



**TIANNENG POWER  
INTERNATIONAL LIMITED**  
**天能動力國際有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock code: 819

# TIANNENG



Interim Report

# 2007

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### EXECUTIVE DIRECTORS

Mr. Zhang Tianren (*Chairman*)  
Mr. Chen Minru  
Mr. Shi Borong  
Mr. Yang Lianming  
Mr. Zhang Aogen  
Mr. Zhang Kaihong

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Tso Hsiu  
Mr. Cheng Cheng Wen  
Mr. Huang Dongliang  
Mr. Wang Jingzhong

### AUDIT COMMITTEE MEMBERS

Mr. Cheng Cheng Wen  
Mr. Huang Dongliang  
Mr. Wang Jingzhong

### REMUNERATION COMMITTEE MEMBERS

Mr. Chen Minru  
Mr. Cheng Cheng Wen  
Mr. Huang Dongliang

### NOMINATION COMMITTEE MEMBERS

Mr. Zhang Aogen  
Mr. Huang Dongliang  
Mr. Wang Jingzhong

### COMPANY SECRETARY

Mr. Leung Kwok Wah, Kevin

### QUALIFIED ACCOUNTANT

Mr. Leung Kwok Wah, Kevin

### AUDITORS

Deloitte Touche Tohmatsu  
Certified Public Accountants  
35th Floor One Pacific Place  
88 Queensway  
Hong Kong

### LEGAL ADVISOR

Gallant Y.T. Ho. & Co.  
5th Floor  
Jardine House  
1 Connaught Place  
Central, Hong Kong

### STATUTORY ADDRESS

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

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 5509, Central Plaza  
18 Harbour Road,  
Wanchai  
Hong Kong

**PRINCIPAL SHARE REGISTRAR**

Bank of Bermuda (Cayman) Limited  
P.O. Box 513, Strathvale House  
North Church Street  
George Town  
Grand Cayman KY1-1106  
Cayman Islands

**HONG KONG BRANCH SHARE REGISTRAR  
AND TRANSFER OFFICE**

Tricor Investor Services Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

**LISTING INFORMATION**

The Stock Exchange of Hong Kong Limited  
Stock Code: 0819

### Review of Operations

The listing of Tianneng Power International Limited (the "Company") on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 June 2007 has marked a new milestone for the Company. The Company will further increase its product portfolio as well as its presence both in the local and international market, in order to achieve the objective of becoming the world's leading motive battery manufacturer.

The Company has developed strong brand recognition over the years of operations and is in a leading position in the lead-acid motive battery industry in China. With the technological know-how as a key asset, the Company has been producing quality motive batteries at competitive prices. In order to satisfy both the primary and the secondary markets, the Company has also developed a strong distribution and servicing network throughout the region, targeting to provide the highest quality service to their customers in China. To maintain the Company's leading position in the industry, it implemented a number of initiatives during the period under review, mainly focusing on the expansion and technical improvement of the production plants with a view to further optimizing its products. These include construction of new production plants, procurement of its production facilities and equipment in Jiangsu Province (which is expected to increase productivity up to 15 million batteries each year by 2009) and Anhui Province (which is expected to operate its production in battery products in mid 2008, and is expected to increase productivity up to 10 million batteries each year by 2009). Furthermore, technical improvements of facilities were implemented for production plants in Changxing County, Zhejiang Province.

During the period under review, the Company invested resources in research, design and development to reinforce its research and development ("R&D") team. Such continued investments in R&D has led the Company to improve product quality, enhance the technical capability of its R&D team, introduce diversified product portfolio, improve its product mix and broaden its product range. The Company's product design and R&D capability has boosted the brand recognition throughout China. To further develop the Company's production capacity, it has invested in R&D of new environmentally friendly metal alloy as well as a series of products including, motive battery products for electric motorcycles and electric cars, Ni-MH battery products and Li-ion battery products.

Enhancement of sales and distribution network is also a key tribute to the Company's development during the period under review; furthermore, the Company has launched various forms of advertisements in order to further enhance its strong brand recognition, and its market-leading position in the lead-acid motive battery industry in China.

The Company has participated in a Post-doctoral Scientific Research Workstation with Zhejiang provincial government since September 2005. The objective of the project is to research and develop new Ni-MH and Li-ion battery products. The Company also entered into a co-operation agreement with Harbin Industrial University and South-East University for the development of new battery products, resulting in significant improvements in the R&D of the Company's battery products. During the period under review, the production capacity and sales of battery products continued to increase, through which the Company continued to consolidate its leading position in the industry and expand its market share.

### Future Prospects

The development of the personal transportation device industry has been driven by the growth of personal income in China. In light of the increasing environmental awareness and demand in reducing reliance on oil and gas and minimizing emission, alternative transportation devices have been experiencing rapid development in China and attracting more attentions throughout the world in the recent years, and also have a promising prospect in the market. Positioned under the industry with vast opportunities, the Directors are very optimistic about the Company's future development.

Looking forward, the Company will focus on the R&D activities in relation to the motive battery product market and personal transportation device market in China. To improve its R&D capability, the Company will continue to invest in research, design and development to enhance its technical capability in product design and development. The Company expects to import additional production facilities in the second half of the year to fully improve its production capacity and product quality and to excel in the construction of the two new production plants in Jiangsu Province and Anhui Province. With the continuous expansion, the Company is expected to increase its productivity to 41 million batteries each year by 2009.

The Company will also strive to improve the technical level of its existing production lines to achieve higher operational efficiency, thus enabling it to offer a wider range of products that may be applied in various markets, consolidate its position and increase its market share in the global market. With the Company's leading position in the motive battery product market in China and continuous efforts placed in product R&D, Tianneng is well positioned to capture additional business opportunities in China's personal transportation device market, especially in electric-powered motorcycles and electric cars.

### Financial Review

#### Turnover

The Company's turnover for the six months ended 30 June 2007 (the "period under review") was approximately RMB721.1 million, an increase of approximately 89.6% as compared with the same period last year. Such increase was mainly due to the continued growth in the sales of lead-acid battery which constituted 91.3% of turnover during the period under review.

#### Gross Profits

The Company's gross profit during the period under review was RMB177.0 million, an increase of approximately 71.4% as compared with the same period last year. The increase in gross profit was mainly due to strong sales in lead acid battery. Gross profit margin fell by 2.6% from 27.1% to 24.5% due to the increase in lead price.

#### Other income

The other income of the Company during the six months period ended 30 June 2007 was about RMB9.4 million (six months ended 30 June 2006: RMB2.0 million).

The increase in other income is mainly due to the increase in government grant and subsidies received and bank interest income.

### Distribution costs

Distribution costs increased from approximately RMB19.8 million in the same period last year to approximately RMB45.6 million, mainly due to increase in sales commission, advertising and transportation expenses.

### Administrative expenses

Administrative expenses increased from approximately RMB23.1 million in the same period last year to approximately RMB48.7 million, mainly due to listing expenses and increase in payroll expenses.

### Finance costs

Finance costs increased from approximately RMB5.1 million in the same period last year to approximately RMB10.8 million, mainly due to increase in bank borrowings.

## Financial resources and liquidity

As at 30 June 2007, the shareholders' equity of the Company amounted to RMB925.7 million (31 December 2006: RMB446.8 million). The Group has total assets of RMB1,757.9 million (31 December 2006: RMB964.4 million), representing an increase of RMB793.5 million, or 1.8 times. As of the same date, total current assets of the Group were RMB1,360.7 million (31 December 2006: RMB647.3 million), representing an increase of 2.1 times as compared with the financial year ended 31 December 2006 and accounting for 77.4% of total assets. Total non-current assets were RMB397.2 million (31 December 2006: RMB317.1 million), representing an increase of RMB80.1 million and accounting for 22.6% of the total assets.

As at 30 June 2007, total liabilities of the Group were RMB832.3 million (31 December 2006: RMB517.7 million), which represented an increase of 60.8% compared with the financial year ended 31 December 2006. Total current liabilities were RMB782.3 million (31 December 2006: RMB492.7 million), whereas total non-current liabilities were RMB50 million (31 December 2006: RMB25.0 million).



As at 30 June 2007, the cash and bank balances of the Group was RMB554.5 million (31 December 2006: RMB144.7 million). As at 30 June 2007, the Group has short-term bank loans of about RMB367.2 million (31 December 2006: RMB226.2 million). The short-term bank loans are repayable within one year.

### *Pledge of Assets*

As at 30 June 2007, the bank facilities of the Group are secured by bank deposits, property, plant and equipment and land use right. The aggregate net book value of the assets pledged amounted to approximately RMB242.3 million (31 December 2006: RMB178.5 million).

### *Gearing ratio*

The Group's gearing ratio, defined as total debts as percentage of total assets, was 23.7% (31 December 2006: 26%).

### *Exposure in exchange rate fluctuations*

As the Group's operations were mainly conducted in China and the majority of the sales and purchases were transacted in Renminbi, the Directors of the Company is of the view that the Group's operating cash flow and liquidity is not subject to significant foreign exchange rate risks.

The proceeds from the Global Offering were received in Hong Kong dollars, the Group may expose to foreign exchange risks. However, the Group will review and monitor the foreign exchange exposure between Renminbi and Hong Kong Dollars and may enter into foreign exchange hedging arrangements when appropriate.

### *Contingent liabilities*

The Group did not have any significant contingent liabilities as at 30 June 2007 (31 December 2006: Nil).

### *Capital commitments*

For details, please refer to Note 16 to the Condensed Consolidated Financial Statements.

### **Employees**

As at 30 June 2007, the Group employed a total of 5,535 employees. Staff cost of the Group for the first half of 2007 approximated to RMB44.7 million (six months ended 30 June 2006: RMB29.8 million). The cost included basic salaries and benefits as well as staff benefits such as discretionary bonus, medical and insurance plans, pension scheme, unemployment insurance plan etc. Competitive remuneration packages were offered to employees. The Company has adopted incentive programs to encourage employee performance and a range of training programs for the development of its staff.

### **Interim Dividend**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2007.

### **Significant Investments Held**

There were no significant investments held by the Company as at 30 June 2007.

### **Material Acquisition and Disposal**

During the period under review, the Company had no material acquisition or disposal of subsidiaries and affiliated companies.

### **Directors' Rights to Acquire Shares or Debentures**

At no time during the six months ended 30 June 2007 was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

The Company is committed to ensuring high standards of corporate governance. The Board believes that good corporate governance practices are increasingly important for maintaining and promoting investor confidence.

Throughout the six months ended 30 June 2007, the Company has adopted the provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule"), except for the code provision A.2.1 stipulated in the following paragraphs.

The code provision A.2.1 stipulates that the roles of the Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

Mr. Zhang Tianren is both the Chairman and CEO of the Company who is responsible for managing the Group's business. Mr. Zhang has been the Chairman and CEO since the establishment of the Company. The Board considers that vesting the roles of Chairman and CEO in the same person facilitates the execution of the Company's business strategies and maximises the effectiveness of its operation. With the present board structure and scope of business, the Board considers that there is no imminent need to separate the roles into two individuals. However, the Board will continue to review the effectiveness of the Group's corporate governance structure to assess whether the separation of the position of the Chairman and CEO is necessary.

The Company has established an Audit Committee in compliance with the Rule 3.21 of the Listing Rules. The Company's Audit Committee comprises three independent non-executive directors. The primary duties of the Audit Committee (*inter alia*) are to review the financial reporting process and internal control system of the Group, and to make proposals to the Board as to appointment, renewal and resignation of the Company's external auditors and the related remuneration and appointment terms. The Audit Committee has reviewed the Interim Report with the management and the Company's external auditors and recommended its adoption by the Board.

The Interim Account, which are prepared in accordance with HKAS 34 "Interim Financial Reporting", have been reviewed by the Company's independent auditors Deloitte Touche Tohmatsu in accordance with the Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2007.

The Company has also complied with Rule 3.10 (1) and 3.10 (2) of the Listing Rules and appointed four independent non-executive Directors including one with financial management expertise, details of their biographies were set out in the prospectus of the Company dated 29 May 2007.

**Deloitte.****德勤**

TO THE BOARD OF DIRECTORS OF  
TIANNENG POWER INTERNATIONAL LIMITED

## **Introduction**

We have reviewed the interim financial information set out on pages 14 to 30, which comprises the condensed consolidated balance sheet of Tianneng Power International Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement 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 the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors 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 the 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 the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by HKICPA. A review of interim financial information consists of making enquiries, 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.

Without qualifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, the comparative condensed consolidated statement of changes in equity and the comparative condensed consolidated cash flow statement for the six-month period ended 30 June 2006 disclosed in the interim financial information have not been reviewed in accordance with standards applicable to review engagements issued by HKICPA.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

22 September 2007

## INTERIM FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

|  | NOTES | Six months ended 30 June       |                                |
|--|-------|--------------------------------|--------------------------------|
|  |       | 2007<br>RMB'000<br>(unaudited) | 2006<br>RMB'000<br>(unaudited) |
| Turnover   | 4     | 721,115                        | 380,420                        |
| Cost of sales  |       | (544,144)                      | (277,176)                      |
| Gross profit   |       | 176,971                        | 103,244                        |
| Other income   |       | 9,386                          | 2,040                          |
| Distribution costs   |       | (45,553)                       | (19,820)                       |
| Administrative expenses  |       | (48,692)                       | (23,087)                       |
| Change in fair value of redeemable convertible<br>notes carried at fair value through profit or loss |       | –                              | (5,103)                        |
| Other operating expenses   |       | (611)                          | (713)                          |
| Finance costs  |       | (10,756)                       | (5,081)                        |
| Profit before taxation   | 5     | 80,745                         | 51,480                         |
| Taxation   | 6     | (14,713)                       | (2,799)                        |
| Profit for the period attributable to equity holders<br>of the Company                               |       | 66,032                         | 48,681                         |
| Dividend   | 7     | 39,891                         | –                              |
| Earnings per share   | 8     |                                |                                |
| – Basic  |       | RMB8.6 cents                   | RMB7.7 cents                   |
| – Diluted  |       | N/A                            | RMB7.2 cents                   |

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30 June 2007

|                                    | NOTES | 30.6.2007<br>RMB'000<br>(unaudited) | 31.12.2006<br>RMB'000<br>(audited) |
|------------------------------------|-------|-------------------------------------|------------------------------------|
| <b>Non-current assets</b>          |       |                                     |                                    |
| Property, plant and equipment      | 9     | 361,227                             | 296,156                            |
| Prepaid lease payments             |       | 35,954                              | 20,945                             |
|                                    |       | <b>397,181</b>                      | <b>317,101</b>                     |
| <b>Current assets</b>              |       |                                     |                                    |
| Inventories                        |       | 426,591                             | 235,166                            |
| Trade and other receivables        | 10    | 216,184                             | 168,244                            |
| Prepaid lease payments             |       | 763                                 | 448                                |
| Amounts due from related companies |       | 3,041                               | 3,741                              |
| Amounts due from shareholders      |       | –                                   | 994                                |
| Restricted bank deposits           |       | 159,700                             | 94,000                             |
| Bank balances and cash             |       | 554,462                             | 144,718                            |
|                                    |       | <b>1,360,741</b>                    | <b>647,311</b>                     |
| <b>Current liabilities</b>         |       |                                     |                                    |
| Trade and other payables           | 11    | 404,368                             | 260,902                            |
| Amounts due to related companies   |       | 3,724                               | 846                                |
| Dividend payable                   |       | 2,528                               | –                                  |
| Tax payable                        |       | 4,446                               | 4,713                              |
| Short term bank loans              | 12    | 367,200                             | 226,200                            |
|                                    |       | <b>782,266</b>                      | <b>492,661</b>                     |
| <b>Net current assets</b>          |       | <b>578,475</b>                      | <b>154,650</b>                     |



## INTERIM FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

At 30 June 2007

|   | NOTES | 30.6.2007<br>RMB'000<br>(unaudited) | 31.12.2006<br>RMB'000<br>(audited) |
|---|-------|-------------------------------------|------------------------------------|
| Total assets less current liabilities                         |       | 975,656                             | 471,751                            |
| Non-current liabilities                                       |       |                                     |                                    |
| Long term bank loans  | 13    | 50,000                              | 25,000                             |
|   |       | 925,656                             | 446,751                            |
| Capital and reserves  |       |                                     |                                    |
| Share capital   | 14    | 99,037                              | 560                                |
| Reserves  |       | 826,619                             | 446,191                            |
| Total equity attributable to equity holders<br>of the Company |       | 925,656                             | 446,751                            |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
*For the six months ended 30 June 2007*

|   | Share capital<br>RMB'000 | Share premium<br>RMB'000 | Special reserve<br>RMB'000 | Capital reserve<br>RMB'000 | Non-distributable<br>reserve<br>RMB'000 | Statutory surplus<br>reserve<br>fund<br>RMB'000 | Statutory public<br>welfare<br>fund<br>RMB'000 | Discretionary<br>surplus<br>reserve<br>fund<br>RMB'000 | Translation<br>reserve<br>RMB'000 | Accumulated<br>profits<br>RMB'000 | Total<br>RMB'000 |
|---|--------------------------|--------------------------|----------------------------|----------------------------|---|---|--|--|-----------------------------------|-----------------------------------|------------------|
| At 1 January 2006   | 474                      | -                        | 10,000                     | 57,010                     | 12,460                                  | 13,324  | 6,663  | 6,663  | 2,549                             | 71,375                            | 180,518          |
| Exchange differences arising on translation of foreign operations | -                        | -                        | -                          | -                          | -                                       | -   | -  | -  | 2,756                             | -                                 | 2,756            |
| Profit for the year   | -                        | -                        | -                          | -                          | -                                       | -   | -  | -  | -                                 | 147,661                           | 147,661          |
| Total recognised income for the year                              | -                        | -                        | -                          | -                          | -                                       | -   | -  | -  | 2,756                             | 147,661                           | 150,417          |
| Transfer  | -                        | -                        | -                          | -                          | -                                       | 6,663   | (6,663)  | -  | -                                 | -                                 | -                |
| Issue of shares upon exercise of redeemable convertible notes     | 86                       | 115,730                  | -                          | -                          | -                                       | -   | -  | -  | -                                 | -                                 | 115,816          |
| At 31 December 2006 and 1 January 2007                            | 560                      | 115,730                  | 10,000                     | 57,010                     | 12,460                                  | 19,987  | -  | 6,663  | 5,305                             | 219,036                           | 446,751          |
| Profit for the period and total recognised income for the period  | -                        | -                        | -                          | -                          | -                                       | -   | -  | -  | -                                 | 66,032                            | 66,032           |
| Dividend recognised as distribution (note 7)                      | -                        | -                        | -                          | -                          | -                                       | -   | -  | -  | -                                 | (44,298)                          | (44,298)         |
| Waiver of dividend (note 7)                                       | -                        | -                        | -                          | -                          | -                                       | -   | -  | -  | -                                 | 4,407                             | 4,407            |
| Capitalisation issue  | 73,912                   | (73,912)                 | -                          | -                          | -                                       | -   | -  | -  | -                                 | -                                 | -                |
| Issue of new shares upon new listing                              | 24,565                   | 447,092                  | -                          | -                          | -                                       | -   | -  | -  | -                                 | -                                 | 471,657          |
| Shares issuance expenses  | -                        | (18,893)                 | -                          | -                          | -                                       | -   | -  | -  | -                                 | -                                 | (18,893)         |
| At 30 June 2007   | 99,037                   | 470,017                  | 10,000                     | 57,010                     | 12,460                                  | 19,987  | -  | 6,663  | 5,305                             | 245,177                           | 925,656          |
| At 1 January 2006   | 474                      | -                        | 10,000                     | 57,010                     | 12,460                                  | 13,324  | 6,663  | 6,663  | 2,549                             | 71,375                            | 180,518          |
| Exchange differences arising on translation of foreign operations | -                        | -                        | -                          | -                          | -                                       | -   | -  | -  | 1,383                             | -                                 | 1,383            |
| Profit for the period   | -                        | -                        | -                          | -                          | -                                       | -   | -  | -  | -                                 | 48,681                            | 48,681           |
| Total recognised income for the period                            | -                        | -                        | -                          | -                          | -                                       | -   | -  | -  | 1,383                             | 48,681                            | 50,064           |
| At 30 June 2006   | 474                      | -                        | 10,000                     | 57,010                     | 12,460                                  | 13,324  | 6,663  | 6,663  | 3,932                             | 120,056                           | 230,582          |

## INTERIM FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

|  | Six months ended 30 June       |                                |
|--|--------------------------------|--------------------------------|
|  | 2007<br>RMB'000<br>(unaudited) | 2006<br>RMB'000<br>(unaudited) |
| Net cash (used in) from operating activities   | (19,229)                       | 41,266                         |
| Net cash used in investing activities  |                                |                                |
| Purchase of property, plant and equipment  | (76,657)                       | (67,192)                       |
| Prepaid lease payments   | (15,629)                       | (696)                          |
| Proceeds from disposal of property, plant and equipment                                      | -                              | 29                             |
| (Increase) decrease in restricted bank deposits  | (65,700)                       | 5,100                          |
| Deposit refunded for acquisition of land use right   | -                              | 60,000                         |
| Other investing cash flows   | 5,558                          | 1,030                          |
|  | (152,428)                      | (1,729)                        |
| Net cash from (used in) financing activities   |                                |                                |
| Proceeds from issue of shares upon new listing   | 471,657                        | -                              |
| Shares issuance expenses   | (18,893)                       | -                              |
| Dividend paid  | (37,363)                       | -                              |
| Bank loans raised  | 267,000                        | 262,011                        |
| Repayments of bank loans   | (101,000)                      | (250,000)                      |
| Repayment of other loans   | -                              | (10,200)                       |
| Other financing cash flows   | -                              | (2,790)                        |
|  | 581,401                        | (979)                          |
| Net increase in cash and cash equivalents  | 409,744                        | 38,558                         |
| Cash and cash equivalents at the beginning of the period                                     | 144,718                        | 112,263                        |
| Cash and cash equivalents at the end of the period,<br>represented by bank balances and cash | 554,462                        | 150,821                        |

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2007*

**1. Basis of Preparation**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 16 November 2004. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") with effect from 11 June 2007.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the SEHK.

The Group's interim financial information is presented in Renminbi ("RMB"), the currency in which the majority of the Group's transactions is denominated.

**2. Principal Accounting Policies**

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Accountants' Report as set out in Appendix 1 to the Prospectus.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendment and interpretations ("new HKFRSs") issued by HKICPA, which are effective for the Group's financial year beginning 1 January 2007.

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

## 2. Principal Accounting Policies (Continued)

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

|                    |  |
|--------------------|--|
| HKAS 23 (Revised)  | Borrowing costs <sup>1</sup>                                 |
| HKFRS 8            | Operating segments <sup>1</sup>                              |
| HK(IFRIC) – INT 11 | HKFRS 2 – Group and treasury share transactions <sup>2</sup> |
| HK(IFRIC) – INT 12 | Service concession arrangements <sup>3</sup>                 |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008.

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

## 3. Segment Information

### Business segment

The Group's operation is regarded as a single segment, being the manufacture and sales of storage batteries and battery related accessories.

### Geographical segment

Analysis of the Group's turnover and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as they are substantially generated from or situated in the People's Republic of China (the "PRC").

4. Turnover

|  | Six months ended 30 June       |                                |
|--|--------------------------------|--------------------------------|
|  | 2007<br>RMB'000<br>(unaudited) | 2006<br>RMB'000<br>(unaudited) |
| An analysis of turnover is as follows: |                                |                                |
| Sales of goods                         |                                |                                |
| Lead-acid motive battery products      | 658,568                        | 329,823                        |
| Chargers, controllers and motors       | 17,114                         | 20,487                         |
| Others                                 | 45,433                         | 30,110                         |
|  | <b>721,115</b>                 | <b>380,420</b>                 |

5. Profit Before Taxation

|  | Six months ended 30 June       |                                |
|--|--------------------------------|--------------------------------|
|  | 2007<br>RMB'000<br>(unaudited) | 2006<br>RMB'000<br>(unaudited) |
| Profit before taxation has been arrived at after charging: |                                |                                |
| Allowance for bad and doubtful debts                       | 2,077                          | 1,065                          |
| Amortisation of prepaid lease payments                     | 305                            | 225                            |
| Depreciation of property, plant and equipment              | 11,191                         | 6,082                          |
| Loss on disposal of property, plant and equipment          | 395                            | 441                            |
| Research and development cost                              | 2,772                          | 2,511                          |

6. Taxation

|                           | Six months ended 30 June       |                                |
|---------------------------|--------------------------------|--------------------------------|
|                           | 2007<br>RMB'000<br>(unaudited) | 2006<br>RMB'000<br>(unaudited) |
| The charge comprises:     |                                |                                |
| PRC Enterprise Income Tax | 14,713                         | 2,799                          |

The provision for the PRC Enterprise Income Tax is based on the estimated taxable income for the PRC taxation purposes at the rates of taxation applicable to each of the interim periods.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in nor is derived from Hong Kong.

Taxation charge mainly consists of income tax in the PRC attributable to the assessable profits and is calculated at the applicable rates prevailing in the PRC. Pursuant to the relevant laws and regulations in the PRC, a subsidiary of the Company is entitled to exemption from PRC Enterprise Income Tax for the two years commencing from 2005 and 50% reduction for the following three years.

Pursuant to notices issued by the Zhejiang Provincial Tax Bureau Changxing County branch, Zhejiang Changxing Tianneng Power Supply Co., Ltd., as a welfare enterprise, was entitled to a tax waiver of 75% of the PRC Enterprise Income Tax until 30 September 2006. According to the notice (國家稅務總局關於進一步做好調整現行福利企業稅收優惠政策試點工作的通知) dated 25 September 2006 issued by the Department of the Treasury (財政部) and State Tax Bureau (國家稅務總局), effective from 1 October 2006, the tax waiver of the PRC Enterprise Income Tax entitled by welfare enterprises was cancelled and replaced by a tax benefit where a portion of its taxable profits, representing 200% of the salaries paid to staff with physical disability, would be exempted from the PRC Enterprise Income Tax.

## 6. Taxation (Continued)

On 16 March 2007, the Tenth National People's Congress enacted the new Enterprise Income Tax Law (the "new EIT law") that unifies the income tax treatment of domestic and foreign enterprise which becomes effective on 1 January 2008. Accordingly, the tax rate applicable to the Group will be unified to 25%. The Group has already commenced an assessment of the impact of the new EIT law and considers no material impact on the Group's results of operations in the future.

## 7. Dividend

The directors of the Company do not recommend for an interim dividend for the six months period ended 30 June 2007.

The directors of the Company declared a final dividend of RMB44,298,000 on 18 April 2007 for 2006, equivalent to approximately RMB8.36 per share based on 5,296,439 shares in issue at 31 December 2006.

On 25 June 2007, two strategic shareholders of the Company, Power Active Limited and Prax Capital Fund I, LP, agreed to waive part of their entitled 2006 final dividend amounting to RMB4,407,000 and resulting for a net 2006 final dividend payable of RMB39,891,000 to the entitled shareholders of the Company. During the period, the Company paid RMB37,363,000 in respect of the 2006 final dividend to the entitled shareholders.



**8. Earnings Per Share**

|  | Six months ended 30 June       |                                |
|--|--------------------------------|--------------------------------|
|  | 2007<br>RMB'000<br>(unaudited) | 2006<br>RMB'000<br>(unaudited) |
| <b>Earnings:</b>   |                                |                                |
| Earnings for the purpose of calculating basic earnings per share                                     | 66,032                         | 48,681                         |
| Effect of dilutive potential ordinary shares:  |                                |                                |
| Adjustment to the change in fair value of redeemable convertible notes                               | –                              | 5,103                          |
| Earnings for the purpose of calculating diluted earnings per share                                   | 66,032                         | 53,784                         |
| <b>Number of shares:</b>   |                                |                                |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share   | 763,698,630                    | 630,423,574                    |
| Effect of dilutive potential ordinary shares relating to redeemable convertible notes                | –                              | 119,576,426                    |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | 763,698,630                    | 750,000,000                    |

The weighted average number of ordinary shares for the purpose of calculating the basic and diluted earnings per share for both periods has been retrospectively adjusted, assuming the capitalisation issue occurred on the first day of the periods, for the effect of the capitalisation issue of 744,703,561 shares completed on 8 February 2007.

## 9. Additions of Property, Plant and Equipment

The Group spent approximately RMB76,657,000 (1.1.2006-30.6.2006: RMB67,192,000) on additions of machinery and manufacturing plant in the PRC, in order to upgrade its manufacturing capabilities.

## 10. Trade and Other Receivables

Payment terms with customers are mainly on credit. The Group allows an average credit period of 45 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

|              | 30.6.2007<br>RMB'000<br>(unaudited) | 31.12.2006<br>RMB'000<br>(audited) |
|--------------|-------------------------------------|------------------------------------|
| 0-45 days    | 91,335                              | 43,659                             |
| 46-90 days   | 14,596                              | 17,328                             |
| 91-180 days  | 10,711                              | 13,053                             |
| 181-365 days | 13,682                              | 10,095                             |
| 1-2 years    | 3,874                               | 2,255                              |
| Over 2 years | 31                                  | 1,283                              |
|              | <b>134,229</b>                      | <b>87,673</b>                      |

The directors consider that the carrying amount of trade and other receivables approximates its fair value.

## 11. Trade and Other Payables

The following is an aged analysis of trade payables at the balance sheet date:

|              | 30.6.2007<br>RMB'000<br>(unaudited) | 31.12.2006<br>RMB'000<br>(audited) |
|--------------|-------------------------------------|------------------------------------|
| 0-90 days    | 213,723                             | 105,571                            |
| 91-180 days  | 83,050                              | 75,459                             |
| 181-365 days | 2,051                               | 1,464                              |
| 1-2 years    | 1,929                               | 1,673                              |
| Over 2 years | 632                                 | 548                                |
|              | <b>301,385</b>                      | <b>184,715</b>                     |

The directors consider that the carrying amount of trade and other payables approximates its fair value.

## 12. Short Term Bank Loans

|           | 30.6.2007<br>RMB'000<br>(unaudited) | 31.12.2006<br>RMB'000<br>(audited) |
|-----------|-------------------------------------|------------------------------------|
| Secured   | 95,900                              | 153,700                            |
| Unsecured | 271,300                             | 72,500                             |
|           | <b>367,200</b>                      | <b>226,200</b>                     |

The short term bank loans are denominated in RMB and carry fixed interest rates ranging from 5.81% to 6.90% per annum (31.12.2006: 5.58% to 7.03% per annum). The directors consider the carrying amount of short term bank loans approximates its fair value.

### 13. Long Term Bank Loans

The Group's long term bank loans are unsecured and denominated in RMB. The bank loans carry fixed interest rates ranging from 6.93% to 7.56% (31.12.2006: 6.93% to 7.56%) per annum and to be repaid in full in 2009. The directors consider the carrying amount of long term bank loans approximates its fair value.

### 14. Share Capital

|  | Number<br>of shares | Amount<br>RMB'000 |
|--|---------------------|-------------------|
| <hr/>  |                     |                   |
| Ordinary shares of the Company with nominal value of HK\$0.10 each       |                     |                   |
| Authorised:  |                     |                   |
| At 1 January 2006, 31 December 2006,<br>1 January 2007 and 30 June 2007  | 2,000,000,000       | 212,780           |
|  | <hr/> <hr/>         | <hr/> <hr/>       |
| Issued and fully paid:   |                     |                   |
| At 1 January 2006  | 4,452,000           | 474               |
| Conversion of redeemable convertible notes<br>in September 2006 (note i) | 844,439             | 86                |
|  | <hr/>               | <hr/>             |
| At 31 December 2006 and 1 January 2007                                   | 5,296,439           | 560               |
| Issue by capitalisation of the share premium<br>account (note ii)        | 744,703,561         | 73,912            |
| Issue of shares on international placing and<br>public offer (note iii)  | 250,000,000         | 24,565            |
|  | <hr/>               | <hr/>             |
| At 30 June 2007  | 1,000,000,000       | 99,037            |
|  | <hr/> <hr/>         | <hr/> <hr/>       |

### 14. Share Capital (Continued)

The following changes in the share capital of the Company took place during the period/year:

- (i) In September 2006, US\$9,500,000 of the redeemable convertible notes were converted into 844,439 shares of HK\$0.10 each of the Company at the conversion price of HK\$87.53 per share.
- (ii) Pursuant to a resolution passed by the shareholders of the Company on 26 February 2007, the directors of the Company were authorised to capitalise HK\$74,470,356 (equivalent to RMB73,911,828) standing to the credit of the share premium account of the Company by applying such sum in crediting as fully paid at par the 744,703,561 nil paid shares of HK\$0.10 each for issue of shares to all the shareholders on a pro rata basis.
- (iii) On 11 June 2007, the Company issued 250,000,000 shares with a par value of HK\$0.10 each, at a price of HK\$1.92 by way of international placing and Hong Kong public offer to overseas and Hong Kong investors.

### 15. Pledge of Assets

At the balance sheet date, the Group has pledged the following assets to secure the general banking facilities and bank borrowings granted to the Group.

|                               | 30.6.2007<br>RMB'000<br>(unaudited) | 31.12.2006<br>RMB'000<br>(audited) |
|-------------------------------|-------------------------------------|------------------------------------|
| Bank deposits                 | 159,700                             | 94,000                             |
| Property, plant and equipment | 63,663                              | 65,328                             |
| Land use rights               | 18,984                              | 19,182                             |
|                               | <b>242,347</b>                      | <b>178,510</b>                     |

## 16. Capital Commitments

|   | 30.6.2007<br>RMB'000<br>(unaudited) | 31.12.2006<br>RMB'000<br>(audited) |
|---|-------------------------------------|------------------------------------|
| Capital expenditure in respect of the acquisition of property, plant and equipment: |                                     |                                    |
| Contracted for but not provided in the financial statements                         | 30,855                              | 27,594                             |

## 17. Related Party Transactions

- (a) During the period, the Group had the following significant transactions with its related companies:

| Name of related company                        | Nature of transaction                       | Six months ended 30 June       |                                |
|--|---|--------------------------------|--------------------------------|
|  |   | 2007<br>RMB'000<br>(unaudited) | 2006<br>RMB'000<br>(unaudited) |
| Zhejiang Changtong Electric Bicycle Co., Ltd.  | Sales of storage battery and other products | 11,355                         | 11,551                         |
|  | Sales of materials                          | 13                             | 21                             |
| Zhejiang Changxing Tianli Battery Co., Ltd.    | Purchase of consumables                     | -                              | 112                            |
| 長興縣金陵大酒店有限公司                                   | Other expenses                              | 916                            | 520                            |
| Changxing Changshun Plastic Co., Ltd.          | Purchase of consumable materials            | 7,862                          | 1,396                          |
| Zhejiang Changxing Xin Xin Packaging Co., Ltd. | Purchase of consumables                     | 387                            | 200                            |
| Changxing Meishan Xing Da Plastic Co., Ltd.    | Purchase of materials                       | -                              | 275                            |

## 17. Related Party Transactions (Continued)

The related companies are controlled or beneficially owned by a director of the Company or his family members.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

|                              | Six months ended 30 June       |                                |
|------------------------------|--------------------------------|--------------------------------|
|                              | 2007<br>RMB'000<br>(unaudited) | 2006<br>RMB'000<br>(unaudited) |
| Short term employee benefits | 837                            | 237                            |

The remuneration of directors and key executives are determined by the remuneration committee and executive directors respectively having regard to the performance of individuals and market trends.

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2007, apart from the details as follows, the Directors and chief executive do not have any other interests and 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 Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company.

| Name          | Capacity                                      | Number of shares held       | Approximate percentage of issued share capital of the Company |
|---------------|---|-----------------------------|---|
| Zhang Tianren | Interest of a controlled corporation (Note 2) | 414,179,650 (L)<br>(Note 1) | 41.42%  |
| Chen Minru    | Interest of a controlled corporation (Note 3) | 9,043,152 (L)               | 0.90%   |
| Shi Borong    | Interest of a controlled corporation (Note 4) | 31,952,789 (L)              | 3.20%   |
| Yang Lianming | Interest of a controlled corporation (Note 5) | 9,043,151 (L)               | 0.90%   |
| Zhang Aogen   | Interest of a controlled corporation (Note 6) | 25,321,022 (L)              | 2.53%   |
| Zhang Kaihong | Interest of a controlled corporation (Note 7) | 34,364,174 (L)              | 3.44%   |

*Notes:*

1. The letter "L" denotes long position in the shares of the Company.
2. The 414,179,650 Shares are held by Prime Leader Global Limited, which is wholly owned by Mr. Zhang Tianren.
3. The 9,043,152 Shares are held by Profit Best International Limited, which is wholly owned by Mr. Chen Minru.
4. The 31,952,789 Shares are held by Precise Asia Global Limited, which is wholly owned by Mr. Shi Borong.
5. The 9,043,151 Shares are held by Success Zone Limited, which is wholly owned by Mr. Yang Lianming.
6. The 25,321,022 Shares are held by Top Benefits International Limited, which is wholly owned by Mr. Zhang Aogen.
7. The 34,364,174 Shares are held by Plenty Gold Holdings Limited, which is wholly owned by Mr. Zhang Kaihong.



## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders, other than a Director or Chief Executive of the Company, had notified the Company of relevant interests and short positions in the shares or underlying shares or debentures of the Company which would have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO in the issued share capital of the Company:

| Name of Shareholder                       | Capacity                                      | Number of shares held          | Approximate percentage of issued share capital of the Company |
|---|---|--------------------------------|---|
| Prime Leader Global Limited               | Beneficial Owner                              | 414,179,650(L)<br>(note 1)     | 41.42%  |
| Choi Koon Shum Jonathan                   | Interest of a controlled corporation (note 2) | 90,116,000(L)<br>45,000,000(S) | 9.01%<br>4.50%  |
| Innovation Assets Limited                 | Interest of a controlled corporation (note 2) | 90,116,000(L)<br>45,000,000(S) | 9.01%<br>4.50%  |
| Kingsway International Holdings Limited   | Interest of a controlled corporation (note 2) | 90,116,000(L)<br>45,000,000(S) | 9.01%<br>4.50%  |
| Kwan Wing Kum, Janice                     | Interest of spouse (note 3)                   | 90,116,000(L)<br>45,000,000(S) | 9.01%<br>4.50%  |
| Lam Wong Yuk Sin Mary                     | Interest of a controlled corporation (note 2) | 90,116,000(L)<br>45,000,000(S) | 9.01%<br>4.50%  |
| SW Kingsway Capital Holdings Limited      | Interest of a controlled corporation (note 2) | 90,116,000(L)<br>45,000,000(S) | 9.01%<br>4.50%  |
| World Developments Limited                | Interest of a controlled corporation (note 2) | 90,116,000(L)<br>45,000,000(S) | 9.01%<br>4.50%  |
| Kingsway Financial Services Group Limited | Beneficial Owner                              | 90,000,000(L)<br>45,000,000(S) | 9.00%<br>4.50%  |
| SW Kingsway Capital Group Limited         | Interest of a controlled corporation (note 2) | 90,000,000(L)<br>45,000,000(S) | 9.00%<br>4.50%  |
| Centennial Success Limited                | Interest of a controlled corporation (note 4) | 64,745,771(L)                  | 6.47%   |

| Name of Shareholder                                 | Capacity                                      | Number of shares held | Approximate percentage of issued share capital of the Company |
|---|---|-----------------------|---|
| Cheng Yu Tung Family (Holdings) Limited             | Interest of a controlled corporation (note 4) | 64,745,771(L)         | 6.47%   |
| Chow Tai Fook Enterprises Limited                   | Interest of a controlled corporation (note 4) | 64,745,771(L)         | 6.47%   |
| Liberty New World China Enterprises Investments, LP | Interest of a controlled corporation (note 4) | 64,745,771(L)         | 6.47%   |
| New World China Enterprises Investments Limited     | Interest of a controlled corporation (note 4) | 64,745,771(L)         | 6.47%   |
| New World China Industrial Limited                  | Interest of a controlled corporation (note 4) | 64,745,771(L)         | 6.47%   |
| New World Development Company Limited               | Interest of a controlled corporation (note 4) | 64,745,771(L)         | 6.47%   |
| New World Enterprise Holdings Limited               | Interest of a controlled corporation (note 4) | 64,745,771(L)         | 6.47%   |
| New World Liberty China Ventures Ltd.               | Interest of a controlled corporation (note 4) | 64,745,771(L)         | 6.47%   |
| Power Active Limited                                | Beneficial Owner                              | 64,745,771(L)         | 6.47%   |

*Note:*

1. The letter "L" and "S" denote long position and short position in the shares of the Company respectively.
2. Amongst the 90,116,000 shares of the Company, 90,000,000 shares are held by Kingsway Financial Services Group Limited, which is wholly-owned by SW Kingsway Capital Group Limited, which in turn wholly-owned by SW Kingsway Capital Holdings Limited, which in turn owned as to 74% by World Developments Limited, which in turn wholly-owned by Innovation Assets Limited, which in turn wholly-owned by Kingsway International Holdings Limited, which is owned as to 46% by Choi Koon Shum Jonathan and 40% by Lam Wong Yuk Sin Mary.

The remaining 116,000 shares are held by Kingsway Lion Spur Technology Limited, which is wholly-owned by Festival Developments Limited, which is then wholly-owned by SW Kingsway Capital Holdings Limited.

## OTHER INFORMATION

Accordingly, while each of (i) SW Kingsway Capital Holdings Limited, (ii) World Developments Limited, (iii) Innovation Assets Limited, (iv) Kingsway International Holdings Limited, (v) Choi Koon Shum Jonathan and (vi) Lam Wong Yuk Sin Mary is deemed to be interested in both the 90,000,000 shares held by Kingsway Financial Services Group Limited and the 116,000 shares held by Kingsway Lion Spur Technology Limited for the purpose of the SFO, SW Kingsway Capital Group Limited is deemed to be interested in the 90,000,000 shares held by Kingsway Financial Services Group Limited.

3. Kwan Wing Kum, Janice is the spouse of Choi Koon Shum Jonathan. Accordingly, Kwan Wing Kum, Janice is deemed to be interested in the shares in which Choi Koon Shum Jonathan is interested.
4. The 64,745,771 shares of the Company are held by Power Active Limited, a wholly-owned subsidiary of New World Liberty China Ventures Ltd., which is owned as to 50% by Liberty New World China Enterprises Investments, L.P. and 50% by New World Enterprises Investments Limited, which in turn wholly-owned by New World China Industrial Limited which in turn wholly-owned by New World Enterprise Holdings Limited, which in turn wholly-owned by New World Development Limited, which in turn owned as to 36.53% by Chow Tai Fook Enterprises Limited, which in turn wholly-owned by Centennial Success Limited, which in turn owned as to 51% by Cheung Yu Tung Family (Holdings) Limited.

Accordingly, each of (i) New World Liberty China Ventures Ltd., (ii) Liberty New World China Enterprises Investments, L.P., (iii) New World Enterprises Investments Limited, (iv) New World China Industrial Limited, (v) New World Enterprise Holdings Limited, (vi) New World Development Limited, (vii) Chow Tai Fook Enterprises Limited, (viii) Centennial Success Limited and (ix) Cheung Yu Tung Family (Holdings) Limited is deemed to be interested in the 64,745,771 shares of the Company held by Power Active Limited for the purpose of the SFO.

## SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by the then shareholders on 26 February 2007 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group.

As at 30 June 2007, no share option was granted under the Scheme.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

By Order of the Board  
Zhang Tianren  
Chairman

Hong Kong, 22 September 2007