天能

TIANNENG POWER INTERNATIONAL LIMITED

天能動力國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0819)

Results Announcement
For the Year Ended 31 December 2007

FINANCIAL HIGHLIGHTS

- Revenue increased by 91.7% to RMB2.0 billion.
- Gross profit increased by 78.9% to RMB 492.0 million.
- Profit attributable to shareholders increased by 37.4% to RMB202.9 million.
- Market share of e-bike battery in China increased by 3.3% point to 18.6%.
- Basic earnings per share increased by 4.5% to RMB 23 cents.
- A final dividend of HK6.8 cents per share is proposed.

2007 ANNUAL RESULTS

The board of directors (the "**Board**") of Tianneng Power International Limited (the "**Company**" or "**Tianneng Power**") is pleased to announce the results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2007 together with the previous financial year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	NOTES	2007 RMB'000	2006 RMB'000
Turnover	4	**1,953,995**	1,019,559
Cost of sales		**(1,461,963)**	(744,502)
Gross profit		**492,032**	275,057
Other income		**20,294**	6,071
Selling and distribution costs		**(130,824)**	(58,016)
Administrative expenses		**(62,177)**	(42,182)
Change in fair value of redeemable convertible notes carried at fair value through profit or loss		**–**	1,194
Listing related expenses		**(14,124)**	(8,091)
Research and development costs		**(12,052)**	(3,808)
Other operating expenses		**(28,219)**	(5,464)
Finance costs	5	**(23,502)**	(11,243)
Profit before taxation	6	**241,428**	153,518
Taxation	7	**(38,539)**	(5,857)
Profit for the year		**202,889**	147,661
Dividends paid	8	**39,891**	–
Earnings per share			
– Basic	9	**RMB 0.23**	RMB 0.22
– Diluted		**N/A**	RMB 0.20

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	2007	2006
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	**408,556**	296,156
Prepaid lease payments	**35,558**	20,945
Deferred tax assets	**10,179**	–
	454,293	317,101
Current assets		
Inventories	**426,990**	235,166
Bills, trade and other receivables	**343,503**	168,244
Prepaid lease payments	**773**	448
Amount due from a related company	**622**	3,741
Amounts due from shareholders	–	994
Restricted bank deposits	**40,000**	94,000
Bank balances and cash	**401,843**	144,718
	1,213,731	647,311
Current liabilities		
Trade and other payables	**214,054**	260,902
Amounts due to related companies	–	846
Taxation payable	**14,957**	4,713
Short-term bank loans	**336,500**	226,200
	565,511	492,661
Net current assets	**648,220**	154,650
Total assets less current liabilities	**1,102,513**	471,751
Non-current liabilities		
Long-term bank loans	**40,000**	25,000
	1,062,513	446,751
Capital and reserves		
Share capital	**99,037**	560
Reserves	**963,476**	446,191
Total equity	**1,062,513**	446,751

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 16 November 2004. The Company is an investment holding company and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 11 June 2007.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment of Hong Kong Accounting Standards ("HKASs") and interpretations ("INT") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC)* – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of embedded derivatives
HK(IFRIC) – Int 10	Interim financial reporting and impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business combinations [2]
HKFRS 8	Operating segments [1]
HK(IFRIC) – Int 11	HKFRS 2: Group and treasury share transactions [3]
HK(IFRIC) – Int 12	Service concession arrangements [4]
HK(IFRIC) – Int 13	Customer loyalty programmes [5]
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction [4]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 July 2009.
[3] Effective for annual periods beginning on or after 1 March 2007.
[4] Effective for annual periods beginning on or after 1 January 2008.
[5] Effective for annual periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

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

* IFRIC represents the International Financial Reporting Interpretations Committee.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Geographical segments

Analysis of the Group's turnover as well as analysis of the Group's carrying amount of segment assets, additions to property, plant and equipment and prepaid lease payments by geographical market/location has not been presented as more than 90% of the Group's sales were made to customers located in the People's Republic of China (the "**PRC**") and more than 90% of the segment assets, additions to property, plant and equipment and prepaid lease payments are situated in the PRC.

4. TURNOVER

	2007	2006
	RMB'000	*RMB'000*
An analysis of turnover is as follows:		
Sales of goods		
Lead-acid motive battery products	**1,823,621**	898,604
Nickel hydride ("Ni-MH") battery products	**53,820**	17,151
Chargers, controllers and motors	**32,352**	51,256
Others	**44,202**	52,548
	1,953,995	1,019,559

5. FINANCE COSTS

	2007	2006
	RMB'000	*RMB'000*
Interest on:		
Bank loans wholly repayable within five years	**23,502**	10,820
Other loans wholly repayable within five years	**–**	423
	23,502	11,243

6. PROFIT BEFORE TAXATION

	2007	2006
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**800**	393
Other staff retirement benefits scheme contributions	**7,627**	8,171
Other staff costs	**85,909**	53,464
Total staff costs	**94,336**	62,028
Allowance for bad and doubtful debts (included in other operating expenses)	**15,656**	3,764
Allowance for inventories (included in cost of sales)	**3,406**	378
Amortisation of prepaid lease payments	**692**	454
Auditors' remuneration	**1,919**	1,113
Depreciation	**24,895**	14,191
Loss on disposal of property, plant and equipment (included in other operating expenses)	**949**	441
Net foreign exchange losses (included in other operating expenses)	**9,847**	291

7. TAXATION

	2007	2006
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**(48,718)**	(5,857)
Deferred tax		
– current year	**12,907**	–
– attributable to change in tax rate	**(2,728)**	–
	(38,539)	(5,857)

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable to the year ended 31 December 2007 and 31 December 2006.

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

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiary, Zhejiang Tianneng Battery Co., Ltd. is entitled to exemption from PRC EIT for the two years commencing from 2005 and 50% reduction for the following three years.

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

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. The deferred tax has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the assets is realised or the liability is settled.

8. DIVIDENDS PAID

	2007	2006
	RMB'000	*RMB'000*
Dividend paid	**39,891**	–

The directors of the Company declared a final dividend of RMB44,298,000 on 18 April 2007 for the year ended 31 December 2006, equivalent to approximately RMB8.36 per share based on 5,296,439 shares in issue at 31 December 2006. On 25 June 2007, two strategic shareholders of the Company, Power Active Limited and Prax Capital Fund I, LP, agreed to waive part of their entitled 2006 final dividend amounting to RMB4,407,000 and resulting in a net 2006 final dividend payable of RMB39,891,000 to the entitled shareholders of the Company. During the year, the Company fully paid the 2006 final dividend to the entitled shareholders.

The 2007 final dividend of HK6.8 cents per share has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

9. EARNINGS PER SHARE

	2007	2006
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purpose of calculating basic earnings per share	**202,889**	147,661
Effect of dilutive potential ordinary shares:		
Adjustment to the change in fair value of redeemable convertible notes	–	(1,194)
Earnings for the purpose of calculating diluted earnings per share	**202,889**	146,467

	2007	2006
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**889,726,027**	664,167,058
Effect of dilutive potential ordinary shares relating to redeemable convertible notes	–	85,832,942
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**889,726,027**	750,000,000

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

MANAGEMENT ANALYSIS AND DISCUSSION

The Company is principally engaged in the production of motive batteries. Its motive battery products are sold under its own brand name "TIANNENG" and are predominantly used in the electric bikes sold and distributed in China. The Company's products are focusing on lead-acid motive battery products for the electric bike market in China. The listing of the Company on the main board of the Stock Exchange on 11 June 2007 marked a new milestone for the Company. Currently, Tianneng Power is the largest listed lead-acid motive battery producer for the electric bike market in China.

REVIEW OF OPERATIONS

The Company has developed strong brand recognition over the years of operations and is in a leading position in the lead-acid motive battery industry in China. With the advanced technology know-how, the Company was able to produce quality motive batteries at competitive prices.

In order to satisfy the demand from both the primary and the secondary markets, the Company has developed a strong distribution and service network throughout the region in China to provide the highest quality service to its customers. To maintain the Company's leading position in the industry, it implemented a number of initiatives, mainly focusing on the expansion and technical improvement of the production plants in order to optimise its products. These include construction of new production plants, procurement of its production facilities and equipment in Jiangsu Province (which is expected to increase productivity to up to 15 million batteries by 2009) and Anhui Province (which is expected to commence production of battery products in mid 2008, and is expected to increase productivity up to approximately 10 million batteries by 2009).

Lead is the Group's major raw material and constitutes a significant portion of its production cost. The weighted average lead purchase price for the year of 2007 was approximately RMB16,917 per tone (2006: approximately RMB10,239), representing an increase of approximately 65.2% over 2006. The management of the Company overcame the rising raw materials cost by tightening its production costs, increasing production capacity, reducing outsourcing of electrode plate and raising its selling price. Being the market leader in producing motive battery in China, the Company enjoys production-scale advantage and is able to influence the market selling price. The weighted average selling price of lead-acid battery was approximately RMB106.1 in 2007 (2006: approximately RMB81.0), representing an increase of approximately 31% over 2006.

Furthermore, technical improvements of facilities were implemented for the production plants in Changxing County, Zhejiang Province. During the year ended 31 December 2007, the Company invested resources in research, design and development to reinforce its research and development ("**R&D**") team. Such continued investments in R&D have led the Company to improve product quality, enhance the technical capability of its R&D team, introduce diversified product portfolio, improve its product mix and broaden its product range. The Company's product design and R&D capability has boosted the brand recognition throughout China. To further develop the Company's production capacity, it has invested in R&D of new environmentally friendly metal alloy as well as a series of products including motive battery products for electric motorcycles and electric cars, Ni-MH battery products and Li-ion battery products.

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

The Company has been participating in a Post-doctoral Scientific Research Workstation with Zhejiang provincial government since September 2005. The objective of the project is to research and develop new

Ni-MH and Li-ion battery products. During the year ended 31 December 2007, the production capacity and sales of battery products continued to increase, which led to a further consolidation of the Group's leading position in the industry and expansion of its market share.

FUTURE PROSPECTS

Presently, the e-bike development in China is supported by government because it matches with the national policy of energy saving and environmental protections. E-bike is an environmental friendly personal traffic transportation with the advantages of convenience, non-pollution, safety and energy saving. According to the research findings of Frost & Sullivan (the "**Frost & Sullivan Report**"), during the period from 2003 to 2007, the e-bike market in China increased by more than four times, and the accumulative e-bike population in 2007 is estimated to be over 50 million units. Based on the estimated annual demand of e-bike in China, it is forecasted that the e-bike population in 2012 is expected to be over 168 million units.

According to the Frost & Sullivan Report, the total sales revenue of the e-bike battery (mainly consists of lead-acid rechargeable battery, li-ion battery, Ni-MH battery and Ni-Cd battery) in China was approximately US$1,321.9 million in 2007, which accounted for approximately 72.0% of the total sales revenue of the world. The revenue of lead-acid rechargeable battery in 2007 accounted for approximately 64.1% of Chinese rechargeable battery market while the revenue of lead-acid rechargeable battery globally in 2007 accounted for approximately 72.2% of the global rechargeable battery market.

In 2007, the Company and the other largest five e-bike battery manufacturers together accounted for approximately 41.0% of the total market shares in China. The Company is the largest industry player, accounted for approximately 18.6% of the total market share.

The increase of the purchasing power and living standards of people in China has led to the growth of the personal transportation device industry. In light of the increasing environmental awareness and demand in reducing reliance on oil and gas and minimizing emission, alternative transportation devices are believed to have a promising prospect and have been experiencing rapid development in China and attracting more attention throughout the world in the recent years. Positioned under the industry with vast opportunities, the Board are very optimistic about the Company's future development.

In order to achieve the objective of becoming the world's leading motive battery manufacturer, the Company will further expand its product portfolio in the local and international market. It will focus on the R&D activities in relation to the motive battery product market and personal transportation device market in China. To improve its technical capability, the Company will continue to invest in research, design and development to enhance its technical capability in product design and development in the future.

OPERATING RESULTS

Turnover

The Company's turnover increased from approximately RMB1.0 billion for the year ended 31 December 2006 to approximately RMB2.0 billion for the year ended 31 December 2007, representing an increase of approximately 91.7% as compared to the previous year. Such increase was mainly due to the increase in demand of lead-acid battery, which constituted 93.3% (2006: 88.1%) of the turnover.

Gross profit

The Company's gross profit increased by approximately 78.9% from approximately RMB275.1 million for the year ended 31 December 2006 to approximately RMB492.0 million for the year ended 31 December 2007. Such increase was mainly due to the strong demand of lead acid battery. Gross profit margin fell by approximately 1.8% from approximately 27.0% for the year ended 31 December 2006 to approximately 25.2% for the year ended 31 December 2007 which was due to the substantial increase in lead price.

Other income

The other income of the Company increased by approximately 3.3 times from approximately RMB6.1 million for the year ended 31 December 2006 to approximately RMB20.3 million for the year ended 31 December 2007. The increase was attributable to the increase in government grant and subsidies received and bank interest income.

Selling and distribution costs

Selling and distribution costs increased by approximately 2.3 times from approximately RMB58.0 million for the year ended 31 December 2006 to approximately RMB130.8 million for the year ended 31 December 2007. Such increase was mainly due to the increase in sales commission, product warranty expenses, advertising and transportation expenses.

Administrative expenses

Administrative expenses increased by approximately 47.4% from approximately RMB42.2 million for the year ended 31 December 2006 to approximately RMB62.2 million for the year ended 31 December 2007. Such increase was mainly due to the increase in payroll expenses and depreciation.

Finance costs

Finance costs increased by approximately 2.1 times from approximately RMB11.2 million for the year ended 31 December 2006 to approximately RMB23.5 million for the year ended 31 December 2007. Such increase was mainly due to the increase in bank borrowings.

Taxation

EIT of the Company amounted to approximately RMB38.5 million for the year ended 31 December 2007, representing an increase of approximately 6.6 times from approximately RMB5.9 million for the year ended 31 December 2006. Such increase was due to the increase in taxable profit of the Company and the entitlement of 50% reduction of a subsidiary of the Company in China from 1 January 2007, rather than the exemption from EIT.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity and financial resources

Net cash used in investing activities mainly consisted of capital expenditure for the purchase of property, plant and equipment.

The net cash used in operating activities amounted to approximately RMB197.1 million for the year ended 31 December 2007 which was mainly due to the increase in inventory and trade receivable as the Company's scale of operations increased.

As at 31 December 2007, the bank balances and cash (including the restricted bank deposits) of the Company was approximately RMB441.8 million (31 December 2006: approximately RMB238.7 million). As at 31 December 2007, the Company obtained undrawn banks facilities of approximately RMB604.5 million (31 December 2006: approximately RMB79.9 million).

As at 31 December 2007, the net current assets of the Company was approximately RMB648.2 million (31 December 2006: approximately RMB154.7 million). Based on the growing operating results and the sufficient level of cash and bank balances, the Company believes that it will be able to meet its liabilities as and when they fall due and meet the capital required for operations. The Company is able to control the level of its liabilities and financial risks.

As at 31 December 2007, the short-term bank borrowings of the Company amounted to approximately RMB336.5 million with an interest rates between 6.07% to 8.96% per annum (31 December 2006: approximately RMB226.2 million with an interest rate between 5.58% to 7.03% per annum). All short-term bank borrowings are denominated in Renminbi.

As at 31 December 2007, the long-term bank borrowings of the Company amounted to approximately RMB40 million with interest rate between 6.93% to 7.56% per annum (31 December 2006: approximately RMB25 million with interest rate between 6.93% to 7.56% per annum). All long-term bank borrowings are denominated in Renminbi and to be repaid in full in 2009.

The Company will closely monitor the changes in interest rate and assess the interest rate risk. The objective of the Company is to maintain an optimal capital structure to minimize the capital cost through prudent financial management.

FINANCIAL POSITION

Assets

As at 31 December 2007, the total assets of the Company was approximately RMB1,668.0 million, representing an increase of approximately 73.0% from approximately RMB964.4 million as at 31 December 2006. Among them, non-current assets increased by approximately 43.3% to approximately RMB454.3 million and current assets increased by approximately 87.5% to approximately RMB1,213.7 million. The major reason for the increase of non-current assets was due to continuous capital expenditure on production plants. The increase in current assets was mainly attributable to the increase in inventories and receivables, mainly caused by increase in scale of operations.

Liabilities

As at 31 December 2007, the total liabilities of the Company was approximately RMB605.5 million, representing an increase of approximately 17.0% from approximately RMB517.7 million as at 31 December 2006. The increase was mainly due to the increase in bank borrowings as a result of expansion of scale of operation of the Company.

Major financial position ratio

	2007	2006
Current ratio	**2.2**	1.3
Quick ratio	**1.4**	0.8
Interest cover	**11.3**	14.7

Both current ratio and quick ratio improved when compared to the beginning of the year, indicating a healthy position of liquidity. The increase in bank borrowings reduced the interest cover ratio slightly.

CAPITAL EXPENDITURE

The capital expenditure as at 31 December 2007 was approximately RMB138.7 million, of which approximately RMB36.2 million was used for Changxing production plant, approximately RMB48.5 was used for the Wuhu production plant and approximately RMB54 million was used for phase I of Shuyang production plant. The Company will continue to incur capital expenditure for phase II of Shuyang production plant in 2008. The Company expects the cash resources for capital expenditure to be primarily generated from internal funds, cash flow from operating activities and future debt or equity financing.

CAPITAL COMMITMENTS

The amount contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment is approximately RMB13.2 million (31 December 2006: approximately RMB27.6 million).

GEARING RATIO

The Company's gearing ratio (which is based on the amount of total bank borrowings and obligations under finance leases divided by total assets multiplied by 100%) was approximately 22.6% (31 December 2006: approximately 26.1%).

EXPOSURE IN EXCHANGE RATE FLUCTUATION

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

The proceeds from the initial public offering of the Company's shares were received in Hong Kong dollars, the Company may expose to foreign exchange risks. However, the Group will review and monitor the foreign exchange exposure between Renminbi and Hong Kong dollars and may enter into foreign exchange hedging arrangements when appropriate.

PLEDGE OF ASSETS

As at 31 December 2007, the bank facilities of the Group are secured by bank deposits, property, plant and equipment and the land use right. The aggregate net book value of the assets pledged amounted to RMB152.2 million (31 December 2006: RMB178.5 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2007, the Company employed a total of 5,391 employees (31 December 2006: 4,136 employees). Staff cost (excluding directors' emoluments) of the Group for the year of 2007 amounted to RMB93.5 million (2006: RMB61.6 million). The cost included basic salaries and benefits as well as staff benefits such as discretionary bonus, medical and insurance plans, pension scheme, unemployment insurance plan, etc. Competitive remuneration packages were offered to employees. The Company has adopted incentive programs to encourage employee performance and a range of training programs for the development of its staff.

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held by the Company as at 31 December 2007 (31 December 2006: Nil).

MATERIAL ACQUISITION AND DISPOSAL

For the year ended 31 December 2007, the Company had no material acquisition or disposal of subsidiaries and affiliated companies.

CLOSURE OF REGISTRAR OF MEMBERS

The Registrar of Members of the Company will be closed from 16 May 2008 to 25 May 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 15 May 2008.

OTHER INFORMATION

Audit Committe

The Company established an audit committee ("**Audit Committee**") in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive directors, namely, Dr. Cheng Cheng Wen, Mr. Huang Dongliang and Mr. Wang Jingzhong. The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The Audit Committee has reviewed the annual results of the Company for the year ended 31 December 2007.

Preliminary Announcement of the Results Agreed by Auditor

The figures in respect of this preliminary announcement of the Company's consolidated income statement, consolidated balance sheet and the related notes thereto for the year ended 31December 2007 have been agreed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Company's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

Compliance with the Code of Corporate Governance Practices

Throughout the year ended 31 December 2007, the Company has adopted the provisions of the Code on Corporate Governance (the "**Code**") 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 stipulated in the following paragraphs.

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

Mr. Zhang Tianren is both the Chairman and CEO of the Company who is responsible for managing the Group's business. The Board considers that vesting the roles of the 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 on whether the separation of the position of the Chairman and CEO is necessary.

Compliance with the Model Code of Listing Rules

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year 2007.

Purchase, Sale or Redemption of the Company's Listed Shares

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the year.

Annual General Meeting

The forthcoming annual general meeting of the Company will be held at Zhejiang Narada Grand Hotel at 122 Shuguang Road, Hangzhou, PRC on Sunday, 25 May 2008 at 2:00p.m.. Notice of annual general meeting will be published on the Company's website at www.tianneng.com.hk and the website of the Stock Exchange at www.hkex.com.hk and despatched to Shareholders on or about 30 April 2008.

Publication

The annual report containing all the information as required by Appendix 16 of the Listing Rules will be published on the Company's website at www.tianneng.com.hk and the website of the Stock Exchange at www.hkex.com.hk on or about 30 April 2008.

GENERAL INFORMATION

As at the date of this announcement, the executive Directors are Mr. Zhang Tianren, Mr. Zhang Aogen, Mr. Chen Minru, Mr. Zhang Kaihong, Mr. Shi Borong and Mr. Yang Lianming; the independent non-executive Directors are Mr. Ho Tso Hsiu, Dr. Cheng Cheng Wen, Mr. Huang Dongliang and Mr. Wang Jingzhong.

This announcement will be published on the website of the Company's website at www.tianneng.com.hk and the website of the Stock Exchange at www.hkex.com.hk.

By Order of the Board
Zhang Tianren
Chairman

Hong Kong, 19 April 2008