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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)

DISCLOSEABLE TRANSACTION

THE INVESTMENT AGREEMENT

The Board is pleased to announce that on 15 August 2012, Tianneng Battery, the Vendors and the Target Company entered into the Investment Agreement pursuant to which (i) Tianneng Battery conditionally agreed to purchase and the Vendors conditionally agreed to sell 70% of the registered capital of the Target Company at a consideration of RMB15.5 million in cash; (ii) Tianneng Battery and the Vendors agreed to contribute RMB45 million in aggregate to the registered capital of the Target Company on the basis of their respective shareholding percentage in the Target Company immediately after the completion of the Acquisition. Therefore, Tianneng Battery will contribute RMB31.5 million and the Vendors will contribute RMB13.5 million in aggregate in cash respectively; and (iii) subject to the issue of the new business license to the Target Company upon Completion, Tianneng Battery agreed to provide a shareholder's loan of approximately RMB65.6 million in aggregate to the Target Company.

Upon completion of the Acquisition, the Target Company will be owned as to 70%, 24% and 6% by Tianneng Battery, the Vendor A and the Vendor B respectively.

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions to be contemplated under the Investment Agreement exceed 5% but less than 25%, the entering into of the Investment Agreement constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 15 August 2012, Tianneng Battery, the Vendors and the Target Company entered into the Investment Agreement pursuant to which (i) Tianneng Battery conditionally agreed to purchase and the Vendors conditionally agreed to sell 70% of the registered capital of the Target Company at a consideration of RMB15.5 million in cash; (ii) Tianneng Battery and the Vendors agreed to contribute RMB45 million in aggregate to the registered capital of the Target Company on the basis of their respective shareholding percentage in the Target Company immediately after the completion of the Acquisition. Therefore, Tianneng Battery will contribute RMB31.5 million and the Vendors will contribute RMB13.5 million in aggregate in cash respectively; and (iii) subject to the issue of the new business license to the Target Company upon Completion, Tianneng Battery agreed to provide a shareholder's loan of approximately RMB65.6 million in aggregate to the Target Company.

THE INVESTMENT AGREEMENT

Date: 15 August 2012

Parties: (i) Tianneng Battery, being the purchaser;

(ii) the Vendors, being the vendors; and

(iii) the Target Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendors are third parties independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Investment Agreement, Tianneng Battery will acquire 70% of the registered capital of the Target Company. Upon completion of the Acquisition, the Target Company will be owned as to 70%, 24% and 6% by Tianneng Battery, the Vendor A and the Vendor B respectively, and will become an indirect non-wholly owned subsidiary of the Company. Hence, the financial results of the Target Company will be consolidated into the financial results of the Group.

Consideration

The consideration of the Acquisition is RMB15.5 million in cash payable by Tianneng Battery to the Vendors within 10 Business Days after the signing of the Investment Agreement and upon the satisfaction of the conditions as set out in the paragraphs headed "Conditions Precedent" below.

The consideration was arrived at after arm's length negotiations between Tianneng Battery and the Vendors and was principally determined with reference to (i) the audited net asset value of the Target Company as at 31 July 2012 of approximately RMB5.5 million; and (ii) the synergy effect among the Jieshou Base and the Target Company expected to be resulted from the vertical integration expansion under the Acquisition.

Capital Contribution

Upon the completion of the registration with the local administrative authority of industry and commerce concerning the Acquisition and the satisfaction of the conditions as set out in the paragraphs headed “Conditions Precedent” below, Tianneng Battery, the Vendor A and the Vendor B will contribute RMB31.5 million, RMB10.8 million and RMB2.7 million in cash respectively to the registered capital of the Target Company within 5 Business Days on the basis of their respective shareholding percentage in the Target Company immediately after completion of the Acquisition. Hence, upon completion of the Capital Contribution, the registered capital of the Target Company will be increased from RMB5 million to RMB50 million. The amount of capital contribution to be paid by the parties was determined after arm’s length negotiations between the parties with reference to the capital need and shareholding structure of the Target Company.

Conditions Precedent

Completion is conditional on:

- (a) the official chops of the Target Company, including but not limited to the chops for financial purpose and contract signing, and the original copy of business license, the articles of association, the organization code certificate, the tax registration certificate and the bank loan card having been under common custody of Tianneng Battery and the Vendors;
- (b) no laws, regulations, rules, orders or notices having been introduced, released or enforced by the PRC governmental departments or authorities which forbid the Acquisition; no pending litigations, arbitrations, disputes, investigations or other legal proceedings or pending matters having constituted a ban and significant adverse impact which lead the Investment Agreement invalid or unenforceable;
- (c) all representations and warranties made by the Vendors and the Target Company under the Investment Agreement being true and without material omissions from the signing date of the Investment Agreement and remaining so up to the completion of the registration procedures with the relevant administrative authority of industry and commerce concerning the Acquisition and the Capital Contribution; and
- (d) the Vendors and the Target Company having fulfilled their obligations and complied with the requirements as stipulated under the Investment Agreement which are required to be fulfilled or complied prior to the Completion.

The Target Company and the Vendors shall breach the Investment Agreement if they fail to complete the registration with the local administrative authority of industry and commerce within 30 days after signing of the Investment Agreement or breach other undertakings under the Investment Agreement. And, in such events, the Target Company and the Vendors shall be jointly and severally liable to return Tianneng Battery the full amount paid under the Acquisition and the Capital Contribution and the amount of shareholder’s loan provided by Tianneng Battery to the Target Company, plus an interest at a rate of 10% per annum, and compensate Tianneng Battery for its losses such a result of such breach.

Shareholder's loan

Subject to the issue of the new business license to the Target Company upon Completion, Tianneng Battery agrees to provide a shareholder's loan of approximately RMB65.6 million in aggregate to the Target Company. The amount of shareholder's loan to be provided by Tianneng Battery was determined after arm's length negotiations between the parties to the Investment Agreement with reference to the capital need and shareholding structure of the Target Company.

Termination

The Investment Agreement may be terminated by one of the circumstances below:

- (a) by all parties to the Investment Agreement if all those parties agree to terminate the Investment Agreement in writing and determine an effective termination date,
- (b) by either party by giving a 10 Business Days prior written notice to the other parties, with an effective termination date stated therein, in the event that (i) untrue or material omission in the representations and warranties made by another party(ies) under the Investment Agreement being found, or (ii) agreements, guarantees and duties having been breached by a party while no effective remedial measure having been taken by such party within 15 Business Days from the date of written request issued by another party; or
- (c) by Tianneng Battery in writing if the registration with the local administrative authority of industry and commerce concerning the Acquisition and Capital Contribution has not been completed within 30 days from the signing date of the Investment Agreement.

The Investment Agreement shall cease and terminate under one of the circumstances above. In such case, none of the parties shall have any obligations and liabilities towards each other or make any claim against the other party(ies) thereunder save for any antecedent breaches of the terms thereof and certain obligations thereunder. The Target Company and the Vendors shall return the full amount paid by Tianneng Battery under the Acquisition and the Capital Contribution and the amount of shareholder's loan provided by Tianneng Battery to the Target Company, plus an interest at a rate of 10% per annum.

INFORMATION ON TIANNENG BATTERY AND THE GROUP

Tianneng Battery is an investment holding company indirectly wholly-owned by the Company and is principally engaged in the research and development, manufacture and sale of lead-acid batteries and battery related accessories.

The Group is principally engaged in the production and sale of motive battery products applicable to electric vehicles and new energy storage battery products in the PRC.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability on 17 April 2008 and is owned as to 80% and 20% by the Vendor A and the Vendor B respectively as at the date of this announcement. It is principally engaged in the production and sale of electrode plates, being one of the essential materials of the Group's lead acid motive battery products, in Jieshou City, Auhui Province, the PRC and is one of the suppliers of the Group.

Set out below are the financial information of the Target Company for the two years ended 31 December 2011:

	For the year ended 31 December 2010 (audited) RMB'000	For the year ended 31 December 2011 (unaudited) RMB'000
Turnover	158,700	349,024
Profit before taxation and extraordinary items	1,015	6,988
Profit after taxation and extraordinary items	761	5,241

As at 31 July 2012, the audited net asset value of the Target Company amounted to approximately RMB5.5 million.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE INVESTMENT AGREEMENT

The Target Company is principally engaged in the production and sale of electrode plates, which are one of the essential materials of the Group's lead acid motive battery products. The production technology of electrode plates has long been the core production knowhow of the Group. Through this vertical integration expansion, the Group can effectively expand its production capacity of electrode plates and facilitate its quality control of raw materials.

Moreover, the Jieshou Base is one of the major production bases of the Group in the PRC. The Board is of the view that, the Group can further expand its economic scale in production in the Jieshou Base after acquiring the Target Company. As a result, a synergy effect and an effective cost control can be achieved during the period of industry consolidation of the lead battery industry in the PRC.

Having considered the above, the Directors are of the view that the transactions contemplated under the Investment Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GENERAL

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions to be contemplated under the Investment Agreement exceed 5% but less than 25%, the entering into of the Investment Agreement constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Acquisition”	:	the sale and purchase of 70% of the registered capital of the Target Company pursuant to the Investment Agreement
“Board”	:	the board of the Directors
“Business Day”	:	a day (other than a Saturday and a Sunday and a day on which a tropical cyclone warning number 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general banking business in Hong Kong throughout their normal business hours
“Capital Contribution”	:	the capital contribution by Tianneng Battery and the Vendors of RMB45 million in aggregate in cash to the registered capital of the Target Company on the basis of their respective shareholding percentage immediately after the Acquisition pursuant to the Investment Agreement
“Company”	:	Tianneng Power International Limited, a company incorporated in Cayman Inlands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 819)
“Completion”	:	completion of the Acquisition and the Capital Contribution pursuant to the Investment Agreement
“connected persons”	:	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	:	the director(s) of the Company
“Group”	:	the Company and its subsidiaries

“Hong Kong”	:	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	:	party or parties that is or are not connected with the Company, any directors, chief executives, controlling shareholders, substantial shareholders, their respective subsidiaries or any of their respective associates
“Investment Agreement”	:	the investment agreement dated 15 August 2012 entered into between Tianneng Battery, the Vendors and the Target Company in relation to, among others, the Acquisition, the Capital Contribution and the provision of a shareholder’s loan
“Jieshou Base”	:	the production base of the Group located in the Jieshou City, Anhui Province, the PRC.
“Listing Rules”	:	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	:	the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Shares”	:	ordinary shares of nominal value of HK\$0.1 each in the capital of the Company
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“Target Company”	:	安徽中能電源有限公司 (AnHui ZhongNeng Power Supply Company Limited*), a company incorporated in the PRC with limited liability which is owned as to 80% by the Vendor A and 20% by the Vendor B
“Tianneng Battery”	:	Tianneng Battery Group Co., Ltd, a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	:	Renminbi, the lawful currency of PRC

“Vendors”	:	the Vendor A and the Vendor B
“Vendor A”	:	Mr. 朱忠華, an Independent Third Party
“Vendor B”	:	Mr. 朱國華, an Independent Third Party
“%”	:	per cent.

For and on behalf of
Tianneng Power International Limited
Zhang Tianren
Chairman

Hong Kong, 15 August 2012

As at the date of this announcement, the Directors are as follows:

Executive directors: Mr. ZHANG Tianren, Mr. ZHANG Aogen, Mr. CHEN Minru, Mr. ZHANG Kaihong, Mr. SHI Borong, and Mr. YANG Lianming;

Independent non-executive directors: Mr. HO Tso Hsiu, Mr. HUANG Dongliang and Mr. WANG Jingzhong

* *For identification purpose only.*