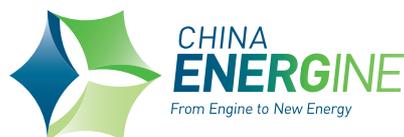


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CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

中國航天萬源國際(集團)有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1185)

DISCLOSEABLE AND CONNECTED TRANSACTIONS INVESTMENTS IN SINO-FOREIGN EQUITY JOINT VENTURES AND ENTERING INTO A CONSTRUCTION CONTRACT FOR CONSTRUCTION WORKS ON WIND ENERGY PROJECT

The board of directors is pleased to announce that WY Industry and New Image, wholly-owned subsidiaries of the Company, have entered into a sino-foreign equity joint venture contract for establishing Inner Mongolia WY Material earlier on 1 December 2008 in relation to manufacture of direct-drive windmill blade whereby all the joint venture parties including WY Industry and New Image have agreed to make their investments for their respective share of capitals of Inner Mongolia WY Material.

The entering into of the Joint Venture Contract constitutes discloseable transactions of the Company under the Listing Rules as to the joint venture contracts entered into with EWT on 1 December 2008 and on 29 May 2008, whereby the joint venture parties including the Company and WY Industry agreed to make their investments for their respective shares of capitals of Inner Mongolia Turbine Manufacturer, Direct Wind Sales and Direct Wind Service.

The board of directors is also pleased to announce that Inner Mongolia WY New Energy, a wholly-owned subsidiary of the Company, has entered into a construction contract with WY Construction Project earlier on 1 December 2008 in relation to construction works of plants, offices, warehouses of direct-drive windmill blade plant and direct-drive windmill general assembly plant at a cash consideration of RMB 46.1 million (subject to upward adjustment).

The entering into of the Joint Venture Contract and the Construction Contract constitute discloseable and connected transactions of the Company under the Listing Rules. The investment contemplated under the Joint Venture Contract and the construction contracting under the Construction Contract are subject to the approval of the Independent Shareholders at a general meeting.

The Company will convene an EGM to seek the Independent Shareholders' approval for the Discloseable and Connected Transactions. A circular containing the particulars of the transactions, a letter from the Independent Board Committee and a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as required under the Listing Rules will be despatched to shareholders as soon as practicable.

JOINT VENTURE CONTRACT

The board of directors is pleased to announce that WY Industry and New Image, wholly-owned subsidiaries of the Company, have entered into a sino-foreign equity joint venture contract for establishing Inner Mongolia WY Material earlier on 1 December 2008 in relation to manufacture of direct-drive windmill blade whereby all the joint venture parties including WY Industry and New Image have agreed to make their investments for their respective shares of capital of Inner Mongolia WY Material.

Joint Venture Contract dated 1 December 2008

- Parties:
1. Aerospace Material, a connected person of the Company
 2. WY Industry, a wholly-owned subsidiary of the Company
 3. New Image, a wholly-owned subsidiary of the Company
 4. EWT, a connected person of the Company as of 1 December 2008

Total investment: RMB100 million (HK\$114 million)

Total registered capital: RMB80 million (HK\$91.2 million)

	Aerospace Material	WY Industry	New Image	EWT
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share of registered capital: (in HK\$000 equivalent)	32,000 (36,480)	28,000 (31,920)	16,000 (18,240)	4,000 (456)
Percentage of total registered capital:	40%	35%	20%	5%
Currency of the payment:	RMB	RMB	RMB	Euro Equivalent
Directors to be assigned:	1	2	1	1

Business of Inner Mongolia WY Material

Inner Mongolia WY Material is to be engaged in the manufacture and sales of the composite material of glass fabrics for machinery use, in particular, for manufacture of windmill blade on a mass scale.

It was planned that the capacity of the annual production of the plant with area of about 180 hectares to be established in Xinghe County, Wulanchabu City, Inner Mongolia by the company will reach 400 sets of 900KW direct-drive windmill blades and 250 sets of 2MW direct-drive windmill blades.

The entering into of the Joint Venture is a major move in development of direct-drive windmill project of advanced energy intensively, which comprises parts of manufacture of windmill equipment, research and development of technology, 50MW testing wind field and windmill distribution with strategic investors, EWT and Aerospace Material.

Previous Joint ventures with EWT

Before entering into the Joint Venture, the Group also, on 29 May 2008, entered into three joint venture contracts with EWT in relation to the same windmill project whereby the joint venture parties including the Company and WY Industry agreed to make their investments for their respective shares of capitals of Inner Mongolia Turbine Manufacturer, Direct Wind Sales and Direct Wind Service.

Joint venture contract dated 29 May 2008 of Inner Mongolia Turbine Manufacturer

- Parties:
1. WY Industry, a wholly-owned subsidiary of the Company
 2. EWT, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, this joint venture party and their ultimate beneficial owners are third parties independent of the Company and its connected person and are not connected persons of the Group as of 29 May 2008

Total investment: RMB100 million (HK\$114 million)

Total registered capital: RMB50 million (HK\$57 million)

	WY	
	Industry	EWT
	<i>RMB'000</i>	<i>RMB'000</i>
Share of registered capital: (in HK\$000 equivalent)	45,000 (51,300)	5,000 (5,700)
Percentage of total registered capital:	95%	5%
Currency of the payment:	RMB	RMB
Directors to be assigned:	2	1

Business of Inner Mongolia Turbine Manufacturer

Inner Mongolia Turbine Manufacturer is to be engaged in the manufacture and delivery of the wind turbine generators as to 750-1,000KW and 2MW, blade and other components thereof in the PRC.

It was planned that the capacity of the annual production of the plant with area of about 150 hectares to be established in Xinghu County, Wulanchabu City, Inner Mongolia by the company will reach 400 sets of 900KW direct-drive windmill turbines and 200 sets of 2MW direct-drive windmill turbines.

Joint venture contract dated 29 May 2008 of Direct Wind Sales

- Parties:
1. the Company
 2. EWT, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, this joint venture party and their ultimate beneficial owners are third parties independent of the Company and its connected person and are not connected persons of the Group as of 29 May 2008
 3. Direct Energy, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, this joint venture party and their ultimate beneficial owners are third parties independent of the Company and its connected person and are not connected persons of the Group

Total investment: RMB14 million (HK\$15.96 million)

Total registered capital: RMB10 million (HK\$11.4 million)

	The Company <i>RMB'000</i>	EWT <i>RMB'000</i>	Direct Energy <i>RMB'000</i>
Share of registered capital: (in HK\$000 equivalent)	2,500 (2,850)	6,000 (6,840)	1,500 (1,710)
Percentage of total registered capital:	25%	60%	15%
Currency of the payment:	Euro equivalent	Euro equivalent	RMB
Directors to be assigned:	1	3	1

Business of Direct Wind Sales

Direct Wind Sales is to be engaged in import, export and sales of windmill turbine generators as to 750-1,000KW and 2MW, blades and other components thereof in the PRC.

Joint venture contract dated 29 May 2008 of Direct Wind Service

- Parties:
1. WY Industry
 2. EWT, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, this joint venture party and their ultimate beneficial owners are third parties independent of the Company and its connected person and are not connected persons of the Group as of 29 May 2008

Total investment: RMB7 million (HK\$7.98 million)

Total registered capital: RMB5 million (HK\$5.7 million)

	WY	
	Industry	EWT
	<i>RMB'000</i>	<i>RMB'000</i>
Share of registered capital: (in HK\$000 equivalent)	2,550 (2,907)	2,450 (2,793)
Percentage of total registered capital:	51%	49%
Currency of the payment:	RMB	RMB
Directors to be assigned:	2	1

Business of Direct Wind Service

Direct Wind Service is to be engaged in provision of service and maintenance for windmill turbine generators as to 750-1,000KW and 2MW, blades and other components thereof in the PRC.

The entering into of the three Previous JV Contracts together with the Joint Venture Contract are the moves in development of direct-drive windmill project of advanced energy intensively, which comprises parts of manufacture of windmill equipment, research and development of technology, 50MW testing wind field and windmill distribution with strategic investors, EWT and Aerospace Material and Direct Energy.

Reasons for and benefit of investing in the joint ventures

The Group is principally engaged in the businesses of 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 and wind energy.

The Directors considered that the Group would benefit from entering into of the Joint Venture Contract and the Previous JV Contracts, as the entering into them are staunch moves on turning wind energy project as one of the Group's main business in grasping the strong demand on direct-drive windmill for power generation with nil emission of carbon dioxide in the PRC and overseas in the course of global persistent hail of environmental conservation and of PRC's economic growth under the state policy on stressing development of renewable energy with merit of environmental conservation as boosted by the 2006 Renewable Energy Law.

The terms of the Joint Venture Contract and the Previous JV Contracts were negotiated after arm's length negotiation. The Directors (excluding the independent non-executive directors whose view will be given after taking into account the advice from the Independent Financial Adviser) consider that the terms of the Joint Venture Contract were on normal commercial terms which are fair and reasonable and the entering into joint venture is in interests of the Company and its Shareholders as

a whole. The Directors including the independent non-executive directors considered that the terms of the Previous JV Contracts were on normal commercial terms which were fair and reasonable and the entering into the joint ventures were in the interests of the company and the Shareholders as a whole.

Funding

Pursuant to the Joint Venture Contract and the Previous JV Contracts, the amount of investment made by each of joint venture parties is restricted to their respective contribution in the registered capital of the joint ventures. The difference between total investment and registered capital will be funded by bank borrowings to be secured by assets of the Joint Venture.

The share of registered capital to be contributed by the Group in relation to the Joint Venture Contract amounts to an aggregate of RMB44 million (HK\$50.16 million) and will be satisfied by internal resources of the Group, payable on schedule of 20% within 90 days of obtaining of business licence and the remaining 80% on need basis according to the business plan to be formulated but no later than 2 years after the issuance of the business licence. The Joint Venture will be a non-wholly owned subsidiary of the Group with 55% shareholding in total; and the revenue, profits, assets and liabilities of the Joint Venture will be consolidated into the accounts of the Group accordingly. This subsidiary will also be an associate of CALT, the connected person of the Group under the Listing Rules. In this connection, it is contemplated that the Group will apply for a yearly mandate from Independent Shareholders at general meeting for the continuous transactions to be entered into with this subsidiary in the year subject to a cap amount.

The shares of registered capital to be contributed by the Group in relation to the Previous JV Contracts of Inner Mongolia Turbine Manufacturer, of Direct Wind Sales and of Direct Wind Service amounted to RMB47.5 million (approximately HK\$54.15 million), RMB2.5 million (approximately HK\$2.85 million) and RMB2.55 million (approximately HK\$2.91 million) respectively, totaling RMB52.55 million (approximately HK\$59.91 million) and would be satisfied by internal resources of the Group, payable on schedules of 20% within 90 days of obtaining of business licences and the remaining 80% on need basis according to the business plan to be formulated but no later than 2 years after the issuance of the business licences. The joint ventures, Inner Mongolia Turbine Manufacturer and the Direct Wind Service, would be non-wholly owned subsidiaries of the Group; and the revenue, profits, assets and liabilities of the joint ventures would be consolidated into the accounts of the Group accordingly, whereas the Direct Wind Sales joint venture would be an associate of the Company and the results and net assets of the joint venture would be equity accounted for in the Group.

Information on the joint venture parties

EWT is a company established in Netherlands and is the second largest direct-drive windmill manufacturer possessing the comprehensive and advanced direct-drive techniques as to capacities of 750KW and 900KW on production of windmill and its main components such as turbine generators and windmill blades.

Aerospace Material is a state-owned institution established in PRC, wholly owned by CALT and is the leading research centre engaging research on aerospace material application and processing as well as fibers, fabric and composite material, with possession of recognition award of GJB 9001.

Direct Energy is engaged in business of distribution of wind measuring equipment and instruments, possessing the capacity of development of early phase of wind energy generation field and of market of distribution of windmill turbines.

Discloseable and Connected Transaction

The aggregate capital commitment in form of the share capitals contributed of the said four joint ventures as against EWT amounted to RMB96.55 million (approximately HK\$110.07 million). As the relevant percentage ratio calculated under Chapter 14 of the Listing Rules in relation to them associated with the same project on an aggregate basis exceed 5% but are less than 25%, the entering into of the fourth joint venture contract (the Joint Venture Contract) constitutes discloseable transactions of the Company for the four joint venture contracts under Chapter 14 of the listing Rules. The Previous JV Contracts entered into in May 2008 were not required to be disclosed then under the Listing Rules since the said relevant percentage ratios then calculated did not exceed 5%.

Aerospace Material, a state-owned institution wholly-owned by CALT which is also the controlling shareholder of the Company, is a connected person of the Company under the Listing Rules. EWT is a substantial shareholder (with 49% shareholding) of the subsidiary of the Company, Direct Wind Service and is accordingly a connected person of the Company. As the relevant percentage ratios calculated under Chapter 14 of the Listing Rules in relation to Joint Venture Contract exceed 5% but are less than 25%, the entering into of the Joint Venture Contract constitutes a discloseable and connected transaction of the Company under Chapter 14 and 14A of the listing Rules and is subject to the approval of Independent Shareholders at the EGM.

CONSTRUCTION CONTRACT

The board of directors is also pleased to announce that Inner Mongolia WY New Energy, a wholly-owned subsidiary of the Company, has entered into a construction contract with WY Construction Project earlier on 1 December 2008 in relation to construction works of plants, offices, warehouses of direct-drive windmill composite material plant and direct-drive windmill turbine plant at a cash consideration of RMB 46.1 million.

Construction Contract dated 1 December 2008

- Parties:
1. Inner Mongolia WY New Energy, a wholly-owned subsidiary of the Company;
 2. WY Construction Project, a connected person of the Company

Scope of Works:	construction works of plants, offices, warehouses of direct-drive windmill composite material plant and direct-drive windmill turbine plant
Consideration:	RMB46.1 million (HK\$52.55 million) which may be adjusted upward dependent upon the actual amount of works completed at the end of the construction period but in no case higher than RMB60 million (HK\$68.4 million)
Payment term:	payable in cash in stages in accordance with the progress of the construction works with 5% of the fee retained until the expiration of a guarantee period of 12 months from the date of formal completion of the construction works

Reasons for and benefit of the transaction

Inner Mongolia WY New Energy is to be engaged in development of Inner Mongolia windmill property park rendering of property management service for the two subsidiaries of the Group, namely, Inner Mongolia WY Material and Inner Mongolia Turbine Manufacturer, both of whose businesses have been mentioned above.

The entering into of the Construction Contract is another move in development of direct-drive windmill project of advanced energy intensively, which comprises parts of manufacture of windmill equipment, research and development of technology, 50MW testing wind field and windmill distribution with strategic investor, EWT and Aerospace Material in deriving the benefits as mentioned above.

The terms of the Construction Contract are evaluated by an independent expert panel in an open bid process under the supervision of Wulanchabu City Impartial Office wherein the terms were opined as fair and reasonable in economic and technical terms taking into accounts all of the terms offered and project plans put forward by each of the 3 bidders ie an arm's length process in concluding the terms. The Directors (excluding the independent non-executive directors whose view will be given after taking into account the advice from the Independent Financial Adviser) consider that the terms of the Construction Contract were on normal commercial terms which are fair and reasonable and the entering into Construction Contract is in the interests of the Company and its Shareholders as a whole.

Funding

The funding for the contract will be satisfied by internal resources of the Group.

Information on the contractor

WY Construction Project is a state-owned institution established in PRC and is engaged in construction works of various projects.

Discloseable and Connected Transaction

WY Construction, a state-owned institution 80% owned by CALT which is also the controlling shareholder of the Company, is a connected person of the Company under the Listing Rules. As the relevant percentage ratios calculated under Chapter 14 of the Listing Rules in relation to Construction Contract exceed 5% but are less than 25%, the entering into of the Construction Contract constitutes a discloseable and connected transaction of the Company under Chapter 14 and 14A of the listing Rules and is subject to the approval of Independent Shareholders at the EGM.

GENERAL

An Independent Board Committee comprising all the independent non-executive directors of the Company, all of whom have no material interest in the Joint Venture Contract and the Construction Contract, has been appointed to consider the terms of the Joint Venture Contract and the Construction Contract and the Discloseable and Connected Transactions. Mitsubishi UFJ Securities (HK) Capital, Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the contracts. A circular containing, among others, (i) details of the Discloseable and Connected Transactions, (ii) a letter from the Independent Board Committee and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders will be dispatched by the Company to its shareholders as soon as practicable.

The Joint Venture Contract and the Construction Contract are not inter-conditional to each other.

Terms used in this announcement

“Aerospace Material”	航天材料及工藝研究所 (Aerospace Research Institute of Materials & Processing Technology), a state-owned institute incorporated in the PRC and wholly-owned by CALT;
“Board”	the board of Directors;
“CALT”	中國運載火箭技術研究院 (China Academy of Launch Vehicle Technology), a state-owned entity established in the PRC and wholly-owned by China Aerospace Science and Technology Corporation;
“Company”	China Engine 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;

“Construction Contract”	Construction contract entered into between Inner Mongolia New Energy and WY Construction Project of 1 December 2008;
“Direct Energy”	北京新源賽風技術有限公司 (Beijing Direct Energy Corp.), a company established in Beijing, the PRC;
“Direct Wind Sales”	北京航天宜達特直驅風機銷售有限公司 (Beijing EWT-CASC Direct Wind Marketing and Sales Co. Ltd.), an associate of the Company incorporated in Beijing, the PRC;
“Direct Wind Service”	北京航天宜達特直驅風機服務維護有限公司 (Beijing EWT-CASC Direct Wind Service and Maintenance Co. Ltd.), a subsidiary of the Company incorporated in Beijing, the PRC;
“Directors”	the directors of the Company;
“Disclosable and Connected Transactions”	the two transactions contemplated under the Joint Venture Contract and the Construction Contract;
“EGM”	extraordinary general meeting;
“EWT”	Emergya Wind Technologies B.V., a company incorporated in Netherlands;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the legal currency of the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	An independent committee of the board of directors comprising Mr. Wang Dechen, Ms. Kan Lai Kuen, Alice, and Mr. Gordon Ng, being all the independent non-executive directors.
“Independent Financial Adviser”	Mitsubishi UFJ Securities (HK) Capital, Limited, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Disclosable and Connected Transactions;
“Independent Shareholders”	All shareholders of the Company excluding CALT and its associates;
“Inner Mongolia New Energy”	內蒙古航天萬源新能源開發有限公司 (Inner Mongolia CASC Wanyuan New Energy Development Co. Ltd.), a wholly-owned subsidiary of the Company established in Wulangchabu City, Inner Mongolia, the PRC;

“Inner Mongolia Turbine Manufacturer”	內蒙古航天萬源風電設備製造有限公司 (Inner Mongolia CASC-EWT Directwind Turbine Manufacturer Co. Ltd.), a subsidiary established in Wulangchabu City, Inner Mongolia, the PRC with EWT;
“Inner Mongolia WY Material”	內蒙古航天萬源復合材料有限公司 (Inner Mongolia CASC Wanyuan Composite Material Co. Ltd.), a sino-foreign equity joint venture enterprise established in Wulangchabu City, Inner Mongolia, the PRC;
“Joint Venture”	Inner Mongolia WY Material;
“Joint Venture Contract”	Sino-foreign equity joint venture contract in respect of establishment of Inner Mongolia WY Material of 1 December 2008;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“New Image”	New Image Development Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong;
“PRC”	the People’s Republic of China (but, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan);
“Previous JV Contracts”	Sino-foreign equity joint venture contracts in respect of establishments of Inner Mongolia Turbine Manufacturer, Direct Wind Sales and Direct Wind Service of 29 May 2008;
“RMB”	Renminbi, the legal currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“US\$”	the United States dollars, the legal currency of the United States of America;
“WY Construction Project”	北京航天萬源建築工程有限責任公司 (Beijing CASC Wanyuan Construction Project Corporation Ltd.), a company established in Beijing, the PRC, 80% owned by CALT;
“WY Industry”	北京萬源工業有限公司 (Beijing Wanyuan Industry Corporation Ltd.), a wholly-owned subsidiary of the Company established in Beijing, the PRC;
“%”	per cent.

For the purpose of this announcement, the exchange rate of RMB:HK\$ is RMB1:HK\$1.14.

By order of the board of directors of
China Engene International (Holdings) Limited
Han Shuwang
Chairman

Hong Kong, 1 December 2008

** For identification purpose only*

As at the date of this announcement, the Board comprises Mr. Han Shuwang, Mr. Wang Xiaodong and Mr. Li Guang as Executive Directors, Mr. Wu Jiang, Mr. Tang Guohong as Non-executive Directors and Mr. Wang Dechen, Ms. Kan Lai Kuen, Alice and Mr. Gordon Ng as Independent Non-executive Directors.