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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred all** your shares in China Energin International (Holdings) Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF 20% REGISTERED CAPITAL IN  
AN ASSOCIATE 杭州航天萬源稀土電機應用技術有限公司**

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\* *For identification purpose only*

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## CONTENTS

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	<i>Pages</i>
<b>Definitions</b> .....	1
 <b>Letter from the Board</b>	
Introduction .....	3
The Equity Assignment Contract .....	4
Subject of the acquisition .....	4
Consideration and settlement .....	5
Conditions precedent .....	5
Completion .....	5
Reasons for and benefit of further investing in the Joint Venture .....	6
Financial effect of the acquisition .....	6
Information on the parties .....	6
Listing Rules implication .....	7
Further information .....	7
 <b>Appendix — General Information</b> .....	 8

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings, unless the context otherwise requires:*

“Board”	the board of Directors;
“CALT”	中國運載火箭技術研究院 (China Academy of Launch Vehicle Technology), a legal entity established in the PRC and the controlling shareholder of the Company wholly-owned by CASC;
“CASC”	中國航天科技集團公司 (China Aerospace Science and Technology Corporation), a state-owned enterprise established in the PRC and the ultimate controlling Shareholder of the Company;
“Company”	China Engerine International (Holdings) Limited;
“Directors”	the directors of the Company;
“Equity Assignment Contract”	Equity assignment contract in respect of 20% registered capital of Hangzhou REPM entered into on 27 May 2008;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the legal currency of the Hong Kong Special Administrative Region of the PRC;
“Hangzhou REPM”	杭州航天萬源稀土電機應用技術有限公司 (Hangzhou Aerospace Wan Yuan Motor Application Technology Co., Ltd.), a limited liability company established in the PRC and an associate of the Group;
“Latest Practicable Date”	11 June 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China (but, for the purpose of this circular, excluding Hong Kong, Macau and Taiwan);
“RMB”	Reminbi, the legal currency of the PRC;
“Shanghai Electric”	上海新時達電氣有限公司 (Shanghai STEP Electric Co. Ltd.), a limited liability company established in Shanghai, the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

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## DEFINITIONS

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“Wan Yuan Industry” 北京萬源工業公司 (Beijing Wan Yuan Industry Corporation), a wholly-owned subsidiary of the Company incorporated in Beijing, the PRC;

“%” per cent.

*For the purpose of this circular, the exchange rate of RMB:HK\$ is RMB1:HK\$1.116.*

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Han Shuwang (*Chairman*)  
Mr. Wang Xiaodong  
Mr. Li Guang

*Non-executive Directors:*

Wu Jiang  
Tang Guohong

*Independent Non-executive Directors:*

Mr. Wang Dechen  
Ms. Kan Lai Kuen, Alice  
Mr. Gordon Ng

*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Principal Place of Business:*

Suite 4701, 47th Floor  
Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

11 June 2008

*To the shareholders of the Company*

Dear Sir or Madam,

### DISCLOSEABLE TRANSACTION ACQUISITION OF 20% REGISTERED CAPITAL IN AN ASSOCIATE 杭州航天萬源稀土電機應用技術有限公司

#### Introduction

It was announced on 27 May 2008 that Wan Yuan Industry, a wholly-owned subsidiary of the Company, had entered into an equity assignment contract after trading hours thereon whereby Shanghai Electric agreed to dispose of and Wan Yuan Industry agreed to acquire a 20% registered capital in an associate of the Company, Hangzhou REPM for a cash consideration of RMB11 million.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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### **The Equity Assignment Contract**

Date: 27 May 2008

Parties: 1. Shanghai Electric, as assignor; and  
2. Wan Yuan Industry, a wholly-owned subsidiary of the Company, as assignee.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the assignor and their respect ultimate beneficial owners are third parties independent of the Company and its connected persons and are not connected persons of the Group

### **Subject of the acquisition**

Hangzhou REPM is a limited liability company established in the PRC on 27 February 2002, and is principally engaged in the manufacture of hi-tech rare-earth permanent magnet motors for elevator in Liyang County, Jiangsu Province and in the development and distribution thereof in Beijing. After years of effort in research and developments, Hangzhou REPM not only had developed many intelligent properties and core techniques of its own but also reached several industrial standards in that it obtained 10 state patents including those relating to electrical magnetic motor and one of invention. All of the product collections produced by Hangzhou REPM obtained certificates of recognition from State Elevator Quality Examination Centre and from European Communities. The quality control system has passed the requisite standard for obtaining awards of certificate of recognition from the ISO9001 Quality Control System catering for large-scale of production, paving the way for future export sales of the products. The total registered capital of Hangzhou REPM is RMB50 million (approximately HK\$55.8 million) and contributions thereto attributable to Wan Yuan Industry, 遼寧富士電梯有限公司 (Liaoning Fuji Elevator Co. Ltd. ("Liaoning Elevator")), Shanghai Electric, 杭州榮海投資有限公司 (Hangzhou Rong Hai Investment Co. Ltd. ("Hangzhou Investment")), 丹陽市金象化工廠 (Danyang Jin Xiang Chemical Plant ("Danyang Chemical")) and 北京長征天民高科技有限公司 (Beijing Chang Zheng Tian Min High Technology Co. Ltd. ("Tian Min")) amounted to RMB14.5 million (approximately HK\$16.18 million), RMB10 million (approximately HK\$11.2 million), RMB10 million (approximately HK\$11.2 million), RMB9 million (approximately HK\$10.04 million), RMB5 million (approximately HK\$5.58 million) and RMB1.50 million (approximately HK\$1.67 million) respectively. Wan Yuan Industry, Liaoning Elevator, Shanghai Electric, Hangzhou Investment, Danyang Chemical and Tian Min hold 29%, 20%, 20%, 18%, 10% and 3% equity interest in Hangzhou REPM respectively. As such, Hangzhou REPM is an associate of the Group and its results have been equity accounted for in the accounts of the Group. After completion of the acquisition, Wan Yuan Industry will hold 49% equity interest in Hangzhou REPM, which will then become a subsidiary of the Group by virtue of the fact that the number of directors assigned by Wan Yuan Industry will occupy more than half (four out of seven) of the restructuring composition of the new board of Hangzhou REPM i.e. obtaining the effective control of Hangzhou REPM as against that of three out of nine before the restructuring. Its results will be consolidated into the accounts of the Group from the date of obtaining the said effective control.

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## LETTER FROM THE BOARD

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According to unaudited financial statements of Hangzhou REPM prepared under PRC GAAP, the net loss before taxation and after taxation for the 4 months ended 30 April 2008 amounted to RMB973,000 (approximately HK\$1,086,000). According to the audited financial statements prepared under PRC GAAP, the net losses before taxation and after taxation for the years 2006 and 2007 amounted to RMB6,947,000 (approximately HK\$7,753,000) and RMB6,251,000 (approximately HK\$6,976,000) respectively. As at 31 December 2006 and 2007, the audited net assets value of Hangzhou REPM amounted to RMB37,834,000 (approximately HK\$42,223,000) and RMB28,640,000 (approximately HK\$31,962,000) respectively. In accordance with the unaudited financial statements for the 4 months ended 30 April 2008, the net assets value as at 30 April 2008 was recorded as RMB24,064,000 (approximately HK\$26,855,000).

### **Consideration and settlement**

Pursuant to the Equity Assignment Contract, Wan Yuan Industry, after arm's length negotiation, agreed to acquire 20% of registered capital of Hangzhou REPM at a consideration of RMB11 million (approximately HK\$12.28 million), as determined by reference to results of its efforts in research and development in its incubation phase in possessing various intelligent properties and core techniques of its own and reaching various industry standards and obtaining certificates of recognition locally and overseas as to its product collections or quality control system as aforementioned for future sales of products including export sales and the original acquisition cost of the 20% thereof in May 2005 of RMB12 million (approximately HK\$13.39 million) paid by Shanghai Electric. The net assets value of RMB24 million (approximately HK\$26.78 million) as against its registered capital of RMB50 million (approximately HK\$55.80 million) reflects the level of research and development activities in the phase. The consideration will be satisfied by the internal resources of the Company within the month following the completion of the conditions precedent mentioned below and full settlement of current account balances due to Hangzhou REPM by Shanghai Electric.

### **Conditions precedent**

The Equity Assignment Contract will become effective upon the fulfillment of the following conditions:

1. the passing of resolution by shareholders of Hangzhou REPM;
2. The State Administration for Industry and Commerce having registered the change of shareholders.

### **Completion**

Subject to the fulfillment of the above conditions precedent, completion will take place on the day when the legal and valid registration in relation to the ownership transfer of 20% equity interest in Hangzhou REPM is completed.

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## LETTER FROM THE BOARD

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### **Reasons for and benefit of further investing in the Joint Venture**

The Group is principally engaged in the businesses of intelligent transportation systems, broadband wireless access systems and equipment, manufacturing and sale of telecommunications products and investment in businesses of renewable energy including wind energy, automotive component parts and rare-earth permanent magnetic motors.

Rare earth of contemporary science and technology, when added to materials, either improves the quality of the materials, or creates totally new materials. The rare-earth permanent magnetic motors manufactured by Hangzhou REPM are considered innovative products to the market and the business was at its incubation stage with many rooms of growth in its imminent phase of growth. With their weight and size generally of more than 50% lighter and smaller than those of conventional motors, rare-earth permanent magnetic motors offer high performance in terms of high precision, low noise, high stability and heavy load as well as their significant energy saving. Yet their prices are of that level comparable to those of the conventional motors such that rare-earth permanent magnetic motors will have the potential to tap into the conventional motors market. The acquisition of HZ REPM as the group's subsidiary is the group's strategic move in further developing business of rare-earth permanent magnetic motors as the group's one of the principal activities in grasping the growth potentials of this new material product after having gone through its incubation period rather than mere investment therein.

The terms of the Equity Assignment Contract were negotiated after arm's length negotiation. The Directors (including the independent non-executive directors) of the Company considered that the transaction had been entered into on normal commercial terms such that the terms thereof were fair and reasonable and in the interests of the shareholders of the Company as a whole.

### **Financial effect of the acquisition**

There will be no material effect on earnings of the Group immediately after acquisition. Taking the pro forma net asset position of Hangzhou REPM at the date of acquisition as that of 30 April 2008, the current assets of the Group immediately after acquisition will be increased by approximately RMB29,860,000 (approximately HK\$33,324,000) representing Hangzhou REPM's current assets less the cash consideration of RMB11,000,000 (approximately HK\$12,276,000). The fixed assets, intangible assets and current liabilities of the Group will be increased by Hangzhou REPM's respective items of approximately RMB2,794,000 (approximately HK\$3,118,000), approximately RMB6,590,000 (approximately HK\$7,354,000) and approximately RMB26,179,000 (approximately HK\$29,216,000) respectively. There will be a goodwill arising of approximately HK\$6,905,000.

### **Information on the parties**

Shanghai Electric is a limited liability company incorporated in Shanghai, the PRC. Its principal activities are development, production and distribution of elevator control and driving system for business globally with the trademark STEP.

The Group has no other prior relationship or transaction with Shanghai Electric and its beneficial owners.



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## LETTER FROM THE BOARD

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### **Listing Rules implication**

The entering into of the Equity Assignment Contract constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules.

### **Further information**

Your attention is drawn to the information set out in the Appendix to this circular.

Yours faithfully,  
By order of the board of directors of  
**China Engine International (Holdings) Limited**  
**Han Shuwang**  
*Chairman*

**1. RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular misleading.

**2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY AND ANY ASSOCIATED CORPORATION**

As at the Latest Practicable Date, none of the Directors and chief executive of the Company or their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or to be recorded in the registrar required to be maintained pursuant to Section 352 of the SFO, or otherwise to be notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of the Listed Issuers in the Listing Rules.

**3. SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE COMPANY**

As at the Latest Practicable Date, so far as is known to the Directors, the persons/entities (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities or in any options in respect of such capital were as follows:

<b>Name</b>	<b>Capacity</b>	<b>Number of shares</b> <i>(note 1)</i>	<b>Percentage of shareholding</b>
CASC	Interest of a controlled corporation <i>(note 2)</i>	2,649,244,000 (L)	73.10%
CALT	Interest of a controlled corporation <i>(note 3)</i>	2,649,244,000 (L)	73.10%
Astrotech	Beneficial Owner	2,649,244,000 (L)	73.10%

*Notes:*

1. The letter “L” denotes the shareholder’s long position in the shares.
2. CASC is deemed to be interested in 2,649,244,000 shares as it holds 100% of the issued share capital of CALT.
3. Astrotech is a wholly owned subsidiary of CALT. Accordingly, CALT is deemed to be interested in all the shares held by Astrotech.

Save as disclosed herein, as at Latest Practicable Date, as is known to the Directors or the chief executive of the Company, there is no other persons/entities (including the Directors or chief executive of the Company) who had any interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person’s interest in such securities or in any options in respect of such capital.

**4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into, or was proposing to enter into any service contract with the Company or any member of the Group (except those expiring or determinable by the Company within a year without payment of compensation other than statutory compensation).

**5. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and their respective associates were considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

**6. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the directors to be pending or threatened against the Company or any of its subsidiaries.

**7. MISCELLANEOUS**

- (a) The secretary of the Company is Mr. Au-Yeung Keung Steve LLB LLM, who is a fellow member of Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Chartered Institute of Management Accountants.

- (b) Mr. Wang Lijun (“Mr. Wang”), having a professional accounting qualification in PRC, is the qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules. Mr Wang is able to meet all the requirements set out in Rule 3.24 of the Listing Rules, except that he is not a fellow or associate member of HKICPA or a similar body of accountants recognised by HKICPA for the purpose of granting exemptions from the examination requirement for membership of HKICPA; and the Company has in place arrangements providing Mr. Wang with access to the assistance of Ms. Shiu Lo Shan, Rosana (“Ms. Shiu”) who is an associate member of the HKICPA. The Stock Exchange has agreed to grant a three-year conditional waiver to the Company from strict compliance with Rule 3.24 of the Listing Rules to 9 May 2011 on the condition of Ms. Shiu’s assistance for the waiver period.
- (c) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (d) The principal place of business of the Company is Suite 4701, 47th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (e) The English texts of this circular shall prevail over the Chinese texts.