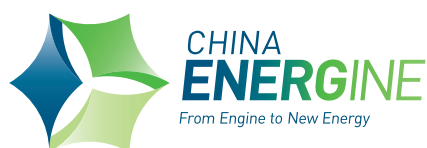


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CHINA ENGIN E INTERNATIONAL (HOLDINGS) LIMITED
中國航天萬源國際(集團)有限公司*
(Incorporated in Cayman Islands with limited liability)
 (Stock Code: 1185)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	<i>NOTES</i>	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		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	5	119,192	54,609
Taxation	6	(6,059)	(3,458)
Profit for the period and total comprehensive income for the period		113,133	51,151

	<i>NOTES</i>	1.1.2010 to 30.6.2010 HK\$'000 (Unaudited)	1.1.2009 to 30.6.2009 HK\$'000 (Unaudited)
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
		<u>113,133</u>	<u>51,151</u>
Earnings per share - Basic	8	<u>HK2.97 cents</u>	<u>HK1.39 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2010

	<i>NOTES</i>	30.6.2010 HK\$'000 (Unaudited)	31.12.2009 <i>HK\$'000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment		382,565	388,690
Investment property		23,940	23,940
Deposits paid for acquisition of plant and equipment		91,661	7,377
Goodwill		12,151	9,252
Interests in associates		217,701	227,280
Interests in jointly controlled entities		1,139,627	1,054,117
Fixed bank deposits		68,501	91,200
		1,936,146	1,801,856
Current assets			
Inventories		175,784	76,828
Trade and other receivables	9	559,696	239,448
Amounts due from associates		5,739	212,583
Pledged bank deposits		33,622	97,851
Fixed bank deposits		—	57,000
Bank balances and cash		258,131	643,613
		1,032,972	1,327,323
Current liabilities			
Trade and other payables	10	193,641	194,739
Taxation payable		894	350
Amounts due to associates		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		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

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

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

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.

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 <i>HK\$'000</i>	Operation of Wind Farm <i>HK\$'000</i>	Rare-earth Permanent Magnet Motor ("REPM") Products <i>HK\$'000</i>	Trading of materials <i>HK\$'000</i>	Tele- communication <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover						
External sales	<u>184</u>	<u>16,918</u>	<u>8,811</u>	<u>139,999</u>	<u>33,110</u>	<u>199,022</u>
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						<u>77,946</u>
Profit before taxation						<u>119,192</u>

Six months ended 30 June 2009

	Wind Energy Related Products <i>HK\$'000</i>	Operation of Wind Farm <i>HK\$'000</i>	REPM Products <i>HK\$'000</i>	Trading of materials <i>HK\$'000</i>	Tele- communication <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover						
External sales	—	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

4. FINANCE COSTS

	1.1.2010 to 30.6.2010 <i>HK\$'000</i>	1.1.2009 to 30.6.2009 <i>HK\$'000</i>
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. PROFIT BEFORE TAXATION

	1.1.2010	1.1.2009
	to	to
	30.6.2010	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)
	<u><u> </u></u>	<u><u> </u></u>

6. TAXATION

	1.1.2010	1.1.2009
	to	to
	30.6.2010	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
	<u> </u>	<u> </u>
	<u><u>6,059</u></u>	<u><u>3,458</u></u>

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.

7. 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.

8. 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	1.1.2009
	to	to
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
Profit for the purpose of basic earnings per share	<u>117,922</u>	<u>50,229</u>
	Number of shares	
	2010	2009
Weighted average number of shares for the purpose of basic earnings per share	<u>3,968,995,668</u>	<u>3,623,995,668</u>

No diluted earnings 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\$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
	<u>136,769</u>	<u>50,770</u>

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.

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.

10. 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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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.

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 Energiner Wind Turbine Manufacture Co. Ltd. (the "Wind Turbine 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 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 wind 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 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 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 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 Energiner Wind Power Industrial Park

Inner Mongolia Energiner 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 Energiner 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 Mi 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.

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.

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

As at the date 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.*