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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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015**

#### **FINANCIAL HIGHLIGHTS**

- Revenue increased by approximately 14.5% to approximately RMB7.53 billion
- Gross profit margin increased by approximately 2.94 percentage points from approximately 11.55% to approximately 14.49%
- Profit attributable to shareholders increased by approximately 476.5% to approximately RMB269 million
- Basic earnings per share increased by approximately 476.2% to approximately RMB24.2 cents

#### **INTERIM RESULTS**

The board of directors (the “Board” or the “Directors”) of Tianneng Power International Limited (“Tianneng” or the “Company”) announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2015, together with the comparative figures for the same period in 2014. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s independent external auditors and the audit committee of the Company (the “Audit Committee”).

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

|                                                                       | NOTES | Six months ended 30 June       |                                |
|-----------------------------------------------------------------------|-------|--------------------------------|--------------------------------|
|                                                                       |       | 2015<br>RMB'000<br>(unaudited) | 2014<br>RMB'000<br>(unaudited) |
| Turnover                                                              | 3     | 7,531,917                      | 6,577,516                      |
| Cost of sales                                                         |       | (6,440,232)                    | (5,817,727)                    |
| Gross profit                                                          |       | 1,091,685                      | 759,789                        |
| Other income                                                          | 4     | 66,736                         | 69,630                         |
| Other gains and losses                                                | 5     | (6,592)                        | (14,072)                       |
| Selling and distribution costs                                        |       | (273,368)                      | (301,778)                      |
| Administrative expenses                                               |       | (150,640)                      | (161,578)                      |
| Research and development costs                                        |       | (240,659)                      | (136,679)                      |
| Other expenses                                                        |       | (62,722)                       | (50,257)                       |
| Share of loss of an associate                                         |       | –                              | (326)                          |
| Finance costs                                                         |       | (86,442)                       | (89,852)                       |
| Profit before taxation                                                | 6     | 337,998                        | 74,877                         |
| Taxation                                                              | 7     | (67,985)                       | (23,749)                       |
| Profit and total comprehensive income for the period                  |       | 270,013                        | 51,128                         |
| Profit and total comprehensive income for the period attributable to: |       |                                |                                |
| Owner of the Company                                                  |       | 269,156                        | 46,689                         |
| Non-controlling interest                                              |       | 857                            | 4,439                          |
|                                                                       |       | 270,013                        | 51,128                         |
| Earnings per share                                                    | 9     |                                |                                |
| – Basic                                                               |       | RMB24.2 cents                  | RMB4.2 cents                   |
| – Diluted                                                             |       | RMB24.2 cents                  | RMB4.2 cents                   |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

|                                                             | NOTES | 30.6.2015<br>RMB'000<br>(unaudited) | 31.12.2014<br>RMB'000<br>(audited) |
|-------------------------------------------------------------|-------|-------------------------------------|------------------------------------|
| Non-current assets                                          |       |                                     |                                    |
| Property, plant and equipment                               | 10    | 3,630,766                           | 3,447,318                          |
| Goodwill                                                    |       | 499                                 | 499                                |
| Prepaid lease payments                                      | 10    | 197,362                             | 199,371                            |
| Deferred tax assets                                         | 11    | 307,780                             | 341,485                            |
| Deposit for acquisition of property,<br>plant and equipment |       | 44,704                              | 103,875                            |
|                                                             |       | <b>4,181,111</b>                    | <b>4,092,548</b>                   |
| Current assets                                              |       |                                     |                                    |
| Inventories                                                 |       | 1,546,969                           | 1,550,782                          |
| Held-for-trading investments                                | 12    | 57,407                              | —                                  |
| Bills, trade and other receivables                          | 13    | 2,089,207                           | 1,274,190                          |
| Prepaid lease payments                                      |       | 5,178                               | 5,995                              |
| Time deposits                                               |       | 166,470                             | —                                  |
| Pledged bank deposits                                       |       | 656,443                             | 164,926                            |
| Bank balances and cash                                      |       | 1,092,284                           | 1,625,162                          |
|                                                             |       | <b>5,613,958</b>                    | <b>4,621,055</b>                   |
| Current liabilities                                         |       |                                     |                                    |
| Bills, trade and other payables                             | 14    | 3,865,973                           | 2,326,442                          |
| Amounts due to related parties                              |       | 32,602                              | 12,889                             |
| Taxation payable                                            |       | 9,841                               | 22,711                             |
| Bank borrowings – current portion                           | 15    | 1,703,745                           | 2,499,604                          |
|                                                             |       | <b>5,612,161</b>                    | <b>4,861,646</b>                   |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)**At 30 June 2015*

|                                                  | <i>NOTES</i> | <b>30.6.2015</b><br><b>RMB'000</b><br><b>(unaudited)</b> | 31.12.2014<br><i>RMB'000</i><br>(audited) |
|--------------------------------------------------|--------------|----------------------------------------------------------|-------------------------------------------|
| Net current assets (liabilities)                 |              | <b>1,797</b>                                             | (240,591)                                 |
| Total assets less current liabilities            |              | <b>4,182,908</b>                                         | 3,851,957                                 |
| Non-current liabilities                          |              |                                                          |                                           |
| Bank borrowings – non-current portion            | 15           | <b>257,045</b>                                           | 205,373                                   |
| Deferred tax liabilities                         | 11           | <b>40,036</b>                                            | 32,772                                    |
| Long-term loan notes                             | 16           | <b>869,264</b>                                           | 868,172                                   |
|                                                  |              | <b>3,016,563</b>                                         | 2,745,640                                 |
| Capital and reserves                             |              |                                                          |                                           |
| Share capital                                    | 17           | <b>108,710</b>                                           | 108,710                                   |
| Reserves                                         |              | <b>2,845,041</b>                                         | 2,565,175                                 |
| Equity attributable to the owners of the Company |              | <b>2,953,751</b>                                         | 2,673,885                                 |
| Non-controlling interest                         |              | <b>62,812</b>                                            | 71,755                                    |
| Total equity                                     |              | <b>3,016,563</b>                                         | 2,745,640                                 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2015*

### 1. BASIS OF PREPARATION

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

The Group’s condensed consolidated financial statements are presented in Renminbi (“RMB”) which is also the functional currency of the Company.

### 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has not applied the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) that have been issued but are not yet effective:

|                                                 |                                                                                                       |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| HKFRS 9                                         | Financial Instruments <sup>1</sup>                                                                    |
| HKFRS 14                                        | Regulatory Deferral Accounts <sup>2</sup>                                                             |
| HKFRS 15                                        | Revenue from Contracts with Customers <sup>3</sup>                                                    |
| Amendments to HKFRS 11                          | Accounting for Acquisitions of Interests in Joint Operations <sup>4</sup>                             |
| Amendments to HKAS 1                            | Disclosure Initiative <sup>4</sup>                                                                    |
| Amendments to HKAS 16<br>and HKAS 38            | Clarification of Acceptable Methods of Depreciation and<br>Amortisation <sup>4</sup>                  |
| Amendments to HKFRSs                            | Annual Improvements to HKFRSs 2012-2014 Cycle <sup>4</sup>                                            |
| Amendments to HKAS 16<br>and HKAS 41            | Agriculture: Bearer Plants <sup>4</sup>                                                               |
| Amendments to HKAS 27                           | Equity Method in Separate Financial Statements <sup>4</sup>                                           |
| Amendments to HKFRS 10<br>and HKAS 28           | Sale or Contribution of Assets between an Investor and its<br>Associate or Joint Venture <sup>4</sup> |
| Amendments to HKFRS 10,<br>HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception <sup>4</sup>                                |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016.

The application of the above HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### 3. TURNOVER

#### Six months ended 30 June

| 2015           | 2014           |
|----------------|----------------|
| <i>RMB'000</i> | <i>RMB'000</i> |
| (unaudited)    | (unaudited)    |

An analysis of turnover is as follows:

Lead-acid motive battery products:

|                                           |                  |                  |
|-------------------------------------------|------------------|------------------|
| Electrical bicycle battery                | 5,159,097        | 4,687,913        |
| Electrical tricycle battery               | 1,275,324        | 1,095,088        |
| Pure electric car battery ( <i>Note</i> ) | 559,494          | 298,210          |
| Recycled lead products                    | 226,289          | 328,780          |
| Lithium battery products                  | 189,149          | 85,753           |
| Others                                    | 122,564          | 81,772           |
|                                           | <u>7,531,917</u> | <u>6,577,516</u> |

*Note:* It includes battery products mainly for items such as urban mini electric sedans, electric forklifts, electric patrol cars and special-purpose electric cars.

### 4. OTHER INCOME

#### Six months ended 30 June

| 2015           | 2014           |
|----------------|----------------|
| <i>RMB'000</i> | <i>RMB'000</i> |
| (unaudited)    | (unaudited)    |

|                                   |               |               |
|-----------------------------------|---------------|---------------|
| Government grants ( <i>Note</i> ) | 43,533        | 54,535        |
| Interest income                   | 17,260        | 3,349         |
| Sales of raw material             | 2,777         | 4,698         |
| Others                            | 3,166         | 7,048         |
|                                   | <u>66,736</u> | <u>69,630</u> |

*Note:* The government grants mainly represent unconditional subsidies from the relevant development zone administrative committees and PRC local governments to encourage the operations of certain subsidiaries. The government grants are accounted for as immediate financial support with no future related costs expected to be incurred and are not related to any assets.

## 5. OTHER GAINS AND LOSSES

|                                                                      | Six months ended 30 June       |                                |
|----------------------------------------------------------------------|--------------------------------|--------------------------------|
|                                                                      | 2015<br>RMB'000<br>(unaudited) | 2014<br>RMB'000<br>(unaudited) |
| Net (losses) gains on held-for-trading investments ( <i>note 1</i> ) | (3,893)                        | 19                             |
| Reversal of (allowance for) bad and doubtful debts                   | 5,958                          | (6,245)                        |
| Loss on disposal of property, plant and equipment ( <i>note 2</i> )  | (8,635)                        | (8,174)                        |
| Gain on disposal of prepaid lease payment ( <i>note 3</i> )          | –                              | 1,555                          |
| Foreign exchange losses                                              | (22)                           | (787)                          |
| Others                                                               | –                              | (440)                          |
|                                                                      | <u>(6,592)</u>                 | <u>(14,072)</u>                |

### Notes:

1. Net (losses) gains on held-for-trading investments included dividend income of nil (1.1.2014 to 30.6.2014: gain of RMB78,000), gains on disposals of approximately RMB 2,720,000 (1.1.2014 to 30.6.2014: gain of RMB69,000) and loss arising on change in fair value of approximately RMB6,613,000 (1.1.2014 to 30.6.2014: loss of RMB128,000), which were earned on these held-for-trading investments during the six months ended 30 June 2015.
2. During the six months ended 30 June 2015, the carrying amount of property, plant and equipment of approximately RMB10,629,000 (1.1.2014 to 30.6.2014: RMB9,183,000) was derecognised upon disposals of property, plant and equipment with proceeds of approximately RMB1,994,000 (1.1.2014 to 30.6.2014: RMB1,009,000), resulting in a loss of approximately RMB8,635,000 (1.1.2014 to 30.6.2014: RMB8,174,000).
3. During the six months ended 30 June 2015, no prepaid lease payment was derecognised.

During the six months ended 30 June 2014, the carrying amount of prepaid lease payment of approximately RMB6,738,000 was derecognised upon disposals of prepaid lease payment with proceeds of approximately RMB8,293,000, resulting in a gain of approximately RMB1,555,000.

## 6. PROFIT BEFORE TAXATION

|                                                                                   | Six months ended 30 June |                |
|-----------------------------------------------------------------------------------|--------------------------|----------------|
|                                                                                   | 2015                     | 2014           |
|                                                                                   | <i>RMB'000</i>           | <i>RMB'000</i> |
|                                                                                   | (unaudited)              | (unaudited)    |
| Profit before taxation has been arrived at after charging:                        |                          |                |
| Amortisation of prepaid lease payments                                            | 2,826                    | 1,929          |
| Reversals of allowance for inventories<br>(included in cost of sales)             | (11,302)                 | (154)          |
| Write down of inventories to net realizable values<br>(included in cost of sales) | 279,814                  | 199,629        |
| Depreciation of property, plant and equipment                                     | 159,138                  | 118,036        |
|                                                                                   | <u>279,814</u>           | <u>199,629</u> |

Share-based payments expense of approximately RMB10,710,000 (1.1.2014 to 30.6.2014: RMB4,097,000) were recognised in profit or loss during the six months ended 30 June 2015 in respect of share options of the Company granted in prior years. Details of transactions are set out in note 18.

## 7. TAXATION

|                                        | Six months ended 30 June |                |
|----------------------------------------|--------------------------|----------------|
|                                        | 2015                     | 2014           |
|                                        | <i>RMB'000</i>           | <i>RMB'000</i> |
|                                        | (unaudited)              | (unaudited)    |
| PRC Enterprise Income Tax ("EIT")      |                          |                |
| – Current tax                          | 35,809                   | 33,135         |
| – Over provision of EIT in prior years | (8,793)                  | (28,296)       |
|                                        | <u>27,016</u>            | <u>4,839</u>   |
| Deferred taxation ( <i>note 11</i> )   | 40,969                   | 18,910         |
|                                        | <u>67,985</u>            | <u>23,749</u>  |

## 7. TAXATION *(Continued)*

The income tax expense of the Group is recognised based on the PRC EIT rate of 25% (1.1.2014 to 30.6.2014: 25%) for the periods under review, except that, Tianneng Battery Group Co., Ltd. (“Tianneng Battery”), Zhejiang Tianneng Energy Technology Co., Ltd. (“Zhejiang Tianneng Energy”), Tianneng Battery Group (Anhui) Co., Ltd. and Zhejiang Tianneng Power Energy Co., Ltd., subsidiaries of the Company in the PRC, were recognised as High-Tech companies and enjoyed a tax rate of 15% in the current period (1.1.2014 to 30.6.2014: 15% applicable for Tianneng Battery, Tianneng Battery (Wuhu) Co., Ltd. and Zhejiang Tianneng Energy).

The qualification of Tianneng Battery (Wuhu) Co., Ltd. as High-Tech company expired on 29 June 2015 and has not been renewed as the directors are of the opinion that the possibility of renewal of the qualification is remote.

During the six months ended 30 June 2015, withholding tax of approximately RMB3,100,000 (30.6.2014: RMB1,610,000) has been provided for in the period with reference to the anticipated dividends to be distributed by the PRC entities to non-PRC residents.

## 8. DIVIDENDS

|                                                                                         | Six months ended 30 June              |                                       |
|-----------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
|                                                                                         | 2015<br><i>RMB'000</i><br>(unaudited) | 2014<br><i>RMB'000</i><br>(unaudited) |
| Dividends recognised as distribution during the period:                                 |                                       |                                       |
| 2014 final dividend declared nil                                                        | —                                     | —                                     |
| 2013 final dividend declared of HK4.62 cents<br>(equivalent to RMB3.68 cents per share) | —                                     | 40,909                                |
|                                                                                         | <u>—</u>                              | <u>40,909</u>                         |
|                                                                                         | <u>—</u>                              | <u>40,909</u>                         |

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 and 30 June 2014.

## 9. EARNINGS PER SHARE

|                                                                                                         | Six months ended 30 June       |                                |
|---------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
|                                                                                                         | 2015<br>RMB'000<br>(unaudited) | 2014<br>RMB'000<br>(unaudited) |
| <b>Earnings:</b>                                                                                        |                                |                                |
| Earnings for the purposes of calculating<br>basic and diluted earnings per share                        |                                |                                |
| – attributable to the owners of the Company                                                             | <u>269,156</u>                 | <u>46,689</u>                  |
| <b>Number of shares:</b>                                                                                |                                |                                |
| Weighted average number of ordinary shares for<br>the purpose of calculating basic earnings per share   | 1,111,908,000                  | 1,111,908,000                  |
| Effect of dilutive potential ordinary<br>shares in respect of share options                             | <u>315,496</u>                 | <u>928,557</u>                 |
| Weighted average number of ordinary shares for<br>the purpose of calculating diluted earnings per share | <u>1,112,223,496</u>           | <u>1,112,836,557</u>           |

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

The Group spent approximately RMB116,648,000 and RMB236,567,000 (1.1.2014 to 30.6.2014: RMB98,977,000 and RMB328,287,000) on additions of machinery and manufacturing plant and construction in progress in the PRC respectively.

During the period, the Group spent nil on additions of prepaid lease payments in the PRC (1.1.2014 to 30.6.2014: RMB1,064,000).

During the six months ended 30 June 2015, the Group received government grants of approximately RMB14,198,000 (1.1.2014 to 30.6.2014: RMB8,540,000) and nil (1.1.2014 to 30.6.2014: RMB24,000,000) in relation to certain properties, plant and equipment and land leases of the Group respectively. The Group recognised the amount as a deduction from the carrying amount of the relevant assets and will transfer this to profit or loss over the useful lives of the relevant assets.

As at 30 June 2015, the official legal titles of buildings with an aggregate carrying amount of approximately RMB745,926,000 (31.12.2014: RMB501,711,000) and land use right certificates with carrying amounts of approximately RMB20,916,000 (31.12.2014: RMB25,139,000) have not been obtained by the Group.

## 11. DEFERRED TAXATION

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

|                                                                               | Deferred income | Withholding tax | Fair value adjustment on property, plant and equipment and prepaid lease payments arising from acquisition of subsidiaries | Interest capitalisation | Fair value change of held-for-trading investments | Provision for inventories, and other receivables | Accrued warranty | Accrued expenses | Impairment loss on property, plant and equipment | Tax losses | Others  | Total    |
|-------------------------------------------------------------------------------|-----------------|-----------------|----------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------------------------------------|--------------------------------------------------|------------------|------------------|--------------------------------------------------|------------|---------|----------|
|                                                                               | RMB'000         | RMB'000         | RMB'000                                                                                                                    | RMB'000                 | RMB'000                                           | RMB'000                                          | RMB'000          | RMB'000          | RMB'000                                          | RMB'000    | RMB'000 | RMB'000  |
| At 1 January 2014 (audited)                                                   | 46,106          | (2,100)         | (1,290)                                                                                                                    | (17,108)                | 70                                                | 15,666                                           | 33,956           | 54,125           | 9,718                                            | 28,156     | (5,952) | 161,347  |
| Credit (charge) to profit or loss                                             | (3,940)         | (1,610)         | (52)                                                                                                                       | (4,594)                 | (70)                                              | 1,427                                            | 6,930            | (15,731)         | (221)                                            | (1,179)    | 130     | (18,910) |
| Transfer to withholding tax on distribution of earnings from PRC subsidiaries | –               | 3,010           | –                                                                                                                          | –                       | –                                                 | –                                                | –                | –                | –                                                | –          | –       | 3,010    |
| At 30 June 2014                                                               | 42,166          | (700)           | (1,342)                                                                                                                    | (21,702)                | –                                                 | 17,093                                           | 40,886           | 38,394           | 9,497                                            | 26,977     | (5,822) | 145,447  |
| At 1 January 2015 (audited)                                                   | 50,909          | –               | (1,391)                                                                                                                    | (24,556)                | –                                                 | 23,957                                           | 34,817           | 96,193           | 6,661                                            | 127,815    | (5,692) | 308,713  |
| Credit (charge) to profit or loss                                             | 2,416           | (3,100)         | (51)                                                                                                                       | (2,384)                 | 1,091                                             | (4,638)                                          | 16,157           | (32,333)         | (211)                                            | (18,046)   | 130     | (40,969) |
| At 30 June 2015                                                               | 53,325          | (3,100)         | (1,442)                                                                                                                    | (26,940)                | 1,091                                             | 19,319                                           | 50,974           | 63,860           | 6,450                                            | 109,769    | (5,562) | 267,744  |

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

|                          | 30.6.2015<br>RMB'000<br>(unaudited) | 31.12.2014<br>RMB'000<br>(audited) |
|--------------------------|-------------------------------------|------------------------------------|
| Deferred tax assets      | 307,780                             | 341,485                            |
| Deferred tax liabilities | (40,036)                            | (32,772)                           |
|                          | <b>267,744</b>                      | <b>308,713</b>                     |

## 11. DEFERRED TAXATION *(Continued)*

At 30 June 2015, the Group has not recognised deductible temporary differences on provision for inventories, trade and other receivables, accrued warranty and other accrued expenses of approximately RMB1,638,000 (At 31.12.2014: RMB6,830,000) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

At 30 June 2015, the Group had unused tax losses of approximately RMB34,158,000 (At 31.12.2014: RMB29,102,000) available to offset against future profits. No deferred tax assets has been recognized in respect of such losses due to unpredictability of future profit streams. Such unrecognised losses will expire at various dates up to and including 2020 (At 31.12.2014: 2019).

Under the PRC EIT, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB1,530 million (At 31.12.2014: RMB1,330 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 12. HELD-FOR-TRADING INVESTMENTS

At 30 June 2015, the amount represents listed equity securities held by the Group. Fair values are determined with reference to quoted market bid prices.

## 13. BILLS, TRADE AND OTHER RECEIVABLES

|                             | <b>30.6.2015</b>      | 31.12.2014     |
|-----------------------------|-----------------------|----------------|
|                             | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
|                             | <b>(unaudited)</b>    | (audited)      |
| Bills receivables           | <b>1,115,192</b>      | 583,310        |
| Trade receivables           | <b>498,400</b>        | 283,600        |
| Other receivables           | <b>173,846</b>        | 132,770        |
| Prepayments                 | <b>30,955</b>         | 27,941         |
| Value added tax receivables | <b>270,814</b>        | 246,569        |
|                             | <hr/>                 | <hr/>          |
|                             | <b>2,089,207</b>      | 1,274,190      |
|                             | <hr/>                 | <hr/>          |

### 13. BILLS, TRADE AND OTHER RECEIVABLES *(Continued)*

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

|               | <b>30.6.2015</b><br><b><i>RMB'000</i></b><br><b>(unaudited)</b> | 31.12.2014<br><i>RMB'000</i><br>(audited) |
|---------------|-----------------------------------------------------------------|-------------------------------------------|
| 0 to 180 days | <b>1,115,192</b>                                                | 583,310                                   |

Payment terms with customers are mainly on credit. The Group allows an average credit period of 45 days (At 31.12.2014: 45 days) to its trade customers. The following is an aged analysis of trade receivables, presented based on invoice dates at the end of the reporting period:

|                | <b>30.6.2015</b><br><b><i>RMB'000</i></b><br><b>(unaudited)</b> | 31.12.2014<br><i>RMB'000</i><br>(audited) |
|----------------|-----------------------------------------------------------------|-------------------------------------------|
| 0 – 45 days    | <b>279,625</b>                                                  | 231,443                                   |
| 46 – 90 days   | <b>164,557</b>                                                  | 29,864                                    |
| 91 – 180 days  | <b>45,567</b>                                                   | 12,043                                    |
| 181 – 365 days | <b>8,424</b>                                                    | 10,250                                    |
| Over 365 days  | <b>227</b>                                                      | –                                         |
|                | <b>498,400</b>                                                  | 283,600                                   |

### 14. BILLS, TRADE AND OTHER PAYABLES

|                                    | <b>30.6.2015</b><br><b><i>RMB'000</i></b><br><b>(unaudited)</b> | 31.12.2014<br><i>RMB'000</i><br>(audited) |
|------------------------------------|-----------------------------------------------------------------|-------------------------------------------|
| Trade payables                     | <b>840,257</b>                                                  | 735,522                                   |
| Bills payables                     | <b>1,399,156</b>                                                | 202,114                                   |
| Other payables and accrued charges | <b>1,626,560</b>                                                | 1,388,806                                 |
|                                    | <b>3,865,973</b>                                                | 2,326,442                                 |

#### 14. **BILLS, TRADE AND OTHER PAYABLES** *(Continued)*

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

|                | 30.6.2015<br><i>RMB'000</i><br>(unaudited) | 31.12.2014<br><i>RMB'000</i><br>(audited) |
|----------------|--------------------------------------------|-------------------------------------------|
| 0 – 90 days    | 721,621                                    | 608,114                                   |
| 91 – 180 days  | 66,639                                     | 85,368                                    |
| 181 – 365 days | 34,518                                     | 25,137                                    |
| 1 – 2 years    | 15,330                                     | 13,281                                    |
| Over 2 years   | 2,149                                      | 3,622                                     |
|                | <u>840,257</u>                             | <u>735,522</u>                            |

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

|              | 30.6.2015<br><i>RMB'000</i><br>(unaudited) | 31.12.2014<br><i>RMB'000</i><br>(audited) |
|--------------|--------------------------------------------|-------------------------------------------|
| 0 – 180 days | <u>1,399,156</u>                           | <u>202,114</u>                            |

#### 15. **BANK BORROWINGS**

|                     | 30.6.2015<br><i>RMB'000</i><br>(unaudited) | 31.12.2014<br><i>RMB'000</i><br>(audited) |
|---------------------|--------------------------------------------|-------------------------------------------|
| Secured             | 555,795                                    | 615,000                                   |
| Unsecured           | <u>1,404,995</u>                           | <u>2,089,977</u>                          |
|                     | <u>1,960,790</u>                           | <u>2,704,977</u>                          |
| Analysed as:        |                                            |                                           |
| Current portion     | 1,703,745                                  | 2,499,604                                 |
| Non-current portion | <u>257,045</u>                             | <u>205,373</u>                            |
|                     | <u>1,960,790</u>                           | <u>2,704,977</u>                          |

Details of assets pledged by the Group at the end of the reporting period are set out in note 19.

## 16. LOAN NOTES

|                                | <b>30.6.2015</b>      | 31.12.2014     |
|--------------------------------|-----------------------|----------------|
|                                | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
|                                | <b>(unaudited)</b>    | (audited)      |
| Long-term unsecured loan notes | <b>869,264</b>        | 868,172        |

*Note:*

- (1) On 19 July 2012, Tianneng Battery (Wuhu) Co., Ltd issued a long-term loan notes with principal amount of RMB80,000,000 at a discount and received proceed of RMB78,500,000. The long-term loan notes bear interest at 7.3% per annum and is repayable on 19 July 2018.

At 30 June 2015 and 31 December 2014, the amount is stated at amortised cost with effective interest rate at 7.70% per annum.

- (2) On 11 March 2014, Tianneng Battery issued a long-term loan notes with principal amount of RMB400,000,000 at a discount and received proceed of RMB392,400,000. The long-term loan notes bear interest at 7.31% per annum and are repayable on 11 March 2019.

At 30 June 2015 and 31 December 2014, the amount is stated at amortised cost with effective interest rate at 7.78% per annum.

- (3) On 9 October 2014, Tianneng Battery issued a long-term loan notes with principal amount of RMB400,000,000 at a discount and received proceed of RMB395,400,000. The long-term loan notes bear interest at 8% per annum and are repayable on 9 October 2020.

At 30 June 2015 and 31 December 2014, the amount is stated at amortised cost with effective interest rate at 8.25% per annum.

## 17. SHARE CAPITAL

|                                                                                      | Number<br>of shares | Amount<br><i>RMB '000</i> |
|--------------------------------------------------------------------------------------|---------------------|---------------------------|
| Ordinary shares of the Company<br>with nominal value of HK\$0.10 each<br>Authorised: |                     |                           |
| At 1 January 2014, 31 December 2014,<br>1 January 2015 and 30 June 2015              | 2,000,000,000       | 212,780                   |
| Issued and fully paid:                                                               |                     |                           |
| At 1 January 2014, 31 December 2014,<br>1 January 2015 and 30 June 2015              | 1,111,908,000       | 108,710                   |

## 18. SHARE OPTIONS

The Company has a share options scheme (the “Scheme”) for eligible directors of the Company, eligible employees of the Group and other selected participants. According to the terms of the Scheme, option granted must be taken up within 28 days from the date of grant, upon payment of HK\$1.00. The options may be exercised in accordance with the terms of the Scheme at any time during the exercise period determined by the board of directors which shall in any event not be more than ten years from the date of grant. Share options are vested over a period up to a maximum of four years after the date of grant.

The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Scheme to an eligible participant in any 12-month period shall not exceed 1% of the number of shares in issue unless approved by shareholders in a general meeting. The maximum number of shares in respect of which options may be granted under the Scheme shall not in aggregate exceed 10% of the shares in issue on the date on which dealings in the shares first commence on the Stock Exchange, i.e. a total of 100,000,000 shares (the “Option Limit”). Pursuant to an annual general meeting held on 16 May 2014, the Option Limit has been refreshed to 10% of the shares in issue on the date of the annual general meeting, i.e. a total of 111,190,800 shares.

## 18. SHARE OPTIONS (Continued)

All holders of options granted under the Scheme may only exercise their options in the following manner:

### Maximum percentage of options exercisable

### Vesting period

|                               |                                                  |
|-------------------------------|--------------------------------------------------|
| 10% of the options            | Upon the first anniversary of the date of grant  |
| Additional 20% of the options | Upon the second anniversary of the date of grant |
| Additional 30% of the options | Upon the third anniversary of the date of grant  |
| Additional 40% of the options | Upon the fourth anniversary of the date of grant |

No options were granted during the six months ended 30 June 2015 (1.1.2014 to 30.6.2014: granted 58,660,000 share options).

The following tables disclosed movements of the Company's options granted under the Scheme during the six months ended 30 June 2015 and 30 June 2014:

| Category | Grant date | Exercisable period    | Exercise price | Outstanding at 1.1.2015 | Granted during the period | Exercised during the period | Forfeited during the period | Outstanding at 30.6.2015 |
|----------|------------|-----------------------|----------------|-------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------|
| Option A | 22.11.2010 | 22.11.2011-21.11.2020 | HK\$3.18       | 34,210,000              | –                         | –                           | (1,170,000)                 | 33,040,000               |
| Option B | 16.6.2014  | 16.6.2015-15.6.2024   | HK\$2.90       | 56,930,000              | –                         | –                           | (3,015,000)                 | 53,915,000               |
|          |            |                       |                | <u>91,140,000</u>       | <u>–</u>                  | <u>–</u>                    | <u>(4,185,000)</u>          | <u>86,955,000</u>        |
| Category | Grant date | Exercisable period    | Exercise price | Outstanding at 1.1.2014 | Granted during the period | Exercised during the period | Forfeited during the period | Outstanding at 30.6.2014 |
| Option A | 22.11.2010 | 22.11.2011-21.11.2020 | HK\$3.18       | 38,530,000              | –                         | –                           | (2,700,000)                 | 35,830,000               |
| Option B | 16.6.2014  | 16.6.2015-15.6.2024   | HK\$2.90       | –                       | 58,660,000                | –                           | –                           | 58,660,000               |
|          |            |                       |                | <u>38,530,000</u>       | <u>58,660,000</u>         | <u>–</u>                    | <u>(2,700,000)</u>          | <u>94,490,000</u>        |

No options were exercised during the six months ended 30 June 2015 and 30 June 2014.

The closing price of the Company's shares on 22 November 2010, the date of grant of Option A, was HK\$3.15 (equivalent to approximately RMB2.70) and the total estimated fair value of the share options granted on that date was HK\$73,820,000 (equivalent to approximately RMB63,205,000).

## 18. SHARE OPTIONS (Continued)

The closing price of the Company's shares on 16 June 2014, the date of grant of Option B, was HK\$2.89 (equivalent to approximately RMB2.29) and the total estimated fair value of the share options granted on that date was HK\$70,620,000 (equivalent to approximately RMB56,065,000).

The fair value of the share options was determined at the date of grant using the Binomial option pricing model (the "Binomial model") with the following inputs and based on the respective vesting period of the share options:

|                                                                           | <b>Option B<br/>16.6.2014</b> | <b>Option A<br/>22.11.2010</b> |
|---------------------------------------------------------------------------|-------------------------------|--------------------------------|
| Stock price as at grant date                                              | HK\$2.89                      | HK\$3.15                       |
| Exercise price                                                            | HK\$2.90                      | HK\$3.18                       |
| Expected volatility                                                       | 55%                           | 64%                            |
| Expected life of options                                                  | 10 years                      | 10 years                       |
| Risk free rate                                                            | 2.055%                        | 2.427%                         |
| Expected dividend yield                                                   | 4.26%                         | 2.9%                           |
| Sub-optimal exercise factor for directors/<br>senior management/employees | 3.5/3.5/3.5                   | nil/2.8/2.2                    |

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Expected volatility was determined by using the historical volatility of the Company's share prices over the previous eight years. Changes in variables and assumptions may result in changes in the fair value of the options.

During the period, the Group recognised total expense of approximately RMB10,710,000 (1.1.2014 to 30.6.2014: RMB4,097,000) in relation to share options granted by the Company under the Scheme.

## 19. PLEDGE OF ASSETS

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

|                               | <b>30.6.2015</b><br><b>RMB'000</b><br><b>(unaudited)</b> | 31.12.2014<br><i>RMB'000</i><br>(audited) |
|-------------------------------|----------------------------------------------------------|-------------------------------------------|
| Bank deposits                 | <b>656,443</b>                                           | 73,100                                    |
| Bills receivables             | <b>655,696</b>                                           | 195,204                                   |
| Trade receivables             | –                                                        | 50,000                                    |
| Property, plant and equipment | <b>84,719</b>                                            | 80,863                                    |
| Prepaid lease payments        | <b>43,198</b>                                            | 119,262                                   |
|                               | <b>1,440,056</b>                                         | 518,429                                   |

## 20. CAPITAL COMMITMENTS

|                                                                                                                                                               | <b>30.6.2015</b><br><b>RMB'000</b><br><b>(unaudited)</b> | 31.12.2014<br><i>RMB'000</i><br>(audited) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|-------------------------------------------|
| Contracted for but not provided in<br>the condensed consolidated<br>financial statements in respect of<br>the acquisition of property,<br>plant and equipment | <b>476,479</b>                                           | 685,490                                   |

## 21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| Financial assets                                                                                                                   | Fair value as at                                                                       |                         | Fair value hierarchy | Valuation technique and key input      | Significant unobservable input | Relationship of unobservable inputs to fair value |
|------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|-------------------------|----------------------|----------------------------------------|--------------------------------|---------------------------------------------------|
|                                                                                                                                    | 30.06.2015<br>(unaudited)                                                              | 31.12.2014<br>(audited) |                      |                                        |                                |                                                   |
| Listed equity securities classified as held-for-trading investments in the condensed consolidated statements of financial position | Listed equity securities in Hong Kong:<br>– Manufacturing industry<br>– RMB 57,407,000 | nil                     | Level 1              | Quoted bid prices in an active market. | N/A                            | N/A                                               |

## 22. RELATED PARTY TRANSACTIONS

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

| Name of related company                                         | Nature of transactions  | Six months ended 30 June       |                                |
|-----------------------------------------------------------------|-------------------------|--------------------------------|--------------------------------|
|                                                                 |                         | 2015<br>RMB'000<br>(unaudited) | 2014<br>RMB'000<br>(unaudited) |
| Zhejiang Changxing Xin<br>Xin Packaging Co., Ltd.<br>(note i)   | Purchase of consumables | 681                            | 59                             |
| Jiyuan City Wangyang<br>Smelting (Group) Co.,<br>Ltd. (note ii) | Purchase of materials   | 362,319                        | 255,783                        |
|                                                                 | Rental expense          | 2,447                          | –                              |
| Changxing Jin Ling Hotel<br>(note iii)                          | Hotel expense           | 1,564                          | 2,999                          |
|                                                                 |                         | <b>=====</b>                   | <b>=====</b>                   |

Note:

- (i) Zhejiang Changxing Xin Xin Packaging Co., Ltd. is beneficially owned by Ms. Chen Pingping and Ms. She Fangli, who are the cousin and niece respectively of Mr. Zhang Tianren (“Mr. Zhang”). As at 30 June 2015, 407,855,650 shares (At 31.12.2014: 407,855,650 shares) of the Company (approximately 36.68% of the total issued shares of the Company as at 30 June 2015) are held by Prime Leader Global Limited which is incorporated in the British Virgin Island and is wholly-owned by Mr. Zhang. Mr Zhang is also a director of the Company.
- (ii) Jiyuan City Wangyang Smelting (Group) Co., Ltd. is controlled by the 49% non-controlling equity interest party of Jiyuan Wanyang Green Energy Co.,Ltd., a 51% owned subsidiary of the Group.
- (iii) Changxing Jin Ling Hotel is controlled by Mr. Zhang.

## 22. RELATED PARTY TRANSACTIONS *(Continued)*

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

|                              | <b>Six months ended 30 June</b> |                       |
|------------------------------|---------------------------------|-----------------------|
|                              | <b>2015</b>                     | <b>2014</b>           |
|                              | <b><i>RMB'000</i></b>           | <b><i>RMB'000</i></b> |
|                              | <b>(unaudited)</b>              | <b>(unaudited)</b>    |
| Short term employee benefits | <b>2,761</b>                    | 2,709                 |
| Share-based payments         | <b>321</b>                      | 48                    |
|                              | <hr/>                           | <hr/>                 |
|                              | <b>3,082</b>                    | 2,757                 |
|                              | <hr/> <hr/>                     | <hr/> <hr/>           |

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

## MANAGEMENT DISCUSSION AND ANALYSIS

Tianneng Power International Limited (“Tianneng” or the “Company” and together with its subsidiaries, the “Group”) is principally engaged in four major business segments in the People’s Republic of China (“PRC” or “China”), namely the research and development, production and sale of 1) mini electric car motive batteries; 2) electric bike and tricycle motive batteries; 3) motive lithium battery; and 4) used battery recycling. In 2015, the Group was once again ranked among “Fortune China Top 500” as selected by the Fortune magazine.

## REVIEW OF OPERATIONS

### 1) Mini electric car motive battery

During the six months ended 30 June 2015 (the “Review Period”), the development of the mini electric car market in China was accelerating. Mini electric cars not only have the competitive advantages of lower purchasing and utilisation costs, they can also be widely applied in household, commercial, industrial and governmental areas, and have received increasing recognition from the community. In view of this, promoting this form of new energy transportation has become a new initiative for various local governments to carry out motor vehicle electrification and emission reduction policy that are for the benefit of the people. As of today, 20 provinces and cities (including Shandong, Liaoning, Hebei, Fujian, Guangxi and Sichuan) had issued 29 related supporting or standardised policies.

As motive battery is the key component of mini electric cars, combined with its experience accumulated and achievement accomplished throughout the years, the Group has become the leading enterprise in the mini electric car industry chain. With its leading position in China’s mini electric car motive battery market (market share in 2014: 55%), the Group has further deepened its cooperative relationship with over 100 new energy vehicle enterprises, including Chery, Geely, Kandi, Shifeng, Yogomo, Daojue and Yintai. The Group also continued to develop the network of sales distribution and after-sales services for new energy vehicle motive battery, which currently comprises of 120 distributors. During the Review Period, the Group generated revenue of approximately RMB559 million from the sales of the pure electric car motive battery, up by 87.6% as compared with the same period last year and accounted for approximately 7.4% of the Group’s sales turnover.

## **2) Lithium motive battery**

It is well-known that lithium battery new energy vehicles have long been regarded as one of the best alternatives to replace gasoline-powered vehicles. Major automobile manufacturers around the world have invested huge amount of resources in order to make a head start in entering the market, of which development, production and application of lithium motive battery are the most important segments. The Group has also invested a huge amount of manpower and resources in the related aspects since 2007. The Group currently has a lithium motive battery production capacity of 1.25GWH, ranking among the top in the Chinese market. The related products can be applied to pure electric cars and electric bikes, with clients such as Zotye, Chery and Kandi, etc. During the Review Period, the Group completed sales of approximately RMB189 million, representing a significant growth of approximately 120.6% as compared with the same period last year.

## **3) Technological research and development**

On the basis of the extensive lithium battery research and development achievements and experience accumulated, the Group continued to conduct in-depth research and development of anode and cathode materials, battery cell products, battery pack, battery management system (BMS) and vehicle system for lithium battery. Meanwhile, during the Review Period, the Group enhanced the strength of its lithium battery development team by recruiting three high calibre scientific research experts who have extensive experience in the industry, namely Dr. Li Wen (李文), Dr. Su Haibin (蘇海濱) and Dr. Guo Zaiping (郭再萍).

In terms of research and development of motive battery, the Group has been developing a new product named “cloud battery”, which features unique smart functions such as GPS positioning, real-time tracking and real-time monitoring of charging status, effectively solving the problems encountered by consumers in the use of batteries, such as over-charging of batteries, vehicle tracking and battery security. Meanwhile, the Group continued to further upgrade its super lead-carbon batteries and proactively promote its application in the market.

## **4) Sales management and model**

During the Review Period, the board of the directors of the Company (the “Board”) had made certain adjustments, including the new appointment of Mr. Zhou Jianzhong as the Company’s executive Director, who is responsible for the Group’s overall sales management. He had promptly introduced a series of improvement plans after an in-depth examination on the sales system and such improvement plans had been proved effective.

In terms of e-commerce, combining the use of “Xiaodianlv”, an electronic platform for instant maintenance service of battery, and “Tmall Tianneng”, an online store, as well as Tianneng’s approximately 2,000 offline distributors in China, the Group had successfully established the first “Internet+Battery” O2O sales platform in the motive battery industry.

During the Review Period, the Group cooperated with Mr. Li Chen, a popular celebrity in China, and he was engaged as the new endorser of Tianneng’s brand. Mr. Li is an iconic figure of “Running Man China”, a hit reality show in China. The Group wishes to set a new standard and inject new excitements to Tianneng’s brand with Mr. Li’s youthful, positive, healthy and energetic image, which has been enjoying a high popularity.

## **5) Electric bike and tricycle motive battery**

The government driven consolidation of the lead battery industry has come to the final phase after four years of implementation. A large number of enterprises that failed to meet the environmental protection requirements and lacked competitiveness had been eliminated. The Group has further strengthened its leading position in the electric bike and tricycle motive battery market, and the competition environment of the industry has improved significantly. Through adjustment of market strategies, the Group, on one hand, wished to communicate with the market its aim to take the lead to drive the industry back to a win-win situation; on the other hand, it also showed its full support to the government’s call for establishment of new market orders. During the Review Period, the Group recovered sales growth of electric bike motive battery. It also recorded a remarkable growth in the sales of electric tricycle motive battery. The Group recorded approximately RMB5,159 million and approximately RMB1,275 million from the sales of electric bike and tricycle motive battery respectively, representing an increase of approximately 10.1% and approximately 16.5% as compared with the same period last year and accounted for approximately 68.5% and approximately 16.9% of the Group’s turnover, respectively. Total sales quantity and the weighted average unit selling price of both types of battery products amounted to approximately 69.77 million units and approximately RMB92.2 respectively, representing an increase of approximately 21.5% and a decrease of approximately 8.4% respectively, as compared with the same period last year.

## **6) Used battery recycling**

During the Review Period, the European advanced facility-based used battery recycling plant located in the recycling base in Eastern China (Zhejiang Wushan) had applied its recycled lead products in the Group's battery production and had contributed approximately RMB226 million to the exported sales. The construction of the Group's second used battery recycling plant located in the recycling base in Northern China (Hunan Puyang) was completed basically and it is expected to commence trial production in the second half of 2015. Meanwhile, leveraging the experience and equipment of used lead battery recycling, the Group will expedite the innovation of its processing model for used lithium battery recycling.

## **FUTURE PROSPECTS**

Facing the new normal of slowdown of growth rate of electric bike and rapid growth of electric tricycle and mini electric car, the Group captured the new drivers for development of emerging industries, with a view to realise steady growth of electric bicycle batteries business and speed up the development of the three major emerging businesses, namely motive lithium battery, electric car motive batteries and used battery recycling in the future.

For the second half of the year, the Group will continue to adhere to the major working principle of “transformation and upgrading” for its operation. The principle comprises “three transformations” and “four upgradings”, the details of which are listed as below:

1st transformation: accelerating transformation to motive lithium battery

2nd transformation: further transformation into mini electric car motive battery

3rd transformation: deepening transformation to used battery recycling industry

1st upgrading: upgrading of lead motive battery

2nd upgrading: upgrading of e-commerce

3rd upgrading: upgrading in environmental protection

4th upgrading: upgrading in maintenance of community relations

The Group will adhere to the main principle of progress through stability and focus on quality and efficiency. It will incorporate advance technology into traditional industries and expand the scale of emerging industries. In addition, expansion of emerging industries such as electric car motive battery, motive lithium battery and resources recycling will be the Group's key strategic direction. With new material, new techniques, new skills and new equipment as its core tactics, the Group aims to further enhance the proportion of sales in emerging industries, the management efficiency and the added-value of its products, so as to make full preparation to increase the overall profitability of the Group in the future. As at 30 June 2015, save as the capital expenditure plan with the amount of RMB500 million, which will be fully funded by the Group's internal resources, for the production capacity expansion and production facilities improvement, the Group had no other plans for material investments, acquisition or disposal of capital assets in the second half of 2015.

Pursuing the belief of “New Energy New World” and strategically aiming at becoming the “Global Leading Green Energy Solution Provider”, the Group will be able to achieve continuous growth with new drive under the new normal and contribute better returns to the shareholders in the long run.

## **FINANCIAL REVIEW**

### **Turnover**

The Group’s turnover for the Review Period was approximately RMB7.53 billion, representing an increase of approximately 14.5% as compared with the same period last year.

### **Gross profit**

The Group’s gross profit and gross profit margin for the Review Period were approximately RMB1,092 million and approximately 14.5% respectively, representing an increase of approximately 43.7% and approximately 2.95 percentage points respectively as compared with the same period last year. The increase was mainly due to the reduction of the production cost and production outsourcing.

### **Other income**

The Group’s other income for the Review Period was approximately RMB66.74 million (for the six months ended 30 June 2014: approximately RMB69.63 million), representing a decrease of approximately 4.2% as compared with the same period last year. It was mainly resulted from the decrease in government grants.

### **Selling and distribution costs**

Selling and distribution costs decreased from approximately RMB302 million in the same period last year to approximately RMB273 million for the Review Period, which was mainly due to a reduction of traditional media advertising cost.

### **Administrative expenses**

Administrative expenses decreased from approximately RMB162 million in the same period last year to approximately RMB151 million for the Review Period, which was mainly due to reduction of wages and salaries.

## **Research and development (“R&D”) costs**

Research and development costs increased by 75.9% from approximately RMB137 million in the same period last year to approximately RMB241 million for the Review Period, which was mainly due to increase in the number of R&D projects and optimization of the R&D team.

## **Finance costs**

Finance costs decreased from approximately RMB89.85 million in the same period last year to approximately RMB86.44 million for the Review Period, which was mainly due to the decrease in interest bearing loans.

## **Operating activities cash flow**

During the Review Period, the net cash generated from operating activities of the Group was RMB1,149 million (net cash used in operating activities of RMB397 million in the same period last year). It was mainly due to increase in profit and optimization of the bills management.

## **CAPITAL STRUCTURE, FINANCIAL RESOURCES AND LIQUIDITY**

As at 30 June 2015, the shareholders’ equity of the Company amounted to approximately RMB2,954 million (31 December 2014: approximately RMB2,674 million). The Group’s capital structure is the equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

The Group has total assets of approximately RMB9,795 million (31 December 2014: approximately RMB8,714 million), representing an increase of approximately RMB1,081 million, or approximately 12.4%. As at 30 June 2015, total current assets of the Group were approximately RMB5,614 million (31 December 2014: approximately RMB4,621 million), accounting for approximately 57.3% of total assets and representing an increase of approximately 21.5% as compared with those as at 31 December 2014. Total non-current assets were approximately RMB4,181 million (31 December 2014: approximately RMB4,093 million), representing an increase of approximately RMB88 million and accounting for approximately 42.7% of the total assets.

As at 30 June 2015, total liabilities of the Group were approximately RMB6,778 million (31 December 2014: approximately RMB5,968 million), representing an increase of approximately 13.6%. As at 30 June 2015, total current liabilities of the Group were approximately RMB5,612 million (31 December 2014: approximately RMB4,862 million), accounting for approximately

82.8% of total liabilities and representing an increase of approximately 15.4% as compared with those as at 31 December 2014. Total non-current liabilities were approximately RMB1,166 million (31 December 2014: approximately RMB1,106 million), representing an increase of approximately RMB60 million and accounting for approximately 17.2% of the total liabilities.

As at 30 June 2015, the cash and bank balances of the Group (including pledged bank deposits and time deposit) was approximately RMB1,915 million (31 December 2014: approximately RMB1,790 million), of which approximately RMB5.0 million and approximately RMB12.9 million are denominated in Hong Kong Dollars and United States Dollars respectively. As at 30 June 2015, the bank borrowings of the Group with maturity of within one year amounted to approximately RMB1,704 million (31 December 2014: approximately RMB2,500 million). The bank borrowings and loan notes (together as “interest bearing loans”) with maturity of more than one year amounted to approximately RMB1,126 million (31 December 2014: approximately RMB1,074 million). The amounts of approximately RMB2,679 million and approximately RMB151 million interest bearing loans are denominated in Renminbi and Hong Kong Dollars respectively, and carry fixed and variable interest rates ranging from 1.64% to 8% (2014: 3.15% to 8%) per annum.

In conclusion, the borrowings of the Group as at 30 June 2015 remained at a healthy and controllable level. With RMB2,125 million of unutilized facilities, the Group will take a cautious stance and maximize the interests of the shareholders and the Company by striking a balance between the borrowings and the funding utilization. Moreover, with continuously improving the fund structure as our financial objective in long run, the Group will optimize its loan structure with further use of long term loans.

### **Pledge of assets**

As at 30 June 2015, the bank facilities and bank borrowings of the Group were secured by its bank deposits, bills receivables, property, plant and equipment, and land use rights. The aggregate net book value of the assets pledged amounted to approximately RMB1,440 million (31 December 2014: approximately RMB518 million).

### **Gearing ratio**

As at 30 June 2015, the Group’s gearing ratio, defined as the sum of current and non-current portions of interest bearing loans against the percentage of total assets, was approximately 28.9% (31 December 2014: approximately 41.0%).

## **Exposure in exchange rate fluctuations**

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

## **Contingent liabilities**

The Group did not have any significant contingent liabilities as at 30 June 2015 (31 December 2014: Nil).

## **Capital commitments**

For details, please refer to note 20 to the Condensed Consolidated Financial Statements.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2015, the Group employed a total of 18,139 employees (30 June 2014: 19,451). Staff cost of the Group for the Review Period was approximately RMB491 million (for the six months ended 30 June 2014: approximately RMB443 million). The cost included basic salaries and staff benefits such as discretionary bonus, medical and insurance plans, pension scheme, unemployment insurance plan, etc. Competitive remuneration packages were offered to employees by the Group. The Company has adopted incentive programs to encourage employees' performance and a range of training programs for the development of its staff.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the Review Period (for the six months ended 30 June 2014: Nil).

## **SIGNIFICANT INVESTMENTS HELD**

During the Review Period, the Group recorded a net loss of approximately RMB3.9 million (for the six months ended 30 June 2014: net gain of approximately RMB19,000) for the held-for-trading investment as the capital market was under fluctuation. Save as the disclosures in note 12 to the Condensed Consolidated Financial Statements conducted in accordance with the established treasury policy of the Group, there were no significant investments held by the Group as at 30 June 2015 (as at 31 December 2014: Nil).

## **MATERIAL ACQUISITION AND DISPOSAL**

During the Review Period, the Group had no material acquisition or disposal of subsidiaries and affiliated companies.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

For details, please refer to note 18 to the Condensed Consolidated Financial Statements.

## **IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL PERIOD**

Since the end of the financial period covered by this announcement, there has been no significant events which would have an impact on the Group.

## **CORPORATE GOVERNANCE**

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

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2015.

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

## **SHARE OPTIONS**

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by the then shareholders on 26 February 2007 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. Details of the Company's share option scheme are set out in the note 18 to the financial statements. An Ordinary Resolution was passed at the Annual General Meeting on 16 May 2014 relating to the refreshment of scheme mandate limit of the share option scheme as set out in the supplemental notice of Annual General Meeting.

On 30 March 2009, a total of 36,340,000 share options were offered to the eligible participants under the Scheme. 35,310,000 share options were accepted and granted on the same day. On 22 November 2010, a total of 44,720,000 share options were offered and granted to Directors and eligible participants under the Scheme. After the refreshment of the share option scheme, on 16 June 2014, a total of 58,660,000 options were offered and granted to Directors and eligible participants. The details movement of Company's share options during the period under review are as follows:

| Name of grantee                                                 | Date of grant of the options | Exercise period          | Exercise price of the options (HK\$) | Closing price of Company's shares immediately before the date of grant (HK\$) | Weighted average closing price of Company's shares immediately before the date of exercise (HK\$) | Number of option outstanding as at 1 January 2015 | Number of options granted during the period | Number of options exercised during the period | Number of options cancelled during the period | Number of options or the share option scheme during the period | Number of options outstanding as at 30 June 2015 | Approximate shareholding percentage of the underlying shares for the options in the share capital of the Company |
|-----------------------------------------------------------------|------------------------------|--------------------------|--------------------------------------|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------|-----------------------------------------------|-----------------------------------------------|----------------------------------------------------------------|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| Ho Tso Hsiu<br>(Independent non-executive Director) (note 1)    | 16/6/2014                    | 16/6/2015 to 15/6/2024   | 2.90                                 | 2.89                                                                          | –                                                                                                 | 100,000                                           | –                                           | –                                             | –                                             | –                                                              | 100,000                                          | 0.01%                                                                                                            |
| Huang Dongliang<br>(Independent non-executive Director)         | 16/6/2014                    | 16/6/2015 to 15/6/2024   | 2.90                                 | 2.89                                                                          | –                                                                                                 | 100,000                                           | –                                           | –                                             | –                                             | –                                                              | 100,000                                          | 0.01%                                                                                                            |
| Wang Jingzhong<br>(Independent non-executive Director) (note 1) | 16/6/2014                    | 16/6/2015 to 15/6/2024   | 2.90                                 | 2.89                                                                          | –                                                                                                 | 100,000                                           | –                                           | –                                             | –                                             | –                                                              | 100,000                                          | 0.01%                                                                                                            |
| Other eligible participants                                     | 22/11/2010                   | 22/11/2011 to 21/11/2020 | 3.18                                 | 3.02                                                                          | –                                                                                                 | 34,210,000                                        | –                                           | –                                             | –                                             | (1,170,000)                                                    | 33,040,000                                       | 2.97%                                                                                                            |
|                                                                 | 16/6/2014                    | 16/6/2015 to 15/6/2014   | 2.90                                 | 2.89                                                                          | –                                                                                                 | 56,630,000                                        | –                                           | –                                             | –                                             | (3,015,000)                                                    | 53,615,000                                       | 4.67%                                                                                                            |
|                                                                 |                              |                          |                                      |                                                                               |                                                                                                   | <u>91,140,000</u>                                 | <u>–</u>                                    | <u>–</u>                                      | <u>–</u>                                      | <u>(4,185,000)</u>                                             | <u>86,955,000</u>                                | <u>7.66%</u>                                                                                                     |

Notes:

1. Mr. Ho Tso Hsiu and Mr. Wang Jingzhong resigned on 6 June 2015.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Review Period.

## **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. ZHOU Jianzhong; the independent non-executive Directors are Mr. GUO Konghui, Mr. HUANG Dongliang and Mr. WU Feng.

This announcement will be published on the website of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and on the Company's website at [www.tianneng.com.hk](http://www.tianneng.com.hk).

By order of the Board

**Zhang Tianren**

*Chairman*

Hong Kong, 28 August 2015