天能

TIANNENG POWER INTERNATIONAL LIMITED
天 能 動 力 國 際 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00819)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

- Revenue increased by 26.8% to RMB17,804.1 million.
- Gross profit margin increased by 4.6 percentage points to 13.6 percentage points.
- Profit attributable to shareholders was RMB610.94 million (2014: loss of RMB304.92 million).
- A final dividend of HK31.80 cents per share is proposed.
- Basic earnings per share was approximately RMB0.55 (2014: loss of RMB0.27).

2015 ANNUAL RESULTS

The board of directors (the "Board") of Tianneng Power International Limited (the "Company" or "Tianneng Power") hereby announces the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 together with the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTE	2015 RMB'000	2014 RMB'000
Turnover	4	**17,804,068**	14,043,731
Cost of sales		**(15,376,105)**	(12,780,351)
Gross profit		**2,427,963**	1,263,380
Other income		**166,159**	139,652
Other gains and losses	5	**(45,678)**	(72,657)
Selling and distribution costs		**(598,269)**	(651,904)
Administrative expenses		**(323,856)**	(351,517)
Research and development costs		**(565,838)**	(404,649)
Other operating expenses		**(151,476)**	(123,328)
Finance costs	6	**(163,376)**	(206,079)
Profit (loss) before taxation	7	**745,629**	(407,102)
Taxation	8	**(117,832)**	114,115
Profit (loss) and total comprehensive income (expense) for the year		**627,797**	(292,987)
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**610,936**	(304,917)
Non-controlling interests		**16,861**	11,930
		627,797	(292,987)
Earnings (loss) per share	10		
– Basic		**RMB0.548**	RMB(0.274)
– Diluted		**RMB0.544**	RMB(0.274)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTE	**2015** **RMB'000**	2014 RMB'000
Non-current assets			
Property, plant and equipment		**3,551,121**	3,447,318
Goodwill		**499**	499
Prepaid lease payments		**199,364**	199,371
Deferred tax assets		**329,614**	341,485
Deposit for acquisition of property, plant and equipment		**41,243**	103,875
		4,121,841	4,092,548
Current assets			
Inventories		**1,354,284**	1,550,782
Held-for-trading investments		**92,717**	–
Bills, trade and other receivables	*11*	**2,845,452**	1,274,190
Prepaid lease payments		**5,730**	5,995
Pledged bank deposits		**728,512**	164,926
Bank balances and cash		**1,397,555**	1,625,162
		6,424,250	4,621,055
Current liabilities			
Bills, trade and other payables	*12*	**4,824,706**	2,326,442
Amounts due to related parties		**15,815**	12,889
Taxation payable		**28,089**	22,711
Bank borrowings – current portion		**821,895**	2,499,604
		5,690,505	4,861,646
Net current assets (liabilities)		**733,745**	(240,591)
Total assets less current liabilities		**4,855,586**	3,851,957
Non-current liabilities			
Bank borrowings – non-current portion		**546,818**	205,373
Deferred tax liabilities		**50,650**	32,772
Long-term loan notes		**790,977**	868,172
		1,388,445	1,106,317
		3,467,141	2,745,640
Capital and reserves			
Share capital		**111,356**	108,710
Reserves		**3,276,969**	2,565,175
Attributable to the owners of the Company		**3,388,325**	2,673,885
Non-controlling interest		**78,816**	71,755
Total equity		**3,467,141**	2,745,640

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 16 November 2004 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") with effect from 11 June 2007. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporation Information" section of the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are the manufacture and sales of lead-acid batteries and battery related accessories.

The consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Revised HKFRSs adopted during the year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010-2012 Cycle*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011-2013 Cycle*

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[4]

1 Effective for annual periods beginning on or after 1 January 2018

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

3 Effective for annual periods beginning on or after 1 January 2019

4 Effective for annual periods beginning on or after 1 January 2016

5 Effective for annual periods beginning on or after a date to be determined

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

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

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

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors of the Company will assess the impact of the application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detailed review.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 *Property, Plant and Equipment* prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 Intangible Assets introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and prepaid lease payments respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

The directors of the Company do not anticipate that the application of other new and revised HKFRSs will have a material effect on the Group's financial position and performance as well as disclosure.

3. OPERATING SEGMENTS

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors, the chief operating decision maker (the "CODM"), in order to allocate resources to the segments and to assess their performance. However, the financial information provided to the CODM does not contain profit or loss information of each product line or each market segment and the CODM review the operating results of the Group on a consolidated basis. Therefore, the operation of the Group constitutes one single reportable segment, being the manufacture and sales of lead-acid batteries and battery related accessories.

Segment revenues and results

The financial information presented to the CODM is consistent with the consolidated statement of profit or loss and other comprehensive income.

The CODM consider the Group's profit for the year as the measurement of segment's results.

Entity-wide disclosures

All non-current assets and sales are located and generated in the PRC. No individual customer accounted for over 10% of the Group's total revenue for both years.

4. TURNOVER

	2015	2014
	RMB'000	*RMB'000*
An analysis of turnover is as follows:		
Lead-acid motive battery products:		
Electrical Bicycle Battery	**10,815,755**	9,353,732
Electrical Tricycle Battery	**3,913,575**	2,958,901
Pure Electric Car Battery *(Note)*	**1,750,311**	956,564
Recycled lead products	**550,132**	426,242
Lithium battery products	**555,784**	180,166
Others	**218,511**	168,126
	17,804,068	14,043,731

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

5. OTHER GAINS AND LOSSES

	2015	2014
	RMB'000	*RMB'000*
Net (losses) gains on held-for-trading investments *(note i)*	**(12,412)**	3,427
Reversal of (allowance for) bad and doubtful debts	**4,832**	(18,302)
Write off/loss on disposal of property, plant and equipment *(note ii)*	**(47,045)**	(58,348)
Gains on disposal of prepaid lease payment *(note iii)*	**–**	1,555
Impairment loss recognised in respect of property, plant and equipment	**(2,965)**	–
Net foreign exchange gains (losses)	**11,912**	(655)
Loss on disposal of an associate *(note iv)*	**–**	(334)
	(45,678)	(72,657)

Note:

(i) Net (losses) gains on held-for-trading investments included dividend income of approximately RMB436,000 (2014: RMB143,000), losses on disposal of approximately RMB19,184,000 (2014: gains RMB3,284,000) and gains arising on changes in fair value of RMB6,336,000 (2014: nil), which were earned on these held-for-trading investments during the year ended 31 December 2015.

(ii) During the year ended 31 December 2015, the carrying amount of property, plant and equipment of approximately RMB68,956,000 (2014: RMB63,244,000) was derecognised upon disposal of property, plant and equipment with proceeds of approximately RMB21,911,000 (2014: RMB4,896,000), resulting in a loss of approximately RMB47,045,000 (2014: RMB58,348,000).

(iii) During the year ended 31 December 2014, the carrying amount of prepaid lease payment of approximately RMB6,738,000 was derecognised upon its disposals with proceeds of approximately RMB8,293,000, resulting in a gain of approximately RMB1,555,000.

(iv) On previous year, the Group held a 30% equity interest in 金華三方新能源汽車服務有限公司 Jinhua Sanfang New Energy Automobile Services Co., Ltd ("Sanfang") and accounted for the investment as an associate. Sanfang is a limited liability company established in the PRC and is engaged principally in the rental of electric motor vehicles. In July 2014, Sanfang was liquidated and the Group recognised a loss on disposal of the associate of RMB334,000 in profit or loss.

6. FINANCE COSTS

	2015 *RMB'000*	2014 *RMB'000*
Interest on:		
– Bank borrowings wholly repayable within five years	**117,087**	166,881
– Effective interest on long-term loan note wholly repayable within five years	**66,710**	31,095
– Effective interest on long-term loan note not wholly repayable within five years	**–**	7,649
– Factorised bills receivable wholly repayable within five years	**3,668**	36,364
Total borrowing costs	**187,465**	241,989
Less: amounts capitalised	**(24,089)**	(35,910)
	163,376	206,079

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.67% (2014: 6.07%) per annum to expenditure on qualifying assets.

7. PROFIT (LOSS) BEFORE TAXATION

	2015 *RMB'000*	2014 *RMB'000*
Profit (loss) before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**4,163**	3,750
Other staff retirement benefit scheme contributions	**36,697**	25,096
Other staff costs	**1,098,162**	989,326
Share-based payment expense for other staff	**19,625**	17,089
Total staff costs	**1,158,647**	1,035,261
(Reversal) recognition of allowance for inventories (included in cost of sales)	**(11,152)**	39,974
Amortisation of prepaid lease payments	**5,490**	6,047
Auditor's remuneration	**2,200**	2,340
Cost of inventories recognised as expense	**15,232,037**	12,754,304
Depreciation	**311,418**	219,773

Share-based payment expense of approximately RMB19,742,000 (2014: RMB17,269,000) were recognised in profit or loss during the year ended 31 December 2015 in respect of share options of the Company.

8. TAXATION

The charge comprises:

	2015	2014
	RMB'000	*RMB'000*
Hong Kong		
– Current tax	–	–
PRC Enterprise Income Tax ("EIT"):		
– Current tax	**97,259**	58,537
– Over provision in prior years	**(9,176)**	(28,296)
	88,083	30,241
Deferred tax expenses (credit)	**29,749**	(144,356)
	117,832	(114,115)

The Company was incorporated in the Cayman Islands and is exempted from income tax.

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profit for the year ended 31 December 2015. No provision for Hong Kong Profits Tax was made in the consolidated financial statements, as no assessable profit was generated in Hong Kong.

Except as described below, pursuant to the Enterprise Income Tax Law and Implementation Regulations of the PRC (the "New PRC Tax Law") which became effective on 1 January 2008, the applicable tax rate of PRC subsidiaries is 25% during the two years.

Tianneng Battery Group Co., Ltd. was recognised as a High-Tech company in 2009 and 2014 respectively and the applicable tax rate is 15% from 1 January 2010 to 27 October 2017.

Tianneng Battery (Wuhu) Co., Ltd. was recognised as a High-Tech company in 2012 and 2015 respectively and the applicable tax rate is 15% from 30 June 2012 to 14 October 2018.

Zhejiang Tianneng Energy Technology Co., Ltd. was recognised as a High-Tech company in 2012 and 2015 respectively and the applicable tax rate is 15% from 1 January 2013 to 16 September 2018.

Zhejiang Tianneng Power Energy Co., Ltd. was recognised as a High-Tech company in 2014 and the applicable tax rate is 15% from 27 October 2014 to 26 October 2017.

Tianneng Battery Group (Anhui) Co., Ltd. was recognised as a High-Tech company in 2014 and the applicable tax rate is 15% from 1 January 2014 to 31 December 2016.

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

	2015		2014	
	RMB'000	*%*	*RMB'000*	*%*
Profit (loss) before taxation	**745,629**		(407,102)	
Tax at the applicable income tax rate of 25% (2014: 25%)	**186,407**	**25.0**	(101,776)	25.0
Tax effect of expenses not deductible for tax purposes	**8,947**	**1.2**	10,973	(2.7)
Tax effect of tax losses not recognised	**6,434**	**0.9**	3,507	(0.9)
Tax effect of deductible temporary differences not recognised	**(491)**	**(0.1)**	473	(0.1)
Income tax at concessionary rates	**(1,603)**	**(0.2)**	41,442	(10.2)
Over provision in prior years	**(9,176)**	**(1.2)**	(28,296)	7.0
Tax effect of additional deduction related to research and development costs and certain staff costs	**(86,986)**	**(11.7)**	(49,339)	(12.1)
Effect of change in tax rate	**–**	**–**	7,991	(2.0)
Withholding tax on undistributed profits of PRC subsidiaries	**14,300**	**1.9**	910	(0.2)
Taxation charge and effective tax rate for the year	**117,832**	**15.8**	(114,115)	28.0

9. DIVIDENDS

	2015	2014
	RMB'000	*RMB'000*
Dividends recognized as distribution during the year: 2015: 2014 final dividend nil (2014: 2013 final dividend of HK4.62 cents (equivalent to RMB3.68 cents)) per ordinary share	**–**	40,909

A final dividend of HK31.80 cents (equivalent to RMB26.67 cents) (2014: nil) in respect of the year ended 31 December 2015 per ordinary share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

10. EARNINGS (LOSS) PER SHARE

	2015	2014
	RMB'000	*RMB'000*
Earnings (loss) for the purposes of calculating basic and diluted earnings (loss) per share		
– attributable to the owners of the Company	**610,936**	(304,917)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,113,869,807**	1,111,908,000
Effect of dilutive potential ordinary shares – share options	**8,237,759**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,122,107,566**	1,111,908,000

The computation of diluted loss per share for the year ended 31 December 2014 did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price of shares during the year. Accordingly, the diluted loss per share was same as the basic loss per share for the year ended 31 December 2014.

11. BILLS, TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Bills receivables	**1,727,615**	583,310
Trade receivables	**718,077**	346,237
Less: Allowance for bad and doubtful debts	**(51,954)**	(62,637)
	666,123	283,600
Other receivables	**176,631**	153,801
Less: Allowance for bad and doubtful debts	**(18,377)**	(21,031)
	158,254	132,770
Prepayments	**62,606**	27,941
PRC value added tax receivables	**230,854**	246,569
	2,845,452	1,274,190

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

	2015	2014
	RMB'000	*RMB'000*
0 to 180 days	**1,727,615**	583,310

No interest is charged on the trade receivables. Customers including independent third parties of batteries and battery related products are normally granted an average credit period of 45 days (2014: 45 days) for trade debtors. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2015	2014
	RMB'000	*RMB'000*
0 to 45 days	**450,061**	231,443
46 to 90 days	**162,486**	29,864
91 to 180 days	**44,335**	12,043
181 to 365 days	**9,241**	10,250
	666,123	283,600

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and defines appropriate credit limits.

The trade receivable balances of RMB450,061,000 (2014: RMB231,443,000) are neither past due nor impaired at the end of the reporting period for which the Group has not provided for impairment loss since they are mainly the customers with good credit quality.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB216,062,000 (2014: RMB52,157,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss.

The following is an aged analysis of trade receivables which are past due but not impaired:

	2015	2014
	RMB'000	*RMB'000*
46 to 90 days	**162,486**	29,864
91 to 180 days	**44,335**	12,043
181 to 365 days	**9,241**	10,250
	216,062	52,157

Management closely monitors any change in the credit quality of trade receivables. Based on the historical experience of the Group and the assessment of the management, trade receivables which are past due for less than one year but not impaired are generally recoverable. The Group does not hold any collateral over these balances.

The Group has no significant concentration of credit risk on bills, trade and other receivables, with exposure spreading over a large number of counterparties and customers.

The Group has provided fully for trade and other receivables over 1 year which are expected to be not recoverable because historical experience is such that receivables that are past due beyond 1 year are generally not recoverable. Impairment for trade receivables over 45 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience and objective evidences of impairment.

Movement in the allowance for doubtful debts – trade receivables

	2015	2014
	RMB'000	*RMB'000*
1 January	**62,637**	58,043
Allowance for bad and doubtful debts	**4,279**	4,743
Reversal of bad and doubtful debts	**(6,481)**	(149)
Amounts written off as uncollectible	**(8,481)**	–
31 December	**51,954**	62,637

Other receivables was interest-free and unsecured.

Movement in the allowance for doubtful debts – other receivables

	2015	2014
	RMB'000	*RMB'000*
1 January	**21,031**	7,323
Allowance for bad and doubtful debts	**–**	15,110
Reversal of bad and doubtful debts	**(2,630)**	(1,402)
Amounts written off as uncollectible	**(24)**	–
31 December	**18,377**	21,031

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

12. BILLS, TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**1,258,470**	735,522
Bills payables	**1,715,787**	202,114
Other payables and accrued charges *(note)*	**1,850,449**	1,388,806
	4,824,706	2,326,442

Note:

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

At 31 December 2015, included in the other payables and accrued charges is a warranty provision of RMB373,247,000 (2014: RMB229,179,000) which represents management's best estimate of the Group's liability within the 15-month warranty period granted on the Group's lead-acid battery products. Details of the movement in the warranty provision are set out as below:

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**229,179**	203,132
Provision in the year	**675,884**	461,085
Utilisation of provision	**(531,816)**	(435,038)
At 31 December	**373,247**	229,179

The Group normally receives credit terms of 5 days to 90 days (2014: 5 days to 90 days) from its suppliers. The following is an aged analysis of trade payables at the end of the reporting period, presented based on the invoice date:

	2015	2014
	RMB'000	*RMB'000*
0 to 90 days	**1,117,788**	608,114
91 to 180 days	**89,598**	85,368
181 to 365 days	**30,546**	25,137
1 to 2 years	**11,551**	13,281
Over 2 years	**8,987**	3,622
	1,258,470	735,522

BUSINESS REVIEW

REVIEW OF OPERATIONS

The Group established a profit-oriented business model this year which no longer simply pursued speed and increment, but focused on the improvement of quality and efficiency, and long-term sustainable development so as to adjust the development pace without weakening its advantages and to achieve increase of production volume and better quality.

The Group achieved a turnover of approximately RMB17,804 million (2014: RMB14,044 million), net profit of approximately RMB628 million (2014: net loss of RMB293 million) and operating cash flow of approximately RMB2,010 million (2014: RMB777 million).

Emerging Industries • Substantial Increase of the Percentage of Sales

The Group underwent successful transition to new energy vehicle industry. Its sales of new energy vehicle lithium batteries and mini electric car batteries substantially increased to RMB556 million and RMB1,750 million respectively (2014: RMB180 million and RMB957 million), accounting for 3.1% and 9.8% of the Group's total sales (2014: 1.3% and 6.8%). Old battery recycling business achieved a sales amount of RMB1,253 million, in which RMB550 million representing external sales. This business started to speed up its profit contribution to the Group.

Traditional Industries • Benefits of Industry Consolidation Gradually Emerged

The lead battery industry consolidation that commenced in 2011 will soon come to an end. Our country has set higher entry threshold for the lead battery industry, so the environment of the industry continues to improve. Firstly, production capacity is gradually under control. Secondly, the demand to integrate primary markets and secondary markets remains strong. Thirdly, the industry is beginning to restore its order. All of the abovementioned factors are conducive to enhancing the Group's status in the industry and its bargaining power. At present, 80% of the production capacity of the Group has been included into the "PASS" list of industry standard conditions of the Ministry of Environmental Protection and the Ministry of Industry and Information Technology, ranking the top of the industry.

Post Balance Sheet Event

As disclosed in the Company's announcement dated 18 January 2016, Zhejiang Tianneng Energy Technology Co. Ltd., the Company's then wholly-owned subsidiary, ("Tianneng Energy"), as the issuer, entered into a subscription agreement with Tianneng Battery Group Co., Ltd. (an indirect wholly-owned subsidiary of the Company ("Tianneng Battery"), Zhejiang Changxing Tianneng Power Supply Co., Ltd. (an indirect wholly-owned subsidiary of the Company) ("Tianneng Power Supply"), 長興天昊投資管理合夥企業 (Changxing Tianhao Investment Management Partnership Enterprise*) (the "Partnership A"), 長興天澤投資管理合夥企業 (Changxing Tianze Investment Management Partnership Enterprise*) (the "Partnership B") and 長興天順投資管理合夥企業 (Changxing Tianshun Investment Management Partnership Enterprise*) (the "Partnership C") on 18 January 2016 in respect of the subscription of an aggregate of 40% of the enlarged equity interests in Tianneng Energy for an aggregate consideration of RMB114,240,000. On 28 January 2016, the Company received the relevant written regulatory approval for the subscription contemplated under the above subscription agreement (which approval dated 27 January 2016). Upon completion of the subscription which took place on 27 January 2016, Tianneng Energy is indirectly held as to approximately 60% by the Company (through Tianneng Battery as to 54% and Tianneng Power Supply as to 6%), approximately 36% by Partnership A and Partnership B, and approximately 4% by Partnership C. Tianneng Energy remains a subsidiary of the Company under the Listing Rules and its account will continue to be consolidated in the accounts of the Company. Please refer the announcements of the Company dated 18 January 2016 and 28 January 2016 for further information.

2016-2020 • Scaling New Heights

2016 is the first year of China's "13th Five-Year Plan" and a critical year for the transformation and upgrade of the battery industry, which is also the 30th anniversary of the establishment of the Group.

The overall plan of the Group in the next five years is as follows: to adhere to the main theme of "Three Stabilities", clarify the main direction of "Four Trends", practically implement "Five Harmonies" and achieve "Six New Goals". In other words, the Group will adhere to the main theme of "making progress, change and improvement while maintaining stability" by focusing on quality and efficiency as well as innovation drivers, and taking the deepening of reform as its driving force. It will work around the main directions of upgrade of traditional industries, increase of production volume of emerging industries, socialization of circulative industries and implementation of new type of business. It will also strive for harmonious development of various business segments, harmonious control of quality and cost, harmonious utilization of markets and resources at home and abroad, harmonious promotion of online and offline services, and harmonious planning of integration of industry and finance. Through the above, it will then be able to achieve new growth of management efficiency, new breakthrough of technical R&D, new change of systems and mechanisms, new improvement of level of management, new development of the "One Belt, One Road" strategy, and new image of brand culture. Moreover, it will accelerate its development towards an international new energy group with leading position in the industry, respect from the community and employee satisfaction, thereby ensuring a good start of the "13th Five-Year Plan", and presenting its excellent performance as a gift to the 30th anniversary of the establishment of the Group.

The Company is confident that, driven by the concept of "New Energy New World", the Group will continue to aim to become "a world leading new energy solution provider" and adapt to "new normal" phase, integrate new strengths, make new achievements and bring better returns to its shareholders.

OPERATING RESULTS

Turnover

The Group's turnover increased from approximately RMB14.0 billion in 2014 to approximately RMB17.8 billion in 2015, representing an increase of approximately 26.8% as compared to the previous year, details of which are set out below.

Lithium motive battery for new energy vehicles: The Group achieved sales of lithium batteries of approximately RMB556 million (2014: RMB180 million), up by approximately 209% year-on-year. The batteries were mainly applied in the products of over 10 new energy vehicle enterprises like Kandi, Zotye, Chery, Holley, BAIC Motor, Lifan, Dearcar, and so on. According to the statistics published by the Ministry of Industry and Information Technology of the PRC, China sold 330,000 units of new energy vehicles in 2015, which was approximately 3.4 times that of the previous year and outperformed the United States to become the world's largest new energy vehicles market.

In January 2016, Tianneng Power became the strategic cooperation supplier of Beijing Dearcar Technology Co., Ltd. to supply lithium batteries for its new energy vehicles. Beijing Dearcar is a new energy vehicle enterprise jointly established by Zotye Auto, a new energy vehicle enterprise, LeTV, an Internet giant, and Dianzhuang, an operator of charging service. Beijing Dearcar is mainly involved in the R&D, manufacture and sales of new energy vehicles to build an ecological lifestyle with smart and interlinking electric cars.

The Group builds up its global competitive strength from various aspects including technological research and development, product quality, customer group, after-sales service, brand image, etc. It has been identified as the "Benchmarking Enterprise of the Application of the Intellectual Property Rights of Industrial Enterprises" by the Ministry of Industry and Information Technology of the PRC and "Pilot Enterprise of the Operation of National Patents" by State Intellectual Property Office of the PRC, and obtained a total of 1519 national patents. The Group received the "Award of Excellence for Electric Vehicle Technologies" from the electric vehicle branch of Society of Automotive Engineers of China two years in a row in both 2014 and 2015. The R&D team of the industrial chain of lithium battery of the Group comprises of 350 experts, including academicians, experts of the national "Thousand Talents Plan" and the provincial "Thousand Experts Plan", 112 engineering experts and doctors, among which, the new energy motive lithium battery system innovation team was elected as the "2015 Zhejiang Leading Innovation Entrepreneurial Team" (2015年浙江省領軍型創新創業團隊). The team was mainly responsible for the R&D of key materials, battery cell, packing and battery management systems for lithium batteries. At present, the Group is equipped with the bulk production capacity of lithium battery materials, lithium iron phosphate batteries, ternary lithium batteries, manganese-based graphite lithium batteries, intelligent cloud batteries and battery management systems. It is expected the production capacity of lithium batteries will expand up to 2.25GWH. Academician Wu Feng, an independent non-executive Director of the Group, has been elected as the Chairman of the 9th International Conference on Advanced Lithium Batteries for Automobile Applications (ABAA9), a lithium battery conference to be held in Huzhou City, Zhejiang Province in October 2016. In 2015, the Group's R&D expenditure was approximately RMB566 million (2014: RMB405 million), accounting for approximately 3.2% (2014: 2.9%) of sales.

The Group established Zhejiang Tianneng Energy Technology Co., Ltd. (referred to as "Tianneng Energy") in 2004, which is mainly involved in the R&D, production, and sales of lithium motive batteries and has operated for 12 years to date. On 29 December 2015, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") officially approved the spin-off of Tianneng Energy for it to be listed in the New Third Board of the PRC, which would significantly enhance the shareholder value, financing capabilities in the capital market, and brand influence of Tianneng Power. For further details, please refer to the Company's announcements respectively made on 23 November 2015, 29 December 2015, 18 January 2016 and 28 January 2016.

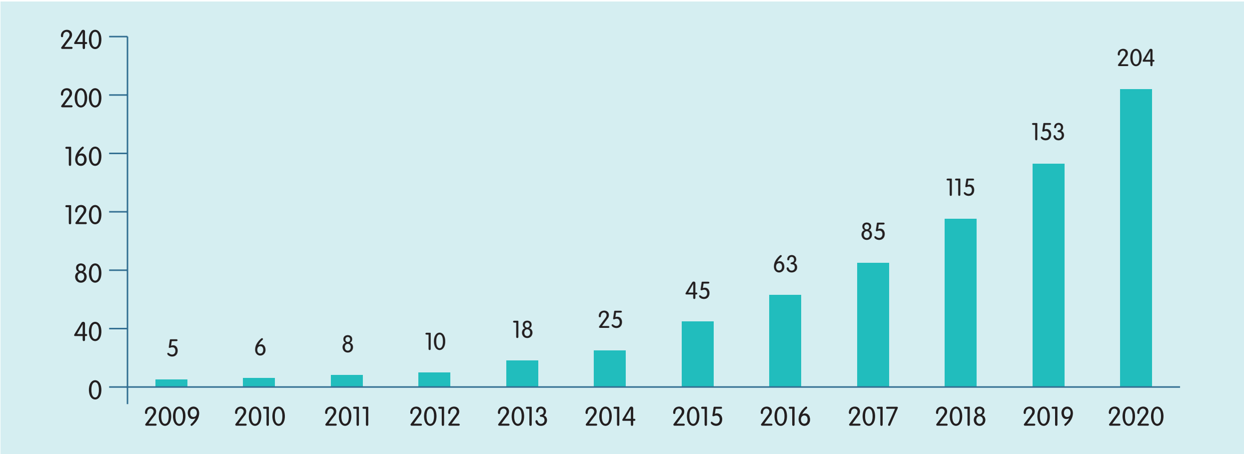
The motive batteries for mini electric cars: The Group achieved a sales of approximately RMB1,750 million (2014: RMB957 million), representing a year-on-year growth of approximately 82.9%. According to the market report issued by Ipsos, the market share of the Group soared to 58% in the Chinese mini electric car battery industry in 2015. The top ten enterprises of the industry, including Yogomo, Shifeng, T-KING, Dojo, Lichi, Dayang, Lifan, Baoya, Senyuan, Zhongtong and other major mini electric car manufacturers, mainly use Tianneng batteries, applying the same on city mini buses, private cars, logistic vehicles, etc. Currently, certain cities in Shandong, Fujian, Sichuan, Henan and other provinces in China have successively launched incentive policies to support the development of mini electric cars. The industry of mini electric cars in China has been developing in controversy. At the annual forum of China EV100 held in Diaoyutai State Guesthouse on 23 January 2016, Chen Qingtai, the CPPCC member and the President of China EV100, stated clearly that, as long as users wished to buy vehicles, enterprises would be willing to manufacture the products, which was a real and reasonable demand. Local governments could first set technical and quality standards of vehicles and clarify the right of roads and include the standards in local traffic management so as to enable a healthy development track for the standards. When the appropriate time comes, the standards can be included in the scope of state administration. If the policies are implemented properly, low-speed electric cars will soon become a huge market with millions of vehicles and thus a key area to boost urban and rural economy and promote economic growth, thereby making huge contributions to society.

In July 2015, China Mini Electric Vehicle Standardization Technical Committee (中國微型電動汽車標準化技術委員會) was established in Beijing, which has officially kick-started the formulation of standards for mini electric vehicles in China. Some rules and administrative regulations encouraging the use of mini electric cars have been released in the United States, Japan and EU countries.

In December 2015, the Group solely organised "The National Top 10 Mini EV Award" and the attending guests commonly recognized that the mini electric car market in China will take off soon. According to the statistics published by Shandong Association of Automobile Manufacturers, 347,000 units of mini electric cars were manufactured in Shandong in 2015, representing an increase of approximately 53.7% as compared to the previous year and the production volume of Shangdong recorded an increase of over 50% for three consecutive years. Shandong Province has also proposed the target plan to produce 1 million units of mini electric cars every year by 2020. According to Ipsos Industry Reports, by 2020, the ownership of mini electric cars in China will be over 6 million units.

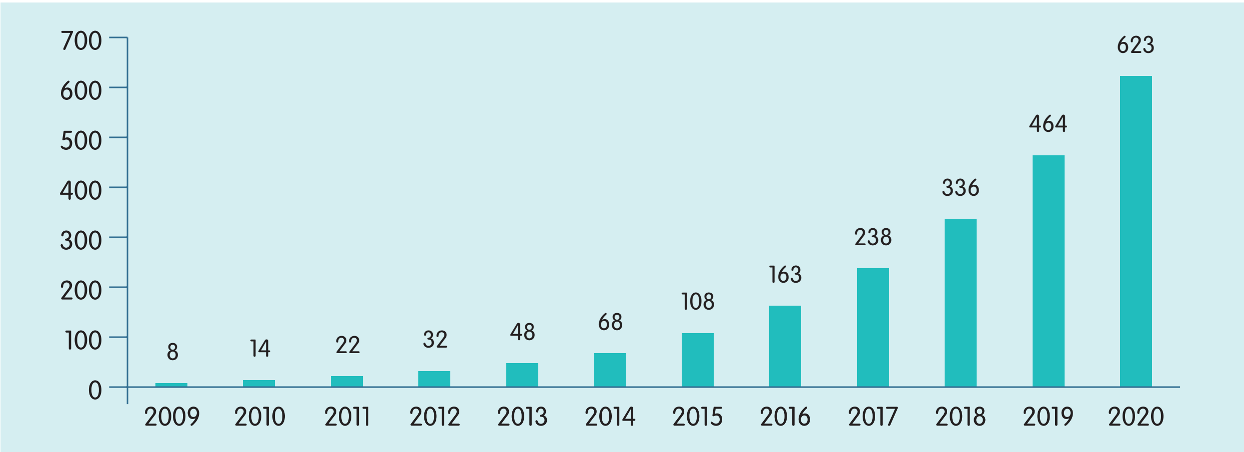
According to the estimation by Ipsos Business Consulting, by 2020, the demands for mini electric cars in China will reach 2.04 million units. The compound annual growth rate from 2015 to 2020 can reach 35% hopefully.

The market demand for mini electric cars in China from 2009 to 2020 (ten thousand units):



Source: Ipsos Business Consulting

The number of ownership of mini electric cars in China from 2009 to 2020 (ten thousand units):



Source: Ipsos Business Consulting

Motive batteries for electric tricycles: The Group achieved sales of approximately RMB3,914 million (2014: RMB2,959 million), up by approximately 32.3% year-on-year. Electric tricycles have both the functions of transportation and loading, and are extensively welcomed in rural areas and second and third-tier cities. The booming express delivery industry basically relies on electric tricycles to deliver the packages for the final one kilometer. On 26 October 2015, the State Council of the PRC issued and printed the Several Opinions on Promoting the Development of Express Delivery Industry (《關於促進快遞業發展的若干意見》) (hereinafter referred to as the "Opinions"). According to the Opinions, by 2020, China will basically realize the following goals: express delivery services in each county and each village can receive packages. The annual business volume of express delivery industry shall reach 50 billion pieces. The national standards for the electric tricycles specifically used for express delivery industry and the regulations on production, use, and management thereof shall be issued and implemented. The rapid development of express delivery industry in the PRC and the acceleration of urbanization will definitely drive the explosive growth of the electric tricycle market. According to Ipsos Industry Report, 15 million units of electric tricycles were sold in China in 2015, up by approximately 30% as compared to the previous year. By 2020, the ownership of electric tricycles in China will reach nearly 100 million units.

Motive batteries for electric bikes: The Group achieved sales of approximately RMB10,816 million (2014: RMB9,354 million), up by approximately 15.6% year-on-year. The Group continued to strengthen its leading position in the industry of motive batteries for electric bikes and actively enhanced industrial self-discipline and standardized management with government, associations, and peer enterprises to jointly maintain the order in the industry. The Group actively utilized advanced technologies like container formation, energy-saving charging with container formation, grid seine, intelligentization and informatization, to accelerate the development of super batteries, lead-carbon batteries, and other new products, technologies and skills, optimize production processes, improve production efficiency, reduce energy consumption, and improve efficiency.

Resources recycling: Under the guidance of the national policies that strongly advocate circular economy and accelerate the construction of ecological civilization, the Group had comprehensively deepened its old battery recycling strategy and had achieved promising performance during the year. The capacity of lead battery recycling of the Group jumped by 88% from 80,000 tons in 2014 to 150,000 tons in 2015, among which, external sales had substantially increased by 29% to approximately RMB550 million, which was the fast growing business segment of the Group and is expected to become an important growth driver for the Group's future development. Currently, the Group boasts two lead battery recycling bases in Eastern China and Northern China and started to plan and prepare the lithium battery recycling model. The Eastern China recycling base located in Changxing, Zhejiang has obtained the only available license for handling old and waste battery recycling in Zhejiang province with a capacity to process 150,000 tons of waste batteries every year. The Northern China recycling base located in Puyang, Henan had started trial production in 2015 with an annual capacity of processing 100,000 tons old batteries. The base in Eastern China was included as the "First Key Promoting Project of Integration of Informatization and Industrialization of Promoting Energy-Saving and Emission Reduction, 1st Batch of Recycled Nonferrous Metal Industry Engineering Research Center, 3rd Batch of Key Technological Modification Project for National Industrial Revitalization, Consolidated Demonstration Project of National Recycled Nonferrous Metal, and Pilot Agent for the National Circular Economy Standardization, by the Chinese government.

Sustainable development: The Group became a constituent stock of the Hang Seng Corporate Sustainability Index during the year, which proved the Group's high level of performance in the aspects of environmental protection, social responsibility and corporate governance.

In 2015, the benefits of consolidation of the lead battery industry began to emerge. The Group achieved an operating cash flow of RMB2.01 billion with an increase of 158% as compared with that in 2014. The net debt ratio had fell sharply from 70.9% in 2014 to 22.0% in 2015. After the remediation of lead-related enterprises since 2011 in China, techniques and equipment have been further improved and higher entry threshold has been imposed while market share has become more concentrated. The environment for the development of the industry continued to improve. Firstly, production capacity was gradually under control. Secondly, the demand to integrate primary markets and secondary markets remained strong. Thirdly, the industry is beginning to restore its order. In 2015, the Group, under the leadership of the governments at various levels and industry associations, accelerated its transformation, upgrade, and technological research and development and worked together with peer enterprises to jointly maintain the healthy development of the industry and share the benefits of industry integration.

According to the Ministry of Environmental Protection and the Ministry of Industry and Information Technology, as of February 2016, only 39 lead battery enterprises in China were included in the "PASS" list of Standardized Conditions of the Industry of Lead Batteries, among which 6 enterprises of the Group were included, accounting for about 80% of the capacity of the Group. At the end of 2011, there were 1,930 lead battery enterprises in China. According to the report of Advanced Lead Acid Battery Consortium which headquartered in London, due to the strengths of lead battery such as low temperature resistance, high safety, high cost efficiency, and recyclability, it is expected that by 2020, lead battery will still hold 59% of the market share of the world's secondary rechargeable battery and continue to maintain its top position among various types of batteries. It will mainly be used in the fields of fuel vehicles, hybrid vehicles, electric cars, electric tricycles, electric bikes, ships, communications, electricity etc., and there will still be huge demand in the market. Following the end of the remediation of lead battery industry in China, the industry will maintain its high entry threshold, and the Group will grasp the opportunities for industry development in the future.

Gross profit

The Group's gross profit and gross profit margin in 2015 were approximately RMB2.43 billion and approximately 13.6 percentage points respectively (2014: approximately RMB1.26 billion and approximately 9.0 percentage points respectively), representing an increase of approximately 92.2 percentage points and 4.6 percentage points respectively as compared to the previous year.

Other income

Other income of the Group increased by approximately 18.6% from approximately RMB140 million in 2014 to approximately RMB166 million in 2015. The increase was mainly attributable to the increase in interest income.

Selling and distribution costs

Selling and distribution costs of the Group decreased by approximately 8.3% from approximately RMB652 million in 2014 to approximately RMB598 million in 2015. Such savings in costs was mainly due to the decrease in transportation cost and advertising cost.

Administrative expenses

Administrative expenses decreased by approximately 8.0% from approximately RMB352 million in 2014 to approximately RMB324 million in 2015. Such decrease was mainly due to staff cost, entertainment expenses and transportation fee reduction.

Finance costs

Finance costs decreased by approximately 20.9% from approximately RMB206 million in 2014 to approximately RMB163 million in 2015, which was mainly due to deduction of total loan scale during the year.

Taxation

The Group recorded tax credit of approximately RMB114 million in 2014, and enterprise income tax expenses of approximately RMB118 million in 2015, mainly because the Group turned loss into profit during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The net cash from operating activities for the year of 2015 was about RMB2.01 billion (2014: RMB777 million). In this year, a working capital pool was formed through the synchronous increase of bills receivable and bills payable, capitalisation of accelerated realisation of bills receivable and prolonged payments of bills payable. Meanwhile, the Group had better profit and reduced inventory so as to have a significant increase of the overall cash flow of operating activities.

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

As at 31 December 2015, the bank balances and cash (including the pledged bank deposits) of the Group was approximately RMB2.13 billion (31 December 2014: approximately RMB1.79 billion). As at 31 December 2015, the Group obtained undrawn bank facilities of approximately RMB2.53 billion (31 December 2014: approximately RMB1.78 billion). The bank balances and cash (including the pledged bank deposits) of RMB2.01 billion, RMB110 million and RMB1.98 million are denominated in Renminbi, Hong Kong Dollars and US Dollars respectively. As the bank balances in Hong Kong Dollars and US Dollars collectively only accounted for approximately 5.3% of the total balances, the Group's relevant exchange risk is low.

As at 31 December 2015, the Group's held-for-trading investments were approximately RMB93 million (31 December 2014: nil). During the investment process, the Group fully considered the use of funds, reasonable returns, liquidity and market conditions and other factors, and prioritised the control of associated risks to implement the Group's prudent financial policies.

As at 31 December 2015, the net current assets of the Group were approximately RMB734 million (31 December 2014: net current liabilities of approximately RMB241 million). Based on the growing business scale and the sufficient level of cash and bank balances, the Company believes that it will be able to meet its liabilities as and when they fall due and meet the capital requirement for operations. The Company is able to control the level of its liabilities and financial risks.

As at 31 December 2015, the bank borrowings and loan notes (together as "interest bearing loans") of the Group with maturity of within one year totally amounted to approximately RMB822 million (31 December 2014: approximately RMB2.5 billion). The interest bearing loans of the Group with maturity of more than one year amounted to approximately RMB1.34 billion (31 December 2014: RMB1.07 billion). The interest bearing loans of RMB1.97 billion carried fixed and variable interest rates ranging from 3.94% to 8.00% (2014: 3.15% to 8.00%) per annum. The interest bearing loans amounting to HK$188 million carried a fixed interest rate of 1.64% per annum (2014: nil). The Company will closely monitor the changes in interest rate and assess the interest rate risk.

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

FINANCIAL POSITION

Assets

As at 31 December 2015, the total assets of the Group were approximately RMB10,546 million, representing an increase of 21.0% as compared to approximately RMB8,714 million as at 31 December 2014. Among them, non-current assets increased by approximately 0.7% to approximately RMB4,122 million and current assets increased by approximately 39.0% to approximately RMB6,424 million. The major reason for the increase of non-current assets was due to the capital expenditure on production plants (mainly lithium batteries plants and recycling plants). The increase in current assets was mainly attributable to the increase in bills receivable and pledged bank deposits.

Liabilities

As at 31 December 2015, the total liabilities of the Group were approximately RMB7,079 million, representing an increase of approximately 18.6% as compared to approximately RMB5,968 million as at 31 December 2014. Among them, current liabilities increased by approximately 17.1% to approximately RMB5,691 million, mainly due to the increase in bills payable. Non-current liabilities increased by approximately 25.5% to approximately RMB1,388 million, mainly due to the increase in long-term interest bearing loans.

CAPITAL EXPENDITURE

The capital expenditure in 2015 was approximately RMB487 million (2014: approximately RMB837 million). A majority of expenditure was incurred on the construction of lithium batteries production plants, Heping base in Changxing, Puyang base in Henan, Shuyang base in Jiangsu and Jieshou base in Anhui.

CAPITAL COMMITMENTS

The amount contracted for but not stated in the consolidated financial statements in respect of the acquisition of property, plant and equipment as at 31 December 2015 was approximately RMB322 million (31 December 2014: approximately RMB685 million).

GEARING RATIO

The Group’s gearing ratio (which is based on the amount of total interest bearing loans divided by total assets multiplied by 100%) as at 31 December 2015 was approximately 20.5% (31 December 2014: approximately 41.0%).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

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

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

As at 31 December 2015, the bank facilities of the Group were secured by bank deposits, bills receivables, property, plant and equipment and prepaid lease payments. The aggregate net book value of the assets pledged amounted to approximately RMB2.092 billion (31 December 2014: RMB518 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2015, the Group employed a total of 18,127 employees (31 December 2014: 18,268 employees). Staff costs excluding directors' emoluments of the Group for the year of 2015 amounted to approximately RMB1,154 million (2014: RMB1,032 million). The costs included basic salaries and benefits as well as staff benefits such as discretionary bonus, medical and insurance plans, pension scheme (including the schemes under the statutory requirement of the government such as pension insurance in China and mandatory provident fund in Hong Kong), unemployment insurance plans and share option scheme etc. Competitive remuneration packages were offered to employees. The Company has adopted incentive programs (including share option scheme) to encourage employee performance and provided a range of training programs for the development of its staff.

SIGNIFICANT INVESTMENTS HELD

Save as the held-for-trading investments of approximately RMB93 million which comprised of equity securities listing in Hong Kong and Mainland China, there were no other significant investments held by the Group as at 31 December 2015 (31 December 2014: Nil). During the year under review, the Group recorded a net loss of approximately RMB12.4 million (2014: net gain of approximately RMB3.4 million) for the held-for-trading investment as the capital market was under fluctuation. Such investment's future prospect remains uncertain under the fluctuating capital market.

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal during the year.

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

During the year ended 31 December 2015, the Company repurchased a total of 4,500,000 shares of HK$0.10 each in the capital of its own shares on the Stock Exchange, details of which are as follows:

Month of repurchase	**Number of shares repurchased**	**Highest price paid per share** *(HK$)*	**Lowest price paid per share** *(HK$)*	**Approximate aggregate consideration** *(HK$)* *(exclude relevant expenses)*
8 July 2015	3,300,000	2.75	2.45	8,800,680
21 July 2015	1,200,000	3.80	3.64	4,494,400
	4,500,000			13,295,080

The issued share capital of the Company was reduced by the par value of the repurchased shares which had been cancelled on 29 July 2015. The repurchases of shares was effected by the Directors pursuant to the general mandate to repurchase shares which was duly approved by the shareholders at the annual general meeting of the Company held on 16 May 2015.

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the net assets value of the Company/earnings per Share.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 12 May 2016 to Wednesday, 18 May 2016, both days inclusive, during which period no transfer of the shares of the Company will be registered. In order to qualify for attending the annual general meeting of the Company of this year, all share certificates, together with duly completed transfer forms, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 11 May 2016.

Further, the register of members of the Company will be closed from Wednesday, 1 June 2016 to Friday, 3 June 2016 (both days inclusive). In order to establish entitlements to the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 31 May 2016.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. As at 31 December 2015, the Audit Committee comprised three independent non-executive directors, namely, Mr. Guo Konghui, Mr. Huang Dongliang and Mr. Wu Feng.

The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2015.

CORPORATE GOVERNANCE CODE

The Company has adopted the provisions of the Corporate Governance Code (the "Code") during the period from 1 January 2015 to 31 December 2015 as contained in Appendix 14 to the Listing Rules. For the year ended 31 December 2015, except for the code provision A.2.1, the Company has complied with the provisions set out in the Code. Mr. Zhang Tianren is both the Chairman and CEO of the Company who is responsible for managing the Group's business. The Board considers that vesting the roles of Chairman and CEO in the same person facilitates the execution of the Company's business strategies and maximizes the effectiveness of its operation. With the present board structure and scope of business, the Board considers that there is no imminent need to separate the roles into two individuals. However, the Board will continue to review the effectiveness of the Group's corporate governance structure to assess whether the separation of the position of the Chairman and CEO is necessary.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2015 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

COMPLIANCE WITH THE MODEL CODE OF LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year 2015.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held at Conference Room, 3/F, Tianneng Group Building, Huaxi Industrial Function Zone, Changxing County, Zhejiang Province, the PRC on Wednesday, 18 May 2016 at 2:00 p.m.. Notice of annual general meeting will be published on the Company's website at www.tianneng.com.hk and the website of the Stock Exchange at www.hkex.com.hk and despatched to the shareholders of the Company as soon as practicable.

PUBLICATION

The annual report containing all the information as required by Appendix 16 of the Listing Rules will be published on the Company's website at www.tianneng.com.hk and the website of the Stock Exchange at www.hkex.com.hk as soon as practicable.

GENERAL INFORMATION

As at the date of this announcement, the executive Directors are Mr. Zhang Tianren, Mr. Zhang Aogen, Mr. Chen Minru, Mr. Zhang Kaihong, Mr. Shi Borong and Mr. 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 Company at www.tianneng.com.hk and the website of the Stock Exchange at www.hkex.com.hk.

By order of the Board
Zhang Tianren
Chairman

Hong Kong, 18 March 2016

As at the date of this announcement, the executive directors of the Company are Mr. ZHANG Tianren, Mr. ZHANG Aogen, Mr. CHEN Minru, Mr. ZHANG Kaihong, Mr. SHI Borong and Mr. ZHOU Jianzhong; the independent non-executive directors of the Company are Mr. GUO Konghui, Mr. HUANG Dongliang and Mr. WU Feng.