CHINA ENERGINE
From Engine to New Energy

CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

中國航天萬源國際(集團)有限公司*

Stock Code : 1185

2011
Interim Report

* For identification purpose only

CORPORATE CULTURE

Mission

Devoted to new energy Contributing to society Benefiting mankind

Target

Pursuing excellence Leading development of new energy

Value

Leveraging talents to full play Win-win in harmony

CONTENTS

	Page
Corporate Information	2
Management Discussion and Analysis	4
Additional Information	14
Report on Review of Interim Financial Information	19
Condensed Consolidated Financial Statements	
Condensed Consolidated Statement of Comprehensive Income	20
Condensed Consolidated Statement of Financial Position	22
Condensed Consolidated Statement of Changes in Equity	24
Condensed Consolidated Statement of Cash Flows	26
Notes to the Condensed Consolidated Financial Statements	28

CORPORATE INFORMATION

Board of Directors	*Executive Directors* Mr. Han Shuwang *(Chairman)* Mr. Wang Xiaodong *(Vice-Chairman)* Mr. Zang Wei *(Chief Executive Officer)* Mr. Wang Lijun *Non-executive Directors* Mr. Li Guang Mr. Fang Shili *Independent Non-executive Directors* Mr. Wang Dechen Ms. Kan Lai Kuen, Alice Mr. Gordon Ng
Company Secretary	Mr. Au-Yeung Keung, Steve
Audit Committee	Ms. Kan Lai Kuen, Alice *(Chairman)* Mr. Wang Dechen Mr. Gordon Ng Mr. Fang Shili
Remuneration Committee	Mr. Li Guang *(Chairman)* Ms. Kan Lai Kuen, Alice Mr. Gordon Ng
Development and Investment Committee	Mr. Han Shuwang *(Chairman)* Mr. Wang Xiaodong Mr. Zang Wei Mr. Wang Lijun Mr. Wang Dechen

Registered Office	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Principal Place of Business	Suite 4701, 47/F, Central Plaza 18 Harbour Road Wanchai, Hong Kong
Auditor	Deloitte Touche Tohmatsu 35/F, One Pacific Place 88 Queensway, Hong Kong
Principal Share Registrar	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street, P.O. Box 705 Grand Cayman KY1-1107 Cayman Islands
Branch Share Registrar	Tricor Standard Limited Share Registration Public Office 26/F, Tesbury Centre 28 Queen's Road East, Hong Kong
Principal Bankers	Bank of China (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited DBS Bank (Hong Kong) Limited
Legal Advisers	Sit, Fung, Kwong & Shum Conyers Dill & Pearman
Website	www.energine.hk
Email Address	energine@energine.hk
Stock Code	1185

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$86.93 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 Energine 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 Energine Wind Turbine General Assembling Plant

Jiangsu Energine 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 Energine 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 Renminbi, Hong Kong dollars 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.

ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Board of the Company did not recommend any interim dividend for the six months ended 30 June 2011 (2010: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, none of the Directors and chief executives of the Company or their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 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 SFO), or to be recorded in the register 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 Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six month period ended 30 June 2011 was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangements to enable the Directors of the Company or their associates (as defined in the "Listing Rules") to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, so far as is known to the Directors, the persons/entities 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:

Name	Capacity	Number of shares *(Note 1)*	Percentage of shareholding
China Aerospace Science & Technology Corporation ("CASC")	Interest of a controlled corporation *(Note 2)*	2,649,244,000(L)	66.75%
China Academy of Launch Vehicle Technology ("CALT")	Interest of a controlled corporation *(Note 3)*	2,649,244,000(L)	66.75%
Astrotech Group Limited ("Astrotech")	Beneficial owner	2,649,244,000(L)	66.75%

Note:

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% equity 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, according to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors, there is no other person/entity who, as at 30 June 2011, had any interest or short position in the shares of underlying shares of the Company which would fall to be disclosed to the Company under Divisions 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 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.

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 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. 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.

Change in Information of Director

The change in the information of the Directors of the Company since the publication of the annual report of the Company for the year ended 31 December 2010 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	**Details of change**
Independent Non-executive Director:	
Ms. Kan Lai Kuen, Alice	Resigned as an Independent Non-executive Director of Sunac China Holdings Limited, a company listed on the Stock Exchange, with effect from 8 June 2011 and retired from that of G-Vision International (Holdings) Ltd., a company listed on the Stock Exchange, with effect from 11 August 2011.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of Ms. Kan are set out below:

Ms. Kan Lai Kuen, Alice, aged 56, is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of The Hong Kong Institute of Certified Public Accountants. She is also a fellow member of the Hong Kong Institute of Directors. She has over 15 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions and is currently a controlling shareholder and the Managing Director of each of Asia Investment Management Limited and Asia Investment Research Limited, both companies are licensed corporations under the Securities and Futures Ordinance (the "SFO"). Ms. Kan is a licensed investment adviser under the SFO and a registered officer of Lotus Asset Management Ltd. Ms. Kan has also been an Independent Non-executive Director of each of Regal Hotels International Holdings Limited, G-Vision International (Holdings) Limited ("G-Vision"), Sunway International Holdings Limited, Shimao Property Holdings Limited, Shougang Concord International Enterprises Company Limited, Shougang Concord Technology Holdings Limited ("Shuogang Concord") and Sunac China Holdings Limited ("Sunac China"), all of which are companies listed on the Hong Kong Stock Exchange. She retired from those offices of Shuogang Concord and G-Vision on 8 June 2010 and 11 August 2011 respectively and resigned from that of Sunac China on 8 June 2011. She was appointed as an Independent Non-executive Director on 23 January 2008 and reappointed on 23 January 2011.

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF
CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 48, which comprises the condensed consolidated statement of financial position of China Energine International (Holdings) Limited and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 August 2011

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
Other comprehensive income			
– exchange difference arising on translation to presentation currency		**56,448**	—
		85,257	113,133

	NOTE	1.1.2011 to 30.6.2011 HK$'000 (Unaudited)	1.1.2010 to 30.6.2010 HK$'000 (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**34,000**	117,922
Non-controlling interests		**(5,191)**	(4,789)
		28,809	113,133
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**87,357**	117,922
Non-controlling interests		**(2,100)**	(4,789)
		85,257	113,133
Earnings per share - Basic	9	**HK0.86 cents**	HK2.97 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2011

	NOTE	**30.6.2011**	31.12.2010
		HK$'000	*HK$'000*
		(Unaudited)	*(Audited)*
Non-current assets			
Property, plant and equipment	10	**380,180**	373,659
Investment property	10	**32,040**	30,972
Deposits paid for acquisition of property, plant and equipment	10	**22,175**	17,688
Goodwill		**4,903**	4,903
Deferred tax assets		**5,194**	5,022
Interests in associates	11	**305,254**	323,960
Interests in jointly controlled entities		**1,210,241**	1,222,069
Fixed bank deposits	13	**—**	11,996
		1,959,987	1,990,269
Current assets			
Inventories		**131,328**	129,931
Trade and other receivables	12	**479,723**	422,749
Amounts due from associates	18(e)	**4,482**	3,457
Amounts due from jointly controlled entities	18(f)	**183,819**	80,880
Pledged bank deposits	13	**15,835**	32,644
Fixed bank deposits	13	**12,410**	—
Bank balances and cash		**460,044**	450,061
		1,287,641	1,119,722
Asset classified as held for sale	14	**5,601**	—
		1,293,242	1,119,722

	NOTE	30.6.2011	31.12.2010
		HK$'000	HK$'000
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	15	**124,679**	258,651
Taxation payable		**588**	816
Amounts due to associates	18(e)	**1,261**	518
Government grants		**249**	240
Warranty provision		**16,565**	18,491
Borrowings - amount due within one year	16, 18(a)	**444,000**	730,800
		587,342	1,009,516
Net current assets		**705,900**	110,206
Total assets less current liabilities		**2,665,887**	2,100,475
Non-current liabilities			
Borrowings - amount due after one year	18(a) & (c)	**800,400**	315,520
Deferred tax liabilities		**18,329**	17,979
Government grants		**7,954**	7,809
		826,683	341,308
Net assets		**1,839,204**	1,759,167
Capital and reserves			
Share capital		**396,900**	396,900
Reserves		**1,349,560**	1,262,203
Equity attributable to owners of the Company		**1,746,460**	1,659,103
Non-controlling interests		**92,744**	100,064
Total equity		**1,839,204**	1,759,167

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Attributable to the owners of the Company									
	Share capital	Special reserve	Share premium	Property revaluation reserve	Exchange reserve	General reserve	Acc-umulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note a)				*(Note b)*				
At 1 January 2011 (audited)	396,900	117,554	2,483,141	1,399	168,067	39,415	(1,547,373)	1,659,103	100,064	1,759,167
Profit (loss) for the period	–	–	–	–	–	–	34,000	34,000	(5,191)	28,809
Exchange difference arising on translation to presentation currency	–	–	–	–	53,357	–	–	53,357	3,091	56,448
Total comprehensive income (expense) for the period	–	–	–	–	53,357	–	34,000	87,357	(2,100)	85,257
Dividend declared to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	(5,220)	(5,220)
At 30 June 2011 (unaudited)	396,900	117,554	2,483,141	1,399	221,424	39,415	(1,513,373)	1,746,460	92,744	1,839,204

	Attributable to the owners of the Company									
	Share capital HK$'000	Special reserve HK$'000 (Note a)	Share premium HK$'000	Property revaluation reserve HK$'000	Exchange reserve HK$'000	General reserve HK$'000 (Note b)	Acc-umulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010 (audited)	396,900	117,554	2,483,141	1,399	146,219	23,024	(1,635,505)	1,532,732	112,066	1,644,798
Profit (loss) for the period and total comprehensive income (expense) for the period	—	—	—	—	—	—	117,922	117,922	(4,789)	113,133
Capital contribution from non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	34,200	34,200
Non-controlling interests arising on the acquisition of a subsidiary	—	—	—	—	—	—	—	—	(579)	(579)
Difference arising on disposal of interest in a subsidiary	—	—	—	—	—	—	6,753	6,753	1,257	8,010
Dividend declared to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	(4,104)	(4,104)
At 30 June 2010 (unaudited)	396,900	117,554	2,483,141	1,399	146,219	23,024	(1,510,830)	1,657,407	138,051	1,795,458

Note:

a. The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of the subsidiaries acquired by the Company and the aggregate amount of HK$116,025,000 transferred from other reserves pursuant to the Group's reorganisation on 11 August 1997.

b. Included in general reserve is reserve fund of a subsidiary established in the People's Republic of China (the "PRC") used to i) make up prior years' losses or ii) expand production operations.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	1.1.2011 to 30.6.2011 *HK$'000* *(Unaudited)*	1.1.2010 to 30.6.2010 *HK$'000* *(Unaudited)*
Net cash used in operating activities	**(75,551)**	(102,727)
Investing activities		
Advance to jointly controlled entities	**(100,150)**	(57,000)
Deposits paid for acquisition of property, plant and equipment	**(10,440)**	(84,284)
Purchase of property, plant and equipment	**(6,814)**	(8,800)
Acquisition of additional interest in a jointly controlled entity	**—**	(3,153)
Investment in an associate	**(3,000)**	—
Decrease in fixed bank deposits	**—**	79,699
Decrease in pledged bank deposits	**16,809**	64,229
Dividend received from jointly controlled entities	**14,616**	9,884
Proceeds from disposal of associates	**13,880**	—
Proceeds from disposal of property, plant and equipment	**1,272**	17
Acquisition of a subsidiary, net of cash and cash equivalents acquired	**—**	8,993
Other investing cash flows	**2,783**	2,414
Net cash (used in) generated from investing activities	**(71,044)**	11,999

	1.1.2011 to 30.6.2011 HK$'000 (Unaudited)	1.1.2010 to 30.6.2010 HK$'000 (Unaudited)
Financing activities		
New bank loans raised	**168,000**	—
New other loans raised	**636,000**	—
Repayment of bank loans	**—**	(301,000)
Repayment of other loans	**(642,000)**	(9,120)
Dividend paid to non-controlling shareholders of a subsidiary	**(3,936)**	—
Proceeds from disposal of partial interest in a subsidiary that does not result in losing control of the subsidiary	**—**	8,010
Capital contribution from non-controlling interests of a subsidiary	**—**	34,200
Other financing cash flows	**(27,662)**	(26,844)
Net cash generated from (used in) financing activities	**130,402**	(294,754)
Net decrease in cash and cash equivalents	**(16,193)**	(385,482)
Effect of foreign exchange rate changes	**26,176**	—
Cash and cash equivalents at the beginning of the period	**450,061**	643,613
Cash and cash equivalents at the end of the period, representing bank balances and cash	**460,044**	258,131

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

HKAS 24 Related Party Disclosures (Revised in 2009)

HKAS 24 Related Party Disclosures (as revised in 2009) ("HKAS 24 (Revised in 2009)") has been revised on the following two aspects: (a) HKAS 24 (Revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities and (b) HKAS 24 (Revised in 2009) has changed the definition of a related party.

The Group is a government-related entity. In its annual consolidated financial statements for the year ended 31 December 2009, the Group had applied early the partial exemption from the disclosure requirements for government-related entities. In the current interim period, the Group has applied for the first time the revised definition of a related party as set out in HKAS 24 (Revised in 2009).

HKAS 24 (Revised in 2009) requires retrospective application. The HKAS 24 (Revised in 2009) has had no effect on the amounts recognised or recorded in the condensed consolidated financial statements for the current and prior periods. The related party disclosures are set out in note 18 to the condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and will be effective for annual periods beginning on or after 1 January 2013. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios including cases where an investor may control an investee with less than a majority of voting right. Overall, the application of HKFRS 10 requires extensive use of judgement. The directors are in the process of assessing the potential impact of the adoption of the standard.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 9 Financial instruments (Issued in November 2009) introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. HKFRS 9 "Financial instruments" (Revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The directors of the Company anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013. Based on the Group's financial assets and financial liabilities as at 30 June 2011, the directors anticipate that the application of HKFRS 9 is not likely to have significant impact on the classification and measurement of the Group's financial instruments.

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 (1.1.2010 to 30.6.2010: HK$17,099,000) and share of results of jointly controlled entities of HK$222,000 (1.1.2010 to 30.6.2010: 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.

3. SEGMENT INFORMATION *(Continued)*

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 *HK$'000*	Operation of Wind Farm *HK$'000*	Rare-earth Permanent Magnet Motor ("REPM") Products *HK$'000*	Trading of materials *HK$'000*	Tele-communication *HK$'000*	Consolidated *HK$'000*
Turnover						
External sales	5,403	16,435	9,014	100,793	25,475	157,120
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						82,949
Profit before taxation						32,008

3. SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2010

	Wind Energy Related Products *HK$'000*	Operation of Wind Farm *HK$'000*	REPM Products *HK$'000*	Trading of materials *HK$'000*	Tele-communication *HK$'000*	Consolidated *HK$'000*
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

3. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's assets by operating and reportable segment:

	30.6.2011	31.12.2010
	HK$'000	*HK$'000*
Wind energy related products	**879,118**	782,602
Operation of wind farm	**549,562**	500,447
REPM Products	**49,094**	58,043
Trading of materials	**47,483**	60,597
Telecommunication	**64,381**	77,617
Total segment assets	**1,589,638**	1,479,306
Interests in jointly controlled entities	**1,139,575**	1,147,150
Unallocated assets	**524,016**	483,535
Consolidated total assets	**3,253,229**	3,109,991

4. OTHER GAINS AND LOSSES

	1.1.2011 to 30.6.2011	1.1.2010 to 30.6.2010
	HK$'000	*HK$'000*
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
	(3,897)	(3,888)

5. FINANCE COSTS

	1.1.2011 to 30.6.2011 HK$'000	1.1.2010 to 30.6.2010 HK$'000
Interests on bank and other loans:		
- wholly repayable within five years	**25,099**	24,534
- repayable over five years	**2,203**	2,310
	27,302	26,844

6. PROFIT BEFORE TAXATION

	1.1.2011 to 30.6.2011 HK$'000	1.1.2010 to 30.6.2010 HK$'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)**	—

7. TAXATION

	1.1.2011 to 30.6.2011	1.1.2010 to 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
	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 to 30.6.2011	1.1.2010 to 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. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY AND DEPOSITS PAID FOR PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain plants and machineries with a carrying amount of HK$1,576,000 (1.1.2010 to 30.6.2010: HK$20,000) for proceeds of HK$1,272,000 (1.1.2010 to 30.6.2010: HK$17,000), resulting in a loss on disposal of HK$304,000 (1.1.2010 to 30.6.2010: HK$3,000).

During the period, the Group spent approximately HK$6,814,000 (1.1.2010 to 30.6.2010: HK$8,800,000) on acquisition of plant and machineries.

At 30 June 2011 and 31 December 2010, the Group had deposits paid for the acquisition of plants and machineries of HK$22,175,000 and HK$17,688,000 respectively.

The fair value of the Group's investment property as at 30 June 2011 was determined by the directors of the Company. The valuation performed by the directors of the Company was arrived at by reference to recent market prices for similar commercial properties in Shenzhen, the PRC. No fair value gain or loss has been recognised for the investment property in the current period (1.1.2010 to 30.6.2010: nil).

11. INTERESTS IN ASSOCIATES

During the six months ended 30 June 2011, the Group and other investors made additional capital injection into an associate of the Group in Shenzhen to finance business expansion of the associate according to their respective proportionate interest in that associate. The Group's contribution made during the current period amounting to approximately HK$3,000,000. The associate is principally engaged in the manufacturing and distribution of telecommunication products.

During the six months ended 30 June 2011, the Group disposed of its entire 33% interest in an associate to an independent third party at a consideration of HK$5,770,000, resulting in a loss on disposal of interest in an associate of HK$882,000.

12. 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 amount 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).

13. PLEDGED BANK DEPOSITS/FIXED BANK DEPOSITS

At 30 June 2011, bank deposits amounting to HK$15,835,000 (31.12.2010: HK$32,644,000) have been pledged to banks to secure general banking facilities granted to the Group and are therefore classified as current asset. They will be released in September 2011 upon the settlement of the related borrowings.

At 30 June 2011, fixed bank deposits of HK$12,410,000 or RMB10,341,000 (31.12.2010: HK$11,996,000 or RMB10,341,000) represent deposits placed in a bank that carried fixed interest rate at 3.33% per annum. They will be matured in April 2012 and are therefore classified as current asset during the period and non-current asset as at 31 December 2010.

14. ASSET CLASSIFIED AS HELD FOR SALE

The Group held a 47.5% interest in Castel Qihua Limited ("Castel Qihua") and accounted for the investment as an associate. On 20 June 2011, the Group entered into an agreement to dispose of its entire interest in Castel Qihua to China Rich (Hong Kong) Investments Limited ("China Rich") at a consideration of HK$12,000,000. The transaction has not been completed as at 30 June 2011 and the carrying amount of the interest in the associate of HK$5,601,000 is classified as asset held for sale.

15. 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	31.12.2010
	HK$'000	*HK$'000*
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
	39,543	166,585

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).

16. BORROWINGS

Included in the borrowings at 30 June 2011 is a bank loan of HK$120,000,000 or RMB100,000,000 (31.12.2010: HK$116,000,000 or RMB100,000,000). The loan is unsecured, bears fixed interest at 5.31% per annum and is repayable on 19 September 2011.

During the period, the Group obtained a new bank loan amounting to HK$120,000,000 or RMB100,000,000 (31.12.2010: nil). The loan carries interest at 110% of benchmark loan rates set by the People's Bank of China ("PBOC") in the PRC, secured by a sales contract of wind turbines and repayable on 21 December 2011. The proceeds were used to finance the sales orders of wind turbines. In addition, the Group borrowed a new bank loan of HK$48,000,000 or RMB40,000,000. The loan carries interest at benchmark loan rates set by PBOC in the PRC, unsecured and repayable on 16 June 2012. The proceeds were used to finance the acquisition of property, plant and equipment. As at 30 June 2011, the average interest rates are 6.43% and 6.31% respectively.

17. CAPITAL COMMITMENTS

(a) At 30 June 2011, the Group was committed to capital expenditure contracted but not provided for of HK$98,400,000 (31.12.2010: HK$158,920,000) relating to investments in sino-foreign enterprises to be established in the PRC. In addition, capital commitment contracted but not provided for relating to the Group's interest in an associate established in Wuxi, the PRC amounted to HK$11,056,000 (31.12.2010: HK$11,766,000) as at 30 June 2011.

(b) At 30 June 2011, the Group was committed to capital expenditure contracted but not provided for of approximately HK$15,888,000 (31.12.2010: nil) for the acquisition of plants and machineries.

18. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions/balances with government-related entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned, controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under China Aerospace Science & Technology Corporation ("CASC"), an ultimate holding company of the Company which is controlled by the PRC government.

(a) Included in borrowings at 30 June 2011 were four (31.12.2010: five) loans advanced from China Academy of Launch Vehicle Technology ("CALT"), an intermediate holding company of the Company, through CASC's subsidiary, Aerospace Science & Technology Finance Co., Ltd. ("ASTF"), as the trustee totalling HK$872,400,000 or RMB727,000,000 (31.12.2010: HK$843,320,000 or RMB727,000,000) which are unsecured and bear fixed interest at 3.7% to 5% (31.12.2010: 3.7% to 6%) per annum. During the period, the Group repaid loan of HK$636,000,000 or RMB530,000,000 in accordance with the loan repayment schedule and additionally borrowed loan of HK$636,000,000 or RMB530,000,000 from ASTF.

As at 30 June 2011, loans of HK$156,000,000 or RMB130,000,000, HK$236,400,000 or RMB197,000,000 and HK$480,000,000 or RMB400,000,000 are repayable in June 2012, April 2014 and April 2016 respectively. As at 31 December 2010, loan of HK$614,800,000 or RMB530,000,000 and HK$228,520,000 or RMB197,000,000 were repayable in April 2011 and April 2014 respectively. Interest paid to ASTF during the period amounted to HK$21,448,000 (1.1.2010 to 30.6.2010: HK$19,461,000).

18. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

Transactions/balances with government-related entities in the PRC *(Continued)*

(b) On 11 November 2010, four subsidiaries of the Company entered into a framework agreement with Shanghai Hanli Machine Tool Co. Ltd. ("Shanghai Hanli"), a wholly-owned subsidiary of CALT, pursuant to which four subsidiaries of the Company are to supply wind turbines, wind turbine blades and the associated services incidental thereto to Shanghai Hanli in accordance with the terms of the framework agreement for the two financial years ending 31 December 2011. Details of the transaction are set out in the Company's announcement dated 11 November 2010.

During the period ended 30 June 2011, four subsidiaries of the Company supplied wind blades, wind turbine blades and the associated services to Shanghai Hanli amounted to HK$5,403,000 or RMB4,503,000 (Year ended 31.12.2010: HK$21,181,000 or RMB18,260,000). In addition, included in other payables is receipt in advance from Shanghai Hanli amounting to HK$771,000 or RMB642,000 (31.12.2010: HK$5,968,000 or RMB5,145,000) as at 30 June 2011.

(c) Included in borrowings at 30 June 2011 was a loan of HK$84,000,000 or RMB70,000,000 (31.12.2010: HK$87,000,000 or RMB75,000,000) advanced from a non-controlling shareholder of a subsidiary. The amount is unsecured, bears fixed interest at 6.18% per annum and is repayable in full in November 2020. Amount of HK$6,000,000 or RMB5,000,000 was repaid during the current period.

18. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

Transactions/balances with government-related entities in the PRC *(Continued)*

(d) The Group conducts business with other government-related entities. The directors consider those government-related entities are independent third parties so far as the Group's business with them are concerned:

(i) The Group has certain deposit placements and other general banking facilities with certain banks, which are government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

(ii) The Group also has certain sales and purchases transactions with certain customers and suppliers in which the directors are of the opinion that it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions are with other government-related entities.

Except as disclosed above, the directors are of the opinion that the transactions with other government-related entities are not individually significant to the Group's operations.

Other related party transactions and balances

(e) The balances with associates are unsecured, non-interest bearing and were repayable within one year or repayable on demand.

(f) Included in the amounts due from jointly controlled entities is an amount of HK$108,000,000 or RMB90,000,000 (31.12.2010: HK$42,000,000 or RMB35,000,000) loan to a jointly controlled entity, which is secured by a piece of land and a plant of the jointly controlled entity, bears fixed rate interest of 5.85% per annum and repayable in full in December 2011. Interest income received from the jointly controlled entity amounted to HK$1,051, 000 (1.1.2010 to 30.6.2010: nil).

(g) During the period, the Group had the following transactions with related parties:

	1.1.2011 to 30.6.2011 *HK$'000*	1.1.2010 to 30.6.2010 *HK$'000*
Sales of goods to an associate	**6,747**	2,716

(h) On 20 June 2011, a subsidiary of the Company entered into an agreement with China Rich to dispose of 47.5% of its interest in an associate, Castel Qihua at a consideration of HK$12,000,000. China Rich is wholly owned by a director of Castel Qihua and his spouse.

18. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

Other related party transactions and balances *(Continued)*

(i) Compensation of key management personnel

The remuneration of key management during the period was as follows:

	1.1.2011 to 30.6.2011 *HK$'000*	1.1.2010 to 30.6.2010 *HK$'000*
Salaries and other benefits	**1,937**	1,219
Contributions to retirement benefits scheme	**6**	6
	1,943	1,225

The remuneration of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

19. EVENT AFTER THE REPORTING PERIOD

On 20 June 2011, a subsidiary of the Company entered into an agreement with China Rich to dispose of 47.5% of its entire interest in an associate, Castel Qihua at a consideration of HK$12,000,000. The transaction is completed in July 2011 and resulted in a gain on disposal of HK$6,399,000. Details of the disposal were set out in the Company's announcement dated 20 June 2011.