



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 2008**

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 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	<i>NOTES</i>	1.1.2008 to 30.6.2008 HK\$'000 (Unaudited)	1.1.2007 to 30.6.2007 HK\$'000 (Unaudited)
Turnover	3	63,770	97,078
Cost of sales		(53,691)	(80,691)
Gross profit		10,079	16,387
Other income		4,459	7,951
Distribution costs		(3,845)	(4,361)
Administrative expenses		(67,839)	(20,565)
Increase in fair value of investment properties		—	5,010
Finance costs	4	(16,189)	(3,734)
Share of results of associates		12,146	(3,815)
Share of results of jointly controlled entities		41,484	—
Loss before taxation	5	(19,705)	(3,127)
Taxation (charge) credit	6	(1,252)	439
Loss for the period		(20,957)	(2,688)
Attributable to:			
Equity holders of the Company		(21,430)	(4,294)
Minority interests		473	1,606
		(20,957)	(2,688)
Loss per share – Basic	8	HK(0.59) cents	HK(0.42) cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	NOTES	30.6.2008 HK\$'000 (Unaudited)	31.12.2007 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		54,959	30,602
Investment properties		22,800	21,000
Prepayment for acquisition of property, plant and equipment		114,572	105,526
Intangible assets		2,450	4,900
Interest in associates		226,953	170,828
Interest in jointly controlled entities		1,389,937	1,241,996
		<u>1,811,671</u>	<u>1,574,852</u>
Current assets			
Inventories		25,818	24,867
Trade and other receivables	9	182,651	368,407
Amounts due from associates		34,254	54,960
Amounts due from related companies		15,291	15,291
Pledged bank deposits		1,079	1,400
Bank balances and cash		330,132	174,871
		<u>589,225</u>	<u>639,796</u>
Current liabilities			
Trade and other payables	10	39,423	49,591
Amounts due to associates		2,444	3,656
Amounts due to related companies		4,407	4,407
Borrowings – amount due within one year		183,122	135,180
		<u>229,396</u>	<u>192,834</u>
Net current assets		<u>359,829</u>	446,962
Total assets less current liabilities		<u>2,171,500</u>	<u>2,021,814</u>
Non-current liabilities			
Borrowings – amount due after one year		486,210	447,825
Deferred taxation		2,331	2,146
		<u>488,541</u>	<u>449,971</u>
Net assets		<u>1,682,959</u>	<u>1,571,843</u>
Capital and reserves			
Share capital		362,400	362,400
Reserves		1,316,101	1,205,458
Equity attributable to equity holders of the Company		<u>1,678,501</u>	<u>1,567,858</u>
Minority interests		4,458	3,985
Total equity		<u>1,682,959</u>	<u>1,571,843</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008

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 (the “Stock Exchange”) and with Hong Kong Accounting Standard (the “HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Pursuant to a special resolution dated 15 May 2008, the Company has changed its name from Casil Telecommunications Holdings Limited to China Energine International (Holdings) Limited with effect from 15 May 2008.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair values.

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 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2008.

HK(IFRIC)* – INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC)* – INT 12	Service concession arrangements
HK(IFRIC)* – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new interpretations has no material effect on how the results and financial position for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new, revised and amended HKASs and Hong Kong Financial Reporting Standards (“HKFRS”s) or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised) may effect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual report period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new, revised and amended standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ¹
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC)* – INT 13	Customer loyalty programmes ³
HK(IFRIC)* – INT 15	Agreements for the construction of real estate ¹
HK(IFRIC)* – INT 16	Hedges of a net investment in a foreign operation ⁴

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

² Effective for annual periods beginning on or after 1 July 2009.

³ Effective for annual periods beginning on or after 1 July 2008.

⁴ Effective for annual periods beginning on or after 1 October 2008.

* IFRIC represents the International Financial Reporting Interpretations Committee.

3. SEGMENT INFORMATION

Business segments

The Group's primary format for reporting segment information is business segment. During the period, the Group included wind energy facilities as one of its business segments so as to align with the Group's business expansion and development. Comparative figures have been restated to confirm to the current period's presentation.

Six months ended 30 June 2008

	Communication products <i>HK\$'000</i>	Intelligent transportation system ("ITS") <i>HK\$'000</i>	Broadband wireless access <i>HK\$'000</i>	Wind energy facilities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover					
External sales	<u>37,078</u>	<u>18,173</u>	<u>8,519</u>	<u>—</u>	<u>63,770</u>
Result					
Segment result	(16,540)	1,537	(28,590)	(24)	(43,617)
Unallocated corporate income					4,190
Unallocated corporate expenses					(17,719)
Finance costs					(16,189)
Share of results of associates					
– Communication products	(291)	—	—	—	(291)
– Broadband wireless access	—	—	1,766	—	1,766
– Elevator products	—	—	—	—	(1,179)
– Wind energy facilities	—	—	—	11,850	11,850
Share of results of jointly controlled entities					
– Automotive system and products	—	—	—	—	37,066
– Wind energy facilities	—	—	—	4,418	4,418
Loss before taxation					(19,705)
Taxation					(1,252)
Loss for the period					<u>(20,957)</u>

Six months ended 30 June 2007

	Communication products <i>HK\$'000</i>	Intelligent transportation system <i>HK\$'000</i>	Broadband wireless access <i>HK\$'000</i>	Wind energy facilities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover					
External sales	27,803	19,586	49,689	—	97,078
Result					
Segment result	3,837	2,439	(484)	(22)	5,770
Unallocated corporate income					757
Unallocated corporate expenses					(7,115)
Finance costs					(3,734)
Share of results of associates					
– Communication products	(2,071)	—	—	—	(2,071)
– ITS	—	(481)	—	—	(481)
– Broadband wireless access	—	—	(1,222)	—	(1,222)
– Wind energy facilities	—	—	—	(41)	(41)
Increase in fair value of investment properties					5,010
Loss before taxation					(3,127)
Taxation					439
Loss for the period					(2,688)

4. FINANCE COSTS

	1.1.2008	1.1.2007
	to	to
	30.6.2008	30.6.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on other loan wholly repayable within five years	16,189	3,734

5. LOSS BEFORE TAXATION

1.1.2008	1.1.2007
to	to
30.6.2008	30.6.2007
HK\$'000	HK\$'000

Loss before taxation has been arrived at after charging and (crediting):

Allowance for bad and doubtful debts	34,000	—
Amortisation of intangible assets	2,450	2,450
Depreciation of property, plant and equipment	3,473	3,108
Loss on disposal of property, plant and equipment	162	19
Interest income	(2,474)	(191)
	<u><u> </u></u>	<u><u> </u></u>

6. TAXATION (CHARGE) CREDIT

1.1.2008	1.1.2007
to	to
30.6.2008	30.6.2007
HK\$'000	HK\$'000

The tax (charge) credit comprises:

Current tax:

The PRC Enterprise Income Tax	(1,252)	(5)
Deferred taxation	—	444
	<u> </u>	<u> </u>

Taxation (charge) credit attributable to the Group	(1,252)	439
	<u><u> </u></u>	<u><u> </u></u>

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. No provision for Hong Kong Profits Tax has been made in the current period as the Company's subsidiaries in Hong Kong have no assessable profit. The effect of such decrease has no material effect to the Group in measuring the current and deferred tax for the six months ended 30 June 2008.

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% (2007: 33%) for the six months ended 30 June 2008.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the “New Law”) by Order No. 63 of the President of the PRC on 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and the Implementation Regulation have changed the tax rate from 33% to 25% for the Company’s subsidiaries from 1 January 2008.

Pursuant to relevant laws and regulations in the PRC, certain of the Company’s subsidiaries registered in the PRC are entitled to exemption from Enterprise Income Tax under certain tax holidays and concessions. Enterprise Income Tax was calculated at rates given under the concessions.

7. DIVIDENDS

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008.

8. LOSS PER SHARE – BASIC

The calculation of basic loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	1.1.2008	1.1.2007
	to	to
	30.6.2008	30.6.2007
	HK\$’000	HK\$’000
Loss for the purpose of basic loss per share	<u>(21,430)</u>	<u>(4,294)</u>
	Number of shares	
	2008	2007
Weighted average number of shares for the purposes of basic loss per share	<u>3,623,995,668</u>	<u>1,017,139,763</u>

No diluted earnings per share have been disclosed as the Company has no potential ordinary shares outstanding for both periods.

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$31,631,000 (31.12.2007: HK\$61,869,000). The Group allows credit periods for 90 days on average to its customers for sales of goods. 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 balance sheet date:

	30.6.2008 <i>HK\$'000</i>	31.12.2007 <i>HK\$'000</i>
Within 30 days	13,851	9,327
Between 31 and 90 days	2,935	9,801
Between 91 and 180 days	349	36,491
Between 181 and 365 days	6,829	4,880
Over 1 year	7,667	1,370
	<hr/> 31,631 <hr/>	<hr/> 61,869 <hr/>

Included in the Group's other receivable balances are advance to a shareholder of an associate with carrying amount of HK\$35,910,000 (2007: HK\$34,637,000) and a dividend receivable from a jointly controlled entity with carrying amount of HK\$90,493,000 (2007: HK\$83,349,000). Both 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\$19,742,000 (31.12.2007: HK\$13,835,000). The following is an aged analysis of trade payables:

	30.6.2008 <i>HK\$'000</i>	31.12.2007 <i>HK\$'000</i>
Within 30 days	4,970	5,214
Between 31 and 90 days	1,174	1,520
Between 91 and 180 days	9,466	3,697
Between 181 and 365 days	518	385
Over 1 year	3,614	3,019
	<hr/> 19,742 <hr/>	<hr/> 13,835 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS SUMMARY

As of 30 June 2008, the Group's turnover for the first half of 2008 amounted to HK\$63.77 million with a loss of HK\$20.96 million in contrast to those for the year 2007 of HK\$97.08 million with a loss of HK\$2.69 million respectively. The loss for the period was attributable to an allowance for bad and doubtful debts of HK\$34.00 million and interests on shareholder loans regarding finances on wind energy projects of HK\$16.19 million albeit shares of profits from businesses of automotive component parts amounting to HK\$37.07 million and of wind energy projects amounting to HK\$16.27 million.

BUSINESS REVIEW

Change of Company name

The Company changed its name to China Energene International (Holdings) Ltd. from CASIL Telecommunications Holdings Ltd. on 15 May 2008, marking the milestone in stepping into a new era with diversification of business to businesses in respect of automotive component parts, wind energy, new material and telecommunications.

Business of automotive component parts

The jointly controlled entities, Beijing Delphi and Wanyuan GDX performed well as expected, contributing share of profits amounting to HK\$37.07 million in total. While maintaining the sales level to its 10 top customers including Shanghai GM, and Brilliance, Beijing Delphi is also achieving sales growth from its other customers. Wanyuan GDX has been positioning as the leading distinguished supplier supplying sealing systems to key customers of medium to high end sedan market such as FAW-VW, Shanghai VW and Shanghai GM with leading edge of engineering techniques, realizing various tailored-made sealing systems to them.

Business of wind energy projects

With capacity of annual production of 400 wind energy generation units and provision of incidental services such as assessment of wind resource, and fine-review on field selection to suppliers of electricity generated from wind energy, Nantong Acciona performed well above expected, contributing share of profit amounting to HK\$4.42 million.

Jilin Longyuan had sold electricity generated of 150 million kwh from 176 windmills installed in Tongyu County, giving the share of profit amounting to HK\$6.94 million. The Group will enjoy more share of profits from the total capacity of 200.6 MW in terms of 236 windmills to be further reached in lieu of the original 100.3 MW planned.

Following further investment of RMB30.43 million to Jiangsu Longyuan for development of Phase II of the project with capacity 50 MW, the project company installed 100 1.5MW windmills with capacity of 150 MW in total, becoming the first and biggest windmill field of megawatt level in PRC known as Yudong wind power field with 3 sub-fields, namely, Huangang wind power field, Dongling wind power field and Lingyang wind power field. By selling 324 million kwh through that capacity, the company had achieved revenue of more than HK\$100 million, contributing the share of profit of HK\$3.38 million.

Liaoning Benxi had a capacity 24.65 MW wind power field and achieved sales of electricity of 26.8 million kwh, contributing share of profits of HK\$1.53 million. In furtherance of the Group's intensive development of this business, it was planned to further acquire 15% of this project from Beijing CASC Wan Yuan Science and Technology Corporation, a wholly-owned subsidiary of China Academy of Launch Vehicle Technology ("CALT") shortly, increasing the Group's shareholding to 55% for direct management of the project company, Aerospace Long Yuan (Benxi) Wind Power Co., Ltd., in terms of a subsidiary such that the Group's revenue and profits will be further increased. This transaction would be a discloseable and connected transaction under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules ") if entered into by the Group.

In order to focus the energy on businesses of wind power generation and wind field development, in particular further reinforcing business in Inner Mongolia with rich wind resource in terms of a special project with companies incorporated, the project relating to Beijing Acciona on business in development of renewable energy projects, research and development in relation to those of wind power marketing, blades, biomass and biofuel with strategic joint venturers, Energia Hidroelectrica de Navarra and International Commercial E. Industria S.A. was decided not to be pursued.

Business of new materials

Hangzhou REPM became the Group's subsidiary on 1 July 2008 when the Group took effective control thereon in wake of entering into an equity assignment contract with Shanghai STEP Electric Co. Ltd. ("Shanghai Electric") on 27 May 2008 whereby Beijing Wan Yuan Industry Corp. ("BJWY"), a wholly-owned subsidiary of the Group, was to acquire a 20% registered capital of Hangzhou REPM from Shanghai Electric at consideration of approximately RMB11 million such that the Group would take effective control of the board of Hangzhou REPM through its new shareholding of 49%. During the period, the company achieved revenue of HK\$10.8 million and incurred loss of HK\$4.07 million, resulting in Group's share of loss of HK\$1.18 million due to the cost of improvement on product packages in the strategic move of production base from Beijing to Liyang County, Jiangsu, which are not recurring such that Hangzhou REPM is expected to start making profit in the second half of the year.

Telecommunication business

The Group continued the sales of communication equipment of high capacity to price value and rendering the application services of global positioning system to our customers including telecommunication operators, government authorities and system engineering companies and other public organizations.

PROSPECT

Further development on wind energy projects

In grasping the precious opportunity arising from the state policy propositioning on development of wind energy projects in China and leveraging the bright prospect of tremendous demand of energy whose production is hence required to be renewable and of environment conservation in the course of continuing economic growth of China in creating long-term income streams, the Group has planned to set up an Inner Mongolia windmill general assembling plant company, an Inner Mongolia blade plant company, a distribution company and an after-sales service company in development of direct-drive windmill project of advanced energy intensively, which comprises parts of manufacture of windmill equipment, research and development of technology, testing wind field and windmill distribution with strategic investors including Emergya Wind Technologies B.V. (“EWT”) from Netherlands, Beijing Direct Energy Corp. (“BDE”) and 北京航天材料與工藝研究所 (“MAI”). EWT is a Netherlands’ company incorporated in February 2004 that is the second largest direct-drive windmill manufacturer possessing the comprehensive and advanced direct-drive techniques as to capacities of 750KW and 900KW on production of windmill and its main components such as generators and blades. BDE engages in business of distribution of wind measuring equipment and instruments, possessing the capacity of development of early phase of wind energy generation field and of market of distribution of windmills. MAI which is a wholly-owned subsidiary of CALT, hence a fellow subsidiary of the Group, engages in research and development of assembling materials and arts applying in production of assembling materials as well as in production thereof.

The total investments amount to about RMB739 million which are to be funded from the Group’s internal resources, capital contributions from other joint venture parties and bank loans to be raised by the companies to be set up.

Manufacture of windmill equipment

This part comprises a windmill general assembling subsidiary and a windmill core parts (blade) subsidiary and a property management subsidiary. The windmill general assembling subsidiary is a joint venture between BJWY and EWT with shareholding of 95% and 5% respectively; the windmill core parts (blade) subsidiary is another joint venture between BJWY and New Image Development Ltd. (another wholly-owned subsidiary of the Group) and MAI and EWT with shareholding of 35%, 20%, 40% and 5% respectively. The windmill general assembling subsidiary engages in the business of windmill assembling, test and delivery, organizing logistics in production of windmill and of components domestically and purchasing of components locally and from overseas. The windmill core parts (blade) subsidiary engages in the business of production of tailored-made blades for the division’s windmill general assembling subsidiary and other windmill manufacturers and undergoing research and developments and quality recognition of blades with the technology research and development center. The annual production upon completion is expected to reach 300 direct-drive windmills of 900KW and 50 permanent-magnetic direct-drive windmills of 2MW. The property management subsidiary holds the property for the production base in Xinghe County, Inner Mongolia and leases the production base to the other 2 companies of this part with provision of professional estate management service to them. The total investments for this division amount to about RMB280 million.

In May 2008, the joint venture agreement for setting up of the windmill general assembling subsidiary, 內蒙古航天萬源風電製造有限公司 was entered into by BJWY and EWT. The registered capital and total investment of this company amount to RMB50 million and RMB100 million respectively. The Group’s share of capital contribution amounts to RMB47.5 million.

As of 30 June 2008, the wholly-owned property management subsidiary, 內蒙古航天萬源新能源開發有限公司, has been incorporated with registered capital injected amounting to RMB30 million.

Research and development of technology

This part comprises a wind energy research and development center handling the technical issues on local mass production of 900KW direct-drive windmills in China, conducting research and development on the wind energy technology in respect of patented 2 MW direct-drive windmill and on development of patentable new-make windmills and their quality recognition.

Testing wind field

This part comprises a subsidiary engaging in generation of electricity from 55 windmills of 900KW being installed in a windmill electricity generation field of total capacity of 49.5MW in Xinghe County, Inner Mongolia in provision of electricity to the public at large at more than 110 million kwh per annum in northern China. The total investment for this division amounts to about RMB438 million.

Windmill distribution

This part comprises a distribution company, which is a joint venture associate between the Company and EWT and BDE with their respective shareholding of 25%, 60% and 15% and a service support subsidiary whose shareholding between BJWY and EWT is 51% and 49% respectively. The distribution company engages in business of market exploitation and distribution of windmills produced from windmill general assembling subsidiary domestically and globally and coordination of sales support services provided by the service support subsidiary covering transportation and installation of windmills and testing in relation to delivery thereof as well as after-sales supports in terms of maintenance for windmill operations in generation of electricity. The total investments for this division amount to about RMB21 million.

In May 2008, the joint venture agreements for setting up of the distribution company, 北京航天宜達特直驅風機銷售有限公司 and of the service support subsidiary, 北京航天宜達特直驅風機服務維護有限公司 were entered into by the said joint venture parties. The registered capital and total investment as to the distribution company amount to RMB10 million and RMB14 million respectively. The Company's share of capital contribution amounts to RMB2.5 million. The registered capital and total investment as to the service support subsidiary amount to RMB5 million and RMB7 million respectively. The Group's share of capital contribution amounts to RMB2.55 million.

Other developments

In the meantime, the Group is also exploring other opportunities in the diversified businesses for our Group's further development thereon.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2008, the Group had 40 employees (2007: 41 employees) in the Hong Kong head office and 408 employees (2007: 409 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 2008 were HK\$669,332,000 (31 December 2007: HK\$583,005,000), 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 over shareholders' equity) as at 30 June 2008 was 40% (31 December 2007: 37%).

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 2008.

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 year under review, and complied with the relevant code provisions in the Code throughout the six month period ended 30 June 2008, 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 except the Independent Non-executive Directors appointed on 23 January 2008 are not appointed for a specific term 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 2008, 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 2008, 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 confirmation 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 auditors 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 2008.

By Order of the Board

Han Shuwang

Chairman

Hong Kong, 18 September 2008

As at the date hereof, the Board of the Company comprises Mr. Han Shuwang, Mr. Wang Xiaodong and Mr. Li Guang as Executive Directors, Mr. Wu Jiang and Mr. Tang Guohong 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.*