



# NEW ENERGY NEW WORLD

INTERIM REPORT 2014



**TIANNENG POWER  
INTERNATIONAL LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Stock code : 00819

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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

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

### COMPLIANCE ADVISOR

Kingsway Capital Limited  
7/F, Tower One, Lippo Centre,  
89 Queensway, Hong Kong

### LEGAL ADVISOR

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

### PUBLIC RELATIONS

Strategic Financial Relations (China) Limited  
Suite 2402, 24/F,  
Admiralty Centre 1  
18 Harcourt Road  
Hong Kong

### STATUTORY ADDRESS

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

## CORPORATE INFORMATION

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3202, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

### COMPANY'S WEBSITE

[www.tianneng.com.hk](http://www.tianneng.com.hk)

### PRINCIPAL SHARE REGISTRAR

Codan Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive,  
P.O. Box 2681, Grand Cayman,  
KY1-1111, Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22, Hopewell Centre,  
183 Queen's Road East  
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 four business segments in the People’s Republic of China (“**PRC**” or “**China**”): the research and development, production and sale of 1) electric car motive batteries; 2) electric bike motive batteries; 3) lithium battery; and 4) recycled lead. In July 2014, the Group once again was selected within the “Fortune China Top 500” as compiled by *Fortune* magazine.

### REVIEW OF OPERATIONS

During the six months ended 30 June 2014 (“period under review”), with its leading position in urban mini electric car motive battery market (market share in 2013: 51%), the Group has established various degrees of cooperative relationship with over 100 new energy vehicle enterprises, namely Chery Automobile, Geely, Kandi, SAIC Motor, Shifeng, GreenWheel and Yintai, respectively. The Group has also started establishing the network of sales distribution and after-sales services for new energy vehicle motive battery. During the period under review, the Group generated revenue of approximately RMB298 million from the sale of the pure electric car battery, up by 32.4% as compared with the same period last year and accounted for approximately 4.5% of the Group’s sales turnover.

During the period under review, despite the stiff competition within the industry, as a leading electric bike and tricycle motive battery supplier in China, the Group not only maintained the stable sales of electric bike motive batteries with its timely market strategies, but also recorded a remarkable growth in the sales of electric tricycle motive batteries. The Group recorded approximately RMB4,688 million and RMB1,095 million from the sale of electric bike and tricycle motive battery respectively, representing an increase of 0.7% and 19.8% as compared with the same period last year and accounted for 71.3% and 16.6% of the Group’s turnover respectively; total sales quantity and the weighted average unit selling price of both types of battery products amounted to 57.42 million units and RMB100.7 respectively, representing an increase of 1.0% and 3.1% as compared with the same period last year respectively.


The electric bike industry has been developing rapidly for over 15 years in China. The industry cycle reached the latter part of the development stage, thus the sales of the Group’s electric bike motive batteries has been stabilizing. As the electric tricycle market enters into the growth stage and its ownership continues to increase, the demand for relevant motive battery was expanding rapidly. Leveraging the shared distribution network of the electric bike and tricycle motive battery secondary market, the Group effectively expanded its sales network with the number of exclusive distributors increased to 1,740, capturing the demand from the secondary market of tricycle motive battery swiftly.

## MANAGEMENT DISCUSSION AND ANALYSIS

In respect of the lithium battery business, the Group has long considered it as a strategic segment. During the period under review, the sales amounted to approximately RMB86 million, representing a significant growth of 83.9% compared to the same period of last year.

In respect of the used battery recycling business, the European advanced facility-based used battery recycling plant located in the recycling base in Eastern China (Zhejiang Wushan) has commenced production during the period under review, its recycled lead products has been used in the Group's battery production and has contributed to the exported sales of RMB329 million. The Group's second used battery recycling plant located in the recycling base in Northern China (Hunan Puyang) is under construction and the relevant construction expenditures will be financed by internal resources and external borrowings. The construction is expected to be completed in 2015.

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 battery enterprises stricter requirements including the plant location selection, production capacity, automation, environmental protection, occupational safety and recycling. The Chinese Government carried out environmental examination against the lead-acid battery industry based on the Entry Requirements, which drove the consolidation in the industry as a whole and resulted in the elimination of more lead-acid battery enterprises. This also led to the reliance of battery customers on large battery manufacturers. The Group is well prepared for the examination against the Entry Requirements during the period under review. In August 2014, MEP announced that the following five major enterprises under the Group had fully satisfied the requirements of environmental laws and regulations.

- 1) Tianneng Battery Group Co, Ltd.
  - 2) Zhejiang Tianneng Battery (Jiangsu) Co., Ltd.
  - 3) Zhejiang Tianneng Battery Jiangsu New Energy Co., Ltd.
  - 4) Zhejiang Tianneng Power Energy Co. Limited
  - 5) Tianneng Battery (Wuhu) Co., Ltd.
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## MANAGEMENT DISCUSSION AND ANALYSIS

In respect of technology R&D, as at 30 June 2014, the accrued number of patents applied by the Group reached 1,200 and the Group was granted 750 patents (including 43 invention patents). 12 key new products were accredited by the nation. As at the date this Report, the Group received various subsidies from the PRC government as follows.

<b>Name of Project</b>	<b>Date</b>	<b>Supporting Unit</b>
The super lead carbon battery	July 2014	Jiangsu Province
Used battery recycling application project in Henan Puyang	July 2014	Ministry of Finance
Automation production line	May 2014	Zhejiang Province
Renewable, environmental and energy saving technology in lead resources	April 2014	Zhejiang Province
The study and industrialisation of lithium-ion battery	January 2014	Zhejiang Province

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

## FUTURE PROSPECTS

As the PRC Government speeds up the rural area urbanization, the mobility of local residents will increase. The electric bike and electric tricycle would become the top-pick of affordable new energy transport among individuals, commercial entities and officials as it could facilitate long-distance travelling with comfortable experience. It is believed that the market potential of electric bike, electric tricycle and related motive batteries will be further released. 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 and electric tricycle motive battery market.

## MANAGEMENT DISCUSSION AND ANALYSIS

In respect of the pure electric car motive battery industry development, the State Council issued the Plan of 2012-2020 of Energy Saving and New Energy Vehicles Industry Development (the “**Plan**”) on 28 June 2012. The Plan indicates that critical strategic opportunities for technology transformation and upgrading will arise in the global vehicle industry in the next ten years. The PRC Government will speed up to cultivate and develop the energy saving and new energy vehicle industry. It is expected that the production and sales of pure electric vehicles and plug-in hybrid vehicles will reach 5 million by 2020. The Plan also emphasizes the importance of strengthened used batteries recycling management. As the urban mini electric car is an inexpensive new energy vehicle which is suitable to be used within the city and conforms with the current national condition, the Group has commenced the trial marketing in some cities of certain provinces including Shandong, Jiangsu, Hebei and Hubei. The Group will continue to closely monitor the development of urban mini electric cars in China. The Group will also actively cooperate with new energy vehicle enterprises to jointly develop both urban mini electric cars and motive batteries, which are suitable for the China market in order to make breakthrough contribution to the development of pure electric car in China.

In respect of the used battery recycling business, the Group aims to be “the benchmark of the motive battery production and the used battery recycling operation” in China through the possession of the best technology, facilities and talent. The Group will focus on the recycling plant in Zhejiang Wushan production base and continue to construct the second recycling project in Henan Puyang production base.

According to the Entry Requirements, all relevant enterprises are required to fulfill most of the conditions thereunder by the end of this year. It is anticipated that a new market landscape subsequent to the consolidation will be formed in 2014/15. The Group strongly believes that it is a good chance to further enlarge its market share and to consolidate its leading position. The Group has closely monitored the development of industry consolidation and assessed the latest competitiveness landscape in order to devise the most suitable strategies towards sales and tactical cooperation for the Group.

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-ion battery. The Group will actively expand the battery production capacity. The Group will continue to adhere to environmental protection in building and optimizing the production capacities in its eight major production bases: Zhejiang Changxing Headquarter, Zhejiang Meishan, Zhejiang Wushan, Anhui Wuhu, Anhui Jieshou, Jiangsu Shuyang, Henan Puyang and Henan Jiuyuan, and the construction will be financed by internal resources and external borrowings.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Turnover

The Group's turnover for the period under review was approximately RMB6.58 billion, an increase of approximately 11.1% as compared with the same period last year.

#### Gross Profit

The Group's gross profit and gross profit margin during the period under review were approximately RMB760 million and 11.6% respectively, representing an increase of approximately 18.3% and 0.7 percents respectively as compared with the same period last year. The increase was mainly due to the improvement of gross profit margin of battery products for electric bikes, electric tricycles and pure electric cars.

#### Other income

The Group's other income for the period under review was approximately RMB69.63 million (for the six months ended 30 June 2013: approximately RMB81.51 million), a decrease of approximately 14.6% as compared with the same period last year. It was mainly resulted from the decrease in interest income and government grants.

#### Selling and distribution costs

Selling and distribution costs increased from approximately RMB160 million in the same period last year to approximately RMB302 million, which was mainly due to the increase in transportation fee and advertising fee.

#### Administrative expenses

Administrative expenses decreased from approximately RMB173 million in the same period last year to approximately RMB162 million, which was mainly due to our further control on administrative expenses.

#### Research and development costs

Research and development costs decreased by 11.4% from approximately RMB154 million in the same period last year to approximately RMB137 million, which was mainly due to the decrease in research and development materials.

#### Finance costs

Finance costs increased from approximately RMB73.44 million in the same period last year to approximately RMB89.85 million, which was mainly due to the increase in total amount of interest bearing loans.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating activities cash flow

During the period under review, the net cash used in operating activities was RMB397 million (net cash inflow of RMB433 million in the same period last year). It was mainly due to the increase in bill receivables, trade receivables and inventories as at 30 June 2014 as compared with those as at the end of 2013.

### CAPITAL STRUCTURE, FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2014, the shareholders' equity of the Company amounted to approximately RMB3,012 million (31 December 2013: approximately RMB3,002 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 RMB8,982 million (31 December 2013: approximately RMB7,904 million), representing an increase of approximately RMB1,078 million, or approximately 13.6%. As at 30 June 2014, total current assets of the Group were approximately RMB5,305 million (31 December 2013: approximately RMB4,539 million), accounting for approximately 59.1% of total assets and representing an increase of approximately 16.9% as compared with the year ended 31 December 2013. Total non-current assets were approximately RMB3,677 million (31 December 2013: approximately RMB3,365 million), representing an increase of approximately RMB312 million and accounting for approximately 40.9% of the total assets.

As at 30 June 2014, total liabilities of the Group were approximately RMB5,905 million (31 December 2013: approximately RMB4,842 million), with an increase of approximately 22.0%. As at 30 June 2014, total current liabilities of the Group were approximately RMB4,693 million (31 December 2013: approximately RMB4,157 million), accounting for approximately 79.5% of total liabilities and representing an increase of approximately 12.9% as compared with the year ended 31 December 2013. Total non-current liabilities were approximately RMB1,213 million (31 December 2013: approximately RMB685 million), representing an increase of approximately RMB528 million and accounting for approximately 20.5% of the total liabilities.

As at 30 June 2014, the cash and bank balances of the Group (including pledged bank deposits and time deposit) was approximately RMB1,212 million (31 December 2013: approximately RMB1,016 million), of which approximately RMB9.5 million and RMB9.2 million are denominated in Hong Kong Dollars and United States Dollars. As at 30 June 2014, the bank borrowings of the Group with maturity of within one year amounted

## MANAGEMENT DISCUSSION AND ANALYSIS

to approximately RMB2,694 million (31 December 2013: approximately RMB2,143 million). The bank borrowings and loan notes (together as “**interest bearing loans**”) with maturity of more than one year amounted to approximately RMB1,181 million (31 December 2013: RMB655 million). The amounts of RMB3,651 million, RMB29 million and RMB195 million interest bearing loans are denominated in Renminbi, Hong Kong Dollars and United States Dollars respectively, and carry fixed and variable interest rates ranging from 4.5% to 7.78% (2013: 5.00% to 7.70%) per annum.

In conclusion, the borrowing of the Group as at 30 June 2014 remained at a healthy and controllable level. With RMB1.19 billion of unutilized facilities, the Group will take a cautious stance and maximize the interests of the shareholders and the Company by striking a balance between the borrowings and the funding utilization. Moreover, with continuously improving the fund structure as our financial objective in long run, the Group will optimize its loan structure with further use of long term loans.

### Pledge of Assets

As at 30 June 2014, the bank facilities and bank borrowings of the Group were secured by bank deposits, bills receivable, accounts receivable, property, plant and equipment, and land use rights. The aggregate net book value of the assets pledged amounted to approximately RMB556 million (31 December 2013: approximately RMB506 million).

### Gearing ratio

As at 30 June 2014, the Group's gearing ratio, defined as the sum of current and non-current portions of interest bearing loans against the percentage of total assets, was approximately 43.1% (31 December 2013: approximately 35.4%).

### 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 2014 (31 December 2013: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Capital commitments

For details, please refer to note 21 to the Condensed Consolidated Financial Statements.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2014, the Group employed a total of 19,451 employees. Staff cost of the Group for the period under review was approximately RMB443 million (for the six months ended 30 June 2013: approximately RMB401 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 2014 (same period of 2013: Nil).

### SIGNIFICANT INVESTMENTS HELD

There were no significant investments held by the Company during the period under review.

### 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 19 to the Condensed Consolidated Financial Statements.

### IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the financial period covered by this report, there has been no significant events which would have an impact on the Group.

## 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 Corporate Governance Code ("**CG Code**") during the period under review 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 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 2014.

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

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



### 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 15 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. 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 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.

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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

29 August 2014

## INTERIM FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	NOTES	Six months ended 30 June	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Turnover	4	<b>6,577,516</b>	5,919,194
Cost of sales		<b>(5,817,727)</b>	(5,277,147)
Gross profit		<b>759,789</b>	642,047
Other income	5	<b>69,630</b>	81,505
Other gains and losses	6	<b>(14,072)</b>	(18,719)
Selling and distribution costs		<b>(301,778)</b>	(159,540)
Administrative expenses		<b>(161,578)</b>	(172,978)
Research and development costs		<b>(136,679)</b>	(154,205)
Other operating expenses		<b>(50,257)</b>	(51,962)
Share of loss of an associate		<b>(326)</b>	(184)
Finance costs		<b>(89,852)</b>	(73,435)
Profit before taxation	7	<b>74,877</b>	92,529
Taxation	8	<b>(23,749)</b>	(9,416)
Profit and total comprehensive income for the period		<b>51,128</b>	83,113
Profit and total comprehensive income for the period attributable to:			
Owner of the Company		<b>46,689</b>	83,000
Non-controlling interest		<b>4,439</b>	113
		<b>51,128</b>	83,113
Earnings per share	10		
– Basic		<b>RMB4.2 cents</b>	RMB7.5 cents
– Diluted		<b>RMB4.2 cents</b>	RMB7.4 cents



## INTERIM FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	<b>30.6.2014</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2013 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>3,193,100</b>	2,893,055
Goodwill		<b>499</b>	499
Prepaid lease payments	11	<b>202,812</b>	233,795
Interest in an associate		<b>266</b>	592
Deferred tax assets	12	<b>176,594</b>	191,859
Deposit for acquisition of property, plant and equipment		<b>103,893</b>	45,535
		<b>3,677,164</b>	3,365,335
<b>Current assets</b>			
Inventories		<b>2,033,091</b>	1,857,045
Held-for-trading investments	13	<b>9,535</b>	3,216
Bills, trade and other receivables	14	<b>2,044,274</b>	1,656,787
Prepaid lease payments		<b>5,588</b>	6,208
Time deposit		<b>96,705</b>	–
Pledged bank deposits		<b>318,674</b>	73,100
Bank balances and cash		<b>796,942</b>	942,535
		<b>5,304,809</b>	4,538,891
<b>Current liabilities</b>			
Bills, trade and other payables	15	<b>1,936,195</b>	1,920,512
Amounts due to related parties		<b>44,829</b>	31,623
Taxation payable		<b>18,011</b>	61,912
Bank borrowings – current portion	16	<b>2,693,850</b>	2,142,900
		<b>4,692,885</b>	4,156,947

## INTERIM FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2014

	NOTES	<b>30.6.2014</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2013 RMB'000 (audited)
Net current assets		<b>611,924</b>	381,944
Total assets less current liabilities		<b>4,289,088</b>	3,747,279
Non-current liabilities			
Bank borrowings – non-current portion	16	<b>709,640</b>	575,694
Deferred tax liabilities	12	<b>31,147</b>	30,512
Long-term loan notes	17	<b>471,718</b>	78,806
		<b>3,076,583</b>	3,062,267
Capital and reserves			
Share capital	18	<b>108,710</b>	108,710
Reserves		<b>2,903,609</b>	2,893,732
Attributable to the owners of the Company		<b>3,012,319</b>	3,002,442
Non-controlling interest		<b>64,264</b>	59,825
Total equity		<b>3,076,583</b>	3,062,267



## INTERIM FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Capital reserve	Share options reserves	Non-distributable reserve	Statutory surplus reserve fund	Discretionary surplus reserve fund	Accumulated profits	Total	Non-controlling interest	Total
	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000 (Note c)	RMB'000 (Note d)	RMB'000 (Note d)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	108,710	745,954	10,000	61,204	46,572	12,460	345,293	110,487	1,561,762	3,002,442	59,825	3,062,267
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	-	46,689	46,689	4,439	51,128
Dividend recognised as distribution (note 9)	-	-	-	-	-	-	-	-	(40,909)	(40,909)	-	(40,909)
Forfeiture of share options	-	-	-	-	(3,522)	-	-	-	3,522	-	-	-
Recognition of equity-settled share based payment (note 19)	-	-	-	-	4,097	-	-	-	-	4,097	-	4,097
At 30 June 2014 (unaudited)	108,710	745,954	10,000	61,204	47,147	12,460	345,293	110,487	1,571,064	3,012,319	64,264	3,076,583
At 1 January 2013	107,696	728,982	10,000	57,010	46,554	12,460	319,074	103,692	1,667,427	3,052,895	69,448	3,122,343
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	-	83,000	83,000	113	83,113
Issue of new shares upon exercise of share option	1,014	16,972	-	-	(5,618)	-	-	-	-	12,368	-	12,368
Dividend recognised as distribution (note 9)	-	-	-	-	-	-	-	-	(210,648)	(210,648)	-	(210,648)
Forfeiture of share options	-	-	-	-	(1,889)	-	-	-	1,889	-	-	-
Recognition of equity-settled share based payment (note 19)	-	-	-	-	6,371	-	-	-	-	6,371	-	6,371
At 30 June 2013 (unaudited)	108,710	745,954	10,000	57,010	45,418	12,460	319,074	103,692	1,541,668	2,943,986	69,561	3,013,547

## INTERIM FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

*For the six months ended 30 June 2014*

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, 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 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.

## INTERIM FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>RMB'000</b> <b>(unaudited)</b>	2013 RMB'000 (unaudited)
Net cash (used in) from operating activities	<b>(397,265)</b>	432,884
Investing activities		
Placement of pledged bank deposits	<b>(318,674)</b>	(135,448)
Withdrawal of pledged bank deposits	<b>73,100</b>	120,305
Asset-related government grants received	<b>32,540</b>	18,766
Interest received	<b>3,349</b>	8,811
Proceeds from disposal of property, plant and equipment	<b>1,009</b>	611
Proceeds from disposal of prepaid lease payments	<b>8,292</b>	–
Purchase of property, plant and equipment	<b>(427,264)</b>	(302,900)
Purchase of prepaid lease payments	<b>(1,064)</b>	(23,712)
Deposits paid for the acquisition of property, plant and equipment	<b>(72,504)</b>	(22,207)
Withdrawal of other financial assets	–	4,500
Placement of time deposit	<b>(96,705)</b>	–
Withdrawal of time deposit	–	160,000
Net cash used in investing activities	<b>(797,921)</b>	(171,274)
Financing activities		
Bank loans raised	<b>2,427,250</b>	2,190,694
Bank loan notes raised	<b>392,400</b>	–
Proceeds from issue of shares	–	12,368
Repayments of bank loans	<b>(1,742,354)</b>	(2,086,796)
Dividends paid	<b>(40,909)</b>	(210,482)
Advance from (repayment to) related parties	<b>13,206</b>	(296)
Net cash from (used in) financing activities	<b>1,049,593</b>	(94,512)
Net (decrease) increase in cash and cash equivalents	<b>(145,593)</b>	167,098
Cash and cash equivalents at the beginning of the period	<b>942,535</b>	813,669
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<b>796,942</b>	980,767

## INTERIM FINANCIAL INFORMATION

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2014*

#### 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 the 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 “**Listing Rules**”).

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 held-for-trading investments, 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 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

- Amendment to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities;
- Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities;
- Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting and HK (IFRIC) – Int 21 Levies.

## INTERIM FINANCIAL INFORMATION

### 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

### 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 lead-acid 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 profit or loss and other comprehensive income.

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

#### Entity-wide disclosure

All non-current assets and sales are located and generated in the People's Republic of China (the "PRC"). No individual customer accounted for over 10% of the Group's total revenue for both periods.

## INTERIM FINANCIAL INFORMATION

### 4. TURNOVER

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>RMB'000</b> <b>(unaudited)</b>	2013 RMB'000 (unaudited)
An analysis of turnover is as follows:		
Lead-acid motive battery products:		
Electrical Bicycle Battery	<b>4,687,913</b>	4,656,348
Electrical Tricycle Battery	<b>1,095,088</b>	913,700
Pure Electric Car Battery (Note)	<b>298,210</b>	224,733
Recycled lead products	<b>328,780</b>	–
Lithium battery products	<b>85,753</b>	46,633
Others	<b>81,772</b>	77,780
	<b>6,577,516</b>	5,919,194

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

The presentation of turnover by major products for the six months ended 30 June 2013 have been reclassified to conform with the presentation of major products as disclosed in the Group's annual financial statements for the year ended 31 December 2013.





## INTERIM FINANCIAL INFORMATION

### 5. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>RMB'000</b> <b>(unaudited)</b>	2013 RMB'000 (unaudited)
Government grants (Note)	<b>54,535</b>	57,099
Interest income	<b>3,349</b>	8,811
Sales of raw material	<b>4,698</b>	10,837
Others	<b>7,048</b>	4,758
	<b>69,630</b>	81,505

Note: The government grants mainly represent unconditional subsidies from the relevant development zone administrative committees and PRC local governments to encourage the operations of certain subsidiaries. The government grants are accounted for as immediate financial support with no future related costs expected to be incurred and are not related to any assets.

### 6. OTHER GAINS AND LOSSES

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>RMB'000</b> <b>(unaudited)</b>	2013 RMB'000 (unaudited)
Net gains (losses) on held-for-trading investments (note 1)	<b>19</b>	(14,823)
Allowance for bad and doubtful debts	<b>(6,245)</b>	(2,261)
Written off/loss on disposal of property, plant and equipment (note 2)	<b>(8,174)</b>	(2,472)
Gain on disposal of prepaid lease payment (note 3)	<b>1,555</b>	-
Written off of inventories (note 2)	<b>-</b>	(215)
Foreign exchange (losses) gains	<b>(787)</b>	1,052
Others	<b>(440)</b>	-
	<b>(14,072)</b>	(18,719)

## INTERIM FINANCIAL INFORMATION

### 6. OTHER GAINS AND LOSSES (CONTINUED)

Notes:

1. Net gains (losses) on held-for-trading investments included dividend income of approximately RMB78,000 (1.1.2013 to 30.6.2013: gain of RMB2,102,000), gains on disposals of approximately RMB69,000 (1.1.2013 to 30.6.2013: gain of RMB219,000) and loss arising on change in fair value of approximately RMB128,000 (1.1.2013 to 30.6.2013: loss of RMB17,144,000), which were earned on these held-for-trading investments during the six months ended 30 June 2014.
2. During the six months ended 30 June 2014, the carrying amount of property, plant and equipment of approximately RMB9,183,000 (1.1.2013 to 30.6.2013: RMB2,298,000) was derecognised upon disposals of property, plant and equipment with proceeds of approximately RMB1,009,000 (1.1.2013 to 30.6.2013: RMB611,000), resulting in a loss of approximately RMB8,174,000 (1.1.2013 to 30.6.2013: RMB1,687,000).

In addition, during the six months ended 30 June 2013, an aggregated carrying amount of certain property, plant and equipment of approximately RMB5,785,000, net of insurance compensation of approximately RMB5,000,000, resulting in a loss of approximately RMB785,000 and inventories written off of approximately RMB215,000 were recorded due to fire accidents occurred in factories.

3. During the six months ended 30 June 2014, the carrying amount of prepaid lease payment of approximately RMB6,738,000 (1.1.2013 to 30.6.2013: nil) was derecognised upon disposals of prepaid lease payment with proceeds of approximately RMB8,293,000 (1.1.2013 to 30.6.2013: nil), resulting in a gain of approximately RMB1,555,000 (1.1.2013 to 30.6.2013: nil).



## INTERIM FINANCIAL INFORMATION

### 7. PROFIT BEFORE TAXATION

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	<b>1,929</b>	1,732
(Reversals of) allowance for inventories (included in cost of sales)	<b>(154)</b>	25
Write down of inventories to net realizable values (included in cost of sales)	<b>199,629</b>	167,575
Depreciation of property, plant and equipment	<b>118,036</b>	92,050

Share-based payments expense of approximately RMB4,097,000(1.1.2013 to 30.6.2013: RMB6,371,000) were recognised in profit or loss during the six months ended 30 June 2014 in respect of share options of the Company granted during the six months ended 30 June 2014 and in prior years. Details of transactions are set out in note 19.

## INTERIM FINANCIAL INFORMATION

### 8. TAXATION

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>RMB'000</b> <b>(unaudited)</b>	2013 RMB'000 (unaudited)
PRC Enterprise Income Tax ("EIT")		
– Current tax	<b>33,135</b>	18,409
– Over provision of EIT in prior years	<b>(28,296)</b>	(3,873)
– Over provision of withholding tax on undistributed profits in 2012 (note)	–	(10,100)
	<b>4,839</b>	4,436
Deferred taxation (note 12)	<b>18,910</b>	4,980
	<b>23,749</b>	9,416

Note: During the six months ended 30 June 2013, withholding tax on undistributed profits from PRC subsidiaries provided for the year ended 31 December 2012 was reversed upon the Group's obtaining an approval issued by the tax bureau in the PRC for the group to use the non-resident's claim treatment under the Double Taxation Agreement between Hong Kong and the Mainland China in respect of Tianneng Power (Hong Kong) Limited, a subsidiary of the Company. Accordingly, a reduced withholding tax rate of 5% was applied on amount of withholding profits from PRC subsidiaries for the year ended 31 December 2012.

The income tax expense of the Group is recognised based on the PRC Enterprise Income Tax rate of 25% (1.1.2013 to 30.6.2013: 25%) for the periods under review, except that, Tianneng Battery Group Co., Ltd., Tianneng Battery (Wuhu) Co. Ltd and Zhejiang Tianneng Energy Technology Co., Ltd., 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 2014, withholding tax of approximately RMB1,610,000 (30.6.2013: RMB1,260,000) has been provided for in the period with reference to the anticipated dividends to be distributed by the PRC entities to non-PRC residents.

## INTERIM FINANCIAL INFORMATION

### 9. DIVIDENDS

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
2012 final dividend declared of HK23.8 cents (equivalent to RMB18.94 cents per share)	–	210,648
2013 final dividend declared of HK4.62 cents (equivalent to RMB3.68 cents per share)	<b>40,909</b>	–
	<b>40,909</b>	210,648

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 and 30 June 2013.

### 10. EARNINGS PER SHARE

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
<b>Earnings:</b>		
Earnings for the purposes of calculating basic and diluted earnings per share – attributable to the owners of the Company	<b>46,689</b>	83,000
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>1,111,908,000</b>	1,105,139,556
Effect of dilutive potential ordinary shares in respect of share options	<b>928,557</b>	13,240,497
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>1,112,836,557</b>	1,118,380,053

## INTERIM FINANCIAL INFORMATION

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

The Group spent approximately RMB98,977,000 and RMB328,287,000 (1.1.2013 to 30.6.2013: RMB48,434,000 and RMB275,445,000) on additions of machinery and manufacturing plant and construction in progress in the PRC respectively.

During the period, the Group spent approximately RMB1,064,000 on additions of prepaid lease payments in the PRC (1.1.2013 to 30.6.2013: RMB34,903,000).

During the six months ended 30 June 2014, the Group received government grants of approximately RMB24,000,000 (1.1.2013 to 30.6.2013: nil) and RMB8,540,000 (1.1.2013 to 30.6.2013: nil) in relation to certain land leases and properties, plant and equipment of the Group respectively. The Group recognised the amount as a deduction from the carrying amount of the relevant assets and will transfer this to profit or loss over the useful lives of the relevant assets.

As at 30 June 2014, the official legal titles of buildings with an aggregate carrying amount of approximately RMB281,869,000 (31.12.2013: RMB240,727,000) and land use right certificates with carrying amounts of approximately RMB15,372,000 (31.12.2013: RMB29,760,000) 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:

	Deferred income	Withholding tax	Fair value adjustment on property, plant and equipment and prepaid lease payment arising from acquisition of subsidiaries	Interest capitalisation	Fair value change of held-for-trading investment	Provision for inventories, trade and other receivables	Accrued warranty	Accrued expenses	Impairment loss on property, plant and equipment	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013 (audited)	41,944	-	(1,642)	(8,548)	(789)	13,607	10,009	60,662	-	-	(6,212)	109,051
Credit (charge) to profit or loss	4,162	(2,100)	352	(8,560)	859	2,059	23,947	(6,557)	9,718	28,156	260	52,296
At 31 December 2013 and 1 January 2014 (audited)	<b>46,106</b>	<b>(2,100)</b>	<b>(1,290)</b>	<b>(17,108)</b>	<b>70</b>	<b>15,666</b>	<b>33,956</b>	<b>54,125</b>	<b>9,718</b>	<b>28,156</b>	<b>(5,952)</b>	<b>161,347</b>
Credit (charge) to profit or loss	<b>(3,940)</b>	<b>(1,610)</b>	<b>(52)</b>	<b>(4,594)</b>	<b>(70)</b>	<b>1,427</b>	<b>6,930</b>	<b>(15,731)</b>	<b>(221)</b>	<b>(1,179)</b>	<b>130</b>	<b>(18,910)</b>
Transfer to withholding tax on distribution of earnings from PRC subsidiaries	-	<b>3,010</b>	-	-	-	-	-	-	-	-	-	<b>3,010</b>
At 30 June 2014	<b>42,166</b>	<b>(700)</b>	<b>(1,342)</b>	<b>(21,702)</b>	-	<b>17,093</b>	<b>40,886</b>	<b>38,394</b>	<b>9,497</b>	<b>26,977</b>	<b>(5,822)</b>	<b>145,447</b>

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

	<b>30.6.2014</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2013 RMB'000 (audited)
Deferred tax assets	<b>176,594</b>	191,859
Deferred tax liabilities	<b>(31,147)</b>	(30,512)
	<b>145,447</b>	161,347

## INTERIM FINANCIAL INFORMATION

### 12. DEFERRED TAXATION (CONTINUED)

At 30 June 2014, the Group has not recognised deductible temporary differences on provision for inventories, trade and other receivables, accrued warranty and other accrued expenses of approximately RMB5,349,000 (31.12.2013: RMB4,939,000) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

At 30 June 2014, the Group had unused tax losses of approximately RMB31,379,000(31.12.2013: RMB15,074,000) available to offset against future profits. No deferred tax assets has been recognized in respect of such losses due to unpredictability of future profit streams. Such unrecognised losses will expire at various dates up to and including 2019 (31.12.2013: 2018).

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 RMB1,730 million (31.12.2013: RMB1,650 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. HELD-FOR-TRADING INVESTMENTS

At 30 June 2014, the investments represent listed equity securities held by the Group. Fair values are determined with reference to quoted market bid prices.





## INTERIM FINANCIAL INFORMATION

### 14. BILLS, TRADE AND OTHER RECEIVABLES

	<b>30.6.2014</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2013 RMB'000 (audited)
Bills receivables	<b>979,409</b>	628,830
Trade receivables	<b>604,343</b>	427,566
Other receivables	<b>105,962</b>	91,030
Prepayments	<b>83,020</b>	278,007
Value added tax receivables	<b>271,540</b>	231,354
	<b>2,044,274</b>	1,656,787

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

	<b>30.6.2014</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2013 RMB'000 (audited)
0 to 180 days	<b>976,409</b>	628,830
181 – 365 days	<b>3,000</b>	–
	<b>979,409</b>	628,830

## INTERIM FINANCIAL INFORMATION

### 14. BILLS, TRADE AND OTHER RECEIVABLES (CONTINUED)

Payment terms with customers are mainly on credit. The Group allows an average credit period of 45 days (31.12.2013: 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:

	<b>30.6.2014</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2013 RMB'000 (audited)
0 – 45 days	<b>256,794</b>	280,062
46 – 90 days	<b>228,820</b>	105,233
91 – 180 days	<b>73,613</b>	16,112
181 – 365 days	<b>38,121</b>	26,159
Over 365 days	<b>6,995</b>	–
	<b>604,343</b>	427,566

### 15. BILLS, TRADE AND OTHER PAYABLES

	<b>30.6.2014</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2013 RMB'000 (audited)
Trade payables	<b>814,322</b>	772,145
Bills payables	<b>180,270</b>	183,500
Other payables and accrued charges	<b>941,603</b>	964,867
	<b>1,936,195</b>	1,920,512

## INTERIM FINANCIAL INFORMATION

### 15. BILLS, TRADE AND OTHER PAYABLES (CONTINUED)

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

	<b>30.6.2014</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2013 RMB'000 (audited)
0 – 90 days	<b>681,375</b>	657,919
91 – 180 days	<b>65,780</b>	66,303
181 – 365 days	<b>52,529</b>	32,634
1 – 2 years	<b>9,938</b>	8,199
Over 2 years	<b>4,700</b>	7,090
	<b>814,322</b>	772,145

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

	<b>30.6.2014</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2013 RMB'000 (audited)
0 – 180 days	<b>180,270</b>	183,500

## INTERIM FINANCIAL INFORMATION

### 16. BANK BORROWINGS

	<b>30.6.2014</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2013 RMB'000 (audited)
Secured	<b>931,200</b>	658,000
Unsecured	<b>2,472,290</b>	2,060,594
	<b>3,403,490</b>	2,718,594
Analysed as:		
Current portion	<b>2,693,850</b>	2,142,900
Non-current portion	<b>709,640</b>	575,694
	<b>3,403,490</b>	2,718,594

Details of assets pledged by the Group at the end of the reporting period are set out in note 20.

### 17. LOAN NOTES

	<b>30.6.2014</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2013 RMB'000 (audited)
Long-term unsecured loan notes	<b>471,718</b>	78,806



## INTERIM FINANCIAL INFORMATION

### 17. LOAN NOTES (CONTINUED)

Note:

- (1) On 19 July 2012, Tianneng Battery(Wuhu) Co., Ltd issued a long-term loan notes with principal amount of RMB80,000,000 at a discount and received proceed of RMB78,500,000. The long-term loan notes bear interest at 7.3% per annum and is repayable on 19 July 2018.

At 30 June 2014 and 31 December 2013, the amount is stated at amortised cost with effective interest rate at 7.70% per annum.

- (2) On 11 March 2014, Tianneng Battery Co., Ltd issued a long-term loan notes with principal amount of RMB400,000,000 at a discount and received proceed of RMB392,400,000. The long-term loan notes bear interest at 7.31% per annum and are repayable on 11 March 2019.

At 30 June 2014, the amount is stated at amortised cost with effective interest rate at 7.78% per annum.

### 18. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount</b> RMB'000
Ordinary shares of the Company with nominal value of HK\$0.10 each		
Authorised:		
At 1 January 2013, 31 December 2013, 1 January 2014 and 30 June 2014	2,000,000,000	212,780
Issued and fully paid:		
At 1 January 2013	1,099,348,000	107,696
Exercise of share options (Note)	12,560,000	1,014
At 31 December 2013, 1 January 2014 and 30 June 2014	1,111,908,000	108,710

## INTERIM FINANCIAL INFORMATION

### 18. SHARE CAPITAL (CONTINUED)

Note: During the year ended 31 December 2013, 12,560,000 share options were exercised at a subscription price of HK\$1.22 per share (equivalent to approximately RMB0.985 per share), resulting in the issue of 12,560,000 ordinary shares of HK\$0.10 each in the Company.

All the shares issued by the Company ranked pari passu in all respects with all shares in issue.

### 19. SHARE OPTIONS

The Company has a share options scheme (the "Scheme") for eligible directors of the Company, eligible employees of the Group and other selected participants. According to the terms of the Scheme, option granted must be taken up within 28 days from the date of grant, upon payment of HK\$1.00. The options may be exercised in accordance with the terms of the Scheme at any time during the exercise period determined by the board of directors which shall in any event not be more than ten years from the date of grant. Share options are vested over a period up to a maximum of four years after the date of grant.

The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Scheme to an eligible participant in any 12 – month period shall not exceed 1% of the number of shares in issue unless approved by shareholders in general meeting. The maximum number of shares in respect of which options may be granted under the Scheme shall not in aggregate exceed 10% of the shares in issue on the date on which dealings in the shares first commence on The Stock Exchange of Hong Kong Limited, i.e. a total of 100,000,000 shares.



## INTERIM FINANCIAL INFORMATION

### 19. SHARE OPTIONS (CONTINUED)

All holders of options granted under the Scheme may only exercise their options in the following manner:

Maximum percentage of options exercisable	Vesting period
10% of the options	Upon the first anniversary of the date of grant
Additional 20% of the options	Upon the second anniversary of the date of grant
Additional 30% of the options	Upon the third anniversary of the date of grant
Additional 40% of the options	Upon the fourth anniversary of the date of grant

During the six months ended 30 June 2014, the Company granted 58,660,000 share options to directors and employees, details of which are set out below.

The following tables disclosed movements of the Company's options granted under the Scheme during the six months ended 30 June 2014 and 30 June 2013:

Category	Grant date	Exercisable period	Exercise price	Outstanding at 1.1.2014	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30.6.2014
Option A	30.3.2009	30.3.2010-25.2.2017	HK\$1.22	-	-	-	-	-
Option B	22.11.2010	22.11.2011-21.11.2020	HK\$3.18	38,530,000	-	-	(2,700,000)	35,830,000
Option C	16.6.2014	16.6.2015-15.6.2024	HK\$2.90	-	58,660,000	-	-	58,660,000
				38,530,000	58,660,000	-	(2,700,000)	94,490,000

## INTERIM FINANCIAL INFORMATION

### 19. SHARE OPTIONS (CONTINUED)

Category	Grant date	Exercisable period	Exercise price	Outstanding at 1.1.2013	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30.6.2013
Option A	30.3.2009	30.3.2010-25.2.2017	HK\$1.22	12,632,000	-	(12,560,000)	(72,000)	-
Option B	22.11.2010	22.11.2011-21.11.2020	HK\$3.18	39,720,000	-	-	(570,000)	39,150,000
				52,352,000	-	(12,560,000)	(642,000)	39,150,000

No options were exercised during the six months ended 30 June 2014. During the six months ended 30 June 2013, the weighted average closing price of the Company's shares immediately before the dates on which Option A was exercised was HK\$4.65.

The closing price of the Company's shares on 30 March 2009, the date of grant of Option A, was HK\$1.22 (equivalent to approximately RMB1.08) and the total estimated fair value of the share options granted on that date was HK\$18,744,000 (equivalent to approximately RMB16,593,000).

The closing price of the Company's shares on 22 November 2010, the date of grant of Option B, was HK\$3.15 (equivalent to approximately RMB2.70) and the total estimated fair value of the share options granted on that date was HK\$73,820,000 (equivalent to approximately RMB63,205,000).

The closing price of the Company's shares on 16 June 2014, the date of grant of Option C, was HK\$2.89 (equivalent to approximately RMB2.29) and the total estimated fair value of the share options granted on that date was HK\$70,620,000 (equivalent to approximately RMB56,065,000).



## INTERIM FINANCIAL INFORMATION

### 19. SHARE OPTIONS (CONTINUED)

The fair value of the share options was determined at the date of grant using the Binomial option pricing model (the "Binomial model") with the following inputs and based on the respective vesting period of the share options:

	<b>Option C</b> <b>16.6.2014</b>	<b>Option B</b> <b>22.11.2010</b>	<b>Option A</b> <b>30.3.2009</b>
Stock price as at grant date	HK\$2.89	HK\$3.15	HK\$1.22
Exercise price	HK\$2.90	HK\$3.18	HK\$1.22
Expected volatility	55%	64%	64%
Expected life of options	10 years	10 years	7.9 years
Risk free rate	2.055%	2.427%	1.852%
Expected dividend yield	4.26%	2.9%	4.02%
Sub-optimal exercise factor for directors/senior management/employees	3.5/3.5/3.5	nil/2.8/2.2	2/2/1.5

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Expected volatility was determined by using the historical volatility of the Company's share prices over the previous eight years. Changes in variables and assumptions may result in changes in the fair value of the options.

The Group recognised total expense of approximately RMB4,097,000(1.1.2013 to 30.6.2013: RMB6,371,000) in relation to share options granted by the Company under the Scheme.

## INTERIM FINANCIAL INFORMATION

### 20. PLEDGE OF ASSETS

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

	<b>30.6.2014</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2013 RMB'000 (audited)
Bank deposits	<b>318,674</b>	73,100
Bills receivables	<b>45,155</b>	101,508
Trade receivables	<b>178,000</b>	266,815
Property, plant and equipment	<b>7,163</b>	47,577
Prepaid lease payments	<b>6,562</b>	17,462
	<b>555,554</b>	506,462

### 21. CAPITAL COMMITMENTS

	<b>30.6.2014</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2013 RMB'000 (audited)
Contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment	<b>621,236</b>	429,678



## INTERIM FINANCIAL INFORMATION

### 22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key input	Significant unobservable input	Relationship of unobservable inputs to fair value
	30.06.2014 (unaudited)	31.12.2013 (audited)				
Listed equity securities classified as held-for-trading investments in the condensed consolidated statements of financial position	Listed equity securities in Hong Kong: – Manufacturing industry – RMB nil  Listed equity securities in Shanghai and Shenzhen, PRC: – Manufacturing industry – RMB9,535,000	Listed equity securities in Hong Kong: – Manufacturing industry – RMB3,216,000	Level 1	Quoted bid prices in an active market	N/A	N/A

## INTERIM FINANCIAL INFORMATION

### 23. 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	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Zhejiang Changxing Xin Xin Packaging Co., Ltd. (note 1)	Purchase of consumables	59	451
Jiyuan City Wangyang Smelting (Group) Co., Ltd. (note 2)	Purchase of materials	255,783	159,184
	Rental expense	-	3,802
Changxing Jin Ling Hotel (note 3)	Hotel expense	2,999	3,157

Note:

- 1 Zhejiang Changxing Xin Xin Packaging Co., Ltd. is beneficially owned by Ms. Chen Pingping and Ms. She Fangli, who are the cousin and niece respectively of Mr. Zhang Tianren ("Mr. Zhang"). As at 30 June 2014, 407,855,650 shares (31.12.2013: 407,355,650 shares) of the Company (approximately 36.68% of the total issued shares of the Company as at 30 June 2014) are held by Prime Leader Global Limited which is incorporated in the British Virgin Island and is wholly-owned by Mr. Zhang. Mr Zhang is also a director of the Company.
- 2 Jiyuan City Wangyang Smelting (Group) Co., Ltd. is controlled by the non-controlling party of Jiyuan Wanyang Green Energy Co., Ltd., a 51% owned subsidiary of the Group.
- 3 Changxing Jin Ling Hotel is controlled by Mr. Zhang.

## INTERIM FINANCIAL INFORMATION

### 23. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Short term employee benefits	<b>2,709</b>	2,743
Share-based payments	<b>48</b>	205
	<b>2,757</b>	2,948

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.

## OTHER INFORMATION

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2014, 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)	Aggregate approximate percentage of issued share capital of the Company
Zhang Tianren	Interest of a controlled corporation (Note 2)	407,855,650 (L)	36.68%
	Interest of spouse (Note 2)	700,000(L)	0.06%
Zhang Aogen	Interest of a controlled corporation (Note 3)	13,641,022 (L)	1.23%
Chen Minru	Interest of a controlled corporation (Note 4)	5,343,152 (L)	0.48%
Zhang Kaihong	Interest of a controlled corporation (Note 5)	18,884,174 (L)	1.70%
Shi Borong	Interest of a controlled corporation (Note 6)	15,686,141 (L)	1.41%
Yang Lianming	Interest of a controlled corporation (Note 7)	5,159,151 (L)	0.46%
Ho Tso Hsiu	Beneficial owner	240,000 (L)	0.02%
Huang Dongliang	Beneficial owner	240,000 (L)	0.02%
Wang Jingzhong	Beneficial owner	240,000 (L)	0.02%

## OTHER INFORMATION

Notes:

1. The letter “L” denotes long position in the shares of the Company.
2. The 407,855,650 shares of the Company were held by Prime Leader Global Limited, which was wholly owned by Mr. Zhang Tianren. The interest in 700,000 shares arises from the share options granted to Ms. Yang Yaping, spouse of Mr. Zhang Tianren.
3. The 13,641,022 shares of the Company were held by Top Benefits International Limited, which was wholly owned by Mr. Zhang Aogen.
4. The 5,343,152 shares of the Company were held by Profit Best International Limited, which was wholly owned by Mr. Chen Minru.
5. The 18,884,174 shares of the Company were held by Plenty Gold Holdings Limited, which was wholly owned by Mr. Zhang Kaihong.
6. The 15,686,141 shares of the Company were held by Precise Asia Global Limited, which was wholly owned by Mr. Shi Borong.
7. The 5,159,151 shares of the Company were held by Success Zone Limited, which was wholly owned by Mr. Yang Lianming.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, 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:

## OTHER INFORMATION

### Ordinary shares of HK\$0.1 each of the Company

Name of Shareholder	Capacity	Number of shares held (Note 1)	Approximate percentage of issued share capital of the Company
Zhang Tianren	Interest of a controlled corporation (note 2)	407,855,650 (L)	36.68%
	Interest of spouse (note 2)	700,000(L)	0.06%
Prime Leader Global Limited	Beneficial owner	407,855,650 (L)	36.68%
Yang Yaping	Beneficial owner (note 2)	700,000(L)	0.06%
	Interest of spouse (note 2)	407,855,650 (L)	36.68%
JPMorgan Chase & Co.	Beneficial owner/	56,471,906 (L)	5.08%
	Custodian corporation approved landing agent	55,351,906 (P)	4.98%
Credit Suisse Group AG	Interest of controlled corporation (note 3)	55,552,000 (L)	5.00%
		3,932,000 (S)	0.35%



## OTHER INFORMATION

Note:

1. The letters "L" and "S" denote long position and short position in the shares of the Company respectively.
2. The 407,855,650 shares were held by Prime Leader Global Limited, which was wholly-owned by Mr. Zhang Tianren. The interest in 700,000 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, the substantial shareholder also held a derivative interests 1,148,000 (L) and 3,932,000 (S) in the shares of the Company.

## 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 19 to the financial statements.

### **An Ordinary Resolution was passed at the Annual General Meeting on 16 May 2014 relating to the refreshment of scheme mandate limit of the share option scheme as set out in the supplemental notice of Annual General Meeting.**

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. After the refreshment of the share option scheme, on 16 June 2014, a total of 58,660,000 options were offered and granted to Directors and eligible participants. 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\$)	Immediately before the date of grant (HK\$)	Closing price of Company's shares immediately before the date of exercise (HK\$)	Weighted average closing price of Company's shares	Number of option outstanding as at 1 January 2014	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 lapsed in accordance with the terms of the share option scheme during the period	Approximate shareholding percentage of the underlying shares for the Options in the share capital of the Company
HoTsohsiu (Independent non-executive Director)	16/6/2014	16/6/2015 to 15/6/2024	2.90	2.89	-	-	100,000	-	-	-	100,000	0.01%	
HuangDongliang (Independent non-executive Director)	16/6/2014	16/6/2015 to 15/6/2024	2.90	2.89	-	-	100,000	-	-	-	100,000	0.01%	
WangJingzhong (Independent non-executive Director)	16/6/2014	16/6/2015 to 15/6/2024	2.90	2.89	-	-	100,000	-	-	-	100,000	0.01%	
Othereligible participants	22/11/2010	22/11/2011 to 21/11/2020	3.18	3.02	-	38,530,000	-	-	-	(2,700,000)	35,830,000	3.22%	
	16/6/2014	16/6/2015 to 15/6/2014	2.90	2.89	-	-	58,360,000	-	-	-	58,360,000	5.25%	
							38,530,000	58,660,000	-	-	(2,700,000)	94,490,000	8.50%

## OTHER INFORMATION

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

Save as disclosed in notes 18 and 19 to the condensed consolidated financial statements, 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, 29 August 2014