



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
2012

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

NOMINATION COMMITTEE MEMBERS

Mr. Zhang Tianren (*Chairman*)
Mr. Huang Dongliang
Mr. Wang Jingzhong

COMPANY SECRETARY

Ms. Hui Wai Man Shirley

AUDITORS

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Certified Public Accountants
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COMPLIANCE ADVISOR

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LEGAL ADVISOR

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

LISTING INFORMATION

The Stock Exchange of
Hong Kong Limited
Stock Code: 00819



Management Discussion and Analysis

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 and recycled lead. Its lead-acid 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. According to the China National Light Industry Council’s announcement released in May 2012, the Group was ranked No. 1 in the China battery industry in 2011.

REVIEW OF OPERATIONS

As a leading electric bike motive battery supplier in China, the Group is to lead the market through capturing premium customers in primary market, expanding sales network of secondary market, expanding its production capacity 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 2012 is to further capture premium customers in the primary market. The Group had actively established strategic alliance with electric bike manufacturers. The Group’s sales revenue generated from the primary market increased by 27.3% to RMB1,217.4 million from the same period last year and accounted for approximately 34.4% of the turnover of lead-acid motive battery, as compared with approximately 42.5% in the same period last year.

The increase in total number of electric bikes ownership resulted in strong demand in the secondary market of motive battery, 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 2012, there were a total of 1,109 exclusive distributors, an increase of 157 from 952 as at 31 December 2011. The Group’s sales and distribution network covers most parts of China. For the six months ended 30 June 2012, the sales revenue from secondary market increased by 79.9% to RMB2,323.6 million from the same period last year and accounted for approximately 65.6% of the turnover of lead-acid motive battery, as compared with approximately 57.5% in the same period last year.



Management Discussion and Analysis

In respect of the pure electric car motive battery business, the Group has established cooperative relationship with a lot of new energy vehicle enterprises. It also started the building of sales, distribution and after-sales network. For the six months ended 30 June 2012, the Group generated approximately RMB196.4 million revenue from the sale of the pure electric car battery, up by 76.0% as compared with the same period last year and accounted for approximately 5.1% of the Group's sales turnover. The total number of distributors is 16.

In respect of the lead recycling business, the European advanced facility-based recycling plant located in Zhejiang Wushan production base has started the trial production in the second quarter of 2012. It has the annual capacities of 150,000 ton used battery collection and 100,000 ton recycled lead production respectively.

In respect of mergers and acquisitions, the Group completed the acquisition of 100% interest in a battery company, Zhejiang Huayi Power Supply Co., Ltd., in May 2012 (Please refer to note 20 to the Condensed Consolidated Financial Statements for details). Its location is close to the Group's Zhejiang Wushan production base, so that a synergistic effect and the operation scale expansion of Wushan base could be achieved.

In May 2012, the Ministry of Industry and Information Technology ("MIIT") and the Ministry of Environmental Protection ("MEP") of PRC jointly announced the "Entry Requirements of Lead-Acid Storage Batteries Industry" ("Entry Requirements"). It regulates the existing and new lead-acid batteries factories to follow a series of requirements including the plant location selection, production capacity, automation, environmental protection, occupational safety and recycling. It is believed that this Entry Requirements would speed up the consolidation of the industry as a whole.

FUTURE PROSPECTS

As the Chinese Government speed up the rural area urbanization, the mobility of the local residents will increase. The electric bike would become the top-pick among the individual transportation devices as it could help the users to make a comparatively long-distance travelling with comfortable experience. It is believed that the market potential of electric bike is still great. 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 the electric bike motive battery market.

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.



Management Discussion and Analysis

In respect of the pure electric car motive battery industry development, the State Council issued the Plan of Energy Saving and New Energy Vehicles Industry Development (“Plan”) on 28 June 2012. The Plan indicates that critical strategic opportunities for technology upgrading will arise in the global motor vehicles industry. China will speed up to cultivate and develop the energy saving and new energy vehicles industry. The key tasks are to develop the motive battery production zone and to assist development of a number of sustainable motive battery enterprises. The Plan also emphasizes the importance of used batteries recycling. The Group also noticed that there are various discussions about the low-speed electric car which is considered as an inexpensive vehicle which is suitable to be used within the city and conform with the current national condition. The mass production of low-speed electric vehicles has already started in new energy vehicle enterprises in some provinces and regions in China. The Group will continue to closely monitor the development of low-speed electric car in China. The Group will also actively cooperate with new energy vehicles enterprises to jointly develop both electric cars and motive batteries which are suitable for the Chinese market in order to make our contribution to the development of pure electric car in China.

In respect of the used battery recycling business, the Group has targeted to be the benchmark of the motive battery production and the battery recycling operation in China through the possession of the best technology, facilities and talent. The Group has set to start the full operation of the newly built recycling plant in Zhejiang Wushan production base in the second half of this year. Meanwhile, the Group plans to build the second recycling plant in Henan Puyang production base, which construction is targeted to be completed in 2014.

In respect of mergers and acquisitions, the Group signed an agreement on 15 August 2012 to acquire 70% interest in a battery company, Anhui Zhongneng Power Supply Co. Ltd., which is located near the Group’s Anhui Jieshou production base. It is expected that the completion of this acquisition will result in a synergistic effect and the operation scale expansion of Jieshou base. For details, please refer to the announcement made on 15 August 2012 and note 23 to the Condensed Consolidated Financial Statements.

Under the Entry Requirements, it is anticipated that a number of lead acid battery manufacturers will be eliminated. The Group strongly believes that it is a good chance to further enlarge its 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 suitable strategies towards sales, mergers & acquisitions and tactical cooperation.



Management Discussion and Analysis

The Group will continue to carry out R&D, production and sale of the electric car 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 continue to build and to optimize the production capacities in the seven production bases: Zhejiang Changxing Headquarter, Zhejiang Meishan, Zhejiang Wushan, Anhui Wuhu, Anhui Jieshou, Jiangsu Shuyang and Henan Puyang.

FINANCIAL REVIEW

Turnover

The Group's turnover for the period under review was approximately RMB3,824.5 million, an increase of approximately 56.9% as compared with the same period last year. Such increase was mainly due to the lead-acid motive battery industry consolidation driven by the environmental renovation action of the Chinese Government. As a number of the lead-acid battery enterprises have been eliminated, battery customers approached the large battery enterprises and drove the unit selling price and sales quantities of the Group's major products as compared with the same period last year.

Gross Profit

The Group's gross profit during the period under review was approximately RMB985.8 million, an increase of approximately 79.9% 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 25.8% in the first half of 2012 from 22.5% in the same period last year was mainly due to the increase in weighted average unit selling price and the decrease in weighted average unit cost.

Other income

The Group's other income for the period under review was approximately RMB43.7 million (for the six months ended 30 June 2011: approximately RMB24.4 million), an increase of approximately 79.1% as compared with the same period last year. It was mainly resulted from the increase in both the government grant and subsidies as well as the interest income.

Selling and distribution costs

Selling and distribution costs increased from approximately RMB94.6 million in the same period last year to approximately RMB207.9 million, mainly due to the increase in product warranty expenses and transportation costs.



Management Discussion and Analysis

Administrative expenses

Administrative expenses increased from approximately RMB76.2 million in the same period last year to approximately RMB138.2 million, mainly due to the increase in staff cost and lead recycling business related cost.

Research and development costs

R&D costs increased by 124.9% from approximately RMB53.0 million in the same period last year to approximately RMB119.3 million, mainly due to the increase in R&D material costs and salaries.

Finance costs

Finance costs increased from approximately RMB29.6 million in the same period last year to approximately RMB67.9 million, mainly due to the increase in bank borrowings.

CAPITAL STRUCTURE, FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2012, the shareholders' equity of the Company amounted to approximately RMB2,709.8 million (31 December 2011: approximately RMB2,500.5 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 RMB6,058.9 million (31 December 2011: approximately RMB4,782.9 million), representing an increase of approximately RMB1,276.0 million, or approximately 26.7%. As at 30 June 2012, total current assets of the Group were approximately RMB3,873.2 million (31 December 2011: approximately RMB3,017.3 million), representing an increase of approximately 28.4% as compared with the financial year ended 31 December 2011 and accounting for approximately 63.9% of total assets. Total non-current assets were approximately RMB2,185.8 million (31 December 2011: approximately RMB1,765.6 million), representing an increase of approximately RMB420.2 million and accounting for approximately 36.1% of the total assets.

As at 30 June 2012, total liabilities of the Group were approximately RMB3,349.1 million (31 December 2011: approximately RMB2,282.4 million), with an increase of approximately 46.7%. As at 30 June 2012, total current liabilities of the Group were approximately RMB3,330.2 million (31 December 2011: approximately RMB2,264.3 million), representing an increase of approximately 47.1% as compared with the financial year ended 31 December 2011 and accounting for approximately 99.4% of total liabilities. Total non-current liabilities were approximately RMB18.9 million (31 December 2011: approximately RMB18.1 million), representing an increase of approximately RMB0.8 million and accounting for approximately 0.6% of the total liabilities.



Management Discussion and Analysis

As at 30 June 2012, the cash and bank balances of the Group (including time deposit and pledged bank deposits) was approximately RMB1,098.3 million (31 December 2011: approximately RMB1,029.0 million). The majority of cash and bank balances of the Group (including time deposit and restricted bank deposits) amounting to RMB25.3 million are denominated in Hong Kong Dollar. As at 30 June 2012, the Group has short-term bank borrowings of approximately RMB2,378.5 million (31 December 2011: approximately RMB1,470.4 million). The short-term bank borrowings are repayable within one year. 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 3.59% to 7.87% per annum (31 December 2011: 3.75% to 8.20% per annum).

Pledge of Assets

As at 30 June 2012, 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 RMB218.66 million (31 December 2011: approximately RMB333.08 million).

Gearing ratio

As at 30 June 2012, the Group's gearing ratio, defined as total bank borrowings as percentage of total assets, was approximately 39.26% (31 December 2011: approximately 30.74%).

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.

Management Discussion and Analysis

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2012 (31 December 2011: Nil).

Capital commitments

For details, please refer to note 19 to the Condensed Consolidated Financial Statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2012, the Group employed a total of 15,696 employees. Staff cost of the Group for the first half of 2012 was approximately RMB296.3 million (for the six months ended 30 June 2011: approximately RMB167.9 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 2012.

SIGNIFICANT INVESTMENTS HELD

Other than disclosure in note 18 to the interim financial information, there were no significant investments held by the Company as at 30 June 2012.

MATERIAL ACQUISITION AND DISPOSAL

Other than disclosed in note 20 to the interim financial information, 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 23 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. The Company has adopted and complied with the code provisions of the Code on Corporate Governance Practices ("**CGP Code**") during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code ("**CG Code**") during the period from 1 April 2012 to 30 June 2012 as 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 of the CGP Code and the CG Code. 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 2012.

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.

Report on Review of Interim Financial Information

Deloitte.

德勤

**TO THE BOARD OF DIRECTORS OF
TIANNENG POWER INTERNATIONAL LIMITED**

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Tianneng Power International Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 12 to 35, which comprises the condensed consolidated statement of financial position as of 30 June 2012 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

17 August 2012



Interim Financial Information

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	NOTES	Six months ended 30 June	
		2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Turnover	4	3,824,540	2,437,602
Cost of sales		(2,838,694)	(1,889,458)
Gross profit		985,846	548,144
Other income	5	43,712	24,401
Other gains and losses	6	5,324	(6,014)
Selling and distribution costs		(207,908)	(94,552)
Administrative expenses		(138,234)	(76,220)
Research and development costs		(119,257)	(53,023)
Other operating expenses		(27,593)	(28,977)
Share of loss of an associate		(173)	(110)
Finance costs		(67,905)	(29,560)
Profit before taxation	7	473,812	284,089
Taxation	8	(97,543)	(83,069)
Profit and total comprehensive income for the period attributable to the owners of the Company		376,269	201,020
Earnings per share	10		
– Basic		RMB34.4 cents	RMB18.5 cents
– Diluted		RMB34.0 cents	RMB18.3 cents

Interim Financial Information

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 June 2012

	NOTES	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	11	1,899,295	1,583,479
Prepaid lease payments	11	187,765	102,241
Interest in an associate		1,286	1,459
Deferred tax assets	12	54,276	51,054
Deposit for acquisition of property, plant and equipment		43,145	27,358
		2,185,767	1,765,591
Current assets			
Inventories		1,425,914	1,124,737
Held-for-trading investments	18	104,393	34,611
Bills, trade and other receivables	13	1,242,241	822,166
Prepaid lease payments	11	2,323	2,261
Time deposit		160,000	110,000
Pledged bank deposits		169,920	166,100
Bank balances and cash		768,371	752,885
Other financial assets		–	4,500
		3,873,162	3,017,260
Current liabilities			
Bills, trade and other payables	14	913,683	709,980
Amount due to a related company		141	65
Taxation payable		37,884	83,886
Bank borrowings	15	2,378,497	1,470,391
		3,330,205	2,264,322



Interim Financial Information

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 June 2012

	NOTES	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Net current assets		542,957	752,938
Total assets less current liabilities		2,728,724	2,518,529
Non-current liability			
Deferred tax liabilities	12	18,877	18,055
		2,709,847	2,500,474
Capital and reserves			
Share capital	16	107,696	106,917
Reserves		2,602,151	2,393,557
Total equity		2,709,847	2,500,474

Interim Financial Information

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Share capital	Share premium	Special reserve	Capital reserve	Share options reserve	Non-distributable reserve	Statutory surplus reserve fund	Discretionary surplus reserve fund	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012 (audited)	106,917	716,081	10,000	57,010	33,573	12,460	223,907	56,108	1,284,418	2,500,474
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	-	376,269	376,269
Transfer	-	-	-	-	-	-	-	-	-	-
Dividends recognised as distribution (note 9)	-	-	-	-	-	-	-	-	(186,544)	(186,544)
Issue of new shares upon exercise of share options	779	12,901	-	-	(4,176)	-	-	-	-	9,504
Forfeiture of share options	-	-	-	-	(736)	-	-	-	736	-
Recognition of equity-settled share based payments (note 17)	-	-	-	-	10,144	-	-	-	-	10,144
At 30 June 2012 (unaudited)	107,696	728,982	10,000	57,010	38,805	12,460	223,907	56,108	1,474,879	2,709,847
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



Interim Financial Information

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	NOTE	Six months ended 30 June	
		2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Net cash (used in) from operating activities		(233,571)	58,602
Investing activities			
Placement of pledged bank deposits		(169,920)	(100,800)
Withdrawal of pledged bank deposits		166,100	64,983
Asset-related government grants received		109,322	8,323
Interest received		9,984	2,947
Proceeds from disposal of property, plant and equipment		276	2,917
Purchase of property, plant and equipment		(299,674)	(287,526)
Deposits paid for the acquisition of property, plant and equipment		(43,145)	(45,146)
Withdrawal of other financial assets		4,500	–
Placement of time deposit		(160,000)	–
Withdrawal of time deposit		110,000	–
Prepaid lease payments		(177,741)	(3,365)
Net cash outflow relating to acquisition of assets	20	(31,705)	–
Net cash used in investing activities		(482,003)	(357,667)
Financing activities			
Bank loans raised		2,380,997	1,200,895
Proceeds from issue of shares		9,504	6,583
Repayments of bank loans		(1,472,891)	(554,000)
Dividends paid		(186,550)	(105,327)
Net cash from financing activities		731,060	548,151
Net increase in cash and cash equivalents		15,486	249,086
Cash and cash equivalents at the beginning of the period		752,885	424,303
Cash and cash equivalents at the end of the period, represented by bank balances and cash		768,371	673,389

Interim Financial Information

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

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”) as well as 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 condensed consolidated financial statements are 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 certain financial instruments which are stated at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”):

- amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*; and
- amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*.

The application of the above 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.



Interim Financial Information

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.

4. TURNOVER

Six months ended 30 June

2012	2011
RMB'000	RMB'000
(unaudited)	(unaudited)

An analysis of turnover is as follows:

Lead-acid battery products		
Electrical Bicycle Battery	3,541,095	2,247,856
Storage Battery	22,383	16,333
Pure Electric Car Battery (Note)	196,395	111,582
Battery for other usage	–	1,542
Nickel hydride and lithium-ion battery products	44,472	31,443
Others	20,195	28,846
	3,824,540	2,437,602

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

Interim Financial Information

5. OTHER INCOME

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Government grants (Note)	31,753	20,347
Interest income	9,984	2,947
Others	1,975	1,107
	43,712	24,401

Note: The government grants mainly represent subsidies 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 RMB29,462,000 (1.1.2011 to 30.6.2011: RMB16,989,000).

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Net gains (losses) on held-for-trading investments (note 1)	13,277	(4,709)
Reversal (allowance) for bad and doubtful debts	(1,453)	743
Written off/loss on disposal of property, plant and equipment (note 2)	(5,078)	(2,048)
Loss on disposal of inventories (note 2)	(1,422)	–
	5,324	(6,014)



Interim Financial Information

6. OTHER GAINS AND LOSSES (CONTINUED)

Notes:

1. Net gains (losses) on held-for-trading investments included dividend income of approximately RMB2,823,000 (1.1.2011 to 30.6.2011: RMB3,320,000) earned on these held-for-trading investments during the six months ended 30 June 2012.
2. During the six months ended 30 June 2012, the carrying amount of certain property, plant and equipment of approximately RMB29,532,000, net of insurance compensation receivable, of approximately RMB4,833,000 and inventories of approximately RMB1,422,000 (1.1.2011 to 30.6.2011: nil) was written off/disposed of due to a fire accident occurred in a factory. The remaining carrying amount of property, plant and equipment of approximately RMB245,000 (1.1.2011 to 30.6.2011: RMB2,048,000) was written off by the Group due to technical obsolescence and poor conditions of the related property, plant and equipment during the current period.

7. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging or (crediting):		
Amortisation of prepaid lease payments	993	1,092
Depreciation of property, plant and equipment	50,740	37,699

Share-based payments expense of approximately RMB10,144,000 (1.1.2011 to 30.6.2011: RMB14,130,000) were recognised in profit or loss during the six months ended 30 June 2012 in respect of share options of the Company granted in prior years. Details of transactions are set out in note 17.

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8. TAXATION

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The charge comprises:		
PRC Enterprise Income Tax		
– current period	97,891	53,606
– (over) underprovision in prior period	(13,947)	8,817
	83,944	62,423
Withholding taxes paid	15,999	6,778
Deferred taxation (note 12)	(2,400)	13,868
	97,543	83,069

The income tax expense of the Group is recognised based on the PRC Enterprise Income Tax rate of 25% (1.1.2011 to 30.6.2011: 25%) for the periods under review, except that certain subsidiaries of the Company in the PRC were recognised as High-Tech companies and enjoyed a tax rate of 15% in both periods.

During the six months ended 30 June 2012, withholding tax of approximately RMB 8,799,000 (30.6.2011: RMB5,265,000) has been provided for in the period with reference to the anticipated dividends to be distributed by the PRC entities to non-PRC residents.



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9. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
2010 final dividend declared of HK11.6 cents (equivalent to RMB9.8 cents)	–	105,394
2011 final dividend declared of HK20.8 cents (equivalent to RMB16.9 cents)	186,544	–
	186,544	105,394

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012.

Interim Financial Information

10. EARNINGS PER SHARE

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share – attributable to the owners of the Company	376,269	201,020
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,093,681,560	1,085,951,756
Effect of dilutive potential ordinary shares in respect of share options	14,138,534	12,030,274
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,107,820,094	1,097,982,030

Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have a dilutive effect to the Company's earnings per share during the six months ended 30 June 2012 and 30 June 2011 because the exercise prices of these Company's share options were higher than the average market prices of the Company's shares during both periods.

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

The Group spent approximately RMB133,287,000 and RMB261,461,000 (1.1.2011 to 30.6.2011: RMB22,439,000 and RMB289,160,000) on additions of machinery and manufacturing plant and construction in progress in the PRC respectively.

During the period, the Group spent approximately RMB86,579,000 on additions of prepaid lease payments in the PRC (1.1.2011 to 30.6.2011: RMB3,365,000).

As at 30 June 2012, the official legal titles of buildings with an aggregate carrying amount of approximately RMB128,242,000 (31.12.2011: RMB51,310,000) and land use right certificates with carrying amounts of approximately RMB10,228,000 (31.12.2011: RMB485,000) have not been obtained by the Group.

Interim Financial Information

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 RMB'000	Fair value change RMB'000	Provision for inventories, trade and other receivables RMB'000	Accrued warranty RMB'000	Accrued expenses RMB'000	Total RMB'000
At 1 January 2011 (audited)	-	-	10,016	4,716	19,850	34,582
Credit (charge) to profit or loss	(18,000)	(55)	1,958	2,746	11,768	(1,583)
At 31 December 2011 and 1 January 2012 (audited)	(18,000)	(55)	11,974	7,462	31,618	32,999
Credit (charge) to profit or loss	7,200	(8,022)	248	1,874	1,100	2,400
At 30 June 2012	(10,800)	(8,077)	12,222	9,336	32,718	35,399

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

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Deferred tax assets	54,276	51,054
Deferred tax liabilities	(18,877)	(18,055)
	35,399	32,999

Interim Financial Information

12. DEFERRED TAXATION (CONTINUED)

At 30 June 2012, the Group had unused tax losses of approximately RMB 57,011,000 (31.12.2011: RMB45,496,000) 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 2017 (31.12.2011: 2016).

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 RMB1,345 million (31.12.2011: RMB1,056 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

	30.6.2012	31.12.2011
	RMB'000	RMB'000
	(unaudited)	(audited)
Bills receivables	447,965	356,428
Trade receivables	477,013	276,987
Other receivables	59,232	23,533
Prepayments	134,208	63,807
Value added tax receivables	123,823	101,411
	1,242,241	822,166



Interim Financial Information

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:

	30.6.2012	31.12.2011
	RMB'000	RMB'000
	(unaudited)	(audited)
0 to 180 days	447,965	354,928
181 to 365 days	–	1,500
	447,965	356,428

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:

	30.6.2012	31.12.2011
	RMB'000	RMB'000
	(unaudited)	(audited)
0 – 45 days	405,319	227,705
46 – 90 days	54,366	17,714
91 – 180 days	8,773	21,802
181 – 365 days	8,555	9,766
	477,013	276,987

Interim Financial Information

14. BILLS, TRADE AND OTHER PAYABLES

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Trade payables	351,809	273,958
Bills payables	50,000	19,130
Other payables and accrued charges	511,874	416,892
	913,683	709,980

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

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
0 – 90 days	317,153	224,008
91 – 180 days	19,188	31,555
181 – 365 days	11,760	14,834
1 – 2 years	1,509	1,600
Over 2 years	2,199	1,961
	351,809	273,958

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

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
0 – 180 days	50,000	19,130



Interim Financial Information

15. BANK BORROWINGS

	30.6.2012	31.12.2011
	RMB'000	RMB'000
	(unaudited)	(audited)
Secured	677,394	93,500
Unsecured	1,701,103	1,376,891
	2,378,497	1,470,391

At 31 December 2011, the Group factored bills receivable of approximately RMB148,247,000 to certain banks with full recourse. There was no factored bills receivable as at 30 June 2012.

Interim Financial Information

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 2011, 31 December 2011, 1 January 2012 and 30 June 2012	2,000,000,000	212,780
Issued and fully paid:		
At 1 January 2011	1,083,327,000	106,377
Exercise of share options (Note a)	6,472,000	540
At 31 December 2011 and 1 January 2012	1,089,799,000	106,917
Exercise of share options (Note b)	9,549,000	779
At 30 June 2012	1,099,348,000	107,696

Notes:

- (a) During the year ended 31 December 2011, 6,472,000 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 6,472,000 ordinary shares of HK\$0.10 each in the Company.
- (b) During the six months ended 30 June 2012, 9,549,000 share options were exercised at a subscription price of HK\$1.22 per share (equivalent to approximately RMB0.995 per share), resulting in the issue of 9,549,000 ordinary shares of HK\$0.10 each in the Company.

All the shares issued by the Company during the six months ended 30 June 2012 and 31 December 2011 ranked pari passu in all respects with all shares in issue.



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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 2012 and 30 June 2011:

Grant date	Exercisable period	Exercise price	Outstanding at 1.1.2012	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30.6.2012
30.3.2009	30.3.2011-25.2.2017	HK\$1.22	22,281,000	-	(9,549,000)	-	12,732,000
22.11.2011	22.11.2012-21.11.2020	HK\$3.18	41,880,000	-	-	(950,000)	40,930,000
			64,161,000	-	(9,549,000)	(950,000)	53,662,000

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	30.3.2011-25.2.2017	HK\$1.22	29,502,000	-	(6,472,000)	(270,000)	22,760,000
22.11.2011	22.11.2012-21.11.2020	HK\$3.18	44,170,000	-	-	(1,880,000)	42,290,000
			73,672,000	-	(6,472,000)	(2,150,000)	65,050,000

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$4.38 (1.1.2011 to 30.6.2011: HK\$4.21).

The Group recognised total expense of approximately RMB10,144,000 (1.1.2011 to 30.6.2011: RMB14,130,000) in relation to share options granted by the Company under the share option scheme.

Interim Financial Information

18. HELD-FOR-TRADING INVESTMENTS

The investments represent equity securities listed in Hong Kong.

19. CAPITAL COMMITMENTS

	30.6.2012	31.12.2011
	RMB'000	RMB'000
	(unaudited)	(audited)
Contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	418,679	341,426



Interim Financial Information

20. ACQUISITION OF A SUBSIDIARY

On 31 May 2012, the Group completed the acquisition of 100% interest in Zhejiang Huayi Power Supply Co., Ltd. ("Zhejiang Huayi") from an independent third party, neither related nor connected to the Group, for a consideration of RMB60,780,000 for the purpose of expansion of production capacity of the Group. The acquisition has been accounted for as acquisition of assets and assumption of liabilities since no business was acquired and the directors of the Company represented that the Group targeted to purchase Zhejiang Huayi's land and buildings in the PRC through the transaction.

Net assets of Zhejiang Huayi acquired are as follows:

	Zhejiang Huayi RMB'000
Property, plant and equipment	92,385
Prepaid lease payment	18,160
Receivables	30,468
Bank balances and cash	29,075
Payables and accruals	(109,308)
	<hr/> 60,780 <hr/>
Total consideration, satisfied by cash	<hr/> <hr/> 60,780 <hr/> <hr/>
Net cash inflow arising on acquisition:	
Cash consideration paid	(60,780)
Bank balance and cash acquired	29,075
	<hr/> <hr/> (31,075) <hr/> <hr/>

Interim Financial Information

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	
		2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Zhejiang Changxing Xin Xin Packaging Co., Ltd. (note)	Purchase of consumables	196	89
Changxing Jin Ling Hotel (note)	Hotel expense	2,334	2,201

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

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

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Short term employee benefits	3,082	2,516
Share-based payments	275	411
	3,357	2,927

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.



Interim Financial Information

22. COMPARATIVE FINANCIAL INFORMATION

The directors of the Company classified share-based payments expense from administrative expenses to other expenses to better reflect the relevance of financial information of the Group's activities in condensed consolidated financial statements for the period ended 30 June 2012. Prior period figures have been re-presented to reflect the new presentation. The reclassification has had no net effect on the results of the Group for the six months ended 30 June 2011.

The effect of changes in presentation for the prior period by line items presented in the condensed consolidated statement of comprehensive income is as follows:

	Six months ended 30 June 2011 RMB'000
Decrease in administrative expenses	(14,130)
Increase in other expenses	14,130
	<hr/>
Change in profit for the period	-
	<hr/> <hr/>

23. SUBSEQUENT EVENT

Subsequent to the reporting period, on 15 August 2012, a subsidiary of the Company, Tianneng Battery Group Co., Ltd. (“Tianneng Battery”) and two independent third parties, neither connected nor related to the Group, (“the Vendors”), entered into an investment agreement pursuant to which (i) Tianneng Battery conditionally agreed to purchase and the Vendors conditionally agreed to sell 70% of equity interests in Anhui Zhongneng Power Supply Limited (安徽中能电源有限公司) (“the Target Company”) at a consideration of RMB15.5 million in cash (the “Acquisition”); and (ii) Tianneng Battery and the Vendors agreed to contribute RMB45 million in aggregate to the registered capital of the Target Company on the basis of their respective shareholding percentage in the Target Company immediately after the Acquisition. Upon completion of the Acquisition, the Target Company will be owned by the Group and the Vendors at 70% and 30% respectively. Therefore, Tianneng Battery will contribute RMB31.5 million and the Vendors will contribute RMB13.5 million in aggregate respectively.

In addition, subject to the issue of the new business license upon completion of the Acquisition, Tianneng Battery agrees to provide a shareholder loan of approximately RMB65.6 million to the Target Company.

Details of Acquisition are set out in the announcement of the Company dated 15 August 2012. Up to the date of report date, the Acquisition has not yet been completed.



Other Information

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2012, 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 (note 1)	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)	406,793,650 (L)	–	37.00%
	Interest of spouse (Note 2)	500,000 (L)	–	0.05%
Zhang Aogen	Interest of a controlled corporation (Note 3)	19,591,022 (L)	–	1.78%
Chen Minru	Interest of a controlled corporation (Note 4)	7,043,152 (L)	–	0.64%
Zhang Kaihong	Interest of a controlled corporation (Note 5)	26,534,174 (L)	–	2.41%
Shi Borong	Interest of a controlled corporation (Note 6)	22,336,141 (L)	–	2.03%
Yang Lianming	Interest of a controlled corporation (Note 7)	6,859,151 (L)	–	0.62%
Ho Tso Hsiu	Beneficial owner (Note 8)	176,000 (L)	140,000	0.03%
Huang Dongliang	Beneficial owner (Note 8)	176,000 (L)	140,000	0.03%
Wang Jingzhong	Beneficial owner (Note 8)	176,000 (L)	140,000	0.03%

Notes:

1. The letter “L” denotes long position in the shares of the Company.
2. The 406,793,650 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.



Other Information

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, 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 (Note1)	Approximate percentage of issued share capital of the Company
Zhang Tianren	Interest of a controlled corporation (note 2)	406,793,650(L)	37.00%
	Interest of spouse (note 2)	500,000(L)	0.05%
Prime Leader Global Limited	Beneficial owner	406,793,650(L)	37.00%
Yang Yaping	Beneficial owner (note 2)	500,000(L)	0.05%
	Interest of spouse (note 2)	406,793,650(L)	37.00%
Wang Qiang	Interest of a controlled corporation (note 3)	66,226,000(L)	6.02%
EJ Holdings Ltd.	Interest of a controlled corporation (note 3)	66,226,000(L)	6.02%
Pinpoint Capital Management Group	Interest of a controlled corporation (note 3)	66,226,000(L)	6.02%
Pinpoint China Fund	Beneficial owner (note 3)	55,430,000(L)	5.04%
Deutsche Bank Aktiengesellschaft	Beneficial owner	808,882 (L)	0.09%
		804,382 (S)	0.07%
	Investment manager	601,000 (L)	0.05%
	Person having a security interest in shares	64,628,000 (L)	5.88%
		220,000 (S)	0.02%

Note:

1. The letters “L” and “S” denote long position and short position in the shares of the Company respectively.
2. The 406,793,650 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.
3. According to the information available to the Company, Pinpoint China Fund is wholly owned by Pinpoint Asset Management Ltd., which is in turn wholly owned by Pinpoint Capital Management Group. Pinpoint Capital Management Group is owned as to 64.50% by EJ Holdings Ltd., which is in turn wholly owned by Wang Qiang.

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:



Other Information

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 2012	Number of options granted during the period	Number of options exercised during the period	Number of options cancelled during the period	Number of options or the share option scheme during the period	Number of options outstanding as at 30 June 2012	Approximate 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	4.38	245,000	-	(105,000)	-	-	140,000	0.01%
Huang Dongliang (Independent non-executive Director)	30/3/2009	30/3/2010 to 25/02/2017	1.22	1.22	4.38	245,000	-	(105,000)	-	-	140,000	0.01%
Wang Jingzhong (Independent non-executive Director)	30/3/2009	30/3/2010 to 25/02/2017	1.22	1.22	4.38	245,000	-	(105,000)	-	-	140,000	0.01%
Other eligible participants	30/3/2009	30/03/2010 to 25/02/2017	1.22	1.22	4.38	21,546,000	-	(9,234,000)	-	-	12,312,000	1.12%
	22/11/2010	22/11/2011 to 21/11/2020	3.18	3.02	-	41,880,000	-	-	-	(950,000)	40,930,000	3.72%
						64,161,000	-	(9,549,000)	-	(950,000)	53,662,000	4.87%

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, 17 August 2012