Company expected that the Pledged Assets and certain other assets of the joint venture will not be realised within 12 months from the end of the reporting period, therefore classified as non-current.



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

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

(b) *(Continued)*

(2) Current balance

The amounts due from joint ventures at 30 June 2013 included retention receivables of HK\$29,713,000 (31.12.2012: HK\$29,189,000) for the sales of wind turbines to a joint venture that took place in prior years. The balance is unsecured, non-interest bearing and will be settled upon the completion of warranty period in 2015. The remaining balance of HK\$3,441,000 (31.12.2012: HK\$331,000) is unsecured, non-interest bearing and repayable on demand.

- (3) Included in the amounts due to joint ventures is a balance of HK\$22,979,000 (31.12.2012: HK\$22,573,000), which represented a guarantee deposit received from a joint venture. The Group issued a financial guarantee of HK\$22,979,000 (31.12.2012: HK\$22,573,000) to a bank in respect of a banking facility granted to a customer of the joint venture. The joint venture deposited the same amount to the Group as guarantee deposit under the arrangement. The amount will be released on September 2013 (31.12.2012: March 2013). The remaining balance is unsecured, non-interest bearing and repayable on demand.

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

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

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

| | 1.1.2013 | 1.1.2012 |
|--|--------------------------|--------------------------|
| | to | to |
| | 30.6.2013 | 30.6.2012 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Sales of goods to an associate | — | 175 |
| Purchase of goods from an associate | 12,747 | 18,277 |
| Interest paid to ASTF | 24,739 | 21,535 |
| Interest paid to a non-controlling shareholder of a subsidiary | 2,079 | 2,493 |
| Interest income from a joint venture | 1,582 | 2,302 |
| | <u> </u> | <u> </u> |

(d) Compensation of key management personnel

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

| | 1.1.2013 | 1.1.2012 |
|---|--------------------------|--------------------------|
| | to | to |
| | 30.6.2013 | 30.6.2012 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Salaries and other benefits | 3,191 | 2,617 |
| Contributions to retirement benefits scheme | 8 | 6 |
| | <u> </u> | <u> </u> |
| | <u>3,199</u> | <u>2,623</u> |

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

17. DEEMED DISPOSAL OF A SUBSIDIARY

During the period, the Group and the non-controlling shareholders of a subsidiary, 蘇州航天特譜風能技術有限公司 (“Suzhou Wind Energy”), whose business is manufacturing and trading of wind turbines, agreed to change the proportion of directors in the board of directors of Suzhou Wind Energy. The number of directors that can be appointed by the Group has decreased from three to two out of five board members with effect from 1 April 2013. In the current period, the Group has transferred a right to appoint a director irrevocably to 蘇州三科投資管理有限公司, another shareholder of Suzhou Wind Energy, with effect from 1 April 2013. All decisions about operating and financial (which are relevant activities of Suzhou Wind Energy) require three-fifth votes (i.e. three votes). As a result, the Group has lost its ability to direct the relevant activities of Suzhou Wind Energy. The Group has lost its control over Suzhou Wind Energy since 1 April 2013. The Group continues to hold 41.28% equity interest of Suzhou Wind Energy after the deemed disposal and Suzhou Wind Energy became an associate of the Group.

The net assets of Suzhou Wind Energy at the date of deemed disposal were as follows:

| | 1.4.2013 HKS' 000 |
|--|------------------------------------|
| Property, plant and equipment | 108,403 |
| Intangible assets | 58,944 |
| Deferred tax assets | 1,076 |
| Inventories | 111,949 |
| Trade and other receivables | 102,541 |
| Bank balances and cash | 9,718 |
| Trade and other payables | (100,323) |
| Borrowings | (111,241) |
| Warranty provision | (6,791) |
| Net assets | 174,276 |
| Non-controlling interests | (103,341) |
| Net assets transferred to interest in an associate | 70,935 |
| Net cash outflow arising on deemed disposal: | |
| Bank balances and cash disposed of | 9,718 |

The directors of the Company considered that the fair value of the retained interest classified as interest in the associate at the date of deemed disposal approximated to its carrying amount.

18. CONTINGENT LIABILITIES

| | 30.6.2013 | 31.12.2012 |
|--|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Guarantee given to a bank, in respect of a banking facility granted to an associate | | |
| – amount guaranteed | 25,108 | 24,665 |
| – amount utilised | 25,108 | 24,665 |
| Guarantee given to a bank, in respect of a banking facility granted to a third party | | |
| – amount guaranteed | 22,979 | 22,573 |
| – amount utilised | — | — |
| | — | — |

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