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 2013

FINANCIAL HIGHLIGHTS

- Revenue increased by 37.9% to RMB13,635.06 million.
- Gross profit decreased by 24.3% to RMB1,404.385 million.
- Profit attributable to shareholders decreased by 80.9% to RMB135.30 million.
- A final dividend of HK4.6 cents per share is proposed.
- Basic earnings per share decreased by 81.2% to approximately RMB0.12.

2013 ANNUAL RESULTS

The board of directors (the "Board") of Tianneng Power International Limited (the "Company" or "Tianneng Power") is to announce the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 together with the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	**2013** **RMB'000**	2012 *RMB'000*
Turnover	*4*	**13,635,060**	9,887,641
Cost of sales		**(12,230,675)**	(8,032,504)
Gross profit		**1,404,385**	1,855,137
Other income		**177,609**	129,854
Other gains and losses		**(56,692)**	(8,118)
Selling and distribution costs		**(412,985)**	(250,264)
Administrative expenses		**(366,955)**	(302,450)
Research and development costs		**(355,307)**	(293,586)
Other operating expenses		**(104,547)**	(95,234)
Share of loss of an associate		**(428)**	(439)
Finance costs	*5*	**(143,840)**	(122,385)
Profit before taxation	*6*	**141,240**	912,515
Taxation	*7*	**(10,915)**	(203,116)
Profit and total comprehensive income for the year		**130,325**	709,399
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**135,295**	710,137
Non-controlling interests		**(4,970)**	(738)
		130,325	709,399
Earnings per share	*9*		
– Basic		**RMB0.122**	RMB0.648
– Diluted		**RMB0.121**	RMB0.640

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		**2,893,055**	2,383,091
Goodwill		**499**	8,715
Prepaid lease payments		**233,795**	157,532
Interest in an associate		**592**	1,020
Deferred tax assets		**191,859**	126,944
Deposit for acquisition of property, plant and equipment		**45,535**	107,117
		3,365,335	2,784,419
Current assets			
Inventories		**1,857,045**	1,953,846
Held-for-trading investments		**3,216**	46,993
Bills, trade and other receivables	*10*	**1,656,787**	1,557,642
Prepaid lease payments		**6,208**	3,837
Time deposit		–	160,000
Pledged bank deposits		**73,100**	120,305
Bank balances and cash		**942,535**	813,669
Other financial assets		–	4,500
		4,538,891	4,660,792
Current liabilities			
Bills, trade and other payables	*11*	**1,920,512**	1,280,522
Amounts due to related parties		**31,623**	15,810
Taxation payable		**61,912**	102,254
Bank borrowings – current portion		**2,142,900**	2,357,796
Short-term loan notes		–	400,000
		4,156,947	4,156,382
Net current assets		**381,944**	504,410
Total assets less current liabilities		**3,747,279**	3,288,829
Non-current liabilities			
Bank borrowings – non-current portion		**575,694**	70,000
Deferred tax liabilities		**30,512**	17,893
Long-term loan notes		**78,806**	78,593
		3,062,267	3,122,343
Capital and reserves			
Share capital		**108,710**	107,696
Reserves		**2,893,732**	2,945,199
Attributable to the owners of the Company		**3,002,442**	3,052,895
Non-controlling interest		**59,825**	69,448
Total equity		**3,062,267**	3,122,343

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")

(a) New and revised HKFRSs adopted during the year

The Group has applied for the first time in the current year the following new and revised HKFRSs.

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with Hong Kong Accounting Standard ("HKAS") 32 *Financial Instruments: Presentation*; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) Int-12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) – Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 *Fair Value Measurement* for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HKAS 19 Employee Benefits (as revised in 2011)

In the current year, the Group has applied HKAS 19 *Employee Benefits* (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, HKAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

The directors of the Company reviewed and assessed that the application of the above and other new or revised HKFRSs in the current reporting period has had no material effect on the amounts reported and disclosures set out in these consolidated financial statements.

(b) New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Continuations[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HK(IFRIC) Int 21	Levies[1]
HKFRS 14	Regulatory Deferral Accounts[5]

1 Effective for annual periods beginning on or after 1 January 2014.

2 Effective for annual periods beginning on or after 1 July 2014.

3 Available for application-the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalized.

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of HKFRS 9 in the future will not have any significant impact on the Group's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of currently has a legally enforceable right of set-off and simultaneous realisation and settlement.

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

HK (IFRIC) Int 21 Levies

HK (IFRIC) Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of HK (IFRIC) Int 21 will have no material effect on the Group's consolidated financial statements.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations in the future will have no material impact on the consolidated financial statements.

3. OPERATING SEGMENTS

For the purposes of resources allocation and performance assessment, the chief operating decision makers, the Executive Directors, regularly review turnover for major products and market segments (see note 4). However, the financial information provided to the Executive Directors does not contain profit or loss information of each product line and the Executive Directors review the operating results of the Group on a consolidated basis. Therefore, the operation of the Group constitutes one single reportable segment, being the manufacture and sales of lead-acid batteries and battery related accessories.

Segment revenues and results

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

The Executive Directors consider 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 both years.

4. TURNOVER

	2013	2012
	RMB'000	*RMB'000*
An analysis of turnover is as follows:		
Lead-acid motive battery products:		
Electrical Bicycle Battery	**10,390,999**	7,952,787
Electrical Tricycle Battery	**2,250,829**	1,279,094
Pure Electric Car Battery *(Note)*	**511,112**	393,479
Lithium battery products	**123,254**	46,509
Others	**358,866**	215,772
	13,635,060	9,887,641

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

5. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Interest on:		
– Bank borrowings wholly repayable within five years	**173,474**	151,373
– Bank borrowings not wholly repayable within five years	**277**	–
– Effective interest on long-term loan note wholly repayable within five years	**213**	–
– Effective interest on long-term loan note not wholly repayable within five years	**–**	93
– Factorised bills receivable wholly repayable within five years	**5,324**	6,343
Total borrowing costs	**179,288**	157,809
Less: amounts capitalised	**(35,448)**	(35,424)
	143,840	122,385

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.24% (2012: 6.21%) per annum to expenditure on qualifying assets.

6. PROFIT BEFORE TAXATION

	2013	2012
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**3,651**	3,146
Other staff retirement benefit scheme contributions	**41,676**	37,312
Other staff costs	**864,900**	670,211
Share-based payment expense for other staff	**8,338**	19,257
Total staff costs	**918,565**	729,926
Recognition of allowance for inventories (included in cost of sales)	**11,170**	24
Amortisation of prepaid lease payments	**3,876**	2,511
Auditor's remuneration	**2,553**	3,395
Cost of inventories recognised as expense	**12,070,646**	8,032,504
Depreciation	**187,721**	127,597

Share-based payment expense of approximately RMB8,338,000 (2012: RMB19,323,000) were recognised in profit or loss during the year ended 31 December 2013 in respect of share options of the Company.

7. TAXATION

The charge comprises:

	2013	2012
	RMB'000	*RMB'000*
Hong Kong		
– Current tax	**236**	2,182
PRC Enterprise Income Tax ("EIT"):		
– Current tax	**76,190**	252,803
– Over provision in prior years	**(3,115)**	(13,947)
– Withholding tax on distribution of earnings from PRC subsidiaries	**–**	40,799
– Over provision of withholding tax on undistributed profits in 2012	**(10,100)**	–
	62,975	279,655
Deferred tax (credit) charge	**(52,296)**	(78,721)
	10,915	203,116

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profit for the year ended 31 December 2013.

Except as described below, provision for PRC Enterprise Income Tax is made 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 Regulation.

Tianneng Battery Group Co., Ltd. was recognised as a High-Tech company and enjoys the tax rate of 15% from 1 January 2010 to 14 October 2014.

Tianneng Battery (Wuhu) Co., Ltd. was recognised as a High-Tech company in 2009 and 2012 respectively and the applicable tax rate is 15% from 1 January 2009 to 29 June 2015.

Zhejiang Tianneng Energy Technology Co., Ltd. was recognised as a High-Tech company in 2009 and 2012 respectively and the applicable tax rate is 15% from 1 January 2009 to 29 October 2015.

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

Withholding tax of approximately RMB2,100,000 (2012: RMB22,799,000) has been provided for in the year ended 31 December 2013 with reference to the anticipated dividends to be distributed by the PRC entities to non-PRC tax residents.

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

	2013		2012	
	RMB'000	*%*	*RMB'000*	*%*
Profit before taxation	**141,240**		912,515	
Tax at the applicable income tax rate of 25% (2012: 25%) (note)	**35,310**	**25.0**	228,129	25.0
Tax effect of expenses not deductible for tax purposes	**13,459**	**9.5**	10,036	1.1
Tax effect of tax losses not recognised	**3,769**	**2.7**	5,108	0.6
Tax effect of deductible temporary differences not recognised	**863**	**0.6**	3,934	0.4
Utilisation of tax losses and deductible temporary differences previously not recognised	**(6,735)**	**(4.8)**	(4,603)	(0.5)
Income tax at concessionary rates	**(3,663)**	**(2.6)**	(29,572)	(3.2)
Over provision in prior years	**(3,115)**	**(2.2)**	(13,947)	(1.5)
Tax effect of applying a reduced withholding tax rate on undistributed profits retained in prior years in PRC subsidiaries	**(10,100)**	**(7.2)**	–	–
Tax effect of additional deduction related to research and development costs and certain staff costs	**(20,973)**	**(14.8)**	(18,768)	(2.1)
Withholding tax on undistributed profits of PRC subsidiaries	**2,100**	**1.5**	22,799	2.5
Taxation charge and effective tax rate for the year	**10,915**	**7.7**	203,116	22.3

Note: The domestic income tax rate of 25% (2012: 25%) represents the PRC Enterprise Income Tax rate of which the Group's operations are substantially based.

8. DIVIDENDS

	2013	2012
	RMB'000	*RMB'000*
2012 final dividend recognised as distribution of HK23.8 cents (equivalent to RMB18.94 cents) (2011: HK20.8 cents (equivalent to RMB16.9 cents)) per ordinary share	**210,648**	186,543
2013 final dividend proposed of HK4.6 cents (equivalent to RMB3.62 cents) (2012: HK23.8 cents (equivalent to RMB19.19 cents)) per ordinary share	**40,212**	210,965

A final dividend of HK4.6 cents (equivalent to RMB3.62 cents) per ordinary share (2012: HK23.8 cents (equivalent to RMB19.19 cents) per share) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

	2013	2012
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share — attributable to the owners of the Company	**135,295**	710,137
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,108,535,726**	1,096,522,542
Effect of dilutive potential ordinary shares – share options	**9,967,298**	13,394,475
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,118,503,024**	1,109,917,017

10. BILLS, TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Bills receivables	**628,830**	621,269
Trade receivables	**485,609**	643,323
Less: Allowance for bad and doubtful debts	**(58,043)**	(55,400)
	427,566	587,923
Other receivables	**98,353**	50,923
Less: Allowance for bad and doubtful debts	**(7,323)**	(5,703)
	91,030	45,220
Prepayments	**278,007**	100,601
Value Added Tax receivables	**231,354**	202,629
	1,656,787	1,557,642

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

	2013	2012
	RMB'000	*RMB'000*
0 to 180 days	628,830	621,269

The Group has a policy of allowing an average credit period of 45 days (2012: 45 days) for trade debtors. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2013	2012
	RMB'000	*RMB'000*
0 to 45 days	**280,062**	459,186
46 to 90 days	**105,233**	92,052
91 to 180 days	**16,112**	27,653
181 to 365 days	**26,159**	9,032
	427,566	587,923

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 receivables and considers trade receivables that are neither past due nor impaired to be of a good credit quality.

Other receivables are unsecured and interest-free.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB147,504,000 (2012: RMB128,737,000) 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:

	2013	2012
	RMB'000	*RMB'000*
46 to 90 days	**105,233**	92,052
91 to 180 days	**16,112**	27,653
181 to 365 days	**26,159**	9,032
	147,504	128,737

Based on the historical experience of the Group, trade receivables which are past due for less than one year 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 spreading over a large number of counterparties and customers.

The Group has provided fully for trade and other receivables over 1 year which are expected to be 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

	2013	2012
	RMB'000	*RMB'000*
1 January	**55,400**	48,272
Allowance for bad and doubtful debts	**6,136**	7,483
Reversal of bad and doubtful debts	**(3,493)**	(355)
31 December	**58,043**	55,400

Movement in the allowance for doubtful debts – other receivables

	2013	2012
	RMB'000	*RMB'000*
1 January	**5,703**	5,241
Allowance for bad and doubtful debts	**1,620**	1,121
Reversal of bad and doubtful debts	–	(626)
Amounts written off as uncollectible	–	(33)
31 December	**7,323**	5,703

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

11. BILLS, TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**772,145**	533,863
Bills payables	**183,500**	–
Other payables and accrued charges *(note)*	**964,867**	746,659
	1,920,512	1,280,522

Note: The Group provided a warranty of up to 15 months on all lead-acid battery products. For lead-acid battery products found to be defective under the terms of the warranty, the Group undertakes to replace the battery free of charge for products returned within 8 months from the date of sale, and to repair the battery free of charge for products returned between the 9th month to the 15th month after the date of sale. A warranty expense is estimated and accrued at the time of sale and is based upon various factors including estimated net realisable value of products replaced, estimated volume of warranty claims with reference to prior experience and number of products sold. The amount of accrued warranty is adjusted to reflect the actual costs incurred when information becomes available.

At 31 December 2013, included in the other payables and accrued charges is a warranty provision of RMB203,132,000 (2012: RMB43,103,000) which represents management's best estimate of the Group's liability within the 15-month warranty period granted on the Group's lead-acid battery products. Details of the movement in the warranty provision are set out as below:

	2013	2012
	RMB'000	*RMB'000*
At 1 January	**43,103**	32,309
Provision in the year	**537,652**	200,719
Utilisation of provision	**(377,623)**	(189,925)
At 31 December	**203,132**	43,103

The Group normally receives credit terms of 5 days to 90 days (2012: 5 days to 90 days) from its suppliers. The following is an aged analysis of trade payables at the end of the reporting period, presented based on the invoice date:

	2013	2012
	RMB'000	*RMB'000*
0 to 90 days	**657,919**	474,281
91 to 180 days	**66,303**	40,769
181 to 365 days	**32,634**	11,711
1 to 2 years	**8,199**	3,647
Over 2 years	**7,090**	3,455
	772,145	533,863

MANAGEMENT ANALYSIS AND DISCUSSION

The Group is principally engaged in the production and sale of motive batteries applicable to electric vehicles. It is one of the largest manufacturers of motive batteries in China and sells its products under its own major brand name "天能/TIANNENG". The Group's lead and lithium motive battery products are predominantly used in electric bikes, electric tricycles and electric cars. The Group also manufactures new energy storage battery mainly for wind and solar power generation system.

REVIEW OF OPERATIONS

In respect of product sales, the Group's overall goal was to expand market share in order to further strengthen its leading position in the industry. The total amount of sales for the year was approximately RMB13.64 billion, representing an increase of 37.9% over the year 2012. In addition, and according to IPSOS (a market survey institution) Report, the Group's principal product - lead motive battery for electric bike captured 35% of market share, while an overwhelming majority of other competitors only shared 5% or less of the market.

In respect of sales of motive battery for electric bike, during the year, the Group aimed at accelerating industry integration and increasing its market share, and flexible pricing and enhancing brand name became the major tactics. According to IPSOS Report, the industry demand in 2013 annually grew less than 10%. The Group's sales of lead motive battery for electric bike during the year amounted to RMB10,391 million, representing an increase of 30.7% when compared with the previous year, which is substantially higher than the industry average. As at 31 December 2013, the Group had 1,694 exclusive distributors in the secondary market, which was 380 more than 1,314 as at 31 December 2012. The Group's secondary market sales and distribution network covered most parts of China.

In respect of the sales of motive battery for electric tricycle, during the year, the Group aimed at grasping the explosive growth in the market and market opportunities arising from urbanization and seizing market share. Expanding strategic cooperation with customers, strengthening product promotion in new rural villages and urban towns and leveraging the extensive distribution network of lead motive battery for electric bike became the major tactics. According to IPSOS Report, the industry demand in 2013 annually grew about 43.6%. During the year, the Group's sales revenue of lead motive battery for electric tricycle amounted to RMB2,251 million, representing an increase of 76.0% when compared with the previous year, and which was higher than the industry average by 32.4 percentage points.

In respect of sales of electric car motive battery, during the year, the Group took lead to work with the low-speed electric car industry and the Government to speed up the formulation of the relevant administrative measures. The Group also conducted a lot of strategic research jointly with electric car manufacturers in the regions where the development of China's low-speed electric car industry was facing the fastest growth (including Shandong, Henan and Anhui). In the meantime, the Group have maintained and built strategic partnership with Chery Automobile, Shandong Tang Jun, Shifeng Group and Kandi Automobile, all of them were manufacturers of electric car. The Group's sales of electric car motive battery for the year amounted to RMB510 million. According to IPSOS Report, the Group's market share in the China low-speed electric car battery industry for the year reached 51%.

In respect of the lead battery production and production base establishment, due to increase in sales of lead battery faster than production capacity growth, the Group had to expand OEM production to meet the demand. In the year 2013, the proportion of its own production and OEM production is 61: 39 (2012: 77:23). During the year under review, Puyang base is a large newly-built integrated production base of the Group, which is now under construction. The remaining seven bases have completed different degrees of production capacity enhancement and production technology improvement.

In respect of lead battery recycling project, the Group established the first-ever and only one lead battery recycling plant in the lead battery industry in Changxing Wushan base, for collection of and dealing with used batteries. The plant has been put into operation. The Group's second lead battery recycling project construction has started in Henan Puyang base.

In respect of research and development, in order to maintain product competitiveness, the Group made extensive investment in research and development. The Group's research and development activities focused on developing clean, durable and environmental-friendly new energy products. In July 2008, the Chinese government approved the upgrade of the Group's Postdoctoral Scientific Research Workstation from provincial level to national level and Tianneng Energy Research Centre (天能能源科技研究院) was established in June 2009, enabling the Group to recruit and attract top research scientists and enjoy more benefits from the Chinese government. Moreover, the Group set up Pb-C Super Battery Joint Lab with Harbin Institute of Technology in April 2010 and established Academician and Expert Workstation in September 2010, focusing on the research of new type of battery material and new energy battery. In 2011, the Group's subsidiaries Tianneng Battery Group Co., Ltd., Zhejiang Tianneng Energy Technology Co., Ltd., Zhejiang Tianneng Battery (Jiangsu) Co., Ltd. and Tianneng Battery (Wuhu) Co., Ltd. were approved as High Technology Enterprise respectively. In November 2012, the Group's Technology Centre was rated as the first State-level enterprise technology centre in the industry. In the same month, the Group established the industry's first-ever new Battery Industrial Technology Innovation Alliance. While in November 2013, the Group was the first enterprise rated as a national technology innovation business model in the industry.

Major R&D Achievements: In September 2013, "R&D and industrialization of rare earth alloy nano-silicon power battery" was awarded State Torch Program Project;

In October 2013, "new nano rare earth battery (6-DZM-20 II)" was awarded the certificate of "National New Product";

In October 2013, "high-performance lithium-ion battery for electric vehicles" was awarded the certificate of "National New Product";

As at 31 December 2013, the Group's research team consisted of 680 staff and the research and development costs increased by approximately 21% as compared with the previous year. The increase was mainly due to the Group's allocation of more resources to individual major projects such as motive battery project for electric car, silica gel battery project and nano rare earth battery project, etc. In order to speed up the development of motive battery for pure electric cars, the Group entered into various technical cooperation arrangements with certain car manufacturers such as Chery Automobile, SAIC Group and Kandi Auto.

In respect of environmental protection, as a listed company, the Group places great emphasis on taking up social responsibilities. It strives to provide customers with clean power. The Group has put a high regard on environmental protection work. The Group has engaged AECOM, Shanghai Branch Office, to perform an environmental assessment at the Group's main production plants. Since the production facilities are mainly located at the local industrial parks, an annual assessment concluded that the Group has complied with the relevant environmental standards in China.

In respect of brand building, the Group has established strong brand awareness and its brand is widely recognised by the community.

In respect of internal control, with an aim to improve its internal control systems, the Group has engaged an associate of an international accounting firm, Baker Tilly Hong Kong Risk Assurance Limited, to review its internal control system operating in the year ended 31 December 2013. The review has covered material controls including financial, operational and compliance controls and risk management functions. The Group also conducted regular review of its internal control system and its effectiveness to ensure that the interest of the Shareholders is safeguarded.

OPERATING RESULTS

Turnover

The Group's turnover increased from approximately RMB9,887.64 million for the year 2012 to approximately RMB13,635.06 million for the year 2013, representing an increase of approximately 37.9% as compared to the previous year, which was mainly due to the strong demand for motive batteries for electric bikes, electric tricycles and electric cars. The turnover of the motive battery for electric bikes, electric tricycles and electric cars were RMB10,391 million, RMB2,250.83 million and RMB511.11 million respectively, representing an increase of 30.7%, 76.0% and 29.9% respectively as compared with previous year.

Gross profit

The Group's gross profit and gross profit margin were approximately RMB1,404.39 million and approximately 10.3% respectively for the year 2013 (2012: approximately RMB1,855.14 million and approximately 18.8%), representing a decrease of approximately 24.3% and 8.5 percentage points respectively as compared with previous year. The weighted average purchase price for lead, which is the Group's principal raw materials, after deduction of value-added tax, amounted to approximately RMB12,036 per tonne (2012: approximately RMB13,081 per tonne), representing a decrease of approximately 8.0% as compared with previous year. Although the price of raw materials fell, there was a larger decline in gross profit margin, due to the weighted average selling price of the major lead motive battery dropping to about RMB97.1 each (2012: approximately RMB104.4 each), representing a decrease of approximately 7.0% when compared with the previous year. Increase in OEM production has led to a rise in unit cost, resulting in the pressure of decreasing gross profit margin.

Other income

Other income of the Group increased by approximately 36.8% from approximately RMB129.85 million for the year 2012 to approximately RMB177.61 million for the year 2013. The increase was mainly attributable to the increase in government grants.

Selling and distribution costs

Selling and distribution costs increased by approximately 65.0% from RMB250.26 million for the year 2012 to approximately RMB412.99 million for the year 2013. Such increase was mainly due to the increase in sales volume.

Administrative expenses

Administrative expenses increased by approximately 21.3% from approximately RMB302.45 million for the year 2012 to approximately RMB366.96 million for the year 2013. Such increase was mainly due to the increase in staff cost and environmental expenses.

Finance costs

Finance costs increased by approximately 17.5% from approximately RMB122.39 million for the year 2012 to approximately RMB143.84 million for the year 2013. Such increase was mainly due to the increase in average balance of bank borrowings.

Taxation

The enterprise income tax of the Group amounted to approximately RMB10.92 million for the year 2013, representing a decrease of approximately 94.6% from approximately RMB203.12 million for the year 2012. Such decrease was due to substantial decrease in profit before tax.

LIQUIDITY AND FINANCIAL RESOURCES

The net cash from operating activities amounted to approximately 938.01 million for the year 2013 (2012: negative RMB172.14 million). The increase was mainly due to decrease in the expansion scale of inventories, control of bills and trade receivables and other receivables, as well as increase in bills and trade payables and other payables.

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

As at 31 December 2013, the bank balances and cash (including time deposit and the pledged bank deposits) of the Group was approximately RMB1,015.64 million (31 December 2012: approximately RMB1,093.97 million). As at 31 December 2013, the Group obtained undrawn banks facilities of approximately RMB1,693.00 million (31 December 2012: approximately RMB1,300.28 million). The amount RMB941.71 million, RMB69.46 million and RMB4.47 million of bank balances and cash (including time deposit and the pledged bank deposits) are denominated in Renminbi, Hong Kong Dollars and US Dollars respectively. As the bank balances in Hong Kong Dollars could be used for the repayment of Hong Kong Dollars bank borrowings, the Company is able to control the level of currency risk.

As at 31 December 2013, the held-for-trading investments of the Group was RMB 3.22 million (31 December 2012: RMB46.99 million). A significant decrease in the above investment was mainly due to the consideration of a rage of factors, such as the use of funds, reasonable return, liquidity and market conditions. In line with the Company's prudent treasury policy consistently, the associated risk is effectively controlled.

As at 31 December 2013, the net current assets of the Group was approximately RMB381.94 million (31 December 2012: approximately RMB504.41 million). Based on the increasing cash flow from operating activities 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 2013, the bank borrowings and loan notes (together as "interest bearing loans") of the Group with maturity of within one year amounted to approximately RMB2,142.9 million (31 December 2012: approximately RMB2,757.8 million). The interest bearing loans of the Group with maturity of more than one year was RMB654.5 million (31 December 2012: RMB148.59 million). The amounts of RMB2,581.20 million and RMB216.20 million interest bearing loans are denominated in Renminbi and U.S. Dollars respectively, and carry fixed and variable interest rates ranging from 3.19% to 6.77% (2012: 3.59% to 7.60%) per annum. The Company will closely monitor the changes in interest rate and assess the interest rate risk.

The objective of the Company's financial policy is to maintain an optimal capital structure to minimize the capital cost through prudent financial management. During the period under review, the Group continued to further make use of long-term loan in order to optimize its loan structure.

FINANCIAL POSITION

Assets

As at 31 December 2013, the total assets of the Group was approximately RMB7,904.23 million, representing an increase of 6.2% as compared to approximately RMB7,445.21 million as at 31 December 2012. Among them, non-current assets increased by approximately 20.9% to approximately RMB3,365.34 million and current assets decreased by approximately 2.6% to approximately RMB4,538.89 million. The major reason for the increase of non-current assets was due to continuous capital expenditure on production plants. The decrease in current assets was mainly attributable to the decrease in inventories and time deposits.

Liabilities

As at 31 December 2013, the total liabilities of the Group was approximately RMB4,841.96 million, representing an increase of approximately 12.0 % from approximately RMB4,322.87 million as at 31 December 2012. Among them, current liabilities remained flat at approximately RMB4,156.95 million, while increase in account payables can cover the decrease in short-term interest bearing loans. Non-current liabilities increased from RMB166.49 million to approximately RMB685.01 million as at 31 December 2013. The increase was mainly due to the increase in long-term interest bearing loans.

Major financial position ratio

	2013	2012
Current ratio	**1.09**	1.12
Quick ratio	**0.65**	0.65
Interest cover (note)	**2.70**	10.61

Note: EBITDA divided by total interest charge

Both current ratio and quick ratio slightly decreased when compared to the beginning of the year, which were mainly due to the slight decrease in current assets. The interest cover ratio significantly reduced, and it was mainly due to the substantial decrease in profit before taxation.

CAPITAL EXPENDITURE

The capital expenditure for year 2013 was approximately RMB865.06 million (2012: approximately RMB1,075.39 million). A majority of expenditure was incurred on the construction of Changxing Wushan base, Henan Puyang base, Jiangsu Shuyang base and Anhui Jieshou base.

CAPITAL COMMITMENTS

The amount contracted for but not stated in the consolidated financial statements in respect of the acquisition of property, plant and equipment as at 31 December 2013 was approximately RMB429.68 million (31 December 2012: approximately RMB369.53 million).

GEARING RATIO

The Group's gearing ratio as at 31 December 2013 (which is based on the amount of total interest bearing loans divided by total assets multiplied by 100%) was approximately 35.4% (31 December 2012: approximately 39.0%).

EXPOSURE IN EXCHANGE RATE FLUCTUATION

As the Group's operations were mainly conducted in China and the majority of the businesses were transacted in Renminbi, the Board is of the view that the Group's operating cash flow and liquidity is 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 31 December 2013 (31 December 2012: nil).

PLEDGE OF ASSETS

As at 31 December 2013, the bank facilities of the Group are secured by bank deposits, bills and account receivables, property, plant and equipment and prepaid lease payments. The aggregate net book value of the assets pledged amounted to RMB506.46 million (31 December 2012: RMB731.60 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2013, the Group employed a total of 17,846 employees (31 December 2012: 18,422 employees). Staff costs excluding directors' emoluments of the Group for the year of 2013 amounted to RMB914.91 million (2012: RMB726.78 million). The costs included basic salaries and benefits as well as staff benefits such as discretionary bonus, medical and insurance plans, pension scheme (including the schemes required by the governments such as pension insurance in China and mandatory pension fund in Hong Kong), unemployment insurance plan and share options scheme etc. Competitive remuneration packages were offered to employees. The Company has adopted incentive programs (including share option scheme) 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 Group as at 31 December 2013 (31 December 2012: nil).

MATERIAL ACQUISITION AND DISPOSAL

There were no material acquisition and disposal during the year.

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

Save for 12,560,000 shares were issued pursuant to the exercise of share options at a subscription price of HK$1.22 per share, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the year.

SUBSEQUENT EVENT

In March 2014, Tianneng Battery Group Limited (a wholly-owned subsidiary of the Company) issued the first tranche corporate bonds in an aggregate amount of RMB400,000,000 with a maturity period of 5 years from the date of issue. The annual coupon rate for first three years is 7.31%. Details of the bonds can be referred to the announcements issued by the company on 7 March 2014 and 10 March 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 12 May 2014 to 16 May 2014, both days inclusive, during which period no transfer of the shares of the Company will be registered. In order to qualify for attending the annual general meeting of the Company this year, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 9 May 2014. The Register of Members of the Company will also be closed from 23 May 2014 to 26 May 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 22 May 2014.

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. As at 31 December 2013, the Audit Committee comprised three independent non-executive directors, namely, Mr. Ho Tso Hsiu, 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 2013.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has adopted the provisions of the Corporate Governance Code (the "Code") during the period from 1 January 2013 to 31 December 2013 as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). For the year ended 31 December 2013, except for the code provision A.2.1 the Company has complied with the provisions set out in the Code. 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 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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2013 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 2013.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held at Conference Room, 3/F, Tianneng Group Building, Huaxi Industrial Function Zone, Changxing County, Zhejiang Province, the PRC on Friday, 16 May 2014 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 as soon as practicable.

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 as soon as practicable.

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 Company 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, 15 March 2014

As at the date of this announcement, the executive directors of the Company 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 of the Company are Mr. HO Tso Hsiu, Mr. HUANG Dongliang and Mr. WANG Jingzhong.