

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



TIANNENG POWER INTERNATIONAL LIMITED

天能動力國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00819)

Interim results announcement for the six months ended 30 June 2011

FINANCIAL HIGHLIGHTS

- Revenue increased by 46.7% to approximately RMB2,437.6 million
- Gross profit margin increased by 4.2 percentage points from 18.3% to 22.5%
- Profit attributable to shareholders increased by 94.6% to approximately RMB201.0 million
- Basic earnings per share increased by 92.7% to approximately RMB18.5 cents

INTERIM RESULTS

The board of directors (the "Board" or the "Directors") of Tianneng Power International Limited ("Tianneng" or the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2011, together with the comparative figures for the same period in 2010. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's independent external auditors and the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	NOTES	Six months ended 30 June	
		2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Turnover	3	2,437,602	1,661,740
Cost of sales		(1,889,458)	(1,357,980)
Gross profit		548,144	303,760
Other income	4	24,401	43,054
Other gains and losses	5	(6,014)	(1,175)
Selling and distribution costs		(94,552)	(121,441)
Administrative expenses		(90,350)	(51,124)
Research and development costs		(53,023)	(38,838)
Other operating expenses		(14,847)	(4,710)
Share of loss of an associate		(110)	–
Finance costs		(29,560)	(3,006)
Profit before taxation	6	284,089	126,520
Taxation	7	(83,069)	(23,247)
Profit and total comprehensive income for the period attributable to the owners of the Company		201,020	103,273
Earnings per share	9		
– Basic		RMB18.5 cents	RMB9.6 cents
– Diluted		RMB18.3 cents	RMB9.4 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	NOTES	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	1,250,579	981,644
Prepaid lease payments	10	99,482	97,276
Interest in an associate		1,690	1,800
Deferred tax assets	11	25,979	34,582
Deposit for acquisition of property, plant and equipment		45,146	24,222
		1,422,876	1,139,524
Current assets			
Inventories		798,084	818,774
Held-for-trading investments	17	90,033	–
Bills, trade and other receivables	12	975,462	634,824
Prepaid lease payments	10	2,184	2,117
Pledged bank deposits	18	100,800	64,983
Bank balances and cash		673,389	424,303
		2,639,952	1,945,001
Current liabilities			
Bills, trade and other payables	13	759,133	545,439
Amount due to a related company		9	46
Taxation payable		34,025	37,878
Bank borrowings	14	1,161,895	515,000
		1,955,062	1,098,363

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	NOTES	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Net current assets		684,890	846,638
Total assets less current liabilities		2,107,766	1,986,162
Non-current liabilities			
Bank borrowings	14	30,000	30,000
Deferred tax liabilities	11	5,265	–
		35,265	30,000
		2,072,501	1,956,162
Capital and reserves			
Share capital	15	106,917	106,377
Reserves		1,965,584	1,849,785
Total equity		2,072,501	1,956,162

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010. In addition, the Group acquired held-for-trading investments in current interim period and has applied the following accounting policy:

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

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

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

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2012

⁴ Effective for annual periods beginning on or after 1 July 2012

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

3. TURNOVER

Six months ended 30 June

2011	2010
RMB'000	RMB'000
(unaudited)	(unaudited)

An analysis of turnover is as follows:

Lead-acid battery products

Electrical Bicycle Battery	2,247,856	1,570,165
Storage Battery	16,333	2,264
Pure Electric Car Battery (Note)	111,582	43,667
Battery for other usage	1,542	2,409
Nickel hydride and lithium-ion battery products	31,443	33,695
Others	28,846	9,540

2,437,602	1,661,740
------------------	------------------

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

4. OTHER INCOME

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

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

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

5. OTHER GAINS AND LOSSES

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

Notes:

1. Net loss on held-for-trading investments included dividend income of approximately RMB3,320,000 earned on these held-for-trading investments during the six months ended 30 June 2011.
2. During the six months ended 30 June 2011, the Group recovered trade receivables of approximately RMB743,000 (1.1.2010 to 30.6.2010: nil) on which allowance had previously been provided. As a result, a reversal of allowance for bad and doubtful debts has been recognised.

6. PROFIT BEFORE TAXATION

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

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

Share-based payments expense of approximately RMB14,130,000 (1.1.2010 to 30.6.2010: RMB2,760,000) were recognised in administrative expenses during the six months ended 30 June 2011 in respect of share options of the Company. Details of transactions are set out in note 16.

7. TAXATION

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The charge comprises:		
PRC Enterprise Income Tax		
– current period	53,606	25,297
– underprovision in prior period	8,817	–
	62,423	25,297
Withholding taxes paid	6,778	–
Deferred taxation (note 11)	13,868	(2,050)
	83,069	23,247

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

1. Certain subsidiaries of the Company in the PRC were recognised as High-Tech companies and enjoyed a tax rate of 15% in both periods.
2. Tianneng Battery (Wuhu) Co., Ltd. ("Tianneng Wuhu") operating in the PRC which was eligible for certain tax holidays and concessions in prior periods has applied standard tax rate of 25% in current interim period due to expiry of the relevant tax holidays and concession.
3. During the six months ended 30 June 2011, withholding tax of approximately RMB5,265,000 has been provided for in the current interim period based on the anticipated dividends to be distributed by the PRC entities to non-PRC residents.

8. DIVIDENDS

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

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

9. EARNINGS PER SHARE

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

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

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

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

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

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

11. DEFERRED TAXATION

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

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

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

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

11. DEFERRED TAXATION (CONTINUED)

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

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

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

12. BILLS, TRADE AND OTHER RECEIVABLES

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

12. BILLS, TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

Payment terms with customers are mainly on credit. The Group allows an average credit period of 45 days to its trade customers. The following is an aged analysis of trade receivables, presented based on invoice dates at the end of the reporting period:

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

13. BILLS, TRADE AND OTHER PAYABLES

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

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

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

13. BILLS, TRADE AND OTHER PAYABLES (CONTINUED)

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

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

14. BANK BORROWINGS

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

14. BANK BORROWINGS (CONTINUED)

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

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

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

Details of assets pledged by the Group at the end of the reporting period are set out in note 18.

15. SHARE CAPITAL

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

Notes:

- (a) During the year ended 31 December 2010, 3,327,000 share options were exercised at a subscription price of HK\$1.22 per share (equivalent to approximately RMB1.08 per share), resulting in the issue of 3,327,000 ordinary shares of HK\$0.10 each in the Company.
- (b) During the six months ended 30 June 2011, 6,472,000 share options were exercised at a subscription price of HK\$1.22 per share (equivalent to approximately RMB1.01 per share), resulting in the issue of 6,472,000 ordinary shares of HK\$0.10 each in the Company.

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

16. SHARE OPTIONS

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

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

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

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

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

17. HELD-FOR-TRADING INVESTMENTS

The investments represent equity securities listed in Hong Kong.

18. PLEDGE OF ASSETS

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

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

19. CAPITAL COMMITMENTS

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

20. RELATED PARTY TRANSACTIONS

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

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

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

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

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

The remuneration of directors and key executives are determined by the remuneration committee and executive directors respectively having regard to the performance of individuals and market trends.

21. SUBSEQUENT EVENT

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

REVIEW OF OPERATIONS

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

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

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

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

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

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

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

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

FUTURE PROSPECTS

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

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

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

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

FINANCIAL REVIEW

Turnover

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

Gross Profit

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

Other income

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

Selling and distribution costs

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

Administrative expenses

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

Research and development costs

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

Finance costs

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

CAPITAL STRUCTURE, FINANCIAL RESOURCES AND LIQUIDITY

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

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

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

As at 30 June 2011, the cash and bank balances of the Group (including pledged bank deposits) was approximately RMB774.2 million (31 December 2010: approximately RMB489.3 million). The majority of cash and bank balances of the Group (including restricted bank deposits) amounting to RMB759.1 million are denominated in Renminbi. As at 30 June 2011, the Group has short-term bank borrowings of approximately RMB1,161.9 million (31 December 2010: approximately RMB515 million). The short-term bank borrowings are repayable within one year. The Group's non-current bank borrowings were approximately RMB30.0 million which is the same as the balance as at 31 December 2010. All the bank borrowings are denominated in Renminbi and HK Dollar (for details, please refer to note 14 to the Condensed Consolidated Financial Statements) with interest rates between 3.62% to 7.00% per annum (31 December 2010: 4.36% to 6.12% per annum).

Pledge of Assets

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

Gearing ratio

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

Exposure in exchange rate fluctuations

As the Group's operations were mainly conducted in China and the majority of the sales and purchases were transacted in Renminbi, the directors of the Company (the "**Directors**") are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange rate risks and therefore no hedging arrangements were made. However, the Group will review and monitor the relevant foreign exchange exposure from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when appropriate.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2011 (31 December 2010: Nil).

Capital commitments

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2011, the Group employed a total of 10,078 employees. Staff cost of the Group for the first half of 2011 was approximately RMB167.9 million (six months ended 30 June 2010: approximately RMB129.2 million). The cost included basic salaries and staff benefits such as discretionary bonus, medical and insurance plans, pension scheme, unemployment insurance plan etc. Competitive remuneration packages were offered to employees. The Company has adopted incentive programs to encourage employees' performance and a range of training programs for the development of its staff.

INTERIM DIVIDEND

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

SIGNIFICANT INVESTMENTS HELD

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

MATERIAL ACQUISITION AND DISPOSAL

During the period under review, the Company had no material acquisition or disposal of subsidiaries and affiliated companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

For details, please refer to note 16 to the Condensed Consolidated Financial Statements.

IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL PERIOD

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

CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance. The Board believes that good corporate governance practices are increasingly important for maintaining and promoting investors' confidence. Throughout the six months ended 30 June 2011, the Company has adopted and complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the code provision A.2.1. Mr. Zhang Tianren is both the Chairman and Chief Executive Officer ("**CEO**") of the Company who is responsible for managing the Group's business. The Board considers that vesting the roles of Chairman and CEO in the same person facilitates the execution of the Company's business strategies and maximizes the effectiveness of its operation. With the present Board structure and scope of business, the Board considers that there is no imminent need to separate the roles into two individuals. However, the Board will continue to review the effectiveness of the Group's corporate governance structure to assess whether the separation of the position of the Chairman and CEO is necessary.

The Company has established the Audit Committee in compliance with the Rule 3.21 of the Listing Rules. The Company's Audit Committee comprises three independent non-executive Directors. The primary duties of the Audit Committee (inter alia) are to review the financial reporting process and internal control system of the Group, and to make proposals to the Board as to appointment, renewal and resignation of the Company's independent external auditors and the related remuneration and appointment terms. The Audit Committee has reviewed this interim report with the management of the Company and the Company's independent external auditors and recommended its adoption by the Board.

The interim financial information of the Company in this announcement has not been audited. However, it has been prepared in accordance with HKAS 34 "Interim Financial Reporting" and has been reviewed by the Company's independent external auditors Deloitte Touche Tohmatsu in accordance with the Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules. Having made specific enquiry, all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2011.

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

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 16 to the financial statements.

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

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

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

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, Mr. HUANG Dongliang and Mr. WANG Jingzhong.

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

By order of the Board
Zhang Tianren
Chairman

Hong Kong, 27 August 2011