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: 00819)

Results Announcement
For the Year Ended 31 December 2009

FINANCIAL HIGHLIGHTS

- Revenue decreased by 12.8% to RMB2,254.95 million.
- Gross profit increased by 10.5% to RMB641.85 million.
- Profit attributable to shareholders increased by 15.6% to RMB270.70 million.
- A final dividend of HK8.8 cents per share is proposed.
- Basic earning per share increased by 17.4% to approximately RMB0.27.

2009 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 2009 together with the previous financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	NOTES	**2009** **RMB'000**	2008 RMB'000
Turnover	4	**2,254,947**	2,585,301
Cost of sales		**(1,613,099)**	(2,004,197)
Gross profit		**641,848**	581,104
Other income		**62,242**	29,572
Selling and distribution costs		**(197,104)**	(164,326)
Administrative expenses		**(95,560)**	(86,097)
Research and development costs		**(65,310)**	(32,461)
Other operating expenses		**(13,104)**	(21,687)
Finance costs	5	**(13,338)**	(27,507)
Profit before taxation	6	**319,674**	278,598
Taxation	7	**(48,979)**	(44,390)
Profit and total comprehensive income for the year		**270,695**	234,208
Earnings per share	9		
– Basic		**RMB0.27**	RMB0.23
– Diluted		**RMB0.26**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment		**712,656**	593,512
Prepaid lease payments		**84,397**	37,203
Deferred tax assets		**26,727**	22,611
		823,780	653,326
Current assets			
Inventories		**599,087**	338,716
Bills, trade and other receivables	*10*	**378,557**	144,829
Prepaid lease payments		**1,810**	915
Restricted bank deposits		**94,843**	–
Bank balances and cash		**360,337**	530,408
		1,434,634	1,014,868
Current liabilities			
Trade and other payables	*11*	**440,220**	233,524
Amount due to a related company		**17**	6
Taxation payable		**15,655**	6,802
Bank borrowings		**120,000**	171,580
		575,892	411,912
Net current assets		**858,742**	602,956
Total assets less current liabilities		**1,682,522**	1,256,282
Non-current liabilities			
Bank borrowings		**–**	20,000
		1,682,522	1,236,282
Capital and reserves			
Share capital		**106,085**	99,037
Reserves		**1,576,437**	1,137,245
Total equity		**1,682,522**	1,236,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2009

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 with effect from 11 June 2007.

The consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company.

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

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC*) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

* IFRIC represents the International Financial Reporting Interpretations Committee

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segment (see note 3).

New and revised HKFRSs affecting the reported results and/or financial position

HKAS 23 (Revised 2007) Borrowing costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset.

The adoption of HKAS 23 (Revised 2007) has had no effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no adjustment is required.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2009 [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKAS 24 (Revised)	Related party disclosure [6]
HKAS 27 (Revised)	Consolidated and separate financial statements [1]
HKAS 32 (Amendment)	Classification of right issues [4]
HKAS 39 (Amendment)	Eligible hedged items [1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters [3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters [5]
HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions [3]
HKFRS 3 (Revised)	Business combinations [1]
HKFRS 9	Financial instruments [7]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement [6]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners [1]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instrument [5]

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2010.
[4] Effective for annual periods beginning on or after 1 February 2010.
[5] Effective for annual periods beginning on or after 1 July 2010.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. OPERATING SEGMENTS

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, segment information reported externally was regarded as single business segment and geographical segment. 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 consolidated statement of comprehensive income of the Group as a whole. Therefore, the operation of the Group constitutes one single reportable segment, being the manufacture and sales of storage batteries and battery related accessories. Hence, the application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segment.

Segment revenues and results

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

The Executive Director considers the Group's profit for the year as the measurement of segment's results.

Entity-wide disclosures

All non-current assets and sales are located and generated in the PRC. No individual customer accounted for over 10% of the Group's total revenue for the year.

4. TURNOVER

	2009	2008
	RMB'000	*RMB'000*
An analysis of turnover is as follows:		
Lead-acid battery products		
Electrical Bicycle Battery	**2,135,196**	2,504,896
Storage Battery	**17,268**	740
Pure Electric Car Battery	**13,295**	–
Battery for other usage	**739**	8,885
Nickel hydride and lithium battery products	**41,888**	42,775
Others	**46,561**	28,005
	2,254,947	2,585,301

5. FINANCE COSTS

	2009	2008
	RMB'000	*RMB'000*
Interests on:		
Bank loans wholly repayable within five years	**13,338**	27,507

6. PROFIT BEFORE TAXATION

	2009	2008
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**992**	800
Other staff retirement benefits scheme contributions	**10,104**	10,307
Other staff costs	**168,732**	137,719
Share based payment expense	**4,528**	–
Total staff costs	**184,356**	148,826
Allowance for bad and doubtful debts (included in other operating expenses)	**4,836**	12,205
(Reversal of allowance) allowance for inventories (included in cost of sales) (note)	**(29,198)**	30,501
Amortisation of prepaid lease payments	**1,400**	832
Auditor's remuneration	**2,400**	2,265
Cost of inventories recognised as expense	**1,463,475**	1,845,968
Depreciation	**50,608**	34,446
Loss on disposal of property, plant and equipment (included in other operating expenses)	**3,825**	5,361
Net foreign exchange losses (included in other operating expenses)	**236**	878

Note: Due to the increase in the market price of lead, a reversal of allowance for inventory of RMB29,198,000 has been recognised for inventories sold in the current year.

7. TAXATION

	2009	2008
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("EIT"):		
Current tax	**56,481**	**55,897**
(Over)under provision in prior years	**(3,386)**	**925**
	53,095	**56,822**
Deferred tax		
– current year	**(3,179)**	**(12,432)**
– attributable to change in tax rate	**(937)**	**–**
	(4,116)	**(12,432)**
	48,979	**44,390**

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

Except as described below, provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purposes at 25% pursuant to the Law of the PRC on Enterprise Income Tax and Implementation Legislation.

Starting from 1 January 2005, Zhejiang Tianneng Battery Co., Ltd. is exempted from PRC Enterprise Income Tax for two years starting from the first profit-making year in which profits exceed any carried forward tax losses followed by a 50% deduction in the income tax rate in the following three years. During the year, the concessionary rate enjoyed by the subsidiary was 12.5% (2008: 12.5%), which will be expired on 1 January 2010. The entity was recognised as High-Tech company and will enjoy the tax rate of 15% starting from 1 January 2010. The deferred tax has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the assets are realised or the liabilities are settled.

Apart from Zhejiang Tianneng Battery Co., Ltd., certain subsidiaries of the Company in PRC were recognised as High-Tech companies and enjoyed a tax rate of 15% (2008: 12.5%) starting from 1 January 2009.

The taxation charge for the year can be reconciled to the profit before taxation per consolidated statement of comprehensive income as follows:

	2009		2008	
	RMB'000	*%*	*RMB'000*	*%*
Profit before taxation	**319,674**		278,598	
Tax at the applicable income tax rate of 25% (2008: 25%) (note)	**79,919**	**25.0**	69,650	25.0
Tax effect of expenses not deductible for tax purposes	**3,308**	**1.0**	8,834	3.2
Tax effect of income not taxable for tax purposes	**(936)**	**(0.3)**	(1,473)	(0.5)
Tax effect of tax losses not recognised	**3,387**	**1.0**	4,548	1.6
Utilisation of tax losses not recognised	**(1,058)**	**(0.3)**	-	-
Income tax on concessionary rate	**(17,351)**	**(5.4)**	(31,380)	(11.3)
Effect of different tax rates of subsidiaries	**(10,059)**	**(3.1)**	(6,150)	(2.2)
Deductible temporary difference not recognised	**–**	**–**	428	0.2
Utilisation of deductible temporary difference not recognised	**(30)**	**–**	–	–
Effect of change in tax rate	**(937)**	**(0.3)**	–	–
(Over)under provision in prior years	**(3,386)**	**(1.1)**	925	0.3
Tax effect of additional deduction related to research and development cost	**(3,837)**	**(1.2)**	–	–
Others	**(41)**	**–**	(992)	(0.4)
Taxation charge and effective tax rate for the year	**48,979**	**15.3**	44,390	15.9

Note: The domestic income tax rate of 25% (2008: 25%) represents the PRC Enterprise Income Tax rate of which the Group's operations are substantially based.

8. DIVIDENDS

	2009	2008
	RMB'000	*RMB'000*
2008 final dividend declared of HK7.8 cents (equivalent to RMB7.0 cents (2007: HK6.8 cents (equivalent to RMB6.1 cents)) per ordinary share	**68,664**	60,432
2009 final dividend proposed of HK8.8 cents (equivalent to RMB7.8 cents (2008: HK7.8 cents (equivalent to RMB7.0 cents)) per ordinary share	**83,740**	68,664

9. EARNINGS PER SHARE

	2009	2008
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share	**270,695**	234,208
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,016,876,712**	1,000,000,000
Effect of dilutive potential ordinary shares options (note)	**8,367,960**	N/A
Weighted average number of ordinary shares for the purpose of calculating diluted earnings for share	**1,025,244,672**	N/A

Note: No diluted earnings per share for the year ended 2008 is presented as there were no potential ordinary shares outstanding during the period.

10. BILLS, TRADE AND OTHER RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Bills receivables	**96,960**	72,453
Trade receivables	**118,622**	84,333
Less: Allowance for bad and doubtful debts	**(37,658)**	(31,035)
	80,964	53,298
Other receivables	**19,137**	10,984
Less: Allowance for bad and doubtful debts	**(3,297)**	(5,084)
	15,840	5,900
Prepayments	**114,504**	13,178
Value Added Tax receivables	**70,289**	–
	378,557	144,829

The Group allows an average credit period of 180 days (2008: 180 days) for bills receivables. The following is an aged analysis of bills receivables net of allowance for doubtful debts at the end of the reporting period:

Age	2009	2008
	RMB'000	*RMB'000*
0 to 180 days	**96,821**	71,869
181 to 365 days	**139**	584
	96,960	72,453

Included in the above bills receivables of approximately RMB139,000 (2008: RMB584,000) are past due at the end of the reporting period for which the Group has not provided for impairment loss since the amount are subsequently recovered after the end of the reporting period.

The Group has a policy of allowing an average credit period of 45 days (2008: 45 days) for trade receivables. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the end of the reporting period:

Age	**2009**	2008
	RMB'000	*RMB'000*
0 to 45 days	**57,947**	30,557
46 to 90 days	**12,747**	8,605
91 to 180 days	**7,216**	7,424
181 to 365 days	**3,054**	6,712
	80,964	53,298

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and defines appropriate credit limits.

Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality.

Other receivables are unsecured, interest-free and are repayable on demand. Included in the Group's other receivable balance are other debtors with aggregate carrying amount of approximately RMB2,135,000 (2008: RMB14,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. After reassessment of the credit quality of these other receivables by the management, no impairment loss on other receivables should be recognised for in both years.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB23,017,000 (2008: RMB22,741,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss.

The following is an aged analysis of trade receivables which are past due but not impaired:

Age	**2009**	2008
	RMB'000	*RMB'000*
46-90 days	**12,747**	8,605
91-180 days	**7,216**	7,424
181-365 days	**3,054**	6,712
	23,017	22,741

Based on the historical experience of the Group, bills, trade and other receivables which are past due but not impaired are generally recoverable. The Group does not hold any collateral over these balances.

The Group has no significant concentration of credit risk on bills, trade and other receivables, with exposure spread over a large number of counterparties and customers.

The Group has provided fully for trade and other receivables over 1 year which are expected not recoverable because historical experience is such that receivables that are past due beyond 1 year are generally not recoverable. Impairment for trade receivables over 45 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience and objective evidences of impairment.

Movement in the allowance for doubtful debts – trade receivables

	2009	2008
	RMB'000	*RMB'000*
1 January	**31,035**	18,830
Allowance for bad and doubtful debts	**6,623**	12,205
31 December	**37,658**	31,035

Movement in the allowance for doubtful debts – other receivables

	2009	2008
	RMB'000	*RMB'000*
1 January	**5,084**	5,084
Reversal of bad and doubtful debts	**(1,787)**	–
31 December	**3,297**	5,084

In determining the recoverability of the bills, trade and other receivables, the Group reassesses the credit quality of the trade receivables since the credit was granted and up to the reporting date. Based on the historical experience of the Group, the directors believe that no further allowance is required.

During the year, the Group discounted RMB320,000,000 (2008: RMB5,580,000) of bills receivables to banks. As part of the transfer, the Group provided the banks with a credit guarantee over the expected loss of those receivables. Accordingly, the Group continues to recognised the full carrying amount of receivables and has recognised the cash received on the transfer as secured borrowings. As at 31 December 2008 and 2009, no bills receivables are discounted.

The Group's bills, trade and other receivables that are not denominated in the functional currencies are as follows:

	2009	2008
	RMB'000	*RMB'000*
Denominated in:		
Hong Kong dollars	**766**	658

11. TRADE AND OTHER PAYABLES

	2009	2008
	RMB'000	*RMB'000*
Trade payables	**241,058**	82,640
Other payables and accrued charges (note)	**199,162**	150,884
	440,220	233,524

Note: Included in the other payables and accrued charges is an amount of RMB26,504,000 (2008: RMB37,923,000) being warranty provisions which represents management's best estimate of the Group's liability under 8 to 15 months warranty period granted on battery products, based on prior experience and industry averages for defective products.

The Group normally receives credit terms of 5 days to 90 days from its suppliers. The following is an aged analysis of trade payables at the end of the reporting period:

Age	**2009**	2008
	RMB'000	*RMB'000*
0 to 90 days	**164,037**	68,267
91 to 180 days	**67,120**	9,769
181 to 365 days	**7,342**	2,209
1 to 2 years	**1,493**	1,196
Over 2 years	**1,066**	1,199
	241,058	82,640

MANAGEMENT ANALYSIS AND DISCUSSION

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

REVIEW OF OPERATIONS

The Company has developed strong brand recognition. In 2008, the Company was awarded "China Best Small and Medium-sized Enterprises 2008" by Forbes. The Company's lead acid motive battery products was awarded "2008 Chinese Best Brand of Motive Battery" and "2009 Chinese New Energy Motive Battery Brand Leadership of the Year" in the electric bike battery market by Frost & Sullivan. And, in June 2009, the brand TIANNENG was elected as "500 Most Valuable Brand in China" and "2008 500 Top Brand in Asia", and awarded "The Most Reliable Battery Brand for Electric Vehicles" and "Outstanding Contribution to the Promotion of Electric Vehicles Industry in China" by the electric vehicle channel of the website of CCTV on 31 January 2010. The Company is the only battery manufacturer among the winners of the latter.

Being the largest electric vehicle motive battery supplier in the PRC, the Company is maintaining its leading position in the industry by focusing on research and development, expanding secondary or replacement market and emphasizing on efficiency and effectiveness of operations.

The Company's Post-doctoral Scientific Research workstation is at national level. The focus of research is on storage battery products relating to the wind and solar power; lead-acid motive battery for pure electric cars, nickel hydride battery products and lithium battery products. As at 31 December 2009, the Company's research team consisted of 376 staff and the research and development costs are increased by approximately 101.2% as compared with the same period last year. In order to speed up the development of lead-acid battery products for pure electric cars, the Company entered into various technical cooperation arrangements with certain car manufacturers such as Chery and SAIC Group.

During the year ended 31 December 2009 ("the period under review"), the weighted average lead purchase price net of value added tax was approximately RMB11,841 per metric ton (2008: approximately RMB14,264 per metric ton), representing a decrease of approximately 17.0% as compared with the same period last year. On the other hand, the weighted average lead-acid battery selling price net of value added tax was approximately RMB87.1 (2008: approximately RMB104.7), representing a decrease of approximately 16.8% as compared with the same period last year. Owing to the decline in lead price, the Company increased its gross profit margin by approximately 6 % from approximately 22.5% to approximately 28.5%.

Note: Electric vehicles include Electric bike, Electric motor and Electric car.

In recent years, due to rapid development in the secondary or replacement market, the Company's sales and distribution strategy is to continue engaging exclusive distributors to further expand this market. At 31 December 2009, the Company had 620 exclusive distributors in total, representing an increase by 112 distributors from 508 distributors as at 31 December 2008. The Company's sales and distribution network covers most of the province of China and provides quality after sales services to ultimate customers. For the period under review, the sales revenue generated from secondary market accounted for approximately 73% of lead-acid battery turnover, against approximately 66% as compared with the same period last year. The financial storm occurred last year did impact certain electric bike manufacturers in China. In turn, it affected the Company's sales in primary market to a certain extent.

The Company has completed the construction of the renewable energy plant in Shuyang County of Jiangsu Province which is used to produce storage battery products (including the products used by solar and wind battery supply plant and public lighting system) using lead-acid battery production technology. Such plant began its trial production in June 2009 and the full-scale production is expected to commence in 2012.

FUTURE PROSPECTS

In order to exploit the advantages of matching the national policy of energy saving, the Company will allocate more resources on storage battery products and lead-acid, nickel hydride and lithium battery products relating to pure electric cars. Foreseeing the great demand for energy saving products, the Company is confident that these products can become its future revenue driver.

The Company also undertook the investment in the renewable energy and battery recycling business in Changxing Economic Development Zone. The investment project is expected to produce 6,000,000 KVAH motive batteries and recycle 150,000 metric tons of used lead-acid batteries by 2014 and 2012 respectively. Further details about the investment can be referred to the announcement of the Company dated 6 June 2009.

OPERATING RESULTS

Turnover

The Company's turnover decreased from approximately RMB2,585.30 million for the year ended 31 December 2008 to approximately RMB2,254.95 million for the year ended 31 December 2009, representing a decrease of approximately 12.8% as compared to the previous year, which was mainly due to the decrease in selling price arising from the financial crisis in the second half of 2008. Despite the overall drop in turnover, as the successful development of storage battery of new energy and battery product for pure electric cars, the turnover from storage battery and battery for pure electric cars increased by RMB29.82 million as compared to previous year. The Company expects that the demand for such products will keep rising.

Gross profit

The Company's gross profit increased by approximately 10.5% from approximately RMB581.10 million for the year ended 31 December 2008 to approximately RMB641.85 million for the year ended 31 December 2009. Gross profit margin rose by approximately 6% from approximately 22.5% for the year ended 31 December 2008 to approximately 28.5% for the year ended 31 December 2009. Such increase was mainly due to the decrease in lead price.

Other income

Other income of the Company increased by approximately 110.5% from approximately RMB29.57 million for the year ended 31 December 2008 to approximately RMB62.24 million for the year ended 31 December 2009. The increase was attributable to the increase in government grant and subsidies refund of electricity charges, VAT refund and bank interest income.

Selling and distribution costs

Selling and distribution costs increased by approximately 19.9% from approximately RMB164.33 million for the year ended 31 December 2008 to approximately RMB197.10 million for the year ended 31 December 2009. Such increase was mainly due to the increase in product warranty expenses.

Administrative expenses

Administrative expenses increased by approximately 11.0% from approximately RMB86.10 million for the year ended 31 December 2008 to approximately RMB95.56 million for the year ended 31 December 2009. Such increase was mainly due to the increase in payroll expenses and payroll-related expenses.

Finance costs

Finance costs sharply decreased by approximately 51.5% from approximately RMB27.51 million for the year ended 31 December 2008 to approximately RMB13.34 million for the year ended 31 December 2009. Such decrease was mainly due to the decrease in bank interest rate and borrowing amount.

Taxation

The Enterprise Income Tax ("EIT") of the Company amounted to approximately RMB48.98 million for the year ended 31 December 2009, representing an increase of approximately 10.3% from approximately RMB44.39 million for the year ended 31 December 2008. Such increase was due to the increase in taxable profit of the Company.

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 from operating activities amounted to approximately RMB18.96 million for the year ended 31 December 2009 which was mainly due to the increase in inventories, bills, trade and other receivables and trade and other payables.

As at 31 December 2009, the bank balances and cash (including the restricted bank deposits) of the Company was approximately RMB455.18 million (31 December 2008: approximately RMB530.41 million). As at 31 December 2009, the Company obtained undrawn banks facilities of approximately RMB1,705.00 million (31 December 2008: approximately RMB1,275.50 million). Most of the bank balances and cash (including the restricted bank deposits) are denominated in Renminbi.

As at 31 December 2009, the net current assets of the Company was approximately RMB858.74 million (31 December 2008: approximately RMB602.96 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 2009, the bank borrowings of the Company amounted to approximately RMB120.00 million with an interest rates between 4.37% to 5.31% per annum (At 31 December 2008: approximately RMB191.58 million with an interest rate between 4.86% to 7.56% per annum). All bank borrowings are denominated in Renminbi. The Company will closely monitor the changes in interest rate and assess the interest rate risk.

During the year, for improving the capital structure of the Group, the Company placed its shares, which has been completed on 12 October 2009. Pursuant to the placing agreement dated 8 October 2009, the Company placed 110,800,000 existing shares to not fewer than six placees who are independent of and not connected with the Company or any of its connected persons of the Company. Furthermore, pursuant to the subscription agreement related to the subscription, the Company has allotted and issued 80,000,000 new shares to Prime Leader Global Limited at HK$3.5 per new share. The subscription was completed on 16 October 2009. The gross proceeds from the subscription are approximately HK$280 million and the net proceeds to the Company from the subscription are approximately HK$272 million. The Directors intended to utilize the proceeds from the subscription as general working capital of the Company, technology upgrade at production facilities and investment into lead recycling plant.

The objective of the Company's financial policy is to maintain an optimal capital structure to minimize the capital cost through prudent financial management.

FINANCIAL POSITION

Assets

As at 31 December 2009, the total assets of the Company was approximately RMB2,258.41 million, representing an increase of 35.4% as compared to approximately RMB1,668.19 million as at 31 December 2008. Among them, non-current assets increased by approximately 26.1% to approximately RMB823.78 million and current assets increased by approximately 41.4% to approximately RMB1,434.63 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.

Liabilities

As at 31 December 2009, the total liabilities of the Company was approximately RMB575.89 million, representing an increase of approximately 33.3% from approximately RMB431.91 million as at 31 December 2008. The increase was mainly due to the increase in trade and other payables.

Major financial position ratio

	2009	2008
Current ratio	**2.5**	2.5
Quick ratio	**1.5**	1.6
Interest cover	**25.0**	11.1

Both current ratio and quick ratio remained stable when compared to the beginning of the year, indicating a healthy position of liquidity. The interest cover ratio improved to 25, representing an improvement in repayment capacity.

CAPITAL EXPENDITURE

The capital expenditure as at 31 December 2009 was approximately RMB174.80 million (At 31 December 2008: approximately RMB228.10 million). A majority of expenditure was incurred on renewable energy plant in Shuyang, Jiangsu Province in China, which began production in September 2009 and full-scale production is expected to commence in 2012.

CAPITAL COMMITMENTS

The amount contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment as at 31 December 2009 was approximately RMB84.79 million (At 31 December 2008: approximately RMB72.41 million).

GEARING RATIO

The Company's gearing ratio as at 31 December 2009 (which is based on the amount of total bank borrowings divided by total assets multiplied by 100%) was approximately 5.3% (At 31 December 2008: approximately 11.5%).

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

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2009 (At 31 December 2008: nil).

PLEDGE OF ASSETS

As at 31 December 2009, the bank facilities of the Group are secured by bank deposits, bills receivables, property, plant and equipment and prepaid lease payments. The aggregate net book value of the assets pledged amounted to RMB106.50 million (At 31 December 2008: RMB148.07 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2009, the Company employed a total of 7,877 employees (31 December 2008: 5,432 employees). Staff cost excluding directors' emoluments of the Group for the year of 2009 amounted to RMB183.36 million (2008: RMB148.03 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 2009 (31 December 2008: nil).

MATERIAL ACQUISITION AND DISPOSAL

For the year ended 31 December 2009, the Company had no material acquisition or disposal of subsidiaries and affiliated companies.

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

Save as disclosed in this announcement, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 1 May 2010 to 8 May 2010, both days inclusive, during which period no transfer of the shares of the Company 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 30 April 2010.

AUDIT COMMITTEE

The Company established an audit committee ("**Audit Committee**") in accordance with the requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("**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 Group for the year ended 31 December 2009.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2009, the Company has adopted the provisions of the Code on Corporate Governance (the "**Code**") contained in Appendix 14 to 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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2009 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group'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 announcement.

COMPLIANCE WITH THE MODEL CODE OF LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (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 2009.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held at Jin Ling Hotel, 89 Jin Ling Road South, Changxing County, Zhejiang Province, the PRC on Saturday, 8 May 2010 at 2:00 p.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 the shareholders of the Company on or about 31 March 2010.

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 31 March 2010.

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, 20 March 2010