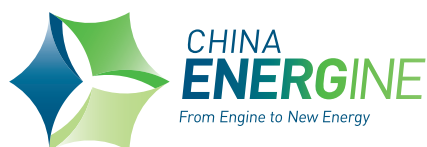


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CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED
中國航天萬源國際(集團)有限公司*
(Incorporated in Cayman Islands with limited liability)
 (Stock Code: 1185)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011

RESULTS

The Board of Directors of China Energin 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 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011

| | NOTE | 1.1.2011 to 30.6.2011 HK\$'000 (Unaudited) | 1.1.2010 to 30.6.2010 HK\$'000 (Unaudited) |
|--|------|---|--|
| Turnover | 3 | 157,120 | 199,022 |
| Cost of sales | | (147,976) | (187,049) |
| Gross profit | | 9,144 | 11,973 |
| Other income | | 11,996 | 11,589 |
| Other gains and losses | 4 | (3,897) | (3,888) |
| Distribution costs | | (4,466) | (6,605) |
| Administrative expenses | | (49,304) | (61,451) |
| Finance costs | 5 | (27,302) | (26,844) |
| Reversal of impairment loss in respect of interest in a jointly controlled entity | | — | 102,632 |
| Share of results of associates | | 12,666 | 17,099 |
| Share of results of jointly controlled entities | | 83,171 | 74,687 |
| Profit before taxation | 6 | 32,008 | 119,192 |
| Taxation | 7 | (3,199) | (6,059) |
| Profit for the period | | 28,809 | 113,133 |

| | NOTE | 1.1.2011 to 30.6.2011 HK\$'000 (Unaudited) | 1.1.2010 to 30.6.2010 HK\$'000 (Unaudited) |
|---|------|---|--|
| Other comprehensive income | | | |
| – exchange difference arising on translation to presentation currency | | <u>56,448</u> | <u>—</u> |
| | | <u>85,257</u> | <u>113,133</u> |
| Profit for the period attributable to: | | | |
| Owners of the Company | | <u>34,000</u> | <u>117,922</u> |
| Non-controlling interests | | <u>(5,191)</u> | <u>(4,789)</u> |
| | | <u>28,809</u> | <u>113,133</u> |
| Total comprehensive income (expense) for the period attributable to: | | | |
| Owners of the Company | | <u>87,357</u> | <u>117,922</u> |
| Non-controlling interests | | <u>(2,100)</u> | <u>(4,789)</u> |
| | | <u>85,257</u> | <u>113,133</u> |
| Earnings per share - Basic | 9 | <u>HK0.86 cents</u> | <u>HK2.97 cents</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*AT 30 JUNE 2011*

| | NOTE | 30.6.2011 HK\$'000 (Unaudited) | 31.12.2010 HK\$'000 (Audited) |
|---|------|---|-------------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 380,180 | 373,659 |
| Investment property | | 32,040 | 30,972 |
| Deposits paid for acquisition of property, plant and equipment | | 22,175 | 17,688 |
| Goodwill | | 4,903 | 4,903 |
| Deferred tax assets | | 5,194 | 5,022 |
| Interests in associates | | 305,254 | 323,960 |
| Interests in jointly controlled entities | | 1,210,241 | 1,222,069 |
| Fixed bank deposits | | — | 11,996 |
| | | <hr/> 1,959,987 | <hr/> 1,990,269 |
| Current assets | | | |
| Inventories | | 131,328 | 129,931 |
| Trade and other receivables | 10 | 479,723 | 422,749 |
| Amounts due from associates | | 4,482 | 3,457 |
| Amounts due from jointly controlled entities | | 183,819 | 80,880 |
| Pledged bank deposits | | 15,835 | 32,644 |
| Fixed bank deposits | | 12,410 | — |
| Bank balances and cash | | 460,044 | 450,061 |
| | | <hr/> 1,287,641 | <hr/> 1,119,722 |
| Asset classified as held for sale | | 5,601 | — |
| | | <hr/> 1,293,242 | <hr/> 1,119,722 |

| | NOTE | 30.6.2011 HK\$'000 (Unaudited) | 31.12.2010 HK\$'000 (Audited) |
|--|------|--------------------------------------|-------------------------------------|
| Current liabilities | | | |
| Trade and other payables | 11 | 124,679 | 258,651 |
| Taxation payable | | 588 | 816 |
| Amounts due to associates | | 1,261 | 518 |
| Government grants | | 249 | 240 |
| Warranty provision | | 16,565 | 18,491 |
| Borrowings - amount due within one year | | 444,000 | 730,800 |
| | | <u>587,342</u> | <u>1,009,516</u> |
| Net current assets | | <u>705,900</u> | <u>110,206</u> |
| Total assets less current liabilities | | <u>2,665,887</u> | <u>2,100,475</u> |
| Non-current liabilities | | | |
| Borrowings - amount due after one year | | 800,400 | 315,520 |
| Deferred tax liabilities | | 18,329 | 17,979 |
| Government grants | | 7,954 | 7,809 |
| | | <u>826,683</u> | <u>341,308</u> |
| Net assets | | <u>1,839,204</u> | <u>1,759,167</u> |
| Capital and reserves | | | |
| Share capital | | 396,900 | 396,900 |
| Reserves | | 1,349,560 | 1,262,203 |
| Equity attributable to owners of the Company | | <u>1,746,460</u> | <u>1,659,103</u> |
| Non-controlling interests | | 92,744 | 100,064 |
| Total equity | | <u>1,839,204</u> | <u>1,759,167</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

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” 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 and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010.

In addition, the Group entered into an agreement to dispose of its interest in an associate in the current period. The accounting policy is set out below.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sales is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

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

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

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

| | |
|--------------------------|---|
| HKFRS 7 (Amendments) | Disclosures - Transfers of financial assets ¹ |
| HKFRS 9 | Financial instruments ⁴ |
| HKFRS 10 | Consolidated financial statements ⁴ |
| HKFRS 11 | Joint arrangements ⁴ |
| HKFRS 12 | Disclosure of interests in other entities ⁴ |
| HKFRS 13 | Fair value measurement ⁴ |
| HKAS 1 (Revised in 2011) | Presentation of financial statements - Presentation of items of other comprehensive income ³ |
| HKAS 12 (Amendments) | Deferred tax: Recovery of underlying assets ² |
| HKAS 19 (Revised 2011) | Employee benefits ⁴ |
| HKAS 27 (Revised 2011) | Separate financial statements ⁴ |
| HKAS 28 (Revised 2011) | Investments in associates and joint ventures ⁴ |

- ¹ Effective for annual periods beginning on or after 1 July 2011.
² Effective for annual periods beginning on or after 1 January 2012.
³ Effective for annual periods beginning on or after 1 July 2012.
⁴ Effective for annual periods beginning on or after 1 January 2013.

The directors of the Company anticipate that the application of the other new and revised standards or amendments 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 and reportable segments. They represent five major lines of businesses engaged by the Group. Segment results represent the profit before taxation earned or incurred by each segment, excluding finance costs, 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\$12,666,000 (2010: HK\$17,099,000) and share of results of jointly controlled entities of HK\$222,000 (2010: HK\$3,259,000) were allocated to operating and reportable 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 and reportable segment for the period under review:

Six months ended 30 June 2011

| | 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>5,403</u> | <u>16,435</u> | <u>9,014</u> | <u>100,793</u> | <u>25,475</u> | <u>157,120</u> |
| Result | | | | | | |
| Segment result | (23,475) | 32,465 | (8,841) | 381 | (7,030) | (6,500) |
| Unallocated other income | | | | | | 4,359 |
| Unallocated corporate expenses | | | | | | (21,498) |
| Finance costs | | | | | | (27,302) |
| Share of results of jointly controlled entities | | | | | | <u>82,949</u> |
| Profit before taxation | | | | | | <u>32,008</u> |

Six months ended 30 June 2010

| | 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 | 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 |

4. OTHER GAINS AND LOSSES

| | 1.1.2011 to 30.6.2011 <i>HK\$'000</i> | 1.1.2010 to 30.6.2010 <i>HK\$'000</i> |
|--|--|--|
| Loss on disposal of interest in an associate | (882) | — |
| Impairment loss recognised in respect of trade receivables | (3,564) | (4,120) |
| Loss on disposal of property, plant and equipment | (304) | (3) |
| Net exchange gain recognised | 853 | 235 |
| | <u>(3,897)</u> | <u>(3,888)</u> |

5. FINANCE COSTS

| | 1.1.2011 to 30.6.2011 <i>HK\$'000</i> | 1.1.2010 to 30.6.2010 <i>HK\$'000</i> |
|--------------------------------------|--|--|
| Interests on bank and other loans: | | |
| – wholly repayable within five years | 25,099 | 24,534 |
| – repayable over five years | 2,203 | 2,310 |
| | <u>27,302</u> | <u>26,844</u> |

6. PROFIT BEFORE TAXATION

| | 1.1.2011 | 1.1.2010 |
|--|--------------------------|--------------------------|
| | to | to |
| | 30.6.2011 | 30.6.2010 |
| | HK\$'000 | HK\$'000 |
| Profit before taxation has been arrived at after charging (crediting): | | |
| Depreciation of property, plant and equipment | 14,930 | 16,200 |
| Allowance for obsolete inventories | 1,479 | 4,415 |
| Interest income | | |
| – bank balances | (1,732) | (2,414) |
| – advance to a jointly controlled entity | (1,051) | — |
| | <u><u> </u></u> | <u><u> </u></u> |

7. TAXATION

| | 1.1.2011 | 1.1.2010 |
|-------------------------------------|--------------------------|--------------------------|
| | to | to |
| | 30.6.2011 | 30.6.2010 |
| | HK\$'000 | HK\$'000 |
| The tax charge comprises: | | |
| Current tax: | | |
| – PRC Enterprise Income Tax (“EIT”) | 3,471 | 4,566 |
| Deferred taxation | (272) | 1,493 |
| | <u><u> </u></u> | <u><u> </u></u> |
| | 3,199 | 6,059 |

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

Taxation arising in the PRC is recognised based on EIT rate of 25% (2010: 25%) for the six months ended 30 June 2011.

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 2011.

9. EARNINGS PER SHARE - BASIC

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

| | 1.1.2011 | 1.1.2010 |
|---|-------------------------|---------------|
| | to | to |
| | 30.6.2011 | 30.6.2010 |
| | HK\$'000 | HK\$'000 |
| Profit for the purpose of basic earnings per share – attributable to the owners of the Company | 34,000 | 117,922 |
| | Number of shares | |
| | 2011 & 2010 | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | | 3,968,995,668 |

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

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$143,751,000 (31.12.2010: HK\$177,392,000). 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:

| | 30.6.2011 | 31.12.2010 |
|--------------------------|------------------|------------|
| | HK\$'000 | HK\$'000 |
| Within 30 days | 8,925 | 136,274 |
| Between 31 and 90 days | 8,462 | 24,258 |
| Between 91 and 180 days | 115,686 | 9,408 |
| Between 181 and 365 days | 5,706 | 5,125 |
| Over 1 year | 4,972 | 2,327 |
| | 143,751 | 177,392 |

Included in the Group's other receivables at 30 June 2011 are value added tax recoverable of HK\$23,909,000 (31.12.2010: HK\$8,838,000), dividend receivables from jointly controlled entities and associates with aggregate carrying amounts of HK\$71,777,000 (31.12.2010: HK\$12,969,000), deposits paid for purchase of materials for subsidiaries in the PRC of HK\$51,099,000 (31.12.2010: HK\$12,496,000) and bills receivable of HK\$92,151,000 (31.12.2010: HK\$110,581,000).

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$39,543,000 (31.12.2010: HK\$166,585,000). The following is an aged analysis of trade payables:

| | 30.6.2011 <i>HK\$'000</i> | 31.12.2010 <i>HK\$'000</i> |
|--------------------------|-------------------------------------|-------------------------------|
| Within 30 days | 16,284 | 112,434 |
| Between 31 and 90 days | 7,031 | 33,471 |
| Between 91 and 180 days | 5,956 | 5,118 |
| Between 181 and 365 days | 5,543 | 3,167 |
| Over 1 year | 4,729 | 12,395 |
| | <hr/> 39,543 <hr/> | <hr/> 166,585 <hr/> |

Included in the Group's other payable at 30 June 2011 are accrual for construction work of HK\$9,780,000 (31.12.2010: HK\$14,227,000), receipt in advance from customers of HK\$31,562,000 (31.12.2010: HK\$19,745,000) and dividend payable to non-controlling interests of a subsidiary of HK\$5,460,000 (31.12.2010: HK\$4,176,000).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS SUMMARY

As of 30 June 2011, the Group's turnover for the first half of 2011 amounted to HK\$157.12 million with a profit for the period of HK\$28.81 million whereas that for the year 2010 of HK\$199.02 million with a profit for the period of HK\$113.13 million respectively, representing 21.1% decrease in turnover and 74.5% decrease in profit for the period. The turnover for the period comprised sale of wind energy related products of HK\$5.40 million, sale of electricity generated from wind farm of HK\$16.44 million, sale of rare-earth permanent-magnet motor products of HK\$9.01 million, sale of chemical materials of HK\$100.79 million and sales of HK\$25.48 million related to telecommunication business whereas that of the same period last year 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. The profit for the period was mainly attributable to profit contribution of a jointly controlled entity relating to automotive component business of HK\$88.70 million and the decrease in profit was mainly attributable to a reversal of impairment loss in relation to the carrying amount of the said jointly controlled entity of HK\$102.63 million, which yet did not have cash flow impact.

BUSINESS REVIEW

Business of Wind Energy

In 2011, directdrive wind turbine, a new make, had been well received in the market on the strength of its simple structure, high reliability, high efficiency, low operation and maintenance costs. Facing fierce competition in the domestic market, the Group proactively addressed these challenges by giving full play to the advantages of the technology, quality and service of CASC directdrive wind turbines. In line with this, the Group capitalized on its products' leading edge and achieved cost control by adopting the strategy of technology advancement and batch production through research and development. In addition, the Group adopted the strategy of establishing good relationship with several provincial governments and leveraging provincial quotas for wind energy to obtain more wind resources in seeking more production orders for wind turbines, thereby increasing our market share.

Inner Mongolia Wind Turbine General Assembling Plant

Inner Mongolia CASC Energiner Wind Turbine Manufacture Co. Ltd. (the "Inner Mongolia General Assembling Plant"), a 95% owned subsidiary of the Group, is primarily engaged in the production of 2MW and 1.5MW directdrive wind turbines with Aerospace proprietary intellectual property rights.

The 2MW directdrive wind turbine technology with Aerospace proprietary intellectual property rights, as consented by China General Certification Center (“CGC”) in the first half of 2011, will be granted design certification pending passing the design documents evaluation and completed the wind turbine blade testing in wake of the technology’s obtaining the machine loading evaluation report, the blade design evaluation report, appraisal report on the mechanical components of wind turbine issued by German Wind Power Certification Center (“DEWI - OCC”) and being granted certifications in relation thereto in 2010.

The prototypes of 2MW and 1.5MW directdrive wind turbines had been completed in successfully generating electricity upon connecting the power grid in Inner Mongolia Xinghe Datang CASC Wind Farm after the works of commissioning of system design, turbine assembling system modelling and simulation analysis in the fourth quarter of 2010. After going through almost four months of testing and assessment in 2011, including those of CGC assembling system testing, blade static testing report, and fatigue testing summary, the operation of directdrive wind turbines under non-manned situation was satisfactory, reaching the key targets as to the design targets and customer requirements. The success of research and manufacturing of 2MW and 1.5MW directdrive wind turbines with Aerospace proprietary intellectual property rights and the commencement of the phase of their batch production in May signified the completion of the relatively completed product make series of the marketable products of the Group, capable of fully catering for the various demands of wind turbines from different customers.

The proportion of localization of production as to 900KW wind turbine has reached over 80%, while domestic production of its drive system is now actively underway. The ground test plans on the localizations of the control system, yaw bearing, pitch bearing, generators and convertors as to 2MW wind turbine have been formulated simultaneously.

Gansu Wind Turbine General Assembling Plant

In November 2010, the Group established Gansu CASC Wanyuan Wind Power Equipment Manufacturing Co. Ltd. (the “Gansu General Assembling Plant”) to develop the Gansu Jiuquan General Assembling Plant, with the objective of gaining a share of the 7.7 million KW resources market allocated by the Gansu Government in relation to its 750KVA ultra-high voltage lines in operation. The production capacity of the Gansu General Assembling Plant is 300 sets of 2MW wind turbines per year, which will not only meet the demand of Jiuquan’s tens of million KW class wind power base, but also the demands from wind farms in Wuwei City, Baiyin City and Jiayu Pass in Gansu and in Qinghai and Xinjiang regions.

In May 2011, the construction works of the Gansu General Assembling Plant were completed. Production workers were employed and had completed training. The decoration work of the office is in progress. The Plant will be ready for production from July.

Jiangsu Energin Wind Turbine General Assembling Plant

Jiangsu Energin Wind Turbine Manufacture Co. Ltd. (the “Jiangsu General Assembling Plant”), a jointly controlled entity owned by the Group as to 50%, is the strategic wind power plant of the Group in South China which mainly provides assembling service for 1.5MW directdrive wind turbines developed by the Group. The Inner Mongolia General Assembling Plant, the Gansu General Assembling Plant and the Jiangsu General Assembling Plant serve as the primary manufacturing bases of wind turbines of the Group in commencement of the batch production of new makes of turbines to gradually adsorb the market orders of wind turbines in relation to the wind resources in various regions including Gansu, Inner Mongolia, Northeast China, Fujian, Jiangsu and Zhejiang obtained and being obtained by the Group.

Sales of wind turbines

Since the directdrive wind turbines have gearless drive and are characterized with the use of low-speed large-torque generators and full-power convertor and strong resistance to grid voltage fluctuation, their advantages include low wear and tear, high efficiency of electricity generation, small size, light, ready to repair and low operating cost as compared to the traditional wind turbines. As such, the directdrive wind turbines, in particular, the permanent-magnet directdrive wind turbines featuring proprietary intellectual property rights, high quality and renowned Aerospace brand names, have well been received by domestic and foreign large-scale wind farm developers. The 1.5MW excitation magnet directdrive wind turbine and 2MW permanent-magnet directdrive wind turbine, the major products promoted by the Group, have become popular wind turbine makes appealing to major domestic and foreign wind farm developers.

Currently, the Group has fully commenced its batch production and procurement of key components for new makes of turbines. It is expected that there will be a significant increase in batch production volume and sales of directdrive wind turbines with focus on 1.5MW excitation magnet directdrive wind turbines and 2MW wind turbines of the Group this year as compared to the year 2010. The sales revenue of the Group will accordingly substantially increase as compared to last year.

Trading of materials

In the first half of 2011, BEI continued the trading business of chemical raw materials in connection with production of wind turbine blades. A small drop in sales was recorded for this business.

Wind Farm Operations

Liaoning Benxi

The CASC 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 27.30 million kwh was realized during the first half of 2011, representing a decrease of 2.34 million kwh over the corresponding period of last year. On-grid power generation amounted to 28.47 million kwh with realized income from principal activity of HK\$16.43 million, representing a decrease of HK\$490,000 over the corresponding period of last year, realizing a profit amounting to HK\$6.43 million.

Jilin Longyuan

The 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 in total.

An electricity level of 183.00 million kwh was realized during the first half of 2011, representing an increase of 710,000 kwh from the corresponding period of last year. On-grid power generation amounted to 175.57 million kwh with realized income from principal activity of HK\$98.88 million, representing an increase of HK\$3.16 million over the corresponding period of last year, realizing a profit amounting to HK\$33.91 million.

Jiangsu Longyuan

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

An electricity level of 200.27 million kwh was realized during the first half of 2011, representing an increase of 10.85 million kwh over the corresponding period of last year. On-grid power generation amounted to 195.44 million kwh with realized income from principal activity of HK\$112.85 million, representing an increase of HK\$11.07 million over the corresponding period of last year, realizing a profit amounting to HK\$51.40 million.

Inner Mongolia Xinghe Wind Farm

The Inner Mongolia Xinghe wind farm of Datang Wanyuan, which is jointly controlled by BEI and Inner Mongolia Datang Wanyuan New Energy Co., Ltd., is installed with an installed capacity of 49,500KW. The first 55 self-manufactured 900KW directdrive wind turbines being installed therein provided 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 56.44 million kwh was realized in the first half of 2011, representing an increase of 42.83 million kwh over the corresponding period of last year. On-grid power generation amounted to 55.21 million kwh with realized income from principal activity of HK\$30.06 million, representing an increase of HK\$23.52 million over the corresponding period of last year, realizing a profit amounting to HK\$13.14 million.

Fujian Min Jian

Energine Min Jian New Energy Investment Co., Ltd., the Group's associated company, was established in October 2010, had formally been engaged in offshore and land wind power projects in eastern Fujian. The offshore and land wind power projects being developed by Fujian Min Jian will mainly purchase the Group's existing makes such as 900KW, 1.5MW, 2MW directdrive wind turbines, as well as 3MW and 5MW offshore directdrive wind turbines being developed by the Group, on the same terms being offered to other customers. The establishment of Fujian Min Jian, especially, provides intensive impetus for securing of more market orders for the Group.

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.

Wuxi CASC Energiner Xindali Electricity Co., Ltd. (“Wuxi Wind Turbine Plant”), the Group’s associated company, has commenced batch production of 900KW and 1.5MW generators and realized income from sales. Thereafter, the Group is equipped with the capacity to supply key components of wind turbines, including blades and generators, thereby reducing its reliance on upstream suppliers of the wind turbine supply chain for purchasing generators and perfecting the wind turbine supply chain in effort to control the production cost.

Business of Automotive Component Parts

Automotive engine management systems

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

The jointly controlled entity recorded sales revenue of HK\$1,626.69 million in the first half of 2011, representing an increase of HK\$200.59 million over the corresponding period of last year with realized profit of HK\$177.41 million. 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\$251.76 million in the first half of 2011, representing an increase of HK\$52.68 million over the corresponding period of last year with realized profit of HK\$7.51 million. The company will continue to take measures to enhance production efficiency and realise sustainable profits by controlling raw material procurement costs, reducing reject rate and containing expenses as well as through technological innovation and Toyota Production System (“TPS”), as well as 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, GPS automotive information service platform. It is planned to gradually scale down this business so as to focus resources on the Group’s principal wind energy business.

Following the disposal of its 22.5% equity interest in Castel Qihua Ltd. (“Castel Qihua”), a provider of GPS mobile terminals and GPS automotive information services platform in 2010, China Aerospace Telecommunications Limited (a wholly-owned subsidiary of the Group) sold its remaining 47.5% equity interest in Castel Qihua at a consideration of HK\$12.00 million in July 2011, officially leaving the business.

PROSPECT

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

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2011 the Group had 43 employees (31 December 2010: 48 employees) in the Hong Kong head offices and 674 employees (31 December 2010: 704 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 2011 were HK\$ 1,244,400,000 (31 December 2010: HK\$1,046,320,000), 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 2011 was 71% (31 December 2010: 63%).

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 2011.

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 2011 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 2011, 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 2011, 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 Directors 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 Directors and Independent Non-executive Directors brings his or her own relevant expertise to the Board.

Audit Committee

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

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six month period ended 30 June 2011.

By Order of the Board
Han Shuwang
Chairman

Hong Kong, 31 August 2011

As at the date hereof, the Board of the Company comprises Mr. Han Shuwang (Chairman), Mr. Wang Xiaodong (Vice-chairman), Mr. Zang Wei and Mr. Wang Lijun as Executive Directors, Mr. Li Guang and Mr. Fang Shili 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.*