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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Tianneng Power International Limited (the "Company"), you should at once hand this circular and the form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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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)****CONTINUING CONNECTED TRANSACTION****Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders****AmCap**  
*Ample Capital Limited*  
豐盛融資有限公司

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A letter from the Independent Board Committee to the Independent Shareholders is set out on page 10 of this circular and a letter of advice from Ample Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 18 of this circular.

A notice convening the EGM to be held at Huzhou International Hotel, No. 117, Hongqi Road, Huzhou, PRC, on Friday, 7 November 2008 at 2:00 p.m. is set out on page 24 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy enclosed with this circular in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting. Completion and delivery of a form of proxy will not preclude you from attending and voting at the meeting in person.

22 October 2008

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## DEFINITIONS

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

“Agent Sale Transactions”	sale and purchase transactions in which the purchasers introduced by the Connected Exclusive Distributors dealing directly with the Company
“Ample Capital”	Ample Capital Limited, a licensed corporation to carry on businesses in types 4, 6 and 9 regulated activities (advising on securities, corporate finance and asset management) under the SFO, and independent financial advisor to the Independent Board Committee and Independent Shareholders in respect of the Direct Sale Transactions and the Revised Annual Caps
“Announcement”	the announcement made by the Company on 9 October 2008 regarding the Direct Sale Transactions and the Revised Annual Caps
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Tianneng Power International Limited (天能動力國際有限公司), a company incorporated in the Cayman Islands whose securities are listed on the Stock Exchange
“Connected Directors”	collectively means Mr. Zhang Tianren, Mr. Zhang Aogen, Mr. Chen Minru, Mr. Zhang Kaihong, Mr. Shi Borong and Mr. Yang Lianming
“Connected Exclusive Distributors”	the connected exclusive distributors as stated under the section headed “Background” in this circular
“Connected Shareholders”	collectively means Prime Leader Global Limited, Top Benefits International Limited, Profit Best International Limited, Plenty Gold Holdings Limited, Precise Asia Global Limited and Success Zone Limited, whose shareholder is Mr. Zhang Tianren, Mr. Zhang Aogen, Mr. Chen Minru, Mr. Zhang Kaihong, Mr. Shi Borong and Mr. Yang Lianming respectively, and Mr. She Guoqing, Mr. Ni Danqing, Mr. Zhang Zengquan and Mr. Yang Huanrong, who are the associates of the Connected Directors under the Listing Rules
“Director(s)”	director(s) of the Company (including executive directors and independent non-executive directors)

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## DEFINITIONS

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“Direct Sale Transactions”	sale and purchase transactions which the Connected Exclusive Distributors purchase the products from the Group at the Group’s ex-factory prices and then re-sell those products to customers
“Distribution Agreements”	the distribution agreements entered into between the Company and each of the Connected Exclusive Distributors which are in identical terms
“EGM”	the extraordinary general meeting of the Company to be held to approve the Direct Sales Transactions and the Revised Annual Caps
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising of Mr. Ho Tso Hsiu, Dr. Cheng Cheng Wen, Mr. Huang Dongliang and Mr. Wang Jingzhong, all of whom are independent non-executive Directors, formed to advise the Independent Shareholders as to the Direct Sale Transactions and the Revised Annual Caps
“Independent Shareholders”	Shareholders other than the Connected Directors, the Connected Shareholders and their associates
“Independent Third Parties”	a person(s) or a company(ies) which is/ are independent of, and not connected with (as defined under the Listing Rules), any of the Company, the Directors, the chief executive or the substantial Shareholders or any of the Group’s subsidiaries or associates or connected persons of any of them
“Latest Practicable Date”	21 October 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities of the Stock Exchange
“Prospectus”	the prospectus issued by the Company on 29 May 2007
“PRC”	The People’s Republic of China and for the sole purpose of this circular shall exclude Hong Kong, Macau Special Administrative Region and Taiwan

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## DEFINITIONS

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“Revised Annual Caps”	The revised annual caps proposed to be set at RMB53,000,000 and RMB72,000,000 for the two years ending 31 December 2009 respectively
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended from time to time
“Shares”	the ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

*For the purpose of this circular, all amounts in RMB are translated into HK\$ at an exchange rate of RMB1.00:HK\$0.89.*

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

ZHANG Tianren  
ZHANG Aogen  
CHEN Minru  
ZHANG Kaihong  
SHI Borong  
YANG Lianming

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Independent non-executive Directors:*

HO Tso Hsiu  
CHENG Cheng Wen  
HUANG Dongliang  
WANG Jingzhong

*Head office and*

*principal place of business:*  
Suite 5509, Central Plaza  
18 Harbour Road,  
Wanchai  
Hong Kong

22 October 2008

*To shareholders of the Company*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTION

#### BACKGROUND

On 9 October 2008, the Board, by publishing the Announcement, announced that the Company proposed to revise the existing annual caps for the Direct Sale Transactions for the years ending 31 December 2009.

The Company is principally engaged in the production of motive battery products in the PRC.

As disclosed in the Prospectus, the Company has engaged various Connected Exclusive Distributors for sale of lead-acid motive battery products to dealers or repairing shops of electric bikes which then re-sell the same as replacements in the retail market in the PRC. The Connected Exclusive Distributors are principally engaged in the distribution of motive battery products of the Company in the PRC. Pursuant to the Distribution Agreements, the

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## LETTER FROM THE BOARD

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Connected Exclusive Distributors carry their business in respect of the distribution and sale of the batteries produced by the Company in two ways: (i) the Agent Sale Transactions and receiving a commission and/or (ii) the Direct Sale Transactions, in which case the difference between the ex-factory prices and the selling prices represent the profit earned by the Connected Exclusive Distributors.

The growth of the PRC market of batteries for electric bikes has in turn expands the business carried by the Connected Exclusive Distributors in respect of the distribution and sale of the batteries produced by the Company. While the Agent Sale Transactions continue to grow steadily, the volume of the Direct Sale Transactions rises rapidly. Therefore, the transaction price paid to the Company in the Direct Sale Transactions by the Connected Exclusive Distributors, which contributes a substantial part of the annual transaction values in relation to the business carried by the Connected Exclusive Distributors, increases substantially. It is expected that the total annual amount paid by the Connected Exclusive Distributors to the Company in the Direct Sale Transactions will exceed the existing annual caps set for the Direct Sale Transactions. Therefore the Company proposes to increase the existing annual caps to reflect the expected annual amount in relation to the Direct Sale Transactions carried by the Connected Exclusive Distributors.

The names and relationship of Connected Exclusive Distributors are set out below for reference:

<b>Name of the Connected Exclusive Distributors</b>	<b>Name of related Directors</b>	<b>Relationship</b>
1. SHE Guoqing	ZHANG Tianren, ZHANG Aogen	Cousin's Husband
2. CHEN Chiming	ZHANG Tianren, ZHANG Aogen	Cousin's Husband
3. CHEN Huichi	YANG Lianming	Brother-in-law
4. CHEN Haichi	YANG Lianming	Brother-in-law
5. YANG Liancheng	YANG Lianming	Brother
6. SHE Boxing	SHI Borong	Son-in-law
7. FAN Suliang	CHEN Minru	Nephew
8. DU Peiming	ZHANG Aogen	Nephew
9. ZHANG Jinfeng	ZHANG Kaihong	Son
10. ZHANG Kaiming	ZHANG Kaihong	Cousin
11. ZHANG Yan	ZHANG Kaihong	Daughter
12. ZHANG Zhifeng	ZHANG Kaihong	Nephew
13. CHEN Chunhua	ZHANG Kaihong	Brother-in-law

### EXISTING AND REVISED ANNUAL CAPS

The existing annual caps for the Direct Sale Transactions for the year ended 31 December 2007 and the two years ending 31 December 2009 were set at RMB28,000,000, RMB38,000,000 and RMB49,000,000 respectively. The existing annual caps were determined by reference to (i) the historical amounts and the growth of the Direct Sale Transactions; and (ii) the Company's projected growth of business in the relevant period.

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## LETTER FROM THE BOARD

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The actual total amount of the Direct Sale Transactions during the year ended 31 December 2007 was RMB27,422,000 and the total amount paid to the Company by the Connected Exclusive Distributors for the period from 1 January 2008 to 30 September 2008 was approximately RMB33,875,000, which the Directors expected that the total annual amount for the year 2008 will exceed the existing annual cap for the year ending 31 December 2008.

In view of the growth of the PRC market of batteries for electric bikes and the resulting expansion of the business carried by the Connected Exclusive Distributors, the existing annual caps have to be revised to reflect the expected annual amount of the Direct Sale Transactions. The revised annual caps are proposed to set at RMB53,000,000 and RMB72,000,000 for the two years ending 31 December 2009 respectively. The Revised Annual Caps were determined by reference to (i) the historical amounts and the growth of the Direct Sale Transactions in the recent years; and (ii) the projected growth of business of the Company in the near future.

All the terms of the Distribution Agreements including the pricing policy have remained unchanged.

### **DIRECTORS' VIEW ON THE DIRECT SALE TRANSACTIONS**

The Directors confirm that the pricing policy of the Direct Sale Transactions has been determined on an arm's length basis and the Direct Sale Transactions have been and will be conducted in the ordinary and usual course of business of the Group and on normal commercial terms. The Directors (including the independent non-executive Directors who opine on the Direct Sale Transactions and the Revised Annual Caps after taking into account the advice from Ample Capital) are of the view that the Direct Sale Transactions, have been conducted on normal commercial terms, were entered into in the ordinary and usual course of business of the Group, is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the Revised Annual Caps of the Direct Sale Transactions are fair and reasonable.

### **REASONS FOR THE DIRECT SALE TRANSACTIONS**

The electric bike motive battery market was not fully developed at the time the Group commenced its business. While non-connected persons might not be very interested in the industry, the management of the Company convinced the Connected Exclusive Distributors to join the business. During the course of their engagement and from their own development, the Connected Exclusive Distributors have established networks and business relationships with dealers and shops in the PRC for the Group. It is also one of the strategies of the Company to continue engaging Connected Exclusive Distributors to further expand the market of batteries for electric bikes.

### **IMPLICATIONS UNDER THE LISTING RULES**

As the expected amount of the Direct Sale Transactions for the two years ending 31 December 2009 on an annual basis will exceed HK\$10,000,000 and 2.5% of the relevant applicable percentage ratios under Rule 14A.34 of the Listing Rules, the Direct Sale

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## LETTER FROM THE BOARD

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Transactions during the period will constitute non-exempt continuing connected transaction under Rule 14A.35 of the Listing Rules and will be subject to the requirements of reporting, announcement and approval by Independent Shareholder who are not involved in or interested in the Direct Sale Transactions at the EGM by way of a poll under Chapter 14A of the Listing Rules. The Direct Sale Transactions and the Revised Annual Caps will be conditional on the approval by the Independent Shareholders. Under the Listing Rules, the Connected Exclusive Distributors are the associates of the Connected Directors, accordingly, the Connected Exclusive Distributors are the connected persons of the Company and hence, the Connected Directors and the Connected Shareholders, being their associates, will be required to abstain from voting at the EGM to be held to approve the Direct Sale Transactions and the Revised Annual Caps. As at the Latest Practicable Date, the Connected Shareholders in aggregate hold 539,237,857 Shares, representing 53.92% of the total issued share capital in the Company. The Connected Directors through Prime Leader Global Limited, Top Benefits International Limited, Profit Best International Limited, Plenty Gold Holdings Limited, Precise Asia Global Limited and Success Zone Limited in aggregate hold 523,903,938 Shares, representing 52.39% of the total issued share capital in the Company.

The Independent Board Committee has been established to advise the Independent Shareholders as to the Direct Sale Transactions and the Revised Annual Caps. Ample Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Direct Sale Transactions and the Revised Annual Caps.

The purpose of this circular is to provide you with information, among other matters, (i) details in relation to the Direct Sale Transactions and the Revised Annual Caps; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from Ample Capital to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM to seek the approval from the Independent Shareholders for the Direct Sale Transactions and the Revised Annual Caps.

### **EGM**

An EGM will be held at Huzhou International Hotel, No.117, Hongqi Road, Huzhou, PRC, on Friday, 7 November 2008 at 2:00 p.m. to let the Independent Shareholders consider and, if they think fit, approve the Direct Sale Transactions and the Revised Annual Caps. A notice convening the EGM is set out on page 24 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy enclosed with this circular in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and delivery of a form of proxy will not preclude you from attending and voting at the meeting in person.

### **PROCEDURE TO DEMAND A POLL**

Pursuant to article 66 of the Articles of Association, resolution put to the vote of a meeting shall be decided on a show of hands unless voting by way of a poll is required by

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## LETTER FROM THE BOARD

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the rules of the Stock Exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all shares conferring that right; or
- (e) if required by the Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Shareholder.

### RECOMMENDATION

Ample Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Direct Sale Transactions and the Revised Annual Caps. Ample Capital considers that the Direct Sale Transactions are in the ordinary and usual course of business of the Group and the Direct Sale Transactions are on normal commercial terms. Ample Capital further considers that the Revised Annual Caps are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Company and the Shareholders are concerned. The text of the letter of advice from Ample Capital containing its recommendation and the principal factors it has taken into account in arriving at its recommendation are set out on pages 11 to 18 of this circular.

The Independent Board Committee, having taken into account the advice of Ample Capital, considers that (i) the Direct Sale Transactions are in the ordinary and usual course of business of the Group and the Direct Sale Transactions are on normal commercial terms and (ii) the Revised Annual Caps are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Company and the Shareholders are concerned.

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## LETTER FROM THE BOARD

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Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution relating to the Direct Sale Transactions and the Revised Annual Caps. The full text of the letter from the Independent Board Committee is set out on page 10 of this circular.

The Directors consider that (i) the Direct Sale Transactions are in the ordinary and usual course of business of the Group and the Direct Sale Transactions are on normal commercial terms and (ii) the Revised Annual Caps are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Company and the Shareholders are concerned. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM of the Company.

### ADDITIONAL INFORMATION

Your attention is drawn to the letter of advice from Ample Capital, which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in connection with the Direct Sale Transactions and the Revised Annual Caps, the letter from the Independent Board Committee which sets out its recommendation to the Independent Shareholders in relation to the Direct Sale Transactions and the Revised Annual Caps, and to the general information set out in the Appendix of this circular.

Yours faithfully,  
By Order of the Board  
**ZHANG Tianren**  
*Chairman*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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)**

22 October 2008

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION**

We refer to the circular (“Circular”) issued by the Company to its Shareholders dated 22 October 2008 of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to consider the terms of the Direct Sale Transactions and the Revised Annual Caps. Ample Capital Limited has been appointed as the independent financial adviser to advise us and the independent Shareholders of the Company in this respect.

We wish to draw your attention to the letter from the Board and the letter from Ample Capital Limited set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Ample Capital Limited set out in its letter of advice contained in the Circular, we consider that that (i) the Direct Sale Transactions are in the ordinary and usual course of business of the Group and the Direct Sale Transactions are on normal commercial terms and (ii) the Revised Annual Caps are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Company and the Shareholders are concerned. As such, we recommend the Independent Shareholder to vote in favour of the ordinary resolution to approve the Direct Sale Transactions and the Revised Annual Caps at the EGM.

Yours faithfully,

For and on behalf of

**The Independent Board Committee of  
Tianneng Power International Limited**

**HO Tso Hsiu CHENG Cheng Wen HUANG Dongliang WANG Jingzhong**  
*Independent Non-executive Directors*

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## LETTER FROM AMPLE CAPITAL

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*The following is the full text of a letter of advice from Ample Capital to the Independent Board Committee and the Independent Shareholders in relation to the Direct Sale Transactions and the Revised Annual Caps, which has been prepared for the purpose of inclusion in this circular.*

**AmCap**

Ample Capital Limited  
豐盛融資有限公司

**Ample Capital Limited**

Unit A, 14th Floor  
Two Chinachem Plaza  
135 Des Voeux Road Central  
Hong Kong

22 October 2008

*To Independent Board Committee and the Independent Shareholders of*  
**Tianneng Power International Limited**

Dear Sirs and Madams,

### CONTINUING CONNECTED TRANSACTION

#### INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Revised Annual Caps, details of which are set out in the circular (the “Circular”) of the Company dated 22 October 2008 of which this letter forms part. Unless the context requires otherwise, terms used in this letter have the same meanings as defined in the Circular.

The Independent Board Committee has been formed to advise the Independent Shareholders as to the Direct Sale Transactions and the Revised Annual Caps. We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the Direct Sale Transactions are in the ordinary and usual course of business of the Company and its subsidiaries (collectively the “Group”); (ii) the Direct Sale Transactions are on normal commercial terms; (iii) the Revised Annual Caps are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Company and the Shareholders are concerned; and (iv) the Independent Shareholders should vote in favor of the resolution to approve the Direct Sale Transactions and the Revised Annual Caps at the upcoming EGM.

As set out in the Letter from the Board, the growth of the PRC market of batteries for electric bikes has in turn expanded the business carried by the Connected Exclusive Distributors in respect of the distribution and sale of the batteries produced by the Company. Therefore the Company proposes to adjust the existing annual caps to reflect the expected annual amount in relation to the business carried by the Connected Exclusive Distributors.

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## LETTER FROM AMPLE CAPITAL

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As the expected amount of the Direct Sale Transactions for the two years ending 31 December 2009 on an annual basis will exceed HK\$10,000,000 and 2.5% of the relevant applicable percentage ratios under Rule 14A.34 of the Listing Rules, the Direct Sale Transactions during the period will constitute non-exempt continuing connected transaction under Rule 14A.35 of the Listing Rules and will be subject to the requirements of reporting, announcement and approval by Independent Shareholders who are not involved in or interested in the Direct Sale Transactions at EGM by way of a poll under Chapter 14A of the Listing Rules. The Direct Sale Transactions and the Revised Annual Caps will be conditional on the approval by the Independent Shareholders.

Under the Listing Rules, the Connected Exclusive Distributors are the associates of the Connected Directors, accordingly, the Connected Exclusive Distributors are connected persons of the Company and hence, the Connected Directors and the Connected Shareholders, being their associates, will be required to abstain from voting at the EGM to be held to approve the Direct Sale Transactions and the Revised Annual Caps.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Ho Tso Hsiu, Dr. Cheng Cheng Wen, Mr. Huang Dongliang and Mr. Wang Jingzhong, has been established to advise the Independent Shareholders as to the Direct Sale Transactions and the Revised Annual Caps.

### **BASIS OF OUR ADVICE**

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular. We have no reason to suspect any relevant information has been withheld, nor to doubt the truth, accuracy and completeness of the information and presentation provided to us by the Directors.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

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## LETTER FROM AMPLE CAPITAL

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### PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinion with regard to the Direct Sale Transactions and the Revised Annual Caps, we have considered the following principal factors and reasons:

#### 1. Background

The Group is principally engaged in the manufacture and sales of lead-acid motive battery products, chargers, controllers and motors.

Set out below are the operating results of the Group for the two years ended 31 December 2007 and for the six months ended 30 June 2008 as extracted from the Company's audited annual report for the year ended 31 December 2007 (the "2007 Annual Report") and the Company's interim report for the six months ended 30 June 2008 (the "2008 Interim Report").

	<b>For the year ended 31 December 2006</b>	<b>For the year ended 31 December 2007</b>	<b>For the six months ended 30 June 2008</b>
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)
Turnover	1,019,559	1,953,995	1,269,875
Gross profit	275,057	492,032	294,592
Net profit attributable to shareholders	147,661	202,889	121,039

As stated in the 2007 Annual Report, we noted that the Company's turnover increased from approximately RMB1.0 billion for the year ended 31 December 2006 to approximately RMB2.0 billion for the year ended 31 December 2007, representing an increase of approximately 91.7% as compared to the previous year. Such increase was mainly due to the increase in demand of lead-acid battery, which constituted 93.3% of the Company's turnover for the year ended 31 December 2007. The Company's gross profit increased by approximately 78.9% from approximately RMB275.1 million for the year ended 31 December 2006 to approximately RMB492.0 million for the year ended 31 December 2007. Such increase was mainly due to the strong demand of lead acid battery.

According to the 2008 Interim Report, the Company's turnover for the six months ended 30 June 2008 was approximately RMB1,270.0 million, representing an increase of approximately 76.1% as compared with the same period last year. The Company's gross profit for the six months ended 30 June 2008 was approximately RMB294.6 million, representing an increase of approximately 64.6% as compared with the same period last year. The increase in gross profit was mainly due to the strong sales in lead acid battery.

The Directors represented that the significant growth in the Company's turnover clearly indicates the strong demand for electric bikes motive battery. This strong demand is mainly driven by the demand from secondary or replacement market.

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## LETTER FROM AMPLE CAPITAL

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As disclosed in the Prospectus, the Company has engaged various Connected Exclusive Distributors for sale of lead-acid motive battery products to dealers or repairing shops of electric bikes which then re-sell the same as replacements in the retail market in the PRC (the “Secondary Market”). The Connected Exclusive Distributors are principally engaged in the distribution of motive battery products of the Company in the PRC. Pursuant to the Distribution Agreements, the Connected Exclusive Distributors carry on their business in respect of the distribution and sale of the batteries produced by the Company in two ways: (i) the Agent Sale Transactions and receiving a commission and/or (ii) the Direct Sale Transactions, in which case the difference between the ex-factory prices and the selling prices represent the profit earned by the Connected Exclusive Distributors.

The growth of the PRC market of batteries for electric bikes has in turn expanded the business carried by the Connected Exclusive Distributors in respect of the distribution and sale of the batteries produced by the Company. While the Agent Sale Transactions continue to grow steadily, the volume of the Direct Sale Transactions rises rapidly. Therefore, the transaction price paid to the Company in the Direct Sale Transactions by the Connected Exclusive Distributors, which contributes a substantial part of the annual transaction values in relation to the business carried by the Connected Exclusive Distributors, increases substantially. It is expected that the total annual amount paid by the Connected Exclusive Distributors to the Company in the Direct Sale Transactions will exceed the existing annual caps set for the Direct Sale Transactions. Therefore the Company proposes to increase the existing annual caps to reflect the expected annual amount in relation to the Direct Sale Transactions carried by the Connected Exclusive Distributors.

The names and relationship of Connected Exclusive Distributors are set out below for reference:

<b>Name of the Connected Exclusive Distributors</b>	<b>Name of related Directors</b>	<b>Relationship</b>
1. SHE Guoqing	ZHANG Tianren, ZHANG Aogen	Cousin’s Husband
2. CHEN Chiming	ZHANG Tianren, ZHANG Aogen	Cousin’s Husband
3. CHEN Huichi	YANG Lianming	Brother-in-law
4. CHEN Haichi	YANG Lianming	Brother-in-law
5. YANG Liancheng	YANG Lianming	Brother
6. SHE Boxing	SHI Borong	Son-in-law
7. FAN Suliang	CHEN Minru	Nephew
8. DU Peiming	ZHANG Aogen	Nephew
9. ZHANG Jinfeng	ZHANG Kaihong	Son
10. ZHANG Kaiming	ZHANG Kaihong	Cousin
11. ZHANG Yan	ZHANG Kaihong	Daughter
12. ZHANG Zhifeng	ZHANG Kaihong	Nephew
13. CHEN Chunhua	ZHANG Kaihong	Brother-in-law

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As disclosed in the Prospectus, the prices offered by the Company to the Connected Exclusive Distributors, in the case of the Direct Sale Transactions, are the Group's uniform ex-factory prices and are the same as those offered to the Exclusive Distributors who are Independent Third Parties.

### 2. Reasons for and benefits of entering into the Direct Sale Transactions

As represented by the Directors, the electric bike motive battery market was not fully developed at the time the Group commenced its business. While non-connected persons might not be very interested in the industry, the management of the Company convinced the Connected Exclusive Distributors to join the business.

During the course of their engagement and from their own development, the Connected Exclusive Distributors have established networks and business relationships with dealers and shops in the PRC for the Group. It is also one of the strategies of the Company to continue engaging Connected Exclusive Distributors to further expand the market of batteries for electric bikes.

### 3. Information on the Direct Sale Transactions and the existing and revised caps

The following table shows the existing annual caps for the three years ending 31 December 2009 to cater for the Direct Sale Transactions sought by the Company. The Company has applied to the Stock Exchange for a waiver under rule 14A.42(3) of the Listing Rules from compliance with the Independent Shareholders' approval requirement and announcement requirement in respect of the Direct Sale Transactions when it applied for the listing of the Shares on the Stock Exchange as referred to in the Prospectus; and the Stock Exchange has granted such waiver.

**Table A: Existing annual caps for the Direct Sale Transactions (RMB)**

	For the year ended/ending 31 December		
	2007	2008	2009
The existing annual caps	28,000,000	38,000,000	49,000,000

The existing annual caps were determined by reference to (i) the historical amounts and the growth of the Direct Sale Transactions; and (ii) the Company's projected growth of business of the Company in the near future. The actual total amount of the Direct Sale Transactions during the year ended 31 December 2007 was RMB27,422,000 and the total amount paid to the Company by the Connected Exclusive Distributors for the period from 1 January 2008 to 30 September 2008 is approximately RMB33,875,000, which the Directors' expected that the total annual amount for the year 2008 will exceed the existing annual cap for the year ending 31 December 2008.

According to the management of the Company, as compared with the sales of batteries for electric bikes originally assumed and estimated by the Company when determining the existing annual caps for the year ending 31 December 2008 and 2009, the sales of batteries for electric bikes had substantially increased by more than 87.9% during the first eight

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months of 2008 and more than 65.4% during the first nine months of 2008 as compared to the same periods last year. The Directors anticipate that the sales volume of the business will continue to grow in 2008 and 2009 and accordingly, the amount of the Direct Sale Transactions will exceed the existing annual caps for 2008 and 2009 as set out in the Table A above.

In view of the aforesaid, the Directors reviewed the existing annual caps for the year ending 31 December 2008 and 2009 and consider it is necessary to increase such annual caps to the proposed value show in the table below based on the value of the Direct Sale Transactions conducted in the first eight months of 2008 and the forecasted sales volume.

**Table B: Revised annual caps for the Direct Sale Transactions**

	<b>For the year ending 31 December</b>	
	<b>2008</b>	<b>2009</b>
The revised annual caps (RMB)	53,000,000	72,000,000
Year on year increase (%)	–	35.8
The existing annual caps (RMB)	38,000,000	49,000,000
Year on year increase (%)	–	28.9

In assessing the fairness and reasonableness of the proposed revised annual cap for the year ending 31 December 2008, we have reviewed the actual sales of lead-acid motive battery products purchased by Connected Exclusive Distributors from the Company for the eight months ended 31 August 2008 and nine months ended 30 September 2008 at approximately RMB30,115,000 and RMB33,875,000, represented a growth of 87.9% and 65.5% as compared to the same periods last year respectively. We noted that the proposed revised annual cap for the year ending 31 December 2008 represents an annual growth of 89.3% as compared with the existing annual cap of RMB28,000,000 for the year ended 31 December 2007. Further, we have also reviewed the total sales of lead-acid motive battery products in the Secondary Market for the first nine months ended 30 September 2008 at approximately RMB1,282,408,000, represented a growth of 122.7% as compared to the same period last year. The actual sales of lead-acid motive battery products purchased by Connected Exclusive Distributors from the Company for the nine months ended 30 September 2008 represents about 89.1% and 63.9% of the existing annual cap of RMB38,000,000 and revised annual cap of RMB53,000,000 for the year ending 31 December 2008. On this basis, we consider that it is reasonable for the Directors to make reference to the aforesaid factor as the basis to determine the proposed revised annual cap of RMB53 million for the year ending 31 December 2008.

The proposed revised annual cap for the year ending 31 December 2009 represents an annual growth of 35.8% from the preceding year. In assessing the fairness and reasonableness of the proposed revised annual cap for the year ending 31 December 2009, we have reviewed the statistical information conducted by Frost & Sullivan, a research & consulting firm, in relation to the Chinese market for electric bike batteries. It forecasts that the total sales revenue of electric bike battery for Chinese market will jump from US\$1,798.6 million (equivalent to approximately HK\$14.0 billion) in 2008 to US\$2,413.9

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million (equivalent to approximately HK\$18.8 billion) in 2009, representing a growth rate of approximately 34.2%. Further, we noted that aforementioned revenue will up from US\$1,321.9 million (equivalent to approximately HK\$10.3 billion) in 2007 to US\$6,057.4 million (equivalent to approximately HK\$47.2 billion) in 2012, representing a compound annual growth rate of approximately 35.6%. Accordingly, we consider that the estimation of an annual increase of the revised annual cap of approximately 35.8% for the year ending 31 December 2009 is in line with the projected growth of the Chinese market for the electric bike battery in 2009 and in the 5-years period, thus the revised annual cap for the year ending 31 December 2009 is considered to be fair and reasonable.

In view of the basis for determining the Revised Annual Caps as discussed above, we consider that the proposed revised annual caps of RMB53 million and RMB72 million for the two years ending 31 December 2009 are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Company and the Shareholders are concerned.

#### **4. Pricing basis and policy**

As disclosed in the Prospectus, the prices offered by the Company to the Connected Exclusive Distributors, in the case of the Direct Sale Transactions, are the Group's uniform ex-factory prices and are the same as those offered to the exclusive distributors who are Independent Third Parties.

In order to satisfy ourselves that the terms of the Direct Sale Transactions for the remaining year ending 31 December 2008 and the year ending 31 December 2009 will be entered into on normal commercial terms, we have reviewed certain independent transaction data supplied by the management of the Company which serves to support the prices offered by the Company to the Connected Exclusive Distributors are the Group's uniform ex-factory prices and are the same as those offered to the exclusive distributors who are Independent Third Parties.

As a result, we are in concurrence with the Directors that the Direct Sale Transactions have been determined on an arm's length basis and the Direct Sale Transactions have been and will be conducted in the ordinary and usual course of business of the Group and on normal commercial terms.

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## LETTER FROM AMPLE CAPITAL

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### 5. Recommendation

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that the Direct Sale Transactions are in the ordinary and usual course of business of the Group and the Direct Sale Transactions are on normal commercial terms. Moreover, we are of the opinion that the Revised Annual Caps are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Company and the Shareholders are concerned. We therefore advise the Independent Shareholders and advise Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Direct Sale Transactions and Revised Annual Caps at the EGM.

Yours faithfully,  
For and on behalf of  
**Ample Capital Limited**  
**H. W. Tang**  
*President*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company and their respective associates in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Issuers and which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO were as follows:

#### (i) Long positions in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
Zhang Tianren	Interest of a controlled corporation ( <i>Note 1</i> )	414,179,650	41.42%
Zhang Aogen	Interest of a controlled corporation ( <i>Note 2</i> )	25,321,022	2.53%
Chen Minru	Interest of a controlled corporation ( <i>Note 3</i> )	9,043,152	0.90%
Zhang Kaihong	Interest of a controlled corporation ( <i>Note 4</i> )	34,364,174	3.44%
Shi Borong	Interest of a controlled corporation ( <i>Note 5</i> )	31,952,789	3.20%
Yang Lianming	Interest of a controlled corporation ( <i>Note 6</i> )	9,043,151	0.90%

*Notes:*

1. The 414,179,650 Shares are held by Prime Leader Global Limited, which is wholly-owned by Mr. Zhang Tianren.
2. The 25,321,022 Shares are held by Top Benefits International Limited, which is wholly-owned by Mr. Zhang Aogen.
3. The 9,043,152 Shares are held by Profit Best International Limited, which is wholly-owned by Mr. Chen Minru.
4. The 34,364,174 Shares are held by Plenty Gold Holdings Limited, which is wholly-owned by Mr. Zhang Kaikong.
5. The 31,952,789 Shares are held by Precise Asia Global Limited, which is wholly-owned by Mr. Shi Borong.
6. The 9,043,151 Shares are held by Success Zone Limited, which is wholly-owned by Mr. Yang Lianming.

**(ii) Other interests and short positions**

Other than as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at the Latest Practicable Date.

Save and except Mr. Zhang Tianren, who is a director of Prime Leader Global Limited, which holds 414,179,650 Shares as at the Latest Practicable Date, none of the Director or proposed Director is a director or employee of a company which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(b) Interests of substantial Shareholders**

As at the Latest Practicable Date, so far as is known to the Directors or the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
Zhang Tianren	Interest of a controlled corporation ( <i>Note 1</i> )	414,179,650	41.42%

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
Prime Leader Global Limited	Beneficial owner	414,179,650	41.42%
Centennial Success Limited	Interest of a controlled corporation ( <i>Note 2</i> )	64,745,771	6.47%
Cheng Yu Tung Family (Holdings) Limited	Interest of a controlled corporation ( <i>Note 2</i> )	64,745,771	6.47%
Chow Tai Fook Enterprises Limited	Interest of a controlled corporation ( <i>Note 2</i> )	64,745,771	6.47%
Liberty New World China Enterprises Investments, LP	Interest of a controlled corporation ( <i>Note 2</i> )	64,745,771	6.47%
New World China Enterprises Investments Limited	Interest of a controlled corporation ( <i>Note 2</i> )	64,745,771	6.47%
New World China Industrial Limited	Interest of a controlled corporation ( <i>Note 2</i> )	64,745,771	6.47%
New World Development Company Limited	Interest of a controlled corporation ( <i>Note 2</i> )	64,745,771	6.47%
New World Enterprise Holdings Limited	Interest of a controlled corporation ( <i>Note 2</i> )	64,745,771	6.47%
New World Liberty China Ventures Ltd.	Interest of a controlled corporation ( <i>Note 2</i> )	64,745,771	6.47%
Power Active Limited	Beneficial owner	64,745,771	6.47%

*Notes:*

- The 414,179,650 Shares are held by Prime Leader Global Limited, which is wholly owned by Mr. Zhang Tianren.
- The 64,745,771 Shares of the Company are held by Power Active Limited, a wholly-owned subsidiary of New World Liberty China Ventures Ltd., which is owned as to 50% by Liberty New World China Enterprises Investments, LP and 50% by New World China Enterprises Investments Limited, which in turn wholly-owned by New World China Industrial Limited which in turn

wholly-owned by New World Enterprise Holdings Limited, which in turn wholly-owned by New World Development Company Limited, which in turn owned as to 36.53% by Chow Tai Fook Enterprises Limited, which in turn wholly-owned by Centennial Success Limited, which in turn owned as to 51% by Cheung Yu Tung Family (Holdings) Limited. Accordingly, each of (i) New World Liberty China Ventures Ltd., (ii) Liberty New World China Enterprises Investments, LP, (iii) New World China Enterprises Investments Limited, (iv) New World China Industrial Limited, (v) New World Enterprise Holdings Limited, (vi) New World Development Company Limited, (vii) Chow Tai Fook Enterprises Limited, (viii) Centennial Success Limited and (ix) Cheung Yu Tung Family (Holdings) Limited is deemed to be interested in the 64,745,771 Shares of the Company held by Power Active Limited for the purpose of the SFO.

**(c) Other interests and short positions**

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

**3. SERVICE AGREEMENTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

**4. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in, apart from the Group's business, any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**5. LITIGATION**

Neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claims of material importance which is known to the Directors to be pending or threatened by or against either the Company or any of its subsidiaries as at the Latest Practicable Date.

**6. EXPERTS QUALIFICATIONS AND CONSENT**

- (a) The following is the qualification of Ample Capital, who has given its opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Ample Capital Limited	A licensed corporation to carry on business in types 4, 6 and 9 regulated activities (advising on securities, corporate finance and asset management) under the SFO

- (b) As at the Latest Practicable Date, Ample Capital did not have any shareholding in the Company or any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.
  
- (c) Ample Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its name, its letter of advice dated 22 October 2008 and the reference to its name in the form and context in which they are included.

## **7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, the date to which the latest published audited consolidated financial statements of the Group were made up.

## **8. INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE**

As at the Latest Practicable Date, none of the Directors or Ample Capital has any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group since 31 December 2007, the date of which the latest published audited consolidated financial statements of the Group were made up.

No contract or arrangement of the Company in which a Director or Ample Capital is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection at the Company's principal place of business in Hong Kong at Suite 5509, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours on any weekday (except for public holidays), for a period of 14 days from the date of this circular:

- (a) this circular;
  
- (b) the Distribution Agreements.

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## NOTICE OF EGM

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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)**

**NOTICE IS HEREBY GIVEN** that the Extraordinary General Meeting of shareholders of the Company will be held at Huzhou International Hotel, No.117, Hongqi Road, Huzhou, PRC, on Friday, 7 November 2008 at 2:00 p.m. for the purpose of considering and, if thought fit, passing the following ordinary resolution:

#### **Ordinary Resolution:**

“the entering into of Direct Sale Transactions be and are hereby approved and the Revised Annual Caps, as defined in a circular issued by the Company dated 22 October 2008, be and are hereby approved and the directors of the Company be and are hereby authorised to take such actions and to enter into such documents as are necessary to give effect thereto.” *(Note 1)*

By Order of the Board  
**ZHANG Tianren**  
*Chairman*

#### *Notes:*

- (1) For definitions and details, please refer to the circular dated 22 October 2008 issued by the Company.
- (2) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- (3) To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof must be deposited with the Company's Share Registrars, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the meeting.
- (4) Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) The Register of Members will be closed from Thursday, 6 November 2008 to Friday, 7 November 2008 (both days inclusive). In order to qualify for attending and voting at the meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queens's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 5 November 2008.

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