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

(Incorporated in the Cayman Islands with limited liability)

Stock code: 00819

Interim Report **2011**

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Corporate Information

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

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Ho Tso Hsiu
Mr. Huang Dongliang
Mr. Wang Jingzhong

AUDIT COMMITTEE MEMBERS
Mr. Huang Dongliang *(Chairman)*
Mr. Wang Jingzhong
Mr. Ho Tso Hsiu

REMUNERATION COMMITTEE MEMBERS
Mr. Chen Minru *(Chairman)*
Mr. Huang Dongliang
Mr. Wang Jingzhong

NOMINATION COMMITTEE MEMBERS
Mr. Zhang Aogen *(Chairman)*
Mr. Huang Dongliang
Mr. Wang Jingzhong

COMPANY SECRETARY
Ms. Hui Wai Man Shirley

AUDITORS
Deloitte Touche Tohmatsu
Certified Public Accountants
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COMPLIANCE ADVISOR
Kingsway Capital Limited
5th Floor, Hutchison House
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LEGAL ADVISOR
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
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Wanchai
Hong Kong

LISTING INFORMATION
The Stock Exchange of
Hong Kong Limited
Stock Code: 00819

Tianneng Power International Limited ("**Tianneng**" or the "**Company**" and together with its subsidiaries, the "**Group**") is principally engaged in the production and sale of motive batteries. Its motive battery products are sold under its own brand name "TIANNENG" and are predominantly used in the electric bikes, electric motorcycles and electric cars sold and distributed in the People's Republic of China ("**PRC**" or "**China**"). The Group also manufactures new energy storage battery mainly for wind and solar power generation system. The Group's products are focusing on lead-acid motive battery for the electric vehicle market in China. Currently, the Company is one of the leading lead-acid motive battery producers for the electric vehicle market in China.

REVIEW OF OPERATIONS

As a leading electric bike motive battery supplier in China, the Group focuses on research and development ("**R & D**"), capturing premium customers in primary market, expanding sales network of secondary market and continuous improvement of operation efficiency.

The electric bike industry has been developing rapidly for over a decade in China. The industry is getting more consolidated. The market strategy of the Group in 2011 is to further capture premium customers in primary market. The Group had actively established strategic alliance with electric bike manufacturers. The Group's sales revenue generated from primary market increased by 54.6% as compared with the same period last year and accounted for approximately 42.5% of the turnover of lead-acid motive battery, as compared with approximately 39.4% in the same period last year.

The total number of electric bikes ownership moving up resulted in strong demand in the secondary market, i.e. the replacement market in China. The Group's sales and distribution strategy is to continue engaging exclusive distributors to further expand this market. As at 30 June 2011, there were a total of 890 exclusive distributors, an increase of 57 from 833 as at 31 December 2010. The Group's sales and distribution network covers most parts of China. For the six months ended 30 June 2011, the sales revenue from secondary market was up by 35.7% as compared with the same period last year.

The pure electric car motive battery developed by the Group has been commercialized. The Group has also established cooperation relationship with 73 new energy vehicle enterprises. For the six months ended 30 June 2011, the Group generated approximately RMB112 million revenue from the sale of the pure electric car battery, which was up by 155.5% as compared with the same period last year and accounted for approximately 4.6% of the Group's sales turnover.

Note: The pure electric car motive battery is mainly used in pure electric sedans, electric forklifts, electric patrol cars and special purpose electric cars etc.

The Group's Post-doctoral Scientific Research workstation is at national level. The focus of research is on lithium-ion motive battery, nickel hydride motive battery and Rare-Earth Silicon-Gel motive battery for pure electric cars and hybrid electric cars; storage battery for wind and solar power; and the recycling technology of non-ferrous scrap metal.

In the period of review, for efficient use of working capital and capturing good chance of investment, the Group invested in the equity securities listed in Hong Kong and it is classified as "Held-for-trading investment". After considering related factors, the investment mainly focused on the battery related listed companies. The investment was in line with the Company's treasury policy.

In March 2011, 9 departments of State Council including Ministry of Environmental Protection and National Development and Reform Commission collectively released notice which indicated that the first priority of Environmental Protection Tasks ("**Environmental Rectification**") in Year 2011 would be the Lead Battery Enterprises Rectification. According to the announcement of Ministry of Environmental Protection, up to 31 July 2011, among the 1930 Lead Battery Enterprises being checked, over 50% of them are under suspension, self-checking or rectification while the other 30% were even banned. The details about the working status of the Group under this Environmental Rectification can be referred to the announcements of the Company dated 15 June, 4 August, 8 August an 19 August 2011.

FUTURE PROSPECTS

According to the Frost & Sullivan 2010 Industry Report, in the electric bike motive battery industry development, it is forecasted that the CAGR of E-bike motive battery demand is 17% in the next five years. As the lead-acid battery technology is mature while application safety is high, it is also anticipated that lead acid battery will occupy the leading position in electric bike motive battery demand over the coming five years.

In the electric car motive battery industry development, National Twelfth Five Year Plan has put emphasis on pure electric car industry development. The drafting of the Plan of Energy Saving and New Energy Vehicles Industry Development ("Plan") by the Ministry of Industry and Information Technology (MIIT) is close to completion. There are various discussions about the low-speed electric car which is considered as the cheap vehicle being used within city and is suitable to be used under current Chinese national condition. The Group will closely monitor what is the role play of the low-speed electric car under the "Plan". The Group has launched the Rare-earth Silica-Gel high performance motive battery last year and also established cooperation relationship with 73 new energy vehicles enterprises up to the end of the reporting date. The Group is ready for the contribution to the great development of electric vehicle in China.

Under the national environmental remediation, a large number of lead acid battery manufacturers have gone out of the lead acid battery industry. The Group strongly believes that it is a good chance to further enlarge the market share and to consolidate its leading position. The Group will continue to closely monitor the development of industry consolidation and to assess the competitiveness landscape in order to devise the suitable strategies towards sales, merger & acquisition and tactical cooperation.

The Group will continue to run R&D, production and sales of the electric vehicle motive battery, electric bike motive battery, wind and solar energy storage battery, Ni-MH battery and lithium battery. The Group will actively make use of both the build-our-own and acquisition approaches to expand the production capacity. The Group will optimize the production capacity in the three existing production bases: Changxing in Zhejiang, Shuyang in Jiangsu and Wuhu in Anhui. The Group has also established the fourth production base in Jieshou of Anhui province. It is expected that this base will increase 10 million and 6.6million batteries production capacity in the year of 2012 and 2013 respectively. Furthermore, both the 100,000 ton lead recycling project and 17 million units of high performance motive battery project in Changxing Economic and Technological Development Zone are under construction. Both are scheduled to start pilot production by the end of this year or the beginning of the next year.

FINANCIAL REVIEW

Turnover

The Group's turnover for the period under review was approximately RMB2,437.6 million, an increase of approximately 46.7% as compared with the same period last year. Such increase was mainly due to the lead-acid motive battery supply shortage caused by the national Environmental Rectification. Comparing with the same period last year, both the unit selling price and sales quantities of the Group's major products were pushed up.

Gross Profit

The Group's gross profit during the period under review was approximately RMB548.1 million, an increase of approximately 80.5% as compared with the same period last year due to the increase in sales quantity and unit selling price. The increase in gross profit margin to 22.5% in the first half of 2011 from 18.3% in the same period last year was mainly due to the weighted average unit selling price increasing rate higher than that of the weighted average unit cost.

Other income

The other income of the Company for the period under review was approximately RMB24.4 million (for the six months ended 30 June 2010: approximately RMB43.1 million), an decrease of approximately 43.3% as compared with the same period last year. It mainly resulted from the decrease in government grant and subsidies.

Selling and distribution costs

Selling and distribution costs decreased from approximately RMB121.4 million in the same period last year to approximately RMB94.6 million, mainly due to the decrease in sales rebate.

Administrative expenses

Administrative expenses increased from approximately RMB51.1 million in the same period last year to approximately RMB90.4 million, mainly due to the increase in staff cost and pre-operating expenses amortization.

Research and development costs

R&D costs increased by 36.5% to approximately RMB53.0 million, mainly due to the increase in R&D material costs.

Finance costs

Finance costs increased from approximately RMB3.0 million in the same period last year to approximately RMB29.6 million, mainly due to the increase in bank borrowings.

CAPITAL STRUCTURE, FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2011, the shareholders' equity of the Company amounted to approximately RMB2,072.5 million (31 December 2010: approximately RMB1,956.2 million). The Group's capital structure is the equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profit.

The Group has total assets of approximately RMB4,062.8 million (31 December 2010: approximately RMB3,084.5 million), representing an increase of approximately RMB978.3 million, or approximately 31.7%. As at 30 June 2011, total current assets of the Group were approximately RMB2,640.0 million (31 December 2010: approximately RMB1,945.0 million), representing an increase of approximately 35.7% as compared with the financial year ended 31 December 2010 and accounting for approximately 65.0% of total assets. Total non-current assets were approximately RMB1,422.9 million (31 December 2010: approximately RMB1,139.5 million), representing an increase of approximately RMB283.4 million and accounting for approximately 35.0% of the total assets.

As at 30 June 2011, total liabilities of the Group were approximately RMB1,990.3 million (31 December 2010: approximately RMB1,128.4 million), with an increase of approximately 76.4%. As at 30 June 2011, total current liabilities of the Group were approximately RMB1,955.1 million (31 December 2010: approximately RMB1,098.4 million), representing an increase of approximately 78.0% as compared with the financial year ended 31 December 2010 and accounting for approximately 98.2% of total liabilities. Total non-current liabilities were approximately RMB35.3 million (31 December 2010: approximately RMB30.0 million), representing an increase of approximately RMB5.3 million and accounting for approximately 1.8% of the total liabilities.

As at 30 June 2011, the cash and bank balances of the Group (including pledged bank deposits) was approximately RMB774.2 million (31 December 2010: approximately RMB489.3 million). The majority of cash and bank balances of the Group (including restricted bank deposits) amounting to RMB759.1 million are denominated in Renminbi. As at 30 June 2011, the Group has short-term bank borrowings of approximately RMB1,161.9 million (31 December 2010: approximately RMB515 million). The short-term bank borrowings are repayable within one year. The Group's non-current bank borrowings were approximately RMB30.0 million which is the same as the balance as at 31 December 2010. All the bank borrowings are denominated in Renminbi and HK Dollar (for details, please refer to note 15 to the Condensed Consolidated Financial Statements) with interest rates between 3.62% to 7.00% per annum (31 December 2010: 4.36% to 6.12% per annum).

Pledge of Assets

As at 30 June 2011, the bank facilities and bank borrowings of the Group were secured by bank deposits, bills receivable, property, plant and equipment, and land use rights. The aggregate net book value of the assets pledged amounted to approximately RMB428.0 million (31 December 2010: approximately RMB181.8 million).

Gearing ratio

As at 30 June 2011, the Group's gearing ratio, defined as total bank borrowings as percentage of total assets, was approximately 29.3% (31 December 2010: approximately 17.7%).

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 (the "**Directors**") are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange rate risks and therefore no hedging arrangements were made. However, the Group will review and monitor the relevant foreign exchange exposure from time to time based on its business development requirements 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 2011 (31 December 2010: Nil).

Capital commitments

For details, please refer to note 20 to the Condensed Consolidated Financial Statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2011, the Group employed a total of 10,078 employees. Staff cost of the Group for the first half of 2011 was approximately RMB167.9 million (six months ended 30 June 2010: approximately RMB129.2 million). The cost included basic salaries and 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 employees' performance and a range of training programs for the development of its staff.

INTERIM DIVIDEND

The board of Directors (the "**Board**") does not recommend the payment of any interim dividend for the six months ended 30 June 2011.

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held by the Company as at 30 June 2011.

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

For details, please refer to note 17 to the Condensed Consolidated Financial Statements.

IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL PERIOD

For details, please refer to note 22 to the Condensed Consolidated Financial Statements.

Corporate Governance

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 investors' confidence. Throughout the six months ended 30 June 2011, the Company has adopted and complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the code provision A.2.1. Mr. Zhang Tianren is both the Chairman and Chief Executive Officer ("**CEO**") of the Company who is responsible for managing the Group's business. 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 maximizes 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 the 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 independent external auditors and the related remuneration and appointment terms. The Audit Committee has reviewed this interim report with the management of the Company and the Company's independent external auditors and recommended its adoption by the Board.

The interim financial information of the Company in this report has not been audited. However, it has been prepared in accordance with HKAS 34 "Interim Financial Reporting" and has been reviewed by the Company's independent external 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 Issuers (the "**Model Code**") contained in Appendix 10 to 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 2011.

The Company has also complied with Rules 3.10(1) and 3.10(2) of the Listing Rules and appointed three independent non-executive Directors including one with financial management expertise.

Deloitte.
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TO THE BOARD OF DIRECTORS OF
TIANNENG POWER INTERNATIONAL LIMITED

INTRODUCTION

We have reviewed the interim financial information set out on pages 12 to 39, which comprises the condensed consolidated statement of financial position of Tianneng Power International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated 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 the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. 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 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 Hong Kong Institute of Certified Public Accountants. 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 August 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	NOTES	Six months ended 30 June **2011** RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Turnover	4	**2,437,602**	1,661,740
Cost of sales		**(1,889,458)**	(1,357,980)
Gross profit		**548,144**	303,760
Other income	5	**24,401**	43,054
Other gains and losses	6	**(6,014)**	(1,175)
Selling and distribution costs		**(94,552)**	(121,441)
Administrative expenses		**(90,350)**	(51,124)
Research and development costs		**(53,023)**	(38,838)
Other operating expenses		**(14,847)**	(4,710)
Share of loss of an associate		**(110)**	–
Finance costs		**(29,560)**	(3,006)
Profit before taxation	7	**284,089**	126,520
Taxation	8	**(83,069)**	(23,247)
Profit and total comprehensive income for the period attributable to the owners of the Company		**201,020**	103,273
Earnings per share	10		
– Basic		**RMB18.5 cents**	RMB9.6 cents
– Diluted		**RMB18.3 cents**	RMB9.4 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	NOTES	**30.6.2011 RMB'000 (unaudited)**	31.12.2010 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	*11*	**1,250,579**	981,644
Prepaid lease payments	*11*	**99,482**	97,276
Interest in an associate		**1,690**	1,800
Deferred tax assets	*12*	**25,979**	34,582
Deposit for acquisition of property, plant and equipment		**45,146**	24,222
		1,422,876	1,139,524
Current assets			
Inventories		**798,084**	818,774
Held-for-trading investments	*18*	**90,033**	–
Bills, trade and other receivables	*13*	**975,462**	634,824
Prepaid lease payments	*11*	**2,184**	2,117
Pledged bank deposits	*19*	**100,800**	64,983
Bank balances and cash		**673,389**	424,303
		2,639,952	1,945,001
Current liabilities			
Bills, trade and other payables	*14*	**759,133**	545,439
Amount due to a related company		**9**	46
Taxation payable		**34,025**	37,878
Bank borrowings	*15*	**1,161,895**	515,000
		1,955,062	1,098,363

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	NOTES	**30.6.2011** **RMB'000** **(unaudited)**	31.12.2010 RMB'000 (audited)
Net current assets		**684,890**	846,638
Total assets less current liabilities		**2,107,766**	1,986,162
Non-current liabilities			
Bank borrowings	*15*	**30,000**	30,000
Deferred tax liabilities	*12*	**5,265**	–
		35,265	30,000
		2,072,501	1,956,162
Capital and reserves			
Share capital	*16*	**106,917**	106,377
Reserves		**1,965,584**	1,849,785
Total equity		**2,072,501**	1,956,162

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note a)	Capital reserve RMB'000 (note b)	Share options reserve RMB'000	Non-distributable reserve RMB'000 (note c)	Statutory surplus reserve fund RMB'000 (note d)	Discretionary surplus reserve fund RMB'000 (note d)	Accumulated profits RMB'000	Total RMB'000
At 1 January 2011 (audited)	**106,377**	**707,263**	**10,000**	**57,010**	**10,835**	**12,460**	**150,473**	**28,066**	**873,678**	**1,956,162**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**201,020**	**201,020**
Transfer										
Dividends recognised as distribution (note 9)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(105,394)**	**(105,394)**
Issue of new shares upon exercise of share options	**540**	**8,818**	**–**	**–**	**(2,775)**	**–**	**–**	**–**	**–**	**6,583**
Forfeiture of share options	**–**	**–**	**–**	**–**	**(714)**	**–**	**–**	**–**	**714**	**–**
Recognition of equity-settled share based payments (note 17)	**–**	**–**	**–**	**–**	**14,130**	**–**	**–**	**–**	**–**	**14,130**
At 30 June 2011 (unaudited)	**106,917**	**716,081**	**10,000**	**57,010**	**21,476**	**12,460**	**150,473**	**28,066**	**970,018**	**2,072,501**
At 1 January 2010 (audited)	106,085	702,650	10,000	57,010	4,528	12,460	109,765	21,608	658,416	1,682,522
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	–	103,273	103,273
Dividends recognised as distribution (note 9)	–	–	–	–	–	–	–	–	(83,852)	(83,852)
Issue of new shares upon exercise of share options	292	4,613	–	–	(1,338)	–	–	–	–	3,567
Forfeiture of share options	–	–	–	–	(160)	–	–	–	160	–
Recognition of equity-settled share based payments (note 17)	–	–	–	–	2,760	–	–	–	–	2,760
At 30 June 2010 (unaudited)	106,377	707,263	10,000	57,010	5,790	12,460	109,765	21,608	677,997	1,708,270

Notes:

a. The special reserve of the Group represents the difference between the nominal amount of the shares issued by Tianneng International Investment Holdings Limited ("Tianneng BVI") and the aggregate amount of paid-in capital of the subsidiaries acquired by Tianneng BVI pursuant to the group reorganisation which took place in 2004 as more fully explained in the prospectus of the Company dated 29 May 2007.

b. The capital reserve of the Group arose in June 2003 when the substantial shareholder and Executive Director of the Company, Mr. Zhang Tianren, transferred 26.3% of his shares in Tianneng Battery Group Co., Ltd. ("Tianneng Battery Group") to the key management personnel of the Group. The Group recognised the share-based payment expenses of approximately RMB57,010,000 on 15 June 2003 which represented the difference between the fair value of those shares of approximately RMB71,388,000 and the consideration received by Mr. Zhang Tianren, the Executive Director and the substantial shareholder of the Company, from the key management personnel of approximately RMB14,378,000.

c. The non-distributable reserve of the Group represents the difference between the consideration paid for acquisitions of additional interests in subsidiaries from non-controlling shareholders who are associates of Mr. Zhang Tianren and the non-controlling interests' share of net assets of the subsidiaries at the date of the acquisition.

d. As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the Group's PRC subsidiaries are required to maintain two reserves, being a statutory surplus reserve fund and a discretionary surplus reserve fund which are non-distributable. Appropriations to such reserves are made out of profit after taxation of the statutory financial statements of the PRC subsidiaries while the amount and allocation basis are decided by their board of directors annually. Pursuant to the relevant laws and regulations in the PRC, it requires the appropriation to the statutory surplus reserve fund until the balance reaches 50% of the registered share capital. The statutory surplus reserve fund and the discretionary surplus reserve fund can be used to make up its prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	**58,602**	14,345
Investing activities		
Placement of pledged bank deposits	**(100,800)**	(18,989)
Withdrawal of pledged bank deposits	**64,983**	94,843
Asset-related government grants received	**8,323**	–
Interest received	**2,947**	1,644
Proceeds from disposal of property, plant and equipment	**2,917**	6
Purchase of property, plant and equipment	**(287,526)**	(135,591)
Deposits paid for the acquisition of property, plant and equipment	**(45,146)**	–
Prepaid lease payments	**(3,365)**	(13,727)
Net cash used in investing activities	**(357,667)**	(71,814)
Financing activities		
Bank loans raised	**1,200,895**	230,000
Proceeds from issue of shares	**6,583**	3,567
Repayments of bank loans	**(554,000)**	(117,600)
Dividends paid	**(105,327)**	(83,837)
Other financing cash flows	**–**	2,783
Net cash from financing activities	**548,151**	34,913
Net increase (decrease) in cash and cash equivalents	**249,086**	(22,556)
Cash and cash equivalents at the beginning of the period	**424,303**	360,337
Cash and cash equivalents at the end of the period, represented by bank balances and cash	**673,389**	337,781

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 Hong Kong Accounting Standard 34 ("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 Stock Exchange of Hong Kong Limited.

The Group's interim financial information is presented in Renminbi ("RMB") which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis, except for the certain financial instruments which are stated at fair value.

The accounting policies and methods 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 acquired held-for-trading investments in current interim period and has applied the following accounting policy:

Financial assets at fair value through profit or loss ("FVTPL")

The Group's held-for-trading investments are classified as financial assets at FVTPL.

A financial asset is classified as held-for-trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group manages together and has recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial assets at FVTPL are measured a fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

The Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA in the current interim period. The application of the new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the new or revised standards that have been issued but not yet effective:

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 July 2012

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

3. OPERATING SEGMENTS

For the purposes of resources allocation and performance assessment, the chief operating decision maker, Executive Director, regularly reviews turnover for major products (see note 4). However, the financial information provided to Executive Director does not contain profit or loss information of each product line and the Executive Director reviewed the operating result of the Group on a consolidation basis. Therefore, the operation of the Group constitutes one single operating segment, being the manufacture and sales of storage batteries and battery related accessories.

Segment revenues and results

The financial information presented to the Executive Director is consistent with the condensed consolidated statement of comprehensive income.

The Executive Director considers the Group's profit for the period as the measurement of segment result.

Entity-wide disclosures

All non-current assets and sales are located and generated in the PRC. No individual customer accounted for over 10% of the Group's total turnover for the six months ended 30 June 2011 and 30 June 2010.

4. TURNOVER

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
An analysis of turnover is as follows:		
Lead-acid battery products		
Electrical Bicycle Battery	**2,247,856**	1,570,165
Storage Battery	**16,333**	2,264
Pure Electric Car Battery (Note)	**111,582**	43,667
Battery for other usage	**1,542**	2,409
Nickel hydride and lithium-ion battery products	**31,443**	33,695
Others	**28,846**	9,540
	2,437,602	1,661,740

Note: It includes battery products mainly for pure electric sedans, electric forklifts, electric patrol cars and special-purpose electric cars etc.

5. OTHER INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants (Note)	**20,347**	38,657
Interest income	**2,947**	1,644
Others	**1,107**	2,753
	24,401	43,054

Note: The Group received subsidies and refund of value-added tax and other taxes from the relevant new development zones administrative committees and PRC local government to encourage the operations of certain subsidiaries in new development zones of approximately RMB16,989,000 (1.1.2010 to 30.6.2010: RMB33,559,000).

During the six months ended 30 June 2010, the Group received subsidies from the relevant PRC Government to encourage certain PRC subsidiaries adopting energy saving measures and received refunds on electricity expenses amounting to RMB1,657,000. There were no unfulfilled conditions attached to these grants and, therefore, the Group recognised the grants upon receipts.

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net losses on held-for-trading investments (note 1)	**(4,709)**	–
Reversal (allowance) for bad and doubtful debts (note 2)	**743**	(837)
Loss on disposal of property, plant and equipment	**(2,048)**	(338)
	(6,014)	(1,175)

Notes:

1. Net loss on held-for-trading investments included dividend income of approximately RMB3,320,000 earned on these held-for-trading investments during the six months ended 30 June 2011.

2. During the six months ended 30 June 2011, the Group recovered trade receivables of approximately RMB743,000 (1.1.2010 to 30.6.2010: nil) on which allowance had previously been provided. As a result, a reversal of allowance for bad and doubtful debts has been recognised.

7. PROFIT BEFORE TAXATION

	Six months ended 30 June 2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Profit before taxation has been arrived at after charging:		
(Reversal) allowance for inventories (note)	**(2,515)**	696
Amortisation of prepaid lease payments	**1,092**	440
Depreciation of property, plant and equipment	**37,699**	30,303

Note: During the six months ended 30 June 2011, the Group sold inventories of approximately RMB2,515,000 which were fully impaired in prior periods. As a result, a reversal of allowance for inventory of approximately RMB2,515,000 (1.1.2010 to 30.6.2010: allowance for inventories: RMB696,000) have been recognised.

Share-based payments expense of approximately RMB14,130,000 (1.1.2010 to 30.6.2010: RMB2,760,000) were recognised in administrative expenses during the six months ended 30 June 2011 in respect of share options of the Company. Details of transactions are set out in note 17.

8. TAXATION

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The charge comprises:		
PRC Enterprise Income Tax		
– current period	**53,606**	25,297
– underprovision in prior period	**8,817**	–
	62,423	25,297
Withholding taxes paid	**6,778**	–
Deferred taxation (note 12)	**13,868**	(2,050)
	83,069	23,247

The income tax expense of the Group is recognised based on the PRC Enterprise Income Tax Rate of 25% (1.1.2010 to 30.6.2010: 25%) for the periods under review, except the followings:

1. Certain subsidiaries of the Company in the PRC were recognised as High-Tech companies and enjoyed a tax rate of 15% in both periods.

2. Tianneng Battery (Wuhu) Co., Ltd. ("Tianneng Wuhu") operating in the PRC which was eligible for certain tax holidays and concessions in prior periods has applied standard tax rate of 25% in current interim period due to expiry of the relevant tax holidays and concession.

3. During the six months ended 30 June 2011, withholding tax of approximately RMB5,265,000 has been provided for in the current interim period based on the anticipated dividends to be distributed by the PRC entities to non-PRC residents.

9. DIVIDENDS

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
2010 final dividend declared of HK11.60 cents (equivalent to RMB9.76 cents) per share	**105,394**	–
2009 final dividend declared of HK8.80 cents (equivalent to RMB7.80 cents) per share	**–**	83,852
	105,394	83,852

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011.

10. EARNINGS PER SHARE

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share – attribute to the owners of the Company	**201,020**	103,273
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,085,951,756**	1,081,248,017
Effect of dilutive potential ordinary shares in respect of share options	**12,030,274**	17,913,112
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,097,982,030**	1,099,161,129

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

The Group spent approximately RMB22,439,000 and RMB289,160,000 (1.1.2010 to 30.6.2010: RMB15,051,000 and RMB116,208,000) on additions of machinery and manufacturing plant and construction in progress in the PRC respectively.

During the period, the Group spent approximately RMB3,365,000 on additions of prepaid lease payments in the PRC (1.1.2010 to 30.6.2010: RMB13,727,000).

During the period, the Group disposed of certain plant and machinery with a carrying amount of RMB4,965,000 (1.1.2010 to 30.6.2010: RMB344,000) at a consideration of RMB2,917,000 (1.1.2010 to 30.6.2010: RMB6,000), resulting in a loss on disposal of RMB2,048,000 (1.1.2010 to 30.6.2010: RMB338,000).

As at 30 June 2011, the official legal titles of buildings and prepaid lease payments with carrying amounts of approximately RMB51,310,000 (31.12.2010: RMB52,447,000) and RMB485,000 (31.12.2010: RMB490,000) have not been obtained by the Group.

12. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior period:

	Withholding tax	Provision for inventories, trade and other receivables	Accrued warranty fee	Accrued expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010 (audited)	–	9,361	5,968	11,398	26,727
Credit (charge) to profit or loss	–	655	(1,252)	8,452	7,855
At 31 December 2010 and 1 January 2011 (audited)	**–**	**10,016**	**4,716**	**19,850**	**34,582**
(charge) credit to profit or loss (note 8)	**(5,265)**	**(494)**	**1,092**	**(9,201)**	**(13,868)**
At 30 June 2011 (unaudited)	**(5,265)**	**9,522**	**5,808**	**10,649**	**20,714**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Deferred tax assets	**25,979**	34,582
Deferred tax liabilities	**(5,265)**	–
	20,714	34,582

12. DEFERRED TAXATION (CONTINUED)

At 30 June 2011, the Group has not recognised deductible temporary differences on provision for inventories, trade and other receivables, accrual warranty and other accrued expenses of approximately RMB6,228,000 (31.12.2010: RMB6,044,000) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

At 30 June 2011, the Group had unused tax losses of approximately RMB50,654,000 (31.12.2010: RMB44,927,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such losses due to unpredictability of future profit streams. Such unrecognised losses will expire at various dates up to and including 2016 (31.12.2010: 2015).

Under the PRC Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB1,074 million (31.12.2010: RMB1,145 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

13. BILLS, TRADE AND OTHER RECEIVABLES

	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Bills receivables	**418,678**	184,111
Trade receivables	**290,899**	231,257
Other receivables	**29,880**	26,548
Prepayments	**152,904**	91,069
Value added tax receivables	**83,101**	101,839
	975,462	634,824

13. BILLS, TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is an aged analysis of bills receivables from issue date at the end of the reporting period:

	30.6.2011 **RMB'000** **(unaudited)**	31.12.2010 RMB'000 (audited)
0 to 180 days	**418,678**	183,223
181 to 365 days	**–**	888
	418,678	184,111

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, presented based on invoice dates at the end of the reporting period:

	30.6.2011 **RMB'000** **(unaudited)**	31.12.2010 RMB'000 (audited)
0-45 days	**203,591**	209,434
46-90 days	**73,214**	11,354
91-180 days	**10,767**	4,943
181-365 days	**3,327**	5,526
	290,899	231,257

14. BILLS, TRADE AND OTHER PAYABLES

	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Trade payables	**181,435**	191,591
Bills payables	**291,000**	80,000
Other payables and accrued charges	**286,698**	273,848
	759,133	545,439

The following is an aged analysis of trade payables presented based on invoice dates at the end of the reporting period:

	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
0-90 days	**141,521**	161,631
91-180 days	**16,089**	12,898
181-365 days	**10,258**	11,230
1-2 years	**9,546**	4,311
Over 2 years	**4,021**	1,521
	181,435	191,591

14. BILLS, TRADE AND OTHER PAYABLES (CONTINUED)

The following is an aged analysis of bills payables from issue date at the end of the reporting period:

	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
0-180 days	**291,000**	80,000

15. BANK BORROWINGS

	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Secured	**300,787**	110,000
Unsecured	**891,108**	435,000
	1,191,895	545,000

15. BANK BORROWINGS (CONTINUED)

	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Carrying amounts repayable:		
Within one year	**1,161,895**	515,000
More than one year, but not exceeding two years	**30,000**	30,000
	1,191,895	545,000
Less: Amounts due within one year shown under current liabilities	**(1,161,895)**	(515,000)
Amounts shown under non-current liabilities	**30,000**	30,000

Including in the bank borrowings at 30 June 2011, RMB1,083,787,000 (31.12.2010: RMB545,000,000) loans are denominated in RMB while RMB108,108,000 (31.12.2010: nil) loans are denominated in HK$ and carry fixed interest rates ranging from 3.62% to 7.00% (31.12.2010: 4.36% to 6.12%) per annum.

At 30 June 2011, the Group factored bills receivable of approximately RMB250,787,000 (31.12.2010: nil) to certain banks with full recourse. The related bank loans will be matured one year from the end of the reporting period and are classified as current liabilities at 30 June 2011.

Details of assets pledged by the Group at the end of the reporting period are set out in note 19.

16. SHARE CAPITAL

	Number of shares	Amount RMB'000
Ordinary shares of the Company with nominal value of HK$0.10 each		
Authorised:		
At 1 January 2010, 31 December 2010, 1 January 2011 and 30 June 2011	2,000,000,000	212,780
Issued and fully paid:		
At 1 January 2010	1,080,000,000	106,085
Exercise of share options (Note a)	3,327,000	292
At 31 December 2010 and 1 January 2011	1,083,327,000	106,377
Exercise of share options (Note b)	6,472,000	540
At 30 June 2011	1,089,799,000	106,917

Notes:

(a) During the year ended 31 December 2010, 3,327,000 share options were exercised at a subscription price of HK$1.22 per share (equivalent to approximately RMB1.08 per share), resulting in the issue of 3,327,000 ordinary shares of HK$0.10 each in the Company.

(b) During the six months ended 30 June 2011, 6,472,000 share options were exercised at a subscription price of HK$1.22 per share (equivalent to approximately RMB1.01 per share), resulting in the issue of 6,472,000 ordinary shares of HK$0.10 each in the Company.

All the shares issued by the Company during the six months ended 30 June 2011 and 30 June 2010 ranked pari passu in all respects with all shares in issue.

17. SHARE OPTIONS

The Company has share option scheme. The following tables disclosed movements of the Company's options under the share option scheme during the six months ended 30 June 2011 and 30 June 2010:

Grant date	Exercisable period	Exercise price	Outstanding at 1.1.2011	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30.6.2011
30.3.2009	30.3.2010-25.2.2017	HK$1.22	29,502,000	–	(6,472,000)	(270,000)	22,760,000
22.11.2010	22.11.2011-21.11.2020	HK$3.18	44,170,000	–	–	(1,880,000)	42,290,000
			73,672,000	–	(6,472,000)	(2,150,000)	65,050,000

Grant date	Exercisable period	Exercise price	Outstanding at 1.1.2010	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30.6.2010
30.3.2009	30.3.2010-25.2.2017	HK$1.22	33,810,000	–	(3,327,000)	(648,000)	29,835,000

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$4.21 (1.1.2010 to 30.6.2010: HK$5.04).

The Group recognised total expense of approximately RMB14,130,000 (1.1.2010 to 30.6.2010: RMB2,760,000) in relation to share options granted by the Company under the share option scheme.

18. HELD-FOR-TRADING INVESTMENTS

The investments represent equity securities listed in Hong Kong.

19. PLEDGE OF ASSETS

At the end of reporting period, the Group has pledged the following assets to secure the general banking facilities and bank borrowings granted to the Group.

	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Bank deposits	**100,800**	64,983
Bills receivable	**250,787**	35,481
Property, plant and equipment	**59,664**	64,424
Prepaid lease payments	**16,754**	16,948
	428,005	181,836

20. CAPITAL COMMITMENTS

	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	**438,201**	170,916

21. RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant transactions with its related companies:

Name of related company	Nature of transactions	Six months ended 30 June 2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Zhejiang Changxing Xin Xin Packaging Co., Ltd. (note)	Purchase of consumables	**89**	–
Changxing Jin Ling Hotel (note)	Hotel expense	**2,201**	1,257

Note: The related companies are controlled by a director and a substantial shareholder of the Company, who has significant influence over the Company.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short term employee benefits	**2,516**	956
Share-based payments	**411**	324
	2,927	1,280

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.

22. SUBSEQUENT EVENT

During the six month ended 30 June 2011, Tianneng Wuhu, engaged in the production of electric-bike motive batteries, suspended its production upon receipt of a notice from the Committee of Wuhu Economic Development Zone for the reason of environmental remediation. Details of the event are set out in the announcement of the Company on 15 June 2011.

Subsequent to the end of the reporting period, Zhejiang Tianneng Battery (jiangsu) New Energy Co., Ltd. ("Jiangsu New Energy") and Zhejiang Tianneng Battery (Jiangsu) Co., Ltd. ("Tianneng Jiangsu"), both engaged in the production of batteries for electric bikes, suspended their production for purpose to relocate the staff quarters within health protection areas. In accordance to the announcement made by the Environmental Protection Department of Jiangsu Province on 30 July 2011, the environmental production conditions of Jiangsu New Energy and Tianeng Jiangsu had been passed after inspection, and the conditions of waste water discharge and the exhaust gases emission have also met the standard. Details of the event are set out in the announcement of the Company on 4 August 2011.

On 7 August 2011 and 20 August 2011, Jiangsu New Energy, Tianneng Jiangsu and Tianneng Wuhu resumed production after on-site inspection carried out by the relevant government authority as they met criteria for the production resumption. Details of the event are set out in the announcement of the Company on 8 August 2011 and 19 August 2011, respectively.

In the opinion of the directors of the Company, the above events did not have significant adverse impact on the Group's financial position and performance.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2011, 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 and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code.

Ordinary shares of HK$0.1 each of the Company

Name	Capacity	Number of shares held	Number of underlying shares of share options of the Company	Aggregate approximate percentage of issued share capital of the Company
Zhang Tianren	Interest of a controlled corporation (Note 2)	397,979,650 (L)	–	36.52%
	Interest of spouse (Note 2)	500,000 (L)	–	0.05%
Zhang Aogen	Interest of a controlled corporation (Note 3)	19,591,022 (L)	–	1.80%
Chen Minru	Interest of a controlled corporation (Note 4)	7,043,152 (L)	–	0.65%
Zhang Kaihong	Interest of a controlled corporation (Note 5)	26,534,174 (L)	–	2.43%
Shi Borong	Interest of a controlled corporation (Note 6)	22,336,141 (L)	–	2.05%
Yang Lianming	Interest of a controlled corporation (Note 7)	6,859,151 (L)	–	0.63%
Ho Tso Hsiu	Beneficial owner (Note 8)	71,000 (L)	245,000	0.03%
Huang Dongliang	Beneficial owner (Note 8)	71,000 (L)	245,000	0.03%
Wang Jingzhong	Beneficial owner (Note 8)	71,000 (L)	245,000	0.03%

Notes:

1. The letter "L" denotes long position in the shares of the Company.

2. The 397,979,650 shares of the Company were held by Prime Leader Global Limited, which was wholly owned by Mr. Zhang Tianren. The interest in 500,000 shares arises from the share options granted to Ms. Yang Yaping, spouse of Mr. Zhang Tianren.

3. The 19,591,022 shares of the Company were held by Top Benefits International Limited, which was wholly owned by Mr. Zhang Aogen.

4. The 7,043,152 shares of the Company were held by Profit Best International Limited, which was wholly owned by Mr. Chen Minru.

5. The 26,534,174 shares of the Company were held by Plenty Gold Holdings Limited, which was wholly owned by Mr. Zhang Kaihong.

6. The 22,336,141 shares of the Company were held by Precise Asia Global Limited, which was wholly owned by Mr. Shi Borong.

7. The 6,859,151 shares of the Company were held by Success Zone Limited, which was wholly owned by Mr. Yang Lianming.

8. This is the derivative interest arising from the share options granted and exercised under the share option scheme of the Company. Further details can be referred to the section "Share Options" in this report.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, 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:

Ordinary shares of HK$0.1 each of the Company

Name of Shareholder	Capacity	Number of shares held	Approximate percentage of issued share capital of the Company
Zhang Tianren	Interest of a controlled corporation (note 2)	397,979,650(L) (note 1)	36.52%
	Interest of spouse (note 2)	500,000(L)	0.05%
Prime Leader Global Limited	Beneficial owner	397,979,650(L)	36.52%
Yang Yaping	Beneficial owner (note 2)	500,000(L)	0.05%
	Interest of spouse (note 2)	397,979,650(L)	36.52%

Note:

1. The letter "L" denotes long position in the shares of the Company.

2. The 397,979,650 shares were held by Prime Leader Global Limited, which was wholly-owned by Mr. Zhang Tianren. The interest in 500,000 Shares arises from the share options granted to Ms. Yang Yaping, spouse of Mr. Zhang Tianren. Ms. Yang Yaping, being the spouse of Mr. Zhang Tianren, is deemed to be interested in the shares held by Mr. Zhang Tianren.

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. Details of the Company's share option scheme are set out in the note 17 to the financial statements.

On 30 March 2009, a total of 36,340,000 share options were offered to the eligible participants under the Scheme. 35,310,000 share options were accepted and granted on the same day. On 22 November 2010, a total of 44,720,000 share options were offered and granted to Directors and eligible participants under the Scheme. The details movement of Company's share options during the period under review are as follows:

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK$)	Closing price of Company's shares immediately before the date of grant (HK$)	Weighted average closing price of Company's shares immediately before the date of exercise (HK$)	Number of option outstanding as at 1 January 2011	Number of options granted during the period	Number of options exercised during the period	Number of options forfeited during the period	Number of options lapsed in accordance with the terms of the options or the share option scheme during the period	Number of options outstanding as at 30 June 2011	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Ho Tso Hsiu (Independent non-executive Director)	30/3/2009	30/3/2010 to 25/02/2017	1.22	1.22	4.21	315,000	-	(70,000)	-	-	245,000	0.02%
Huang Dongliang (Independent non-executive Director)	30/3/2009	30/3/2010 to 25/02/2017	1.22	1.22	4.21	315,000	-	(70,000)	-	-	245,000	0.02%
Wang Jingzhong (Independent non-executive Director)	30/3/2009	30/3/2010 to 25/02/2017	1.22	1.22	4.21	315,000	-	(70,000)	-	-	245,000	0.02%
Other eligible participants	30/3/2009	30/03/2010 to 25/02/2017	1.22	1.22	4.21	28,557,000	-	(6,262,000)	(270,000)	-	22,025,000	2.02%
	22/11/2010	22/11/2011 to 21/11/2020	3.18	3.02	-	44,170,000	-	-	(1,880,000)	-	42,290,000	3.88%
						73,672,000	-	(6,472,000)	(2,150,000)	-	65,050,000	5.97%

No share option granted was granted during the period under review, no price disclosure is applicable.

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 period under review.

By order of the Board
Zhang Tianren
Chairman

Hong Kong, 27 August 2011