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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)

**CONNECTED TRANSACTION
DISPOSAL OF ASSOCIATES**

The Board is pleased to announce that CAT, a wholly owned subsidiary of the Company, has entered into an Equity Transfer Agreement on 20 June 2011 whereby CAT agreed to sell and China Rich agreed to purchase a 47.5% equity in an associate of the Company, Castel Qihua for a consideration of HK\$12,000,000 payable in cash.

The entering into the Equity Transfer Agreement constitutes a connected transaction of the Company under the Listing Rules.

Since the applicable percentage ratio under the Chapter 14A of the Listing Rules in respect of the transaction with the Previous Sales in aggregate is more than 1% but less than 5%, the connected transactions are exempt from the Independent Shareholders' approval at a general meeting under the Listing Rules.

INTRODUCTION

The board of directors (the "Board") of China EnginE International (Holdings) Limited (the "Company") is pleased to announce that CAT, a wholly-owned subsidiary of the Company, has entered into an Equity Transfer Agreement on 20 June 2011 whereby CAT agreed to sell and China Rich agreed to purchase a 47.5% equity in an associate of the Company, Castel Qihua for a consideration of HK\$12,000,000 payable in cash.

The Equity Transfer Agreement

Date : 20 June 2011

Parties : 1. CAT, as vendor, a wholly-owned subsidiary of the Company;
and
2. China Rich, as purchaser, a Connected Person of the Company

Assets to be disposed:

the Sale Shares, which represents a 47.5% equity of Castel Qihua.

From the date of payment of the consideration of HK\$12,000,000 in full, China Rich will be entitled to exercise 100% interest over Castel Qihua. Castel Qihua and its subsidiaries will therefore cease to be associates of the Company.

Consideration:

The consideration for the Sale Shares amounts to HK\$12,000,000 which shall be paid by China Rich in cash within 30 days from the date of the Equity Transfer Agreement.

The Consideration was arrived at after arm's length negotiations between the parties by reference to consolidated financial results of the Castel Qihua Group as mentioned hereinafter.

Completion:

Completion will take place on the date of payment on which date the transfer of shares will be recorded in the register of members of Castel Qihua.

Previous Equity Transfer Agreements:

Before entering into this transaction, it was announced on 8 November 2010 in terms of discloseable and connected transactions that the above two parties also entered into 2 previous equity transfer agreements on 15 June 2010 and 8 November 2010 in respect of respective sales of 15% equity and 7.5% equity (22.5% equity in aggregate) of Castel Qihua for considerations of HK\$8,010,000 and HK\$4,005,000 respectively (HK\$12,015,000 in aggregate). Upon completion of the second sale on 15 December 2010, China Rich was entitled to exercise 52.5% interest over Castel Qihua in assuming the control over Castel Qihua; the Group's interest in Castel Qihua decreased to 47.5%. Castel Qihua and its subsidiaries therefore then ceased to be subsidiaries of the Company and became associates of the Company through today.

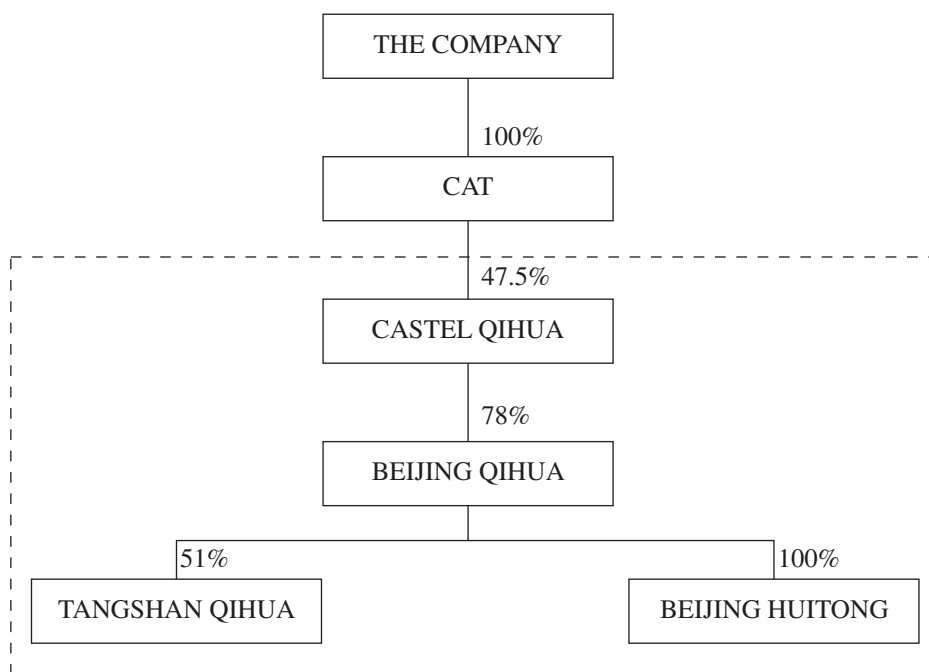
The above considerations for Previous Sales were arrived at after arm's length negotiations between the parties by reference to consolidated financial results for the years ended 31 December 2008 and 31 December 2009 of the Castel Qihua Group.

Under the Listing Rules, the Sale and the Previous Sales were aggregated and disclosed together. In aggregate, the shares sold in total for the 3 transactions to China Rich represented 70% equity of Castel Qihua for a total consideration of HK\$24,015,000, with loss of control in the second transaction entered into on 8 November 2010.

Information on the Castel Qihua Group

Castel Qihua is an investment holding company incorporated in the British Virgins Islands with limited liability, being owned by CAT as to 47.5% shareholding and China Rich as to 52.5% shareholding. It directly holds a 78% interest subsidiary, Beijing Qihua Communications Ltd. which also holds 2 subsidiaries, Tangshan Qihua and Beijing Huitong.

The group structure of the Castel Qihua Group (comprising Castel Qihua and its 3 subsidiaries) in relation to the Company as at the date of this announcement is as follows:



(a) **Beijing Qihua**

Castel Qihua owned 78% of Beijing Qihua' registered capital. Beijing Qihua is principally engaged in the operation of taxi GPS-positioning, dispatch and management in Beijing. Beijing Qihua is also engaged in the manufacture and sales of ITS products and the products for taxi GPS-positioning, dispatch and management in Beijing, PRC principally.

Beijing Qihua was established on 23 November 1995. The total registered capital is US\$1,239,000 (approximately HK\$9,640,000) and contributions thereto attributable to Castel Qihua, Winfull and Beijing Chang Huade Automotive Co. Ltd. (“Chang Huade” 北京昌華德汽車有限責任公司) amounted to US\$966,420 (approximately HK\$7,519,000) US\$210,630 (approximately HK\$1,639,000) and US\$61,950 (approximately HK\$482,000). Beijing Qihua, Winfull and Chang Huade hold 78%, 17% and 5% of equity interest in Beijing Qihua respectively. Winfull is owned by Mr. Chau and his spouse, Ms. Kwok in equal share. Chang Huade is a prominent Beijing transportation company, which is independent from the Group and the purchaser.

(b) **Tangshan Qihua**

Beijing Qihua owned 51% of Tangshan Qihua's registered capital. Tangshan Qihua is principally engaged in the operation of long distance transportation fleet GPS-positioning, dispatch and management. Tangshan Qihua is also engaged in the manufacture and sales of long distance transportation fleet ITS products and the after-sales services in Tangshan, PRC principally. Tangshan Qihua was established on 23 June 2000. The total registered capital is RMB1,280,000 (approximately HK\$1,536,000) and contributions thereto attributable to Beijing Qihua, Tangshan Traffic Communication Network Technology Service Co. Ltd. (“Tangshan Traffic” 唐山市交通通信網絡技術服務有限公司), Shantou Expensive and Tangshan Yiyun Group Co. Ltd. (“Tangshan Yiyun” 唐山一運集團有限公司) amounted to RMB652,800 (approximately HK\$783,000), RMB320,000 (approximately HK\$384,000), RMB179,200 (approximately HK\$215,000) and RMB128,000 (approximately HK\$154,000) respectively. Beijing Qihua, Tangshan Traffic, Shantou Expensive, and Tangshan Yiyun hold 51%, 25% 14% and 10% of equity interest in Tangshan Qihua respectively. Shantou Expensive is ultimately owned by Mr. Chau and his spouse, Ms. Kwok as to 68% and 32% equity respectively. The other equity owners are independent from the Group and the purchaser.

(c) **Beijing Huitong**

Beijing Qihua owned 100% of Beijing Huitong's registered capital of RMB 2,090,000 (approximately HK\$2,508,000).

Beijing Huitong was established on 30 August 2010 and was engaged in sales of electronic products, instruments, computer software and the accessories in Beijing.

According to the unaudited consolidated financial statements of Castel Qihua Group prepared under HK GAAP, the consolidated net profits before and after taxation and extraordinary item for the year ended 31 December 2008 were HK\$3,753,000 and HK\$2,369,000 respectively; those for the year ended 31 December 2009 were HK\$4,026,000 and HK\$2,767,000 respectively; and those for the year ended 31 December 2010 were HK\$2,982,000 and HK\$12,446,000 respectively. As at 31 May 2011, the unaudited consolidated net asset value of Castel Qihua Group prepared under HK GAAP amounted to HK\$17,531,000.

REASONS AND BENEFITS FOR THE DISPOSAL

The Group is principally engaged in the businesses of manufacture and sales of wind turbines and blades, operation of wind farm, trading of materials, intelligent transportation systems, broadband wireless access systems and equipment, manufacture and sale of telecommunications products, and of hi-tech rare-earth permanent magnetic motors for elevators as well as investment in businesses of automotive components parts.

The reason of the Sale and the Previous Sales is to scale down the operation of the business of intelligent transportation system of the telecommunication business of the Group so that resources can be more focused on the Group's other principal businesses.

The gain on the Sale for the Company, representing the difference between the consideration of the Sale Share of HK\$12,000,000 and the remaining interest in Castel Qihua of HK\$5,515,000 will amount to approximately HK\$6,485,000 and the Group is utilizing the sales proceeds from the Sale and the Previous Sales as working capital of the Group. In aggregating the previous gain of HK\$6,753,000 on previous sale recognized directly in equity in June 2010 representing the difference between the consideration of the Previous Sale of HK\$8,010,000 and the attributable interest of 15% in the then consolidated net asset value of Castel Qihua and its subsidiaries and that of HK\$3,162,000 recognised in profit and loss in December 2010 representing the difference between the consideration of the previous sale of HK\$4,005,000 and the attributable interest of 7.5% in the then consolidated net asset value of Castel Qihua and its subsidiaries, the total gain from the 3 sales will amount to approximately HK\$16,400,000.

Upon Completion, the net asset value of the Group will increase by approximately HK\$6,485,000 and profit of approximately HK\$6,485,000 will be recognized in the accounts of the Group. In aggregate, the net asset value of the Group will increase by approximately HK\$16,400,000 and gains of approximately HK\$16,400,000 will be recognized in the accounts of the Group.

The Directors, including the independent non-executive directors, consider that the terms of the Sale and the Previous Sales are fair and reasonable, on normal commercial terms, and in the interest of the Company and the Shareholders as a whole. No Directors have a material interest in the transactions and accordingly have abstained from voting on the board resolution.

LISTING RULES IMPLICATION

China Rich, an investment holding company incorporated in Hong Kong, whose shareholders are Mr. Chau and his spouse, Ms. Kwok, is an associate of a connected person, Mr. Chau by virtue of being the directors of the Company's previous subsidiaries (now associates), Castel Qihua and its 3 subsidiaries, within the preceding 12 months from today and is accordingly a Connected Person of the Company pursuant to Chapter 14A of the Listing Rules.

This relationship differs from that in the previous discloseable and connected transactions on disposal of subsidiaries (Castel Qihua and its subsidiaries) as announced on 8 November 2010 where it mentioned that China Rich was a substantial shareholder of Castel Qihua, holding 45% equity thereof. China Rich in itself was a connected person of the Company on that day. In addition, since the shareholders of China Rich were Mr. Chau and his spouse, Ms. Kwok as to 68% and 32% equity respectively, and Mr. Chau was a director of Castel Qihua and of its three subsidiaries, China Rich was also an associate of a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Further, Mr. Chau and his spouse, Ms. Kwok were also the equity owners of Beijing Qihua's substantial shareholder of Winfull and of Tangshan Qihua's substantial shareholder of Shantou Expensive, they and their China Rich were also the associates of the substantial shareholders (i.e. Connected Persons) of the said subsidiaries.

Since the applicable percentage ratios under the Chapter 14A of the Listing Rules in respect of the transactions in aggregate is more than 1% but less than 5%, the connected transactions are exempt from the Independent Shareholders' approval at a general meeting under the Listing Rules.

DEFINITIONS

The following terms have the following meanings in this announcement, unless the context otherwise requires:

“associate(s)”	having the meaning ascribed thereto in the Listing Rules
“Beijing Huitong”	Beijing Qihua Huitong Technology Co Ltd. (北京奇華滙通科技有限公司), a subsidiary of the Company established in Beijing, the PRC
“Beijing Qihua”	Beijing Qihua Communications Co. Ltd. (北京奇華通訊有限公司), a subsidiary of the Company established in Beijing, the PRC
“Board”	the board of Directors
“Castel Qihua”	Castel Qihua Ltd. an associate as to 47.5% equity incorporated in British Virgins Islands
“Castel Qihua Group”	Castel Qihua and its subsidiaries, Beijing Qihua, Tangshan Qihua; and Beijing Huitong
“CAT”	China Aerospace Telecommunications Limited, a wholly owned subsidiary of the Company incorporated in Hong Kong
“China Rich”	China Rich (Hong Kong) Investments Ltd. a company established in Hong Kong, which is owned by Mr. Chau and Ms. Kwok as to 68% and 32% equity respectively
“Company”	China Engerine International (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	Completion of the Sale pursuant to Equity Transfer Agreement
“Connected Person(s)”	having the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement of 20 June 2011 entered into between CAT and China Rich in relation to purchase and sale of 47.5% equity interest in Castel Qiha

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chau”	Mr. Chau Chiu Suen, a director of Castel Qihua and its three subsidiaries and equity owner of the substantial shareholders of Castel Qihua, of Beijing Qihua and of Tangshan Qihua
“Ms. Kwok”	Ms. Kwok Wai Wa, wife of Mr. Chau and equity owner of the substantial shareholders of Castel Qihua, of Beijing Qihua and of Tangshan Qihua
“Previous Equity Transfer Agreements”	the equity transfer agreements dated 15 June 2010 and 8 November 2010 and entered into between CAT and China Rich in relation to purchase and sales of 15% equity and 7.5% equity interest in Castel Qihua respectively
“Previous Sales”	the sales and purchases of 1.5 shares and 0.75 share in Castel Qihua representing 15% and 7.5% equity of Castel Qihua pursuant to the Previous Equity Transfer Agreements
“RMB”	Renminbi, the legal currency of the PRC
“Sale”	the sale and purchase of the Sale Shares
“Sale Shares”	4.75 shares in Castel Qihua, representing 47.5% equity of Castel Qihua
“Share(s)”	ordinary share(s) of HK\$0.10 in the capital of the Company
“Shareholder(s)”	holder(s) of Shares

“Shantou Expensive”	Shantou Expensive Workmanship & Textile Co. Ltd. (汕頭市滙祥裝飾織物有限公司), a company established in Shantou City, Guangdong, PRC, which is ultimately owned by Mr. Chau and Ms. Kwok as to 68% and 32% equity respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	having the meaning ascribed thereto in the Listing Rules
“Tangshan Qihua”	Tangshan Qihua GPS Co. Ltd. (唐山奇華衛星定位有限公司), a subsidiary of the Company established in Tangshan, Hebei, the PRC
“Winfull”	Winfull Group (H.K.) Ltd., a company incorporated in Hong Kong, which is owned by Mr. Chau and Ms. Kwok in equal shares
“%”	per cent

By Order of the Board
China Engerine International (Holdings) Limited
Han Shuwang
Chairman

Hong Kong, 20 June 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.*