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

2010 Interim Report

* 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**

CONTENTS

CORPORATE INFORMATION

Board of Directors	*Executive Directors* Mr. Han Shuwang *(Chairman)* Mr. Wang Xiaodong *Non-executive Directors* Mr. Wu Jiang Mr. Tang Guohong Mr. Li Guang *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. Wu Jiang Mr. Gordon Ng
Remuneration Committee	Mr. Tang Guohong *(Chairman)* Ms. Kan Lai Kuen, Alice Mr. Gordon Ng
Development and Investment Committee	Mr. Han Shuwang *(Chairman)* Mr. Wang Xiaodong Mr. Wang Dechen Mr. Tang Guohong
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	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street, P.O. Box 705 Grand Cayman KY1-1107 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 China (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited DBS Bank (Hong Kong) Limited
Legal Advisers	Sidley Austin Sit, Fung, Kwong & Shum Conyers Dill & Pearman
Website	www.energine.hk
Email Address	energine@energine.hk
Stock Code	1185

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS SUMMARY

As of 30 June 2010, the Group's turnover for the first half of 2010 amounted to HK$199.02 million with a profit for the period of HK$113.13 million in contrast to that for the year 2009 of HK$102.55 million with a profit for the period of HK$51.15 million respectively. The turnover for the period comprised sale of wind energy related products of HK$0.18 million, sale of electricity generated from wind farm of HK$16.92 million, sale of rare-earth permanent-magnet motor products of HK$8.81 million, sale of chemical materials of HK$140.00 million and sales of HK$33.11 million related to telecommunication business whereas that of the same period last year comprised sale of electricity of HK$16.71 million, sale of rare-earth permanent-magnet motor products of HK$8.62 million, sale of chemical materials of HK$37.37 million and sales of HK$39.85 million related to telecommunication business. The profit for the period was mainly attributable to profit contribution of a jointly controlled entity relating to automotive component business of HK$82.95 million and a reversal of impairment loss in relation to the carrying amount of the said jointly controlled entity of HK$102.63 million.

BUSINESS REVIEW

Internal Management System

In July 2010, the Group further enhanced its internal management system and formulated recommendations for the implementation of the Group's internal control and risk management system. Such move was intended to strengthen the implementation of the jobs of risk management in full swing, thereby enhancing the Group's core competitiveness and the capacity of effective supervision and control of risk in nurturing a sound culture of risk management, with a risk management institutional organisation being established, and strengthening risk awareness in the course of operations.

Business of Wind Energy Projects

During 2010, the Group's development strategy in the form of four platforms of "Research and Development, Manufacture, Testing and Service" continued to progress well, consolidating the Group's leading edge in the new energy industry and the foundation for our business growth.

Inner Mongolia Wind Turbine General Assembling Plant

Inner Mongolia CASC Energine Wind Turbine Manufacture Co. Ltd. (the "Wind Turbine General Assembling Plant"), a joint venture between Beijing Energine Industry Co. Ltd. ("BEI", a wholly-owned subsidiary of the Group) and Emergya Wind Technologies B.V. ("EWT") with shareholding of 95% and 5% respectively, is primarily engaged in component purchase, general assembling, installation and testing, and technical service of large to medium directdrive wind turbines. Equipped with advanced technical equipment and experienced manufacturing technicians, it has an annual production capacity of 400 900KW directdrive wind turbines and 200 2MW permanent-magnet directdrive wind turbines.

The Wind Turbine General Assembling Plant operated well in the first half of 2010 with timely supply of components, comprehensive quality control and smooth progress of localisation production, assuring achieving its production and sales targets for 2010. In mid-July 2010, the research and development of the 2MW directdrive wind turbine technology with CASC proprietary intellectual property completed successfully and the manufacturing of the prototype of all the components as to 2MW directwind turbine were also completed. The prototype will be put into operation in the Xinghe Wind Farm of Inner Mongolia Datang Wanyuan New Energy Co., Ltd. ("Datang Wanyuan") in the second half of 2010.

Inner Mongolia Wind Turbine Blade Plant

Inner Mongolia CASC Energine Composite Material Co. Ltd. (the "Blade Plant"), a joint venture between BEI (as to 35.9% shareholding), New Image Development Ltd. (a wholly-owned subsidiary of the Group) (as to 20.5% shareholding), Aerospace Research Institute of Materials & Processing Technology and EWT is primarily engaged in research and development, design, production and service of MW-class blades such as large structural composite material products with an annual production capacity of 400 900KW directdrive wind turbine blades and 200 2MW permanent-magnet directdrive wind turbine blades.

By the end of June 2010, the Blade Plant specifically completed the pre-production preparation for 900KW extended-type moulds and launched batch production of 900KW extended-type blades. As of end of June 2010, 63 pieces of 900KW extended-type blades were manufactured. In addition, the Blade Plant comprehensively reviewed the quality control work of its first batch of production of blades in 2009 with a view to better quality controlling of 900KW extended-type blades.

For the 2010 plan of launching 2MW blade trial production, the Blade Plant actively made the preparation for the production of 2MW blades and craft tests thereof. As of end of June, the installation of 2MW blade moulds, craft layout as to 2MW blade and tests of raw materials for blades were completed. On 13 July, it successfully achieved an important target for the year: the self-developed 2MW directdrive turbine prototype blades with CASC proprietary intellectual property were successfully released. The Blade Plant utilizes advanced manufacturing technology during production to ensure a clean production environment and high stability of products. It also utilizes domestic raw materials for production, which provides robust support and assurance in batch production of 2MW turbines with CASC proprietary intellectual property.

The localisation of batch production of this blade make will be commenced in late August or early September 2010, which signifies an important step of the Group's production of 2MW directdrive turbines, assuring the Group's secured strength in the industries of blade production and turbine manufacture.

China Energine Wind Power Industrial Park

Inner Mongolia Energine New Energy Development Co. Ltd., a wholly-owned subsidiary of the Group, occupies a site area of 500 acres as an operating platform for the Inner Mongolia wind turbine base. It has constructed plants, offices and warehouses for the Wind Turbine General Assembling Plant and the Blade Plant in the Inner Mongolia Wind Power Industrial Park and provides them with property leasing and management service.

Research and Development of Technology

Our wind power technology research and development centre is responsible for absorption and adaptation work as to technologies of 900KW directdrive wind turbine. It has completed the design of low-temperature 900KW directdrive wind turbine and coped with the production of the Wind Turbine General Assembling Plant. Meanwhile, the research and development centre is working in full swing to commence localisation production of core components. Its current foci include localisation of control system and inverter production, the research, development and innovation of high-power permanent-magnet directdrive wind turbines, and the technological research of offshore high-power wind turbines.

Sales of Wind Turbines

In May 2010, the Company completed the acquisition of 40% equity interests in Beijing EWT-CASC Directwind Marketing and Sales Co. Ltd. ("Directwind Sales") for a consideration of HK$1.82 million. Upon acquisition, the Company, EWT and Beijing Direct Energy Corp. hold 65%, 20% and 15% respectively of Directwind Sales, and Directwind Sales has become a subsidiary of the Company, consummating the Company's strategy of controlling all the entities in the supply chain of the wind turbines sales and production business, enabling the Group to account for the overall profits of the entire supply chain with respect to the whole process in the sales and production of wind turbines and wind blades utilising the advanced directdrive technology of the EWT directdrive wind turbines, and allowing the Group to engage in the marketing and sales businesses of the wind turbines manufactured by the Wind Turbine General Assembling Plant in China and all over the world. In August 2010, Directwind Sales entered into a wind turbine purchase contract to sell 55 900KW directdrive turbines to a wind farm in Baiyin City, Gansu.

Joint Promotion and Development of Large Wind Turbine Manufacturing Base on the Western Coast of the Taiwan Strait

Pursuant to a Strategic Cooperation Agreement of Joint Promotion and Development of the State's Offshore Wind Power Demonstration Project in Ningde City and Large Wind Turbine Manufacturing Base on the Western Coast of the Taiwan Strait entered into between Ningde City People's Government, China Technology Market Association, the Company and Fujian Mindong Electric Power Company Limited ("Mindong Electric Power") in 2009, the Company entered into an agreement on 15 July 2010 with Mindong Electric Power to jointly invest in establishing a new energy equipment subsidiary Fujian Energine Turbine Manufacture Co., Ltd. with the Company's investment of RMB72 million (approximately HK$82 million) representing 80% of the total capital of RMB90 million (approximately HK$103 million) for the investment, development, construction and operation of offshore and land wind farm projects, pending the approval to be obtained from the concerned authorities. As such, a manufacturing centre relating to CASC's self-owned brand of MW class directdrive wind turbine will be set up in Ningde City. In supporting this project, Ningde City Government will coordinate and provide more than one million kilowatt wind resources both offshore and of land. Through the implementation of this project, the Company's sales market will be further expanded and the development of the Company's directdrive wind turbine manufacturing business will be greatly stimulated.

On the same date, Mindong Electric Power and BEI entered into an agreement to jointly establish another new energy company Fujian Energine Min Jian New Energy Investment Co., Ltd. ("福建航天閩箭新能源投資股份有限公司") for the joint investment, development, construction and operation of offshore and land wind farm projects with a view to achieving emission reduction targets and promoting local economic development. The joint venture has a registered capital of RMB150 million (approximately HK$171 million) with shareholding of 20% and 80% held by BEI and Mindong Electric Power respectively. BEI will contribute RMB30 million (approximately HK$34 million), pending the approval to be obtained from the concerned authorities.

Trading of Materials

BEI started the trading business of pure terephthalic acid ("PTA") in October 2008. PTA is an important organic raw material refined from crude oil. It can be used to produce polyester products, including synthetic fibre such as polyester fibre, and one of the major materials used for the production of wind turbine blades is polyester fibre despite the fact that polyester is mainly used as a textile material. The company recorded a steady growth in sales of this business in the first half of 2010.

Wind Farm Operations

Liaoning Benxi

The Aerospace Long Yuan (Benxi) wind farm project, controlled and operated by the Group, is installed with 29 sets of 850KW wind turbines with a capacity of 24,650KW in total.

An electricity level of 29.64 million kwh was realized during the first half of 2010, representing an increase of 0.44 million kwh from the corresponding period last year. On-grid power generation amounted to 28.47 million kwh with realized income from principal activity of HK$16.92 million, representing an increase of HK$210,000 from the corresponding period last year, realizing a profit amounting to HK$9.27 million.

Jilin Longyuan

Jilin Tongyu wind farm, invested and constructed by the Group, is installed with 236 850KW wind turbines with a capacity of 200,000KW.

An electricity level of 182.29 million kwh was realized during the first half of 2010, representing a decrease of 29.15 million kwh from the corresponding period last year. On-grid power generation amounted to 178.05 million kwh with realized income from principal activity of HK$95.72 million, representing a decrease of HK$15.90 million from the corresponding period last year, realizing a profit amounting to HK$40.35 million.

Jiangsu Longyuan

The Jiangsu Yudong wind power field project, invested and constructed by the Group, is installed with 100 1.5MW wind turbines with a capacity of 150,000KW.

An electricity level of 189.42 million kwh was realized during the first half of 2010, representing an increase of 14.77 million kwh from the corresponding period last year. On-grid power generation amounted to 158.58 million kwh with realized income from principal activity of HK$101.78 million, representing an increase of HK$7.96 million from the corresponding period last year, realizing a profit amounting to HK$44.01 million.

Inner Mongolia Xinghe Wind Farm

The Inner Mongolia Xinghe wind farm of Datang Wanyuan, which is jointly controlled by the Group and Inner Mongolia Datang Wanyuan New Energy Co., Ltd., is installed with an installed capacity of 49,500KW with installation of the first 55 self-manufactured 900KW directdrive wind turbines, providing not only an environment for technological improvement of 900KW directdrive wind turbines, but also a testing base for research and development of 2MW directdrive wind turbines.

An electricity level of 13.61 million kwh was realized in the first half of 2010. On-grid power generation amounted to 13.35 million kwh with realized income from principal activity of HK$6.54 million, realizing a profit amounting to HK$4.14 million.

Business of New Materials

It is the plan of the Group to extensively utilise rare-earth materials in four major areas: high-power rare-earth permanent-magnet synchronous generator and variable-flow drive system applied in wind turbines, rare-earth permanent-magnet gearless traction machines for elevators, special rare-earth permanent-magnet motor for dual military plus civil application and its drive system and permanent-magnet directdrive electrical products.

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 filled up a technological gap of the domestic gearless elevator sector.

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. Its products are sold to automobile manufacturers in Europe and North America and supplied to almost all major domestic automobile manufacturers.

Revenue of HK$1.4261 billion was realised during the first six months of 2010, representing an increase of HK$619.51 million from the corresponding period last year with realized profit of HK$169.28 million, representing an increase of more than 100% from the corresponding period last year. Its sales expansion and lower cost targets were successfully achieved.

Automotive sealing systems

Beijing Wanyuan-Henniges Sealing Systems Co., Ltd., a jointly controlled entity, is a company specialises in manufacturing of medium-to-high class automotive sealing products in the domestic market. Its quality control standards is 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$199.08 million with realized profit of HK$9.63 million in the first half of 2010. The company will continue to take measures to enhance production efficiency and realise sustainable profits by controlling its raw material purchase costs, reducing its reject rate and containing its expenses as well as through technological innovation, Toyota Production System ("TPS") and Value Analysis/Value Engineering ("VAVE").

Telecommunication Business

The telecommunication products of the Group fully cover various categories such as GPS mobile terminals, intelligent transport, wireless communication, television conference and image transmission, GPS automotive information service platform, bone-conduction hearing aid telephone products. The Group has become a provider of professional electronic equipment, communication products and system integration with extensive influence in the domestic market.

PROSPECT

Looking forward in the second half of the year, the Group will continue the acceleration of localisation production of wind turbines, explore quality land and offshore wind power resources, strengthen the cooperation with other large-scale power generation groups, improve the batch production of rare-earth permanent-magnet motors and do a better job in corporate financing. We will regard devoted to new energy, contributing to society and benefiting mankind as our mission in fully discharging our social responsibilities. We will further expand our energy conservation and environmental protection businesses, and strengthen our internal control to ensure our sustainable development for higher return and wealth creation for our shareholders.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2010, the Group had 49 employees (31 December 2009: 49 employees) in the Hong Kong offices and 882 employees (31 December 2009: 752 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 2010 were HK$967,290,000 (31 December 2009: HK$1,277,410,000), which were fixed-rate borrowings. 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 2010 was 58% (31 December 2009: 83%).

Exchange and Other Exposures

Most of the Group's business transactions were conducted in Hong Kong dollars, Renminbi 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.

The Group did not have any contingent liabilities as at 30 June 2010.

ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Board of the Company did not recommend any interim dividend for the six months ended 30 June 2010 (2009: Nil).

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

As at 30 June 2010, 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

Apart from as disclosed under the headings "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures", at no time during the period 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 2010, 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%

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 2010, had any interest or short position in the shares or 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 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 2010 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 2010, 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 2010, the Board at all times met the requirements of the Rules 3.10(1) and 3.10(2) of the Listing Rules in appointment of a sufficient number of three Independent Non-executive Directors, 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. Wu Jiang. 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 2009 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:	
Ms. Kan Lai Kuen, Alice	Retired as an Independent Non-executive Director of Shougang Concord Technology Holdings Limited, a company listed on the Hong Kong Stock Exchange, with effect form 8 June 2010.

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 Ms. Kan are set out below:

Ms. Kan Lai Kuen, Alice, aged 55, is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of The Hong Kong Institute of Certified Public Accountants. She is also a fellow member of the Hong Kong Institute of Directors. She has over 15 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions and is currently a controlling shareholder and the Managing Director of each of Asia Investment Management Limited and Asia Investment Research Limited, both companies are licensed corporations under the Securities and Futures Ordinance (the "SFO"). Ms. Kan is a licensed investment adviser under the SFO and a registered officer of Lotus Asset Management Ltd. Ms. Kan has also been an Independent Non-executive Director of each of Regal Hotels International Holdings Limited , G-Vision International (Holdings) Limited, Sunway International Holdings Limited, Shimao Property Holdings Limited, Shougang Concord International Enterprises Company Limited and Shougang Concord Technology Holdings Limited, all of which are companies listed on the Hong Kong Stock Exchange. She retired from that office of Shougang Concord Technology Holdings Limited on 8 June 2010. She was appointed as an Independent Non-executive Director on 23 January 2008.

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 2010.

By Order of the Board
Han Shuwang
Chairman

Hong Kong, 26 August 2010

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 52, which comprises the condensed consolidated statement of financial position of China Energine International (Holdings) Limited and its subsidiaries (collectively referred to as the "Group") as of 30 June 2010 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 this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information 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 interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 August 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	NOTES	**1.1.2010 to 30.6.2010** ***HK$'000*** ***(Unaudited)***	1.1.2009 to 30.6.2009 *HK$'000* *(Unaudited)*
Turnover	3	**199,022**	102,551
Cost of sales		**(187,049)**	(93,959)
Gross profit		**11,973**	8,592
Other income		**11,589**	8,768
Distribution costs		**(6,605)**	(3,608)
Administrative expenses		**(65,339)**	(44,939)
Finance costs	4	**(26,844)**	(23,914)
Fair value gain on investment property		**—**	3,420
Recovery of fully impaired receivable from an associate		**—**	11,952
Reversal of impairment loss in respect of interest in a jointly controlled entity	12	**102,632**	55,189
Share of results of associates		**17,099**	12,934
Share of results of jointly controlled entities		**74,687**	26,215
Profit before taxation	6	**119,192**	54,609
Taxation	7	**(6,059)**	(3,458)
Profit for the period and total comprehensive income for the period		**113,133**	51,151
Profit for the period and total comprehensive income for the period attributable to:			
Owners of the Company		**117,922**	50,229
Non-controlling interests		**(4,789)**	922
		113,133	51,151
Earnings per share – Basic	9	**HK2.97 cents**	HK1.39 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

	NOTES	**30.6.2010**	31.12.2009
		HK$'000	*HK$'000*
		(Unaudited)	*(Audited)*
Non-current assets			
Property, plant and equipment	10	**382,565**	388,690
Investment property	10	**23,940**	23,940
Deposits paid for acquisition of plant and equipment	10	**91,661**	7,377
Goodwill		**12,151**	9,252
Interests in associates	11	**217,701**	227,280
Interests in jointly controlled entities	12	**1,139,627**	1,054,117
Fixed bank deposits	14	**68,501**	91,200
		1,936,146	1,801,856
Current assets			
Inventories		**175,784**	76,828
Trade and other receivables	13	**559,696**	239,448
Amounts due from associates	18(d)	**5,739**	212,583
Pledged bank deposits	14	**33,622**	97,851
Fixed bank deposits	14	**—**	57,000
Bank balances and cash		**258,131**	643,613
		1,032,972	1,327,323

	NOTES	30.6.2010 HK$'000 (Unaudited)	31.12.2009 HK$'000 (Audited)
Current liabilities			
Trade and other payables	15	**193,641**	194,739
Taxation payable		**894**	350
Amounts due to associates	18(d)	**315**	1,856
Borrowings - amount due within one year		**114,000**	285,000
		308,850	481,945
Net current assets		**724,122**	845,378
Total assets less current liabilities		**2,660,268**	2,647,234
Non-current liabilities			
Borrowings - amount due after one year	18(e) & (f)	**853,290**	992,410
Deferred taxation		**11,520**	10,026
		864,810	1,002,436
Net assets		**1,795,458**	1,644,798
Capital and reserves			
Share capital		**396,900**	396,900
Reserves		**1,260,507**	1,135,832
Equity attributable to owners of the Company		**1,657,407**	1,532,732
Non-controlling interests		**138,051**	112,066
Total equity		**1,795,458**	1,644,798

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Attributable to the owners of the Company									
	Share capital HK$'000	Special reserve HK$'000 (Note a)	Share premium account HK$'000	Property revaluation reserve HK$'000	Exchange reserve HK$'000	General reserve HK$'000 (Note b)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2009 (audited)	362,400	117,554	2,251,771	1,399	146,219	19,834	(1,700,348)	1,198,829	77,083	1,275,912
Profit for the year and total comprehensive income for the year	–	–	–	–	–	–	68,033	68,033	2,768	70,801
Issue of new shares	34,500	–	241,500	–	–	–	–	276,000	–	276,000
Transaction costs attributable to issue of shares	–	–	(10,130)	–	–	–	–	(10,130)	–	(10,130)
Capital contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	38,762	38,762
Dividend paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	(5,711)	(5,711)
Non-controlling interests arising on the acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(836)	(836)
Transfer	–	–	–	–	–	3,190	(3,190)	–	–	–
At 31 December 2009 and 1 January 2010 (audited)	396,900	117,554	2,483,141	1,399	146,219	23,024	(1,635,505)	1,532,732	112,066	1,644,798

	Attributable to the owners of the Company									
	Share capital *HK$'000*	Special reserve *HK$'000* *(Note a)*	Share premium account *HK$'000*	Property revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	General reserve *HK$'000* *(Note b)*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
Profit (loss) for the period and total comprehensive income (expense) for the period	–	–	–	–	–	–	117,922	117,922	(4,789)	113,133
Capital contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	34,200	34,200
Non-controlling interests arising on the acquisition of a subsidiary	–	–	–	–	–	–	–	–	(579)	(579)
Difference arising on disposal of interest in a subsidiary	–	–	–	–	–	–	6,753	6,753	1,257	8,010
Dividend paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	(4,104)	(4,104)
At 30 June 2010 (unaudited)	396,900	117,554	2,483,141	1,399	146,219	23,024	(1,510,830)	1,657,407	138,051	1,795,458
At 1 January 2009 (audited)	362,400	117,554	2,251,771	1,399	146,219	19,834	(1,700,348)	1,198,829	77,083	1,275,912
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	50,229	50,229	922	51,151
Capital contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	20,520	20,520
Non-controlling interests arising on the acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(836)	(836)
Dividend paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	(5,711)	(5,711)
At 30 June 2009 (unaudited)	362,400	117,554	2,251,771	1,399	146,219	19,834	(1,650,119)	1,249,058	91,978	1,341,036

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 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 2010

	1.1.2010 to 30.6.2010	1.1.2009 to 30.6.2009
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Net cash used in operating activities	**(102,727)**	(86,985)
Investing activities		
Deposits paid for acquisition of property, plant and equipment	**(84,284)**	(23,931)
Purchase of property, plant and equipment	**(8,800)**	(4,377)
Acquisition of additional interest in a jointly controlled entity	**(3,153)**	—
Decrease (increase) in fixed bank deposits	**79,699**	(148,200)
Decrease in pledged bank deposits	**64,229**	—
Advance to a jointly controlled entity	**(57,000)**	—
Dividend received from a jointly controlled entity	**9,884**	49,719
Acquisition of a subsidiary, net of cash and cash equivalents acquired	**8,993**	—
Proceeds from disposal of property, plant and equipment	**17**	129
Repayment from associates	**—**	13,680
Other investing cash flows	**2,414**	(6,816)
Net cash generated from (used in) investing activities	**11,999**	(119,796)

	1.1.2010 to 30.6.2010	1.1.2009 to 30.6.2009
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Financing activities		
Proceeds from disposal of partial interest in a subsidiary that does not result in losing control of the subsidiary	**8,010**	—
Capital contribution from non-controlling interests of a subsidiary	**34,200**	20,520
New loans raised	**—**	335,200
Repayment of loans	**(310,120)**	(130,700)
Other financing cash flows	**(26,844)**	(26,769)
Net cash (used in) generated from financing activities	**(294,754)**	198,251
Net decrease in cash and cash equivalents	**(385,482)**	(8,530)
Cash and cash equivalents at the beginning of the period	**643,613**	212,465
Cash and cash equivalents at the end of the period, representing bank balances and cash	**258,131**	203,935

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 "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 which is measured at fair value.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Except as described below, the application of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

HKFRS 3 (Revised 2008) Business Combinations

HKFRS 3 (Revised 2008) Business Combinations has been applied prospectively from 1 January 2010. Its application has affected the accounting for the acquisition of additional interest in an associate Beijing EWT-CASC Directwind Marketing and Sales Co. Ltd. ("Directwind Sales") resulting in the Group obtaining control in Directwind Sales in the current period.

The impact of adoption of HKFRS 3 (Revised 2008) has been:

- It allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as "minority" interests). In the current period, in accounting for the acquisition of Directwind Sales, the Group has elected to measure the non-controlling interests at the proportionate share of the acquiree's net identifiable assets at the acquisition date under HKFRS 3 (Revised 2008). Consequently, the goodwill recognised in respect of that acquisition does not reflect the impact of the difference between the fair value of the non-controlling interests and their share of the identifiable net assets of the acquiree;

- It requires an equity interest previously held in the acquiree to be remeasured to its fair value on the acquisition date and any resulting gain or loss to be recognised in profit or loss. In the current period, in accounting for the acquisition of Directwind Sales (previously an associate of the Group), the fair value of its previously-held equity interest which had a carrying amount of zero prior to acquisition due to accumulated losses, was insignificant and so no gain or loss has been recognised in profit or loss;

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 3 (Revised 2008) Business Combinations *(Continued)*

- It requires acquisition-related costs to be accounted for separately from the business combination. As a result, the Group has recognised HK$712,000 of such costs as an expense in profit or loss, whereas previously they would have been accounted for as part of the cost of the acquisition.

In the current period, these changes in policies have affected the accounting for the acquisition of Directwind Sales as follows:

Consolidated statement of financial position	**30.6.2010**
	HK$'000
Reduction in the goodwill recognised as a result of the application of HKFRS 3 (Revised 2008):	
Acquisition-related costs expensed when incurred (profit or loss)	**(712)**

Consolidated statement of comprehensive income	**30.6.2010**
	HK$'000
Decrease in profit for the period arising on the recognition of acquisition-related costs when incurred	**(712)**

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (Revised 2008) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under HKAS 27 (Revised 2008), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

In respect of the disposal during the period of part of the Group's interest in CASTEL Qihua Ltd. ("CASTEL Qihua"), a 70% owned subsidiary, the impact of the change in policy has been that the difference of HK$6,753,000 between the consideration received and the increase in the carrying amount of the non-controlling interests has been recognised directly in equity. Had the previous accounting policy been applied, this amount would have been recognised in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the period of HK$6,753,000. In addition, cash consideration of HK$8,010,000 received from the non-controlling shareholders is presented as cash flow from financing activities. (Please also refer to note 5)

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Summary of the effect of the above changes in accounting policies

The effect of changes in accounting policies described above on the results for the current and prior periods by line items presented in the condensed consolidated statement of comprehensive income is as follows:

	1.1.2010 to 30.6.2010	1.1.2009 to 30.6.2009
	HK$'000	*HK$'000*
Decrease in other income as a result of the change in the accounting policy for disposal of a subsidiary that does not result in lost of control	**6,753**	—
Increase in administrative expenses arising on the recognition of acquisition-related costs when incurred	**712**	—
Decrease in profit for the period	**7,465**	—

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Summary of the effect of the above changes in accounting policies *(Continued)*

The effect of changes in accounting policies described above on the Group's basic earnings per share for the current and prior period is as follows:

Impact on basic earnings per share

	1.1.2010 to 30.6.2010 *HK cents*	1.1.2009 to 30.6.2009 *HK cents*
Basic earnings per share before adjustments	**3.16**	1.39
Adjustments arising from changes in accounting policies (see note 2) in relation to:		
– disposal of a subsidiary that does not result in lost of control	**(0.17)**	—
– recognition of acquisition-related costs when incurred	**(0.02)**	—
Basic earnings per share, as reported	**2.97**	1.39

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related party disclosures[4]
HKAS 32 (Amendment)	Classification of rights issues[2]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[3]
HKFRS 9	Financial instruments[5]
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a minimum funding requirement[4]
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments[3]

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Summary of the effect of the above changes in accounting policies *(Continued)*

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

2 Effective for annual periods beginning on or after 1 February 2010

3 Effective for annual periods beginning on or after 1 July 2010

4 Effective for annual periods beginning on or after 1 January 2011

5 Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group currently organises its operations into five operating segments. They represent five major lines of businesses engaged by the Group. Segment results represent the profit (or loss) before taxation earned or incurred by each segment, excluding finance costs, fair value gain or loss on investment property, reversal of impairment loss in respect of interest in a jointly controlled entity, share of results of jointly controlled entities which cannot be allocated, unallocated other income and corporate expenses such as central administration costs and directors' salaries. Share of profit of associates of HK$17,099,000 (2009: HK$12,934,000) and share of loss of jointly controlled entities of HK$3,259,000 (2009: HK$7,131,000) were allocated to operating segments. This is the measure reported to the Group's Executive Directors for the purpose 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 operating segment for the period under review:

Six months ended 30 June 2010

	Wind Energy Related Products	Operation of Wind Farm	Rare-earth Permanent Magnet Motor ("REPM") Products	Trading of materials	Tele-communication	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover						
External sales	184	16,918	8,811	139,999	33,110	199,022
Result						
Segment result	(24,506)	31,935	(8,161)	2,164	(14,042)	(12,610)
Unallocated other income						3,296
Unallocated corporate expenses						(25,228)
Finance costs						(26,844)
Reversal of impairment loss in respect of interest in a jointly controlled entity						102,632
Share of results of jointly controlled entities						77,946
Profit before taxation						119,192

3. SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2009

	Wind Energy Related Products *HK$'000*	Operation of Wind Farm *HK$'000*	REPM Products *HK$'000*	Trading of materials *HK$'000*	Tele-communication *HK$'000*	Consolidated *HK$'000*
Turnover						
External sales	—	16,713	8,624	37,366	39,848	102,551
Result						
Segment result	(14,811)	25,195	(4,953)	13	(1,219)	4,225
Unallocated other income						3,158
Unallocated corporate expenses						(20,814)
Finance costs						(23,914)
Fair value gain on investment property						3,420
Reversal of impairment loss in respect of interest in a jointly controlled entity						55,189
Share of results of jointly controlled entities						33,345
Profit before taxation						54,609

3. SEGMENT INFORMATION *(Continued)*

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

	30.6.2010	31.12.2009
	HK$'000	*HK$'000*
Wind energy related products	**903,633**	761,104
Operation of wind farm	**485,429**	478,386
REPM Products	**63,045**	83,563
Trading of materials	**51,812**	21,847
Telecommunication	**101,371**	114,666
Total segment assets	**1,605,290**	1,459,566
Interests in jointly controlled entities	**1,063,731**	978,114
Unallocated assets	**300,097**	691,499
Consolidated total assets	**2,969,118**	3,129,179

4. FINANCE COSTS

	1.1.2010 to 30.6.2010	1.1.2009 to 30.6.2009
	HK$'000	*HK$'000*
Interests on bank and other loans:		
– wholly repayable within five years	**24,534**	20,518
– repayable over five years	**2,310**	3,396
	26,844	23,914

5. DISPOSAL OF INTEREST IN A SUBSIDIARY THAT DOES NOT RESULT IN LOSING CONTROL

On 26 May 2010, the Group disposed of 15% of its interest in CASTEL Qihua, reducing its controlling interest from 70% to 55%. The proceeds on disposal of HK$8,010,000 were received in cash.

Amount of HK$6,753,000 representing the difference between the disposal proceeds and the amount transferred to non-controlling interests has been recognised directly in equity.

6. PROFIT BEFORE TAXATION

	1.1.2010 to 30.6.2010	1.1.2009 to 30.6.2009
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts	**4,120**	1,472
Allowance for obsolete inventories	**4,415**	5,292
Depreciation of property, plant and equipment	**16,200**	10,535
Loss on disposal of property, plant and equipment	**3**	60
Interest income	**(2,414)**	(1,440)

7. TAXATION

	1.1.2010 to 30.6.2010	1.1.2009 to 30.6.2009
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax:		
PRC Enterprise Income Tax	**4,566**	862
Deferred taxation	**1,493**	2,596
	6,059	3,458

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 other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 25% (2009: 25%) for the six months ended 30 June 2010.

8. DIVIDENDS

No dividends were paid or declared for both periods. The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2010.

9. EARNINGS PER SHARE - BASIC

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

	1.1.2010 to 30.6.2010	1.1.2009 to 30.6.2009
	HK$'000	*HK$'000*
Profit for the purpose of basic earnings per share	**117,922**	50,229

	Number of shares	
	2010	2009
Weighted average number of shares for the purpose of basic earnings per share	**3,968,995,668**	3,623,995,668

No diluted earnings per share has been presented as there were no potential dilutive 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 plants and machineries with a carrying amount of HK$20,000 (1.1.2009 to 30.6.2009: HK$189,000) for proceeds of HK$17,000 (1.1.2009 to 30.6.2009: HK$129,000), resulting in a loss on disposal of HK$3,000 (1.1.2009 to 30.6.2009: HK$60,000).

During the period, the Group spent approximately HK$8,800,000 (1.1.2009 to 30.6.2009: HK$4,377,000) on acquisition of property, plant and equipment.

At 30 June 2010 and 31 December 2009, the Group had deposits paid for the acquisition of plant and machinery that will be used by a subsidiary of the Company established in Wuxi, the PRC of HK$91,661,000 and HK$7,377,000 respectively.

The fair value of the Group's investment property as at 30 June 2010 was determined by the directors of the Company. No valuation has been performed by independent qualified professional valuers. 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.

11. INTERESTS IN ASSOCIATES

No additional capital injection has been made to the associates for the six months ended 30 June 2010 and 30 June 2009.

12. INTERESTS IN JOINTLY CONTROLLED ENTITIES

During the six months ended 30 June 2010, the Group made a reversal of impairment loss of HK$102,632,000 (out of the impairment loss previously recognised in prior years of HK$339,360,000) in relation to the carrying amount of an interest in a jointly controlled entity, Beijing Delphi Wanyuan Engine Management Systems Co. Ltd. ("Beijing Delphi"), which is engaged in the manufacturing of automotive engine management systems and components.

Pursuant to the relevant laws and regulations in the PRC, the applicable PRC Enterprise Income Tax rate for Beijing Delphi was 20% in prior year. On 22 February 2010, Beijing Delphi was classified as "High Technology Enterprise" and entitled to a tax reduction from 25% to 15% for three years which will be subject to renewal by Beijing Delphi before expiry. The preferential tax rate granted to Beijing Delphi contributed to the increase of the recoverable amount of interest in the jointly controlled entity in the current period.

In 2009, the Group made a reversal of impairment loss of HK$55,189,000 (out of the impairment loss previously recognised in prior years of HK$394,549,000) in relation to the carrying amount of Beijing Delphi. The government of the PRC has introduced a number of policies and incentive subsidies to encourage the development and consumption of low emission automobile manufactured in the PRC from the years of 2009 to 2011, and the jointly controlled entity has recorded an increase in sales of products in 2009. The increase of the recoverable amount of the interest in the jointly controlled entity in 2009 was mainly attributable to the increase of sales growth after the introduction of these new policies in the PRC.

The recoverable amount of interest in the jointly controlled entity is determined by management from value in use calculations by estimating the Group's share of the present value of the estimated future cash flows expected to be generated by the jointly controlled entity covering a 5-year period at discount rate of 15%, which reflects current market assessments of the time value of money and the risk specific to the investment in the jointly controlled entity. The growth rate being used for the 5-year period for operation of the jointly controlled entity is 4% based on financial budgets approved by management. Cash flows beyond the 5-year period are extrapolated using a steady growth rate of 3.5%.

12. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

During the six months ended 30 June 2010, the Group spent approximately HK$3,153,000 to acquire an additional interest of 5% in a jointly controlled entity.

13. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK$136,769,000 (31.12.2009: HK$50,770,000). 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 aged analysis of trade receivables net of allowances, presented based on the invoice date at the end of the reporting period:

	30.6.2010	31.12.2009
	HK$'000	*HK$'000*
Within 30 days	**5,830**	18,604
Between 31 and 90 days	**8,248**	19,531
Between 91 and 180 days	**2,236**	833
Between 181 and 365 days	**116,686**	4,080
Over 1 year	**3,769**	7,722
	136,769	50,770

In addition, trade receivables at 30 June 2010 included an amount due from a jointly controlled entity of HK$105,976,000 which is trade in nature, non-interest bearing and repayable under normal credit periods.

13. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in the Group's other receivables at 30 June 2010 are advance to minority shareholder of a subsidiary of HK$2,280,000 (31.12.2009: HK$8,459,000), dividend receivables from a jointly controlled entity and associates with aggregate carrying amount of HK$118,972,000 (31.12.2009: HK$9,884,000), deposits on purchase of materials for subsidiaries in the PRC of HK$109,422,000 (31.12.2009: HK$82,916,000) and bills receivable of HK$1,938,000 (31.12.2009: HK$12,308,000) and advance to a jointly controlled entity of HK$57,000,000 (31.12.2009: nil). The advance to a jointly controlled entity is secured by its current assets and repayable in full in December 2010 and bears fixed interest at 4.86% per annum.

In addition, other receivables at 30 June 2010 included amounts due from China Aerospace International Holdings Limited ("CASIL") and its subsidiaries, of HK$15,291,000 (31.12.2009: HK$15,291,000). CASIL, a subsidiary of China Aerospace Science & Technology Corporation ("CASC"), the ultimate holding company of the Company and therefore CASIL is a fellow subsidiary of the Company. The amounts due from CASIL are unsecured, non-interest bearing and repayable on demand.

14. PLEDGED BANK DEPOSITS/FIXED BANK DEPOSITS

At 30 June 2010, bank deposits amounting to HK$33,622,000 (31.12.2009: HK$97,851,000) have been pledged to banks to secure general banking facilities granted to the Group.

At 30 June 2010, fixed bank deposits represent deposits placed in a bank that carried fixed interest rate at 3.33% per annum.

15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$77,271,000 (31.12.2009: HK$47,429,000). The following is an aged analysis of trade payables:

	30.6.2010	31.12.2009
	HK$'000	*HK$'000*
Within 30 days	**24,884**	20,489
Between 31 and 90 days	**32,928**	14,419
Between 91 and 180 days	**1,993**	2,721
Between 181 and 365 days	**8,178**	2,317
Over 1 year	**9,288**	7,483
	77,271	47,429

Included in the Group's other payable at 30 June 2010 are accrual for construction work of HK$20,086,000 (31.12.2009: HK$33,925,000), receipt in advance from customers of HK$28,061,000 (31.12.2009: HK$43,513,000) and interest payable of HK$14,105,000 (31.12.2009: HK$14,246,000).

In addition, other payables at 30 June 2010 included amounts due to CASIL and its subsidiaries of HK$4,407,000 (31.12.2009: HK$4,407,000). The amounts are unsecured, non-interest bearing and are repayable on demand.

16. CAPITAL COMMITMENTS

(a) At 30 June 2010, the Group was committed to capital expenditure contracted but not provided for of HK$2,907,000 (31.12.2009: HK$63,060,000) relating to its investments in sino-foreign enterprises of the Group. In addition, capital commitment contracted but not provided for relating to the Group's interest in a jointly controlled entity established in Inner Mongolia in the PRC amounts to HK$1,914,000 as at 30 June 2010 (31.12.2009: HK$18,535,000).

(b) At 30 June 2010, the Group was committed to capital expenditure contracted but not provided for of approximately HK$63,295,000 for the acquisition of plant and machinery.

17. ACQUISITION OF A SUBSIDIARY

On 10 February 2010, the Company has entered into an agreement with Emergya Wind Technologies B.V., an independent third party to purchase additional 40% equity interest in Directwind Sales, an 25% owned associate of the Company established in Beijing, the PRC, at a consideration of RMB1,600,000 (equivalent to HK$1,824,000). Directwind Sales is principally engaged in the sales of wind turbines. Upon the completion of acquisition, the Company holds 65% equity interest in Directwind Sales. The transaction was completed on 24 May 2010. Details of the acquisition were set out in the Company's circular dated 30 April 2010.

17. ACQUISITION OF A SUBSIDIARY *(Continued)*

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	1,295
Trade and other receivables	109,157
Bank balances and cash	10,817
Trade and other payables	(122,923)
	(1,654)
Non-controlling interests	579
Goodwill	2,899
	1,824
Satisfied by:	
Cash	1,824
Net cash (outflow) inflow arising on acquisition:	
Cash consideration paid	(1,824)
Bank balances and cash	10,817
	8,993

Acquisition-related costs amounting to HK$712,000 have been excluded from the cost of acquisition and have been recognised as an expense in the period, within the 'administrative expenses' line item in the statement of comprehensive income.

17. ACQUISITION OF A SUBSIDIARY *(Continued)*

The non-controlling interests (35%) in Directwind Sales recognised at the acquisition date was measured at the proportionate share of the acquiree's net identifiable assets/liabilities at the acquisition date under HKFRS 3 (Revised 2008).

Goodwill arose in the business combination because the cost of the combinations included a premium paid to obtain control over Directwind Sales and synergies expected from the other operations of the Group as the consideration paid for the purchase of the additional 40% interest included amounts in relation to the benefit of expected synergies, revenue growth and future distribution in the PRC of wind turbines manufactured by the Group's other subsidiaries.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Included in the profit for the interim period is a loss of HK$393,000 attributable to Directwind Sales. No revenue for the period is included for the period in respect of Directwind Sales. Had the acquisition of Directwind Sales been effected at 1 January 2010, the revenue of the Group from continuing operations for the six months ended 30 June 2010 would have been HK$236,420,000, and the profit of the Group for the period from continuing operations would have been HK$113,571,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2010, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Directwind Sales been acquired at the beginning of the current reporting period, the directors have calculated depreciation and amortisation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

18. RELATED PARTY TRANSACTIONS AND BALANCES

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

	1.1.2010 to 30.6.2010	1.1.2009 to 30.6.2009
	HK$'000	*HK$'000*
Sales of goods to an associate	**2,716**	5
Interest paid to Aerospace Science & Technology Finance Co., Ltd. ("ASTF")	**19,461**	18,438

(b) Compensation of key management personnel

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

	1.1.2010 to 30.6.2010	1.1.2009 to 30.6.2009
	HK$'000	*HK$'000*
Salaries and other benefits	**1,219**	1,388
Contributions to retirement benefits scheme	**6**	6
	1,225	1,394

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

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

(c) Transactions/Balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled 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.

The Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business with them are concerned:

(i) The Group has certain deposit placements and other general banking facilities with certain banks, which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

(ii) 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 state-controlled entities.

Except as disclosed above, the directors are of the opinion that the transactions with other state-controlled entities are not significant to the Group's operations.

(d) The balances with associates are unsecured, non-interest bearing and were repayable within one year or repayable on demand.

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

(e) Included in borrowings at 30 June 2010 were four (31.12.2009: four) loans advanced from China Academy of Launch Vehicle Technology ("CALT"), an intermediate holding company of the Company, through CASC's subsidiary, ASTF, as the trustee totalling HK$767,790,000 or RMB673,500,000 (31.12.2009: HK$767,790,000 or RMB673,500,000) which are unsecured and bear fixed interest at 3.7% to 6% per annum. Loans of HK$543,210,000 or RMB476,500,000 (31.12.2009: HK$543,210,000 or RMB476,500,000) and HK$224,580,000 or RMB197,000,000 (31.12.2009: HK$224,580,000 or RMB197,000,000) are repayable in April 2011 and April 2014 respectively.

(f) Included in borrowings at 30 June 2010 was a loan of HK$85,500,000 or RMB75,000,000 (31.12.2009: HK$94,620,000 or RMB83,000,000) advanced from a minority shareholder of a subsidiary. The amount is unsecured, bears fixed interest at 5.3% per annum and is repayable in full in November 2020. Principal in the amount of HK$9,120,000 or RMB8,000,000 was repaid in accordance to loan repayment schedule.

(g) On 3 June 2009, the Group entered into an agreement with Beijing Chang Zheng Tian Min High Technology Co. Ltd.（「北京長征天民高科技有限公司」）, a wholly-owned subsidiary of CALT, for the acquisition of additional 3% paid-in capital of a subsidiary, Jiangsu Aerospace Wan Yuan REPM Motor Co., Ltd. for a cash consideration of approximately HK$1,540,000. The transaction was completed on the same date.

19. EVENT AFTER THE REPORTING PERIOD

(a) On 15 July 2010, the Company has entered into an agreement with Fujian Mindong Electric Power Company Limited ("Mindong Electric Power"), an independent third party, to establish a joint venture with the Company's investment of RMB72,000,000 (about HK$82,000,000) representing 80% of the total capital of RMB90,000,000 (about HK$103,000,000) for establishing a new manufacturing centre relating to self-owned brand of MW class Directdrive wind turbine in Ningde City.

(b) On 15 July 2010, Beijing Energine Industry Co. Ltd ("Beijing Energine"), a subsidiary of the Company, has also entered into an agreement with Mindong Electric Power for investment, development, construction and operation of wind farm project. Beijing Energine will invest RMB30,000,000 (about HK$34,200,000) representing 20% of the total capital of RMB150,000,000 (about HK$171,000,000).