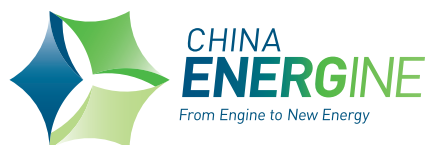


Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED
中國航天萬源國際(集團)有限公司*
(Incorporated in Cayman Islands with limited liability)
 (Stock Code: 1185)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

RESULTS

The Board of Directors of China EnginE International (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	<i>NOTES</i>	1.1.2009 to 30.6.2009 HK\$'000 (Unaudited)	1.1.2008 to 30.6.2008 HK\$'000 (Unaudited)
Turnover	3	102,551	63,770
Cost of sales		(93,959)	(53,691)
Gross profit		8,592	10,079
Other income		8,768	4,459
Distribution costs		(3,608)	(3,845)
Administrative expenses		(44,939)	(67,839)
Finance costs	4	(23,914)	(16,189)
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		55,189	—
Share of results of associates		12,934	12,146
Share of results of jointly controlled entities		26,215	41,484
Profit (loss) before taxation	5	54,609	(19,705)
Taxation	6	(3,458)	(1,252)
Profit (loss) for the period		51,151	(20,957)

	<i>NOTES</i>	1.1.2009 to 30.6.2009 HK\$'000 (Unaudited)	1.1.2008 to 30.6.2008 HK\$'000 (Unaudited)
Other comprehensive income			
Exchange difference arising on translation to presentation currency		—	132,073
Total comprehensive income for the period		51,151	111,116
Profit (loss) for the period attributable to:			
Owners of the Company		50,229	(21,430)
Minority interests		922	473
		51,151	(20,957)
Total comprehensive income attributable to:			
Owners of the Company		50,229	110,643
Minority interests		922	473
		51,151	111,116
Earnings (loss) per share - Basic	8	HK1.39 cents	HK(0.59) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2009

	<i>NOTES</i>	30.6.2009 HK\$'000 (Unaudited)	31.12.2008 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		316,600	309,261
Investment property		23,940	20,520
Deposits paid for acquisition of property, plant and equipment		44,317	148,643
Goodwill		9,252	8,548
Interests in associates		213,144	211,826
Interests in jointly controlled entities		969,425	949,695
Fixed bank deposits		91,200	—
		1,667,878	1,648,493
Current assets			
Inventories		84,698	55,240
Trade and other receivables	9	359,728	190,223
Amounts due from associates		2,900	2,419
Amounts due from related companies		15,291	15,291
Pledged bank deposits		28,251	41,599
Fixed bank deposits		57,000	—
Bank balances and cash		203,935	212,465
		751,803	517,237
Current liabilities			
Trade and other payables	10	97,342	114,880
Taxation payable		344	—
Amounts due to associates		377	1,452
Amounts due to related companies		4,407	4,407
Borrowings - amount due within one year		79,800	170,600
		182,270	291,339
Net current assets		569,533	225,898
Total assets less current liabilities		2,237,411	1,874,391
Non-current liabilities			
Borrowings - amount due after one year		886,390	591,090
Deferred taxation		9,985	7,389
		896,375	598,479
Net assets		1,341,036	1,275,912
Capital and reserves			
Share capital		362,400	362,400
Reserves		886,658	836,429
Equity attributable to owners of the Company		1,249,058	1,198,829
Minority interests		91,978	77,083
Total equity		1,341,036	1,275,912

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

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 2008.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 “Segment Reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. The application of HKFRS 8 has resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

In previous years, the Group expensed any borrowing costs if directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) “Borrowing Costs” removes the option available under the previous version of the Standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. The Group has applied the transitional requirements in HKAS 23 (Revised 2007) and applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. As the Group did not incur borrowing costs for qualifying asset during the current financial period, the application of HKAS 23 (Revised 2007) has had no impact on amounts reported in the current accounting period.

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 27 (Revised 2008)	Consolidated and separate financial statements ¹
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ³
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ³
HKFRS 3 (Revised 2008)	Business combinations ¹
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners ¹
HK(IFRIC) - INT 18	Transfers of assets from customers ⁴

¹ Effective for annual periods beginning on or after 1 July 2009.

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2010.

⁴ Effective for transfers on or after 1 July 2009.

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other 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 has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess its performance. The chief operating decision maker of the Group has been identified as the Executive Directors.

In prior years, primary segment information was analysed on the basis of the types of goods and services supplied by the Group's operating divisions (i.e. communication products, global positioning system application products ("ITS"), broadband wireless access, wind energy business and REPM products). However, information reported to the Executive Directors is analysed by telecommunication business, operation of wind farm, sales of wind energy related products and sales of REPM products for the purposes of resources allocation and performance assessment. Financial information in relation to the sales of communication products, ITS and broadband wireless access are not separately reported but together under telecommunication business operating segment under HKFRS 8 as the Executive Directors consider that the types of products are homogeneous goods which are related to electronic telecommunication products. The redesignation of the Group's reportable segment under HKFRS 8 has no material impact on the results reported in the current period.

The Group currently organises its operations into four operating segments. They represent four major lines of business engaged by the Group. The principal activities of the operating segments are as follows:

Telecommunication Business	—	Development, manufacture and distribution of communication products, ITS, broadband system, equipment and accessories
Operation of Wind Farm	—	Sales of electricity from operation of wind farm
Wind Energy Related Products	—	Manufacture and sales of wind energy related products
REPM Products	—	Manufacture and distribution of elevator motors

Segment results represent the profit (loss) before taxation earned or incurred by each segment, excluding finance costs, fair value gain on investment property, reversal of impairment loss in respect of interest in a jointly controlled entity, share of results of associates, share of results of jointly controlled entities, unallocated other income and unallocated corporate expenses such as central administration costs and directors' salaries. This is the measure reported to the Group's Executive Directors for the purpose of resources allocation and assessment of segment performance.

Information regarding these segments is presented below. The segment results reported for the prior period have been restated to conform with the requirements of HKFRS 8.

Six months ended 30 June 2009

	Telecommunication	Operation of	Wind Energy	REPM	Consolidated
	<i>HK\$'000</i>	<i>Wind Farm</i>	<i>Related</i>	<i>Products</i>	<i>Products</i>
		<i>HK\$'000</i>	<i>Products</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover					
External sales	39,848	16,713	37,366	8,624	102,551
Result					
Segment result	(1,131)	11,594	(15,653)	(4,953)	(10,143)
Unallocated other income					3,158
Unallocated corporate expenses					(12,250)
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 associates					12,934
Share of results of jointly controlled entities					26,215
Profit before taxation					54,609

Six months ended 30 June 2008

	Telecommunication <i>HK\$'000</i>	Operation of Wind Farm <i>HK\$'000</i>	Wind Energy Related Products <i>HK\$'000</i>	REPM Products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover					
External sales	63,770	—	—	—	63,770
	<u>63,770</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>63,770</u>
Result					
Segment result	(43,593)	(24)	—	—	(43,617)
Unallocated other income					4,190
Unallocated corporate expenses					(17,719)
Finance costs					(16,189)
Share of results of associates					12,146
Share of results of jointly controlled entities					41,484
					<u>41,484</u>
Loss before taxation					(19,705)
					<u>(19,705)</u>

4. FINANCE COSTS

	1.1.2009 to 30.6.2009 <i>HK\$'000</i>	1.1.2008 to 30.6.2008 <i>HK\$'000</i>
Interests on bank and other loans:		
- wholly repayable within five years	20,518	16,189
- repayable over five years	3,396	—
	<u>23,914</u>	<u>16,189</u>
	<u>23,914</u>	<u>16,189</u>

5. PROFIT (LOSS) BEFORE TAXATION

	1.1.2009	1.1.2008
	to	to
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
Profit (loss) before taxation has been arrived at after charging and (crediting):		
Allowance for bad and doubtful debts	1,472	34,000
Allowance for obsolete inventories	5,292	—
Amortisation of intangible assets	—	2,450
Depreciation of property, plant and equipment	10,535	3,473
Loss on disposal of property, plant and equipment	60	162
Interest income	(1,440)	(2,474)
	<u><u> </u></u>	<u><u> </u></u>

6. TAXATION

	1.1.2009	1.1.2008
	to	to
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
The tax charge comprises:		
Current tax:		
The PRC Enterprise Income Tax	862	1,252
Deferred taxation	2,596	—
	<u><u> </u></u>	<u><u> </u></u>
	3,458	1,252
	<u><u> </u></u>	<u><u> </u></u>

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

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% (2008: 25%) for the six months ended 30 June 2009.

7. DIVIDENDS

No dividends were declared for both periods. The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009.

8. EARNINGS (LOSS) PER SHARE – BASIC

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

	1.1.2009	1.1.2008
	to	to
	30.6.2009	30.6.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the purpose of basic earnings (loss) per share	<u>50,229</u>	<u>(21,430)</u>
	Number of shares	
	2009	2008
Number of shares for the purpose of basic earnings (loss) per share	<u>3,623,995,668</u>	<u>3,623,995,668</u>

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

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$38,480,000 (31.12.2008: HK\$41,910,000). The Group allows a credit period ranging from 60 to 180 days to its customers for sales of goods and rendering of services. At the discretion of the directors, several major customers were allowed to extend their credit terms by one year. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the end of the reporting period:

	30.6.2009 <i>HK\$'000</i>	31.12.2008 <i>HK\$'000</i>
Within 30 days	9,483	29,246
Between 31 and 90 days	10,343	8,090
Between 91 and 180 days	9,826	3,361
Between 181 and 365 days	7,532	—
Over 1 year	1,296	1,213
	<hr/> 38,480 <hr/>	<hr/> 41,910 <hr/>

Included in the Group's other receivable balances are advance to minority shareholder of a subsidiary with carrying amount of HK\$2,964,000 (31.12.2008: HK\$2,280,000), dividend receivables from a jointly controlled entity and an associate with aggregate carrying amount of HK\$84,234,000 (31.12.2008: HK\$49,719,000) and deposits on purchase of materials for a subsidiary in Inner Mongolia of HK\$166,901,000 (31.12.2008: HK\$42,393,000) mainly for the sale of goods to a jointly controlled entity. The amounts are unsecured, non-interest bearing and are expected to be settled within one year.

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$30,192,000 (31.12.2008: HK\$40,108,000). The following is an aged analysis of trade payables:

	30.6.2009 <i>HK\$'000</i>	31.12.2008 <i>HK\$'000</i>
Within 30 days	13,699	20,476
Between 31 and 90 days	2,695	5,924
Between 91 and 180 days	1,007	2,166
Between 181 and 365 days	2,952	1,933
Over 1 year	9,839	9,609
	<hr/> 30,192 <hr/>	<hr/> 40,108 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS SUMMARY

As of 30 June 2009, the Group's turnover for the first half of 2009 amounted to HK\$102.55 million with a profit of HK\$51.15 million in contrast to those for the year 2008 of HK\$63.77 million with a loss of HK\$20.96 million respectively. The turnover for the period comprised HK\$37.37 million from sale of wind energy related products, sale of electricity of HK\$16.71 million, sale of rare-earth permanent-magnet motor products of HK\$8.62 million and sales of HK\$39.85 million related to telecommunications business whereas that of the last year same period was wholly related to telecommunication business. The profit for the period was attributable to a reversal of impairment loss in respect of interest of a jointly controlled entity relating to automotive component part business of HK\$55.19 million.

BUSINESS REVIEW

Business of Wind Energy Project

Four platforms of direct-drive wind turbine project under steady development

According to the development strategy of the Group, the Group actively worked together with Emergya Wind Technologies B.V. ("EWT") with four platforms of "Research and Development, Manufacture, Testing and Service" under steady development.

Inner Mongolia Wind Turbine General Assembling Plant

Inner Mongolia CASC Energiner Wind Turbine Manufacture Co. Ltd. (the "General Assembling Plant"), a joint venture between Beijing Energiner Industry Co. Ltd. ("BEI", a wholly-owned subsidiary of the Group) and 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 direct-drive wind turbines. Equipped with advanced technical equipment and sophisticated manufacturing technicians, it has an annual production capacity of 400 900KW direct-drive wind turbines and 200 2MW permanent-magnet direct-drive wind turbines.

During the first half of 2009, the General Assembling Plant operated smoothly. More than 20 direct-drive wind turbines were assembled and tested with timely component provision, comprehensive quality control and smooth progress in domestic production. As a milestone, a celebration ceremony for the first release of direct-drive wind turbines was held in June 2009.

Inner Mongolia Wind Turbine Blade Plant

Inner Mongolia CASC Energiner 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 large structural composite material products with an annual production capacity of 400 900KW direct-drive wind turbine blades and 200 2MW permanent-magnet direct-drive wind turbines blades.

Currently, the Blade Plant has finished a series of work such as corporate system establishment, staff engagement and production material preparation. Two sets of moulds have been smoothly installed, tested and adjusted, thus achieving a production schedule of a blade a day. More than 30 900KW direct-drive wind turbine blades have been produced for the time being. Smooth purchase of blade materials and steady progress in domestic production of materials contributed to reduced costs, consolidating the market competitiveness edge of the Group.

China Energiner Windmill Industrial Park

Inner Mongolia Energiner New Energy Development Co. Ltd., a wholly-owned subsidiary of the Group, occupied a site of 500 acres as an operating platform for the Inner Mongolia wind turbine base. It constructed plants, offices and warehouses for General Assembling Plant and the Blade Plant in the Inner Mongolia Windmill Industrial Park and provided them with property management service. In early 2009, the civil works and construction of ancillary facilities relating to the first stage of Inner Mongolia Windmill Industrial Park of 9 separate buildings were completed, thus laying down a foundation for the industrialization of Energiner wind turbine production.

Research and development of technology

Wind turbine technology research and development center is responsible for absorption and adaptation work as to technologies of 900KW direct-drive wind turbine. It has completed the design of low-temperature 900KW direct-drive wind turbine and operated in line with the production of the wind turbine General Assembling Plant. Meanwhile, the research and development center made every effort to commence domestic production of core components. Currently, domestic productions of blades and wind turbines have been completed. Localization of production of control systems and inverters are being implemented now.

Sales of wind turbines

Beijing EWT-CASC Direct Wind Marketing and Sales Co. Ltd., a joint venture between the Company, EWT and Beijing Direct Energy Corp. with shareholding of 25%, 60% and 15% respectively, is engaged in domestic and global market development and sales of wind turbines produced from the wind turbine general assembling subsidiary. The Company intended to acquire 40% of the sale company from EWT and turn it to be a 65% subsidiary. Currently, the sales company has secured contracted orders of 220 900KW direct-drive wind turbines.

Nantong Acciona

Nantong Acciona suffered from the intense competition in the domestic wind turbine market and sluggish progress made on domestic production of wind turbine. In order to bail Nantong Acciona out, BEI and Chook Bo Group Ltd. acquired from Acciona Energia Internacional S.A. (“Acciona”) its entire 45% interest (5% and 40% by BEI and Chook Bo Group Ltd. respectively) in Nantong Acciona in early September at a consideration of 45% of the net asset value of Nantong Acciona as at 30 June 2009. As a result, BEI had to pay RMB2.766 million to increase its interest in Nantong Acciona from 45% to 50%. Acciona bought all the inventory and dedicated equipment other than those required by the after-sale service at their book value and provided technical support to the sold wind turbines. Upon acquisition, the Group will be engaged in independent research and development of self-developed wind turbines, especially those high-power direct-drive wind turbines, in utilizing the comprehensive hardware facilities of Nantong Acciona and concentration of plants in Nantong, expecting Nantong Acciona will develop into a manufacture base of Energinet wind turbines in Jiangsu province in the future.

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 850 KW wind turbines with a capacity of 24,650 KW in total.

An electricity level of 29.21 million kwh was realized during the first half of 2009, increased by 1.30 million kwh over the corresponding period of last year. On-grid power generation amounted to 28.12 million kwh with realized income from principal activity of HK\$16.71 million, increased by HK\$0.79 million over the corresponding period of last year, realizing a profit amounting to HK\$8.21 million.

Jilin Longyuan

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

An electricity level of 211.43 million kwh was realized during the first half of 2009, increased by 56.94 million kwh over the corresponding period of last year. On-grid power generation amounted to 207.21 million kwh with realized income from principal activity of HK\$111.62 million, increased by HK\$32.32 million over the corresponding period of last year, realizing a profit amounting to HK\$39.02 million.

Jiangsu Longyuan

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

An electricity level of 174.66 million kwh was realized during the first half of 2009, decreased by 20.19 million kwh over the corresponding period of last year. On-grid power generation amounted to 171.02 million kwh with realized income from principal activity of HK\$93.82 million, increased by HK\$22.97 million over the corresponding period of last year, realizing a profit amounting to HK\$36.49 million.

Inner Mongolia Xinghe Energine Wind Farm

The total investment of the Inner Mongolia Xinghe Energine wind farm project, which is under investment and construction, amounts to HK\$528 million with an installed capacity of 49,500 KW. The first 55 900KW direct-drive wind turbines, which are to be installed, not only provide circumstances for technological upgrade of 900 KW direct-drive wind turbines, but also a testing base for research and development of 2MW direct-drive wind turbines.

In May 2009, BEI and China Datong Corporation Renewable Power Co., Ltd. entered into a joint venture agreement to establish a jointly controlled entity, 內蒙古大唐萬源新能源有限公司, with shareholding of 49% and 51% respectively. Its registered capital was HK\$105.58 million, of which HK\$51.73 million was to be contributed by BEI. It had completed its company registration and obtained its first capital injection. Its tenders in relation to major equipment, construction and supervision had completed and construction works had commenced. It was expected that wind turbine installation and testing and on-grid power generation would be completed by the end of the year.

Business of New Materials

It is the plan of the Group to extensively use rare-earth materials in four 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 military plus civil application and its drive system and permanent-magnet direct-drive electrical products.

Jiangsu Aerospace Wan Yuan REPM Motor Co., Ltd., controlled and operated by the Group, is a high-tech enterprise which specializes in research and development, manufacture, and sales of rare-earth permanent-magnet gearless traction machines for elevators, with a registered capital of HK\$57 million. The “航天萬源” branded rare-earth permanent-magnet gearless traction machines for elevators, and its driving control system, whose independent research and development had filled the technological gap of the domestic gearless elevator sector, realized sales of HK\$8.60 million in the first half of 2009.

As the company responsible for the oversea market of Rare-earth Permanent-magnet Motor products, Tin Shun Industrial Ltd., which aggressively expanded its oversea market with continuously strengthened product promotion, began to realize sales revenue with profit in the first half of 2009.

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 provider 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 substantially all of the domestic leading automobile manufacturers.

The first half of 2009 saw sales revenue of HK\$806.59 million with realized profit of HK\$104.78 million. The jointly controlled entity will further speed up its development on new models and ensure prompt production to boost sales, while committing to enhance collection of accounts receivable to maintain a healthy cash flow and further reducing its costs to keep its profit ratio.

Automotive Sealing products

Beijing Wanyuan Henniges Sealing Systems Co., Ltd., a jointly controlled entity, is a company which specializes in manufacture of medium-to-high class automotive sealing products in the domestic market. Its quality control converges with those of international advanced level. The jointly controlled entity not only realizes the development on and complement to the medium-to-high class model in the domestic market, but also attain the standards applicable to Germany, France, the United States, Japan and South Korea with its products.

The first half of 2009 saw sales revenue of HK\$154 million with realized profit of HK\$3.20 million. The jointly controlled entity will continuously take measures to enhance production efficiency by controlling its purchasing cost for materials, reducing its reject rate and keeping its expenses down and through technological innovation, TPS and VAVE in order to consistently realize profit.

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.

PROSPECTS

In the second half, the Group will continuously take devotion to new energy, contribution to society and benefiting mankind as its mission. It will further expand its energy saving and environmentally friendly business activities and strengthen its internal management to ensure the sustainable development of the Group with greater return to its shareholders.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2009, the Group had 46 employees (31 December 2008: 43 employees) in the Hong Kong offices and 776 employees (31 December 2008: 417 employees) in the China Mainland offices. Remuneration of employees 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 and is at the discretion of the Directors.

FINANCIAL REVIEW

Liquidity and Financial Resources

Total borrowings of the Group as at 30 June 2009 were HK\$966,190,000 (31 December 2008: HK\$761,690,000), of which HK\$130,000,000 (31 December 2008: Nil) was floating-rate borrowings and the remaining was fixed-rate. All borrowings of the Group were determined at market interest rate. The Group has not issued any financial instruments for hedging or other purposes.

Gearing ratio (total borrowings to shareholders' equity) as at 30 June 2009 was 77% (31 December 2008: 64%).

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 2009.

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 2009 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 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 2009, 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 2009, 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.

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 2009.

By Order of the Board

Han Shuwang

Chairman

Hong Kong, 18 September 2009

As at the day hereof, the Board of the Company comprises Mr. Han Shuwang and Mr. Wang Xiaodong as Executive Directors, Mr. Wu Jiang, Mr. Tang Guohong and Mr. Li Guang as Non-executive Directors and Mr. Wang Dechen, Ms. Kan Lai Kuen, Alice and Mr. Gordon Ng as Independent Non-executive Directors.

* *for identification purpose only.*