

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 2016**

#### **FINANCIAL HIGHLIGHTS**

- Revenue increased by approximately 20.9% to approximately RMB9.11 billion
- Gross profit margin was approximately 14.5%, which was broadly flat as compared to the corresponding period last year
- Profit attributable to shareholders increased by approximately 48.0% to approximately RMB398 million
- Basic earnings per share increased by approximately 44.6% to approximately RMB35.0 cents

#### **INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Tianneng Power International Limited (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 2016, together with the comparative figures for the same period in 2015. 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 2016

|                                                                       | NOTES | Six months ended 30 June              |                                       |
|-----------------------------------------------------------------------|-------|---------------------------------------|---------------------------------------|
|                                                                       |       | 2016<br><i>RMB'000</i><br>(unaudited) | 2015<br><i>RMB'000</i><br>(unaudited) |
| Revenue                                                               | 3     | 9,105,460                             | 7,531,917                             |
| Cost of sales                                                         |       | (7,787,029)                           | (6,440,232)                           |
| Gross profit                                                          |       | 1,318,431                             | 1,091,685                             |
| Other income                                                          | 4     | 143,804                               | 66,736                                |
| Other gains and losses                                                | 5     | (69,395)                              | (6,592)                               |
| Selling and distribution costs                                        |       | (276,767)                             | (273,368)                             |
| Administrative expenses                                               |       | (162,976)                             | (150,640)                             |
| Research and development costs                                        |       | (275,711)                             | (240,659)                             |
| Other expenses                                                        |       | (69,792)                              | (62,722)                              |
| Share of result of an associate                                       |       | 33                                    | –                                     |
| Finance costs                                                         |       | (71,672)                              | (86,442)                              |
| Profit before taxation                                                | 6     | 535,955                               | 337,998                               |
| Taxation                                                              | 7     | (130,015)                             | (67,985)                              |
| Profit and total comprehensive income for the period                  |       | 405,940                               | 270,013                               |
| Profit and total comprehensive income for the period attributable to: |       |                                       |                                       |
| Owner of the Company                                                  |       | 398,396                               | 269,156                               |
| Non-controlling interest                                              |       | 7,544                                 | 857                                   |
|                                                                       |       | 405,940                               | 270,013                               |
| Earnings per share                                                    | 9     |                                       |                                       |
| – Basic                                                               |       | RMB35.0 cents                         | RMB24.2 cents                         |
| – Diluted                                                             |       | RMB34.3 cents                         | RMB24.2 cents                         |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

|                                                             | NOTES | 30.6.2016<br>RMB'000<br>(unaudited) | 31.12.2015<br>RMB'000<br>(audited) |
|-------------------------------------------------------------|-------|-------------------------------------|------------------------------------|
| Non-current assets                                          |       |                                     |                                    |
| Property, plant and equipment                               | 10    | 3,599,105                           | 3,551,121                          |
| Goodwill                                                    |       | 499                                 | 499                                |
| Prepaid lease payments                                      | 10    | 190,363                             | 199,364                            |
| Interest in an associate                                    |       | 9,033                               | —                                  |
| Deferred tax assets                                         | 11    | 306,838                             | 329,614                            |
| Deposit for acquisition of property,<br>plant and equipment |       | 25,894                              | 41,243                             |
|                                                             |       | <u>4,131,732</u>                    | <u>4,121,841</u>                   |
| Current assets                                              |       |                                     |                                    |
| Inventories                                                 |       | 1,618,777                           | 1,354,284                          |
| Held-for-trading investments                                | 12    | 173,833                             | 92,717                             |
| Bills, trade and other receivables                          | 13    | 2,739,710                           | 2,845,452                          |
| Prepaid lease payments                                      |       | 5,095                               | 5,730                              |
| Pledged bank deposits                                       |       | 1,126,299                           | 728,512                            |
| Bank balances and cash                                      |       | 1,642,687                           | 1,397,555                          |
|                                                             |       | <u>7,306,401</u>                    | <u>6,424,250</u>                   |
| Current liabilities                                         |       |                                     |                                    |
| Bills, trade and other payables                             | 14    | 5,175,610                           | 4,824,706                          |
| Amounts due to related parties                              |       | 11,165                              | 15,815                             |
| Taxation payable                                            |       | 34,081                              | 28,089                             |
| Bank borrowings – current portion                           | 15    | 1,469,150                           | 821,895                            |
|                                                             |       | <u>6,690,006</u>                    | <u>5,690,505</u>                   |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)**At 30 June 2016*

|                                              | <i>NOTES</i> | <b>30.6.2016</b><br><b><i>RMB'000</i></b><br><b>(unaudited)</b> | 31.12.2015<br><i>RMB'000</i><br>(audited) |
|----------------------------------------------|--------------|-----------------------------------------------------------------|-------------------------------------------|
| Net current assets                           |              | <b>616,395</b>                                                  | 733,745                                   |
| Total assets less current liabilities        |              | <b>4,748,127</b>                                                | 4,855,586                                 |
| Non-current liabilities                      |              |                                                                 |                                           |
| Bank borrowings – non-current portion        | 15           | <b>300,000</b>                                                  | 546,818                                   |
| Deferred tax liabilities                     | 11           | <b>42,846</b>                                                   | 50,650                                    |
| Long-term loan notes                         | 16           | <b>792,049</b>                                                  | 790,977                                   |
|                                              |              | <b>1,134,895</b>                                                | 1,388,445                                 |
|                                              |              | <b>3,613,232</b>                                                | 3,467,141                                 |
| Capital and reserves                         |              |                                                                 |                                           |
| Share capital                                | 17           | <b>110,062</b>                                                  | 111,356                                   |
| Reserves                                     |              | <b>3,367,170</b>                                                | 3,276,969                                 |
| Attributable to the owners of<br>the Company |              | <b>3,477,232</b>                                                | 3,388,325                                 |
| Non-controlling interest                     |              | <b>136,000</b>                                                  | 78,816                                    |
| Total equity                                 |              | <b>3,613,232</b>                                                | 3,467,141                                 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016*

### 1. BASIS OF PREPARATION

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

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 Hong Kong Stock Exchange.

### 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 for the accounting policy of interest in an associate which is new during the current period as set out below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Interest in an associate**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these condensed consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

## 2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

### **Interest in an associate** *(Continued)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's condensed consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by HKICPA that are mandatorily effective for the current interim period.

The application of those amendments to 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. REVENUE

#### Six months ended 30 June

| 2016           | 2015           |
|----------------|----------------|
| <i>RMB'000</i> | <i>RMB'000</i> |
| (unaudited)    | (unaudited)    |

An analysis of revenue is as follows:

Lead-acid motive battery products:

|                                           |                  |                  |
|-------------------------------------------|------------------|------------------|
| Electrical Bicycle Battery                | 5,727,270        | 5,159,097        |
| Electrical Tricycle Battery               | 1,636,142        | 1,275,324        |
| Pure Electric Car Battery ( <i>Note</i> ) | 617,744          | 559,494          |
| Recycled lead products                    | 408,716          | 226,289          |
| Lithium battery products                  | 288,931          | 189,149          |
| Others                                    | 426,657          | 122,564          |
|                                           | <b>9,105,460</b> | <b>7,531,917</b> |

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

### 4. OTHER INCOME

#### Six months ended 30 June

| 2016           | 2015           |
|----------------|----------------|
| <i>RMB'000</i> | <i>RMB'000</i> |
| (unaudited)    | (unaudited)    |

|                                   |                |               |
|-----------------------------------|----------------|---------------|
| Government grants ( <i>Note</i> ) | 109,135        | 43,533        |
| Interest income                   | 22,374         | 17,260        |
| Others                            | 12,295         | 5,943         |
|                                   | <b>143,804</b> | <b>66,736</b> |

*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       |                                |
|------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
|                                                                                    | 2016<br>RMB'000<br>(unaudited) | 2015<br>RMB'000<br>(unaudited) |
| Net losses on held-for-trading investments ( <i>Note 1</i> )                       | (9,802)                        | (3,893)                        |
| (Allowance for) reversal of bad and doubtful debts, net                            | (4,540)                        | 5,958                          |
| Written off/loss on disposal of property,<br>plant and equipment ( <i>Note 2</i> ) | (38,671)                       | (8,635)                        |
| Written off of inventories ( <i>Note 2</i> )                                       | (8,976)                        | –                              |
| Net foreign exchange losses                                                        | (7,406)                        | (22)                           |
|                                                                                    | <u>(69,395)</u>                | <u>(6,592)</u>                 |

### Notes:

1. Net losses on held-for-trading investments included losses on disposals of approximately RMB3,825,000 (1.1.2015 to 30.6.2015: gain of RMB2,720,000) and loss arising on change in fair value of approximately RMB5,977,000 (1.1.2015 to 30.6.2015: loss of RMB6,613,000), which were earned on these held-for-trading investments during the six months ended 30 June 2016.
2. During the six months ended 30 June 2016, the carrying amount of property, plant and equipment of approximately RMB26,448,000 (1.1.2015 to 30.6.2015: RMB10,629,000) was derecognised upon disposals of property, plant and equipment or written off with proceeds of approximately RMB8,886,000 (1.1.2015 to 30.6.2015: RMB1,994,000), resulting in a loss of approximately RMB17,562,000 (1.1.2015 to 30.6.2015: RMB8,635,000).

In addition, during the six months ended 30 June 2016, an aggregated carrying amount of certain property, plant and equipment of approximately RMB21,109,000 and inventories written off of approximately RMB8,976,000 were recorded due to fire accidents occurred in certain factories (the “**Fire Accidents**”) during the period. No such accident had incurred during the six months ended 30 June 2015.

The Group has an insurance policy covering the losses caused by the Fire Accidents and the Group has initiated procedures with the related insurance companies (the “**Insurer**”) upon the occurrence of the Fire Accidents. Subsequent to the end of the reporting period in August 2016, a report prepared by a firm of valuers engaged by the Insurer containing a preliminary estimate of losses as a result of the Fire Accidents (the “**Fire Loss Report**”) is provided to the Group. Based on the Fire Loss Report, the initial estimate of claim reserve for the Fire Accidents of the Group is approximately RMB29 million. In the opinion of the Directors, the Fire Loss Report will served as a basis and reference for the Insurer in determining the amount of insurance compensation amount to be awarded to the Group. However, up to the date of this report, negotiation between the Group and the Insurer is still in progress and the amount of insurance compensation toward the Fire Accidents is yet to be determined.

## 6. PROFIT BEFORE TAXATION

|                                                                                   | Six months ended 30 June |                |
|-----------------------------------------------------------------------------------|--------------------------|----------------|
|                                                                                   | 2016                     | 2015           |
|                                                                                   | <i>RMB'000</i>           | <i>RMB'000</i> |
|                                                                                   | (unaudited)              | (unaudited)    |
| Profit before taxation has been arrived at after charging:                        |                          |                |
| Amortisation of prepaid lease payments                                            | 2,684                    | 2,826          |
| Allowance (reversals of) for inventories, net<br>(included in cost of sales)      | 601                      | (11,302)       |
| Write down of inventories to net realizable values<br>(included in cost of sales) | 270,813                  | 279,814        |
| Depreciation of property, plant and equipment                                     | 171,873                  | 159,138        |
|                                                                                   | <u>273,970</u>           | <u>429,476</u> |

Share-based payments expense of approximately RMB8,460,000 (1.1.2015 to 30.6.2015: RMB10,710,000) were recognised in profit or loss during the six months ended 30 June 2016 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 |                |
|-----------------------------------------|--------------------------|----------------|
|                                         | 2016                     | 2015           |
|                                         | <i>RMB'000</i>           | <i>RMB'000</i> |
|                                         | (unaudited)              | (unaudited)    |
| PRC Enterprise Income Tax ("EIT")       |                          |                |
| – Current tax                           | 74,084                   | 35,809         |
| – Under (over) provision in prior years | 20,659                   | (8,793)        |
|                                         | <u>94,743</u>            | <u>27,016</u>  |
| Deferred tax expense ( <i>Note 11</i> ) | 35,272                   | 40,969         |
|                                         | <u>130,015</u>           | <u>67,985</u>  |

The income tax expense of the Group is recognised based on the PRC Enterprise Income Tax rate of 25% (1.1.2015 to 30.6.2015: 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. ("Tianneng Battery Anhui") and Zhejiang Tianneng Power Energy Co., Ltd. ("Zhejiang Tianneng Power") and Tianneng Battery (Wuhu) 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 (1.1.2015 to 30.6.2015: 15% applicable for Tianneng Battery, Zhejiang Tianneng Energy, Tianneng Battery Anhui and Zhejiang Tianneng Power).

## 8. DIVIDENDS

### Six months ended 30 June

| 2016           | 2015           |
|----------------|----------------|
| <i>RMB'000</i> | <i>RMB'000</i> |
| (unaudited)    | (unaudited)    |

Dividends recognised as distribution during the period:

1.1.2016 to 30.6.2016: 2015 final dividend of HK31.80 cents  
(equivalent to RMB26.67 cents)  
(1.1.2015 to 30.6.2015: 2014 final dividend nil)  
per ordinary share

|                |   |
|----------------|---|
| <b>304,431</b> | – |
|----------------|---|

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 and 30 June 2015.

## 9. EARNINGS PER SHARE

### Six months ended 30 June

| 2016           | 2015           |
|----------------|----------------|
| <i>RMB'000</i> | <i>RMB'000</i> |
| (unaudited)    | (unaudited)    |

### Earnings:

Earnings for the purposes of calculating  
basic and diluted earnings per share  
– attributable to the owners of the Company

|                |         |
|----------------|---------|
| <b>398,396</b> | 269,156 |
|----------------|---------|

### Number of shares:

Weighted average number of ordinary shares  
for the purpose of calculating basic earnings per share  
Effect of dilutive potential ordinary shares – share options

|                      |               |
|----------------------|---------------|
| <b>1,139,351,709</b> | 1,111,908,000 |
| <b>22,232,009</b>    | 315,496       |

Weighted average number of ordinary shares  
for the purpose of calculating diluted earnings per share

|                      |               |
|----------------------|---------------|
| <b>1,161,583,718</b> | 1,112,223,496 |
|----------------------|---------------|

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

The Group spent approximately RMB87,390,000 and RMB180,024,000 (1.1.2015 to 30.6.2015: RMB116,648,000 and RMB236,567,000) on additions of machinery and manufacturing plant and construction in progress in the PRC respectively.

During the six months ended 30 June 2016, the Group received government grants of approximately RMB14,443,000 (1.1.2015 to 30.6.2015: RMB14,198,000) and RMB6,952,000 (1.1.2015 to 30.6.2015: nil) 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 2016, the official legal titles of buildings with an aggregate carrying amount of approximately RMB885,266,000 (At 31.12.2015: RMB765,835,000) and land use right certificates with carrying amounts of approximately RMB7,770,000 (At 31.12.2015: RMB8,375,000) 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<br>RMB'000 | Withholding tax on undistributed profit<br>RMB'000 | Fair value adjustment on property, plant and equipment and prepaid lease payments arising from acquisition of subsidiaries<br>RMB'000 | Interest capitalisation<br>RMB'000 | Fair value change of held-for-trading investments<br>RMB'000 | Provision for inventories, trade and other receivables<br>RMB'000 | Accrued warranty<br>RMB'000 | Accrued expenses<br>RMB'000 | Impairment loss on property, plant and equipment<br>RMB'000 | Tax losses<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
|----------------------------------------|----------------------------|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|--------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------|-----------------------------|-------------------------------------------------------------|-----------------------|-------------------|------------------|
| At 1 January 2015<br>(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                        | <u>53,325</u>              | <u>(3,100)</u>                                     | <u>(1,442)</u>                                                                                                                        | <u>(26,940)</u>                    | <u>1,091</u>                                                 | <u>19,319</u>                                                     | <u>50,974</u>               | <u>63,860</u>               | <u>6,450</u>                                                | <u>109,769</u>        | <u>(5,562)</u>    | <u>267,744</u>   |
| At 1 January 2016<br>(audited)         | <u>54,396</u>              | <u>(14,300)</u>                                    | <u>(1,493)</u>                                                                                                                        | <u>(29,030)</u>                    | <u>43</u>                                                    | <u>26,958</u>                                                     | <u>57,364</u>               | <u>109,662</u>              | <u>6,246</u>                                                | <u>74,548</u>         | <u>(5,430)</u>    | <u>278,964</u>   |
| Credit (charge) to profit or loss      | 596                        | (11,600)                                           | (50)                                                                                                                                  | (1,026)                            | (43)                                                         | 920                                                               | 1,242                       | (10,388)                    | (1,984)                                                     | (13,069)              | 130               | (35,272)         |
| Reversal on payment of withholding tax | –                          | 20,300                                             | –                                                                                                                                     | –                                  | –                                                            | –                                                                 | –                           | –                           | –                                                           | –                     | –                 | 20,300           |
| At 30 June 2016                        | <u>54,992</u>              | <u>(5,600)</u>                                     | <u>(1,543)</u>                                                                                                                        | <u>(30,056)</u>                    | <u>–</u>                                                     | <u>27,878</u>                                                     | <u>58,606</u>               | <u>99,274</u>               | <u>4,262</u>                                                | <u>61,479</u>         | <u>(5,300)</u>    | <u>263,992</u>   |

## 11. DEFERRED TAXATION *(Continued)*

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

|                          | <b>30.6.2016</b><br><b>RMB'000</b><br><b>(unaudited)</b> | 31.12.2015<br><i>RMB'000</i><br>(audited) |
|--------------------------|----------------------------------------------------------|-------------------------------------------|
| Deferred tax assets      | <b>306,838</b>                                           | 329,614                                   |
| Deferred tax liabilities | <b>(42,846)</b>                                          | (50,650)                                  |
|                          | <b>263,992</b>                                           | 278,964                                   |

At 30 June 2016, the Group had unused tax losses of approximately RMB28,751,000 (At 31.12.2015: RMB25,735,000) 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 2021 (At 31.12.2015: 2020).

Under the PRC Enterprise Income Tax, 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 RMB1,950 million (At 31.12.2015: RMB1,670 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 2016, the investments represent equity securities amounted to RMB74,626,000 (At 31.12.2015: RMB74,888,000) listed in Hong Kong and RMB99,207,000 (At 31.12.2015: RMB17,829,000) listed in Mainland China. Fair values are determined with reference to quoted market bid prices.

### 13. BILLS, TRADE AND OTHER RECEIVABLES

|                                 | 30.6.2016<br><i>RMB'000</i><br>(unaudited) | 31.12.2015<br><i>RMB'000</i><br>(audited) |
|---------------------------------|--------------------------------------------|-------------------------------------------|
| Bills receivables               | 1,529,642                                  | 1,727,615                                 |
| Trade receivables               | 786,788                                    | 666,123                                   |
| Other receivables               | 194,536                                    | 158,254                                   |
| Prepayments                     | 43,020                                     | 62,606                                    |
| PRC value added tax receivables | 185,724                                    | 230,854                                   |
|                                 | <u>2,739,710</u>                           | <u>2,845,452</u>                          |

The following is an aged analysis of bills receivables from issue date at the end of the six months ended 30 June 2016 (the “**Reporting Period**”):

|               | 30.6.2016<br><i>RMB'000</i><br>(unaudited) | 31.12.2015<br><i>RMB'000</i><br>(audited) |
|---------------|--------------------------------------------|-------------------------------------------|
| 0 to 180 days | <u>1,529,642</u>                           | <u>1,727,615</u>                          |

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 (At 31.12.2015: 45 days). 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:

|                | 30.6.2016<br><i>RMB'000</i><br>(unaudited) | 31.12.2015<br><i>RMB'000</i><br>(audited) |
|----------------|--------------------------------------------|-------------------------------------------|
| 0 – 45 days    | 349,094                                    | 450,061                                   |
| 46 – 90 days   | 163,075                                    | 162,486                                   |
| 91 – 180 days  | 170,421                                    | 44,335                                    |
| 181 – 365 days | 104,198                                    | 9,241                                     |
|                | <u>786,788</u>                             | <u>666,123</u>                            |

#### 14. BILLS, TRADE AND OTHER PAYABLES

|                                    | 30.6.2016<br><i>RMB'000</i><br>(unaudited) | 31.12.2015<br><i>RMB'000</i><br>(audited) |
|------------------------------------|--------------------------------------------|-------------------------------------------|
| Trade payables                     | 1,251,281                                  | 1,258,470                                 |
| Bills payables                     | 1,702,813                                  | 1,715,787                                 |
| Other payables and accrued charges | 2,221,516                                  | 1,850,449                                 |
|                                    | <u>5,175,610</u>                           | <u>4,824,706</u>                          |

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

|                | 30.6.2016<br><i>RMB'000</i><br>(unaudited) | 31.12.2015<br><i>RMB'000</i><br>(audited) |
|----------------|--------------------------------------------|-------------------------------------------|
| 0 – 90 days    | 1,106,163                                  | 1,117,788                                 |
| 91 – 180 days  | 91,897                                     | 89,598                                    |
| 181 – 365 days | 34,042                                     | 30,546                                    |
| 1 – 2 years    | 8,957                                      | 11,551                                    |
| Over 2 years   | 10,222                                     | 8,987                                     |
|                | <u>1,251,281</u>                           | <u>1,258,470</u>                          |

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

|              | 30.6.2016<br><i>RMB'000</i><br>(unaudited) | 31.12.2015<br><i>RMB'000</i><br>(audited) |
|--------------|--------------------------------------------|-------------------------------------------|
| 0 – 180 days | <u>1,702,813</u>                           | <u>1,715,787</u>                          |

## 15. BANK BORROWINGS

|           | 30.6.2016<br><i>RMB'000</i><br>(unaudited) | 31.12.2015<br><i>RMB'000</i><br>(audited) |
|-----------|--------------------------------------------|-------------------------------------------|
| Secured   | 532,850                                    | 550,795                                   |
| Unsecured | 1,236,300                                  | 817,918                                   |
|           | <u>1,769,150</u>                           | <u>1,368,713</u>                          |

Analysed as:

|                     |                  |                  |
|---------------------|------------------|------------------|
| Current portion     | 1,469,150        | 821,895          |
| Non-current portion | 300,000          | 546,818          |
|                     | <u>1,769,150</u> | <u>1,368,713</u> |

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

## 16. LOAN NOTES

|                                 | 30.6.2016<br><i>RMB'000</i><br>(unaudited) | 31.12.2015<br><i>RMB'000</i><br>(audited) |
|---------------------------------|--------------------------------------------|-------------------------------------------|
| Long-term guaranteed loan notes | <u>792,049</u>                             | <u>790,977</u>                            |

*Note:*

- (1) 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 2016 and 31 December 2015, the amount is stated at amortised cost with effective interest rate at 7.78% per annum.

- (2) 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 2016 and 31 December 2015, 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 with nominal value of HK\$0.10 each |                      |                           |
| Authorised:                                                        |                      |                           |
| At 1 January 2015, 31 December 2015 and 30 June 2016               | <b>2,000,000,000</b> | 212,780                   |
| Issued and fully paid:                                             |                      |                           |
| At 1 January 2015                                                  | <b>1,111,908,000</b> | 108,710                   |
| Repurchase and cancellation of shares                              | <b>(4,500,000)</b>   | (355)                     |
| Exercise of share options                                          | <b>36,360,500</b>    | 3,001                     |
| At 31 December 2015                                                | <b>1,143,768,500</b> | 111,356                   |
| Repurchase and cancellation of shares                              | <b>(15,276,000)</b>  | (1,294)                   |
| At 30 June 2016                                                    | <b>1,128,492,500</b> | 110,062                   |

During the Reporting Period, the Company repurchased its own shares through the Hong Kong Stock Exchange as follow:

| Month of repurchase                  | No. of ordinary<br>shares of<br>HK\$0.10 each<br>of the Company | Price per share        |                       | Aggregate<br>consideration<br>paid<br><i>HK\$ '000</i> |
|--------------------------------------|-----------------------------------------------------------------|------------------------|-----------------------|--------------------------------------------------------|
|                                      |                                                                 | Highest<br><i>HK\$</i> | Lowest<br><i>HK\$</i> |                                                        |
| For the period ended<br>30 June 2016 |                                                                 |                        |                       |                                                        |
| April 2016                           | 6,334,000                                                       | 6.36                   | 6.11                  | 39,777                                                 |
| May 2016                             | 6,976,000                                                       | 6.20                   | 5.92                  | 42,341                                                 |
| June 2016                            | 1,966,000                                                       | 5.28                   | 4.68                  | 9,798                                                  |
|                                      | <b>15,276,000</b>                                               |                        |                       | <b>91,916</b>                                          |

During the Reporting Period, a total of 15,276,000 shares were repurchased and cancelled.

## 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 (the “**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 Hong Kong 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.

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

| <b>Maximum percentage<br/>of options exercisable</b> | <b>Vesting period</b>                            |
|------------------------------------------------------|--------------------------------------------------|
| 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 2016 (1.1.2015 to 30.6.2015: nil).

## 18. SHARE OPTIONS (Continued)

The following tables disclosed movements of the Company's options granted under the Scheme during the six months ended 30 June 2016 and 30 June 2015.

| Category | Grant date | Exercisable period    | Exercise price | Outstanding at 1.1.2016 | Granted during the period | Exercised during the period | Forfeited during the period | Outstanding at 30.6.2016 |
|----------|------------|-----------------------|----------------|-------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------|
| Option B | 22.11.2010 | 22.11.2011-21.11.2020 | HK\$3.18       | 680,000                 | –                         | –                           | –                           | 680,000                  |
| Option C | 16.6.2014  | 16.6.2015-15.6.2024   | HK\$2.90       | 46,019,500              | –                         | –                           | (1,741,500)                 | 44,278,000               |
|          |            |                       |                | <u>46,699,500</u>       | <u>–</u>                  | <u>–</u>                    | <u>(1,741,500)</u>          | <u>44,958,000</u>        |

| 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 B | 22.11.2010 | 22.11.2011-21.11.2020 | HK\$3.18       | 34,210,000              | –                         | –                           | (1,170,000)                 | 33,040,000               |
| Option C | 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>        |

No options were exercised during the six months ended 30 June 2016 (1.1.2015 to 30.6.2015: nil).

The closing price of the Company's shares on 22 November 2010, the date of grant of Option B, 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).

The closing price of the Company's shares on 16 June 2014, the date of grant of Option C, 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).

## 18. SHARE OPTIONS *(Continued)*

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 C</b><br><b>16.6.2014</b> | <b>Option B</b><br><b>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 Reporting Period, the Group recognised total expense of approximately RMB8,460,000 (1.1.2015 to 30.6.2015: RMB10,710,000) 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>30.6.2016</b><br><b>RMB’000</b><br><b>(unaudited)</b> | 31.12.2015<br><i>RMB’000</i><br>(audited) |
|-------------------------------|----------------------------------------------------------|-------------------------------------------|
| Bank deposits                 | <b>1,126,299</b>                                         | 728,512                                   |
| Bills receivables             | <b>811,206</b>                                           | 1,170,148                                 |
| Property, plant and equipment | <b>79,287</b>                                            | 74,302                                    |
| Prepaid lease payments        | <b>110,843</b>                                           | 118,732                                   |
|                               | <b>2,127,635</b>                                         | 2,091,694                                 |

## 20. CAPITAL COMMITMENTS

|                                                                                                                                                   | <b>30.6.2016</b><br><b><i>RMB'000</i></b><br><b>(unaudited)</b> | <b>31.12.2015</b><br><b><i>RMB'000</i></b><br><b>(audited)</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------|
| Contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment | <b>398,668</b>                                                  | <b>321,923</b>                                                 |

## 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).

## 21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

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

| Financial assets                                                                                                                   | Fair value as at                                                                           |                                                                                            | Fair value hierarchy | Valuation technique and key input          | Significant unobservable input | Relationship of unobservable inputs to fair value |
|------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------|--------------------------------------------|--------------------------------|---------------------------------------------------|
|                                                                                                                                    | 30.06.2016<br>(unaudited)                                                                  | 31.12.2015<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>– RMB74,626,000      | Listed equity securities in Hong Kong:<br>– Manufacturing industry<br>– RMB74,888,000      | Level 1              | Quoted bid .<br>prices in an active market | N/A                            | N/A                                               |
|                                                                                                                                    | Listed equity securities in Mainland China:<br>– Manufacturing industry<br>– RMB99,207,000 | Listed equity securities in Mainland China:<br>– Manufacturing industry<br>– RMB17,829,000 |                      |                                            |                                |                                                   |

## 22. RELATED PARTY TRANSACTIONS

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

| Name of related company                                                | Nature of transactions  | Six months ended 30 June              |                                       |
|------------------------------------------------------------------------|-------------------------|---------------------------------------|---------------------------------------|
|                                                                        |                         | 2016<br><b>RMB'000</b><br>(unaudited) | 2015<br><b>RMB'000</b><br>(unaudited) |
| Zhejiang Changxing Xin<br>Xin Packaging Co., Ltd.<br><i>(Note i)</i>   | Purchase of consumables | 545                                   | 681                                   |
| Jiyuan City Wangyang<br>Smelting (Group) Co.,<br>Ltd. <i>(Note ii)</i> | Purchase of materials   | 331,032                               | 362,319                               |
|                                                                        | Sale of goods           | 48,410                                | –                                     |
|                                                                        | Rental expense          | 2,300                                 | 2,447                                 |
| Changxing Jin Ling Hotel<br><i>(Note iii)</i>                          | Hotel expense           | 1,159                                 | 1,564                                 |

## 22. RELATED PARTY TRANSACTIONS (Continued)

*Note:*

- (i) Zhejiang Changxing Xin Xin Packaging Co., Ltd. (浙江長興欣欣包裝有限公司) is beneficially owned by Ms. Chen Pingping and Ms. She Fangli, who are the cousin and niece respectively of Mr. Zhang. As at 30 June 2016, 410,355,650 shares (At 31.12.2015: 410,355,650 shares) of the Company (approximately 36.36% of the total issued shares of the Company as at 30 June 2016) 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. (濟源市萬洋冶煉(集團)有限公司) is an entity controlled by the 49% non-controlling equity holder of Jiyuan Wanyang Green Energy Co., Ltd. (濟源市萬洋綠色能源有限公司), which is itself a 51% owned subsidiary of the Group.
- (iii) Changxing Jin Ling Hotel (長興金陵大酒店) is controlled by Mr. Zhang.

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

|                              | Six months ended 30 June              |                                       |
|------------------------------|---------------------------------------|---------------------------------------|
|                              | 2016<br><i>RMB'000</i><br>(unaudited) | 2015<br><i>RMB'000</i><br>(unaudited) |
| Short term employee benefits | 2,902                                 | 2,761                                 |
| Share-based payments         | 185                                   | 321                                   |
|                              | <u>3,087</u>                          | <u>3,082</u>                          |

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.

## 23. DEEMED DISPOSAL OF A SUBSIDIARY

As set out in the Company's announcement dated 23 November 2015, the Group is considering and exploring the possibility of a possible spin-off and quotation of the shares of Zhejiang Tianneng Energy on the National Equities Exchange and Quotations System in the PRC. A subscription agreement was entered into on 18 January 2016, pursuant to which the Management Group agreed to subscribe 40% of the enlarged total equity interests of Zhejiang Tianneng Energy at a total consideration of RMB114,240,000. The Group's interests in Zhejiang Tianneng Energy is accordingly reduced from 100% to 60% upon the completion of the subscription by the Management Group. The reduction of the Group's equity interests from 100% to 60% is treated as a deemed disposal. The changes in the Group's equity interests in Zhejiang Tianneng Energy do not result in the Group losing control over Zhejiang Tianneng Energy and are accordingly accounted for as equity transactions.

### Consideration received

*RMB '000*

|                                |         |
|--------------------------------|---------|
| Consideration received in cash | 114,240 |
|--------------------------------|---------|

### Analysis of assets and liabilities of the subsidiary at the date of disposal

*RMB '000*

#### Current assets

|                             |         |
|-----------------------------|---------|
| Inventories                 | 119,488 |
| Trade and other receivables | 237,862 |
| Bank balances and cash      | 33,544  |

#### Non-current assets

|                                      |         |
|--------------------------------------|---------|
| Property, plant and equipment        | 205,979 |
| Intangible assets                    | 10,430  |
| Deferred tax assets                  | 5,526   |
| Available-for-sales financial assets | 18,050  |

#### Current liabilities

|                                   |           |
|-----------------------------------|-----------|
| Bank borrowings – current portion | (120,000) |
| Trade and other payables          | (280,688) |
| Tax payable                       | (1,357)   |

#### Non-current liabilities

|                                       |           |
|---------------------------------------|-----------|
| Bank borrowings – non-current portion | (100,000) |
| Deferred revenue                      | (4,733)   |

|            |         |
|------------|---------|
| Net assets | 124,101 |
|------------|---------|

|                                      |         |
|--------------------------------------|---------|
| Consideration received               | 114,240 |
| Non-controlling interests recognised | 49,640  |

|                                      |        |
|--------------------------------------|--------|
| Gain on disposal credited to reserve | 64,600 |
|--------------------------------------|--------|

The changes in the Group's equity interests in Zhejiang Tianneng Energy do not result in the Group losing control over Zhejiang Tianneng Energy so the gain on disposal is treated as equity transaction and is credited to the capital reserve.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group is principally engaged in four major business segments in the PRC, namely the research and development, production and sale of 1) lithium motive battery for new energy vehicles; 2) the lead motive batteries for mini electric cars; 3) the lead motive batteries for electric bikes and electric tricycles; and 4) used battery recycling. In 2016, the Group was ranked among “Fortune China Top 500” as selected by the Fortune magazine for four consecutive years.

## **REVIEW OF OPERATIONS**

(Unless otherwise stated, all amounts below are expressed in RMB)

During the Reporting Period, the Group continued to adhere to the main theme of making progress 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 worked around the main directions of upgrade of traditional industries and increase of production volume of emerging industries, firmly grasping the strategic opportunities of rapid development in the new energy electric vehicle market in China. All principal businesses have been developing steadily. Fruitful results have been achieved in technological research and development, equipment upgrade, capacity expansion of emerging businesses and lean management.

During the Reporting Period, the Group achieved a sales income of RMB9,105 million and a net profit of RMB406 million, both hitting historical highs as compared to corresponding periods. Operating cash flow amounted to RMB781 million.

## OPERATING RESULTS

### I. Operating Results Scaling New Heights

#### 1. *Sales income and net profit reached historical highs*

Benefited from the explosive growth of new energy electric vehicle industry in China, the Group vigorously promoted its sustainable development strategy and continued to expand and enhance its motive battery business. It was once again listed among “Top 500 Enterprises of China” and “Global Top 500 New Energy Companies”. The Group was also invited to be the exclusive sponsor for “2016 National Mini Electric Vehicle Test Events (2016 年全國小型電動汽車測試大賽)” and “2016 China (Xi’an) New Energy Electric Vehicle and Electric Vehicle Exhibition (2016 中國西安新能源汽車電動車展覽會)”.

During the Reporting Period, the Group’s sales income and net profit reached historical highs, amounting to RMB9,105 million and RMB406 million respectively, representing an increase of 20.9% and 50.3% respectively as compared with the same period in 2015. Among which, sales income from lithium battery for new energy vehicles was RMB289 million, representing a substantial increase of 52.8% as compared to the same period last year; sales income from mini electric car batteries was RMB618 million, representing an increase of 10.4% as compared to the same period last year; external sales income from used battery recycling business was RMB409 million, representing an increase of 80.6% as compared to the same period last year; sales of motive batteries for electric bikes and electric tricycles were approximately RMB5,727 million and RMB1,636 million respectively, representing increases of approximately 11.0% and 28.3% respectively.

## **2. *Strengthening measures on cost control and efficiency enhancement of resources recycling business***

Under the guidance of green development policy of China's 13th Five-Year Plan, the Group comprehensively promoted the recycling strategy for used battery in a view to establishing an environment and resources-friendly benchmarking enterprise. Through years of development, the Group's used battery recycling business gradually became profitable and continued to maintain rapid growth, realising both economic and social efficiencies at the same time. During the Reporting Period, the total sales of used battery recycling business of the Group was RMB1,050 million, representing a substantial increase of 101.9% as compared to the same period last year, among which external sales income was RMB409 million, representing an increase of nearly 80.6% as well. This business segment is expected to become a new and important growth driver for the Group's future development.

Currently, the Group boasts two old battery recycling bases in Eastern China and Northern China. The Eastern China recycling base has obtained the only available license for handling used battery recycling in Zhejiang province. Phase 1 of the project has a planned capacity of 150,000 tons which has been in full operation, and the construction of the Phase II project with a newly-added capacity of 150,000 tons will be completed by the end of 2016. The Northern China recycling base located in Puyang, Henan has a planned capacity of 100,000 tons and has been partially completed in the first half of 2016. The base in Eastern China has received various recognitions, including recognized as the "National Advanced Enterprise for Comprehensive Utilization of Resources", "Pilot Agent for the National Circular Economy Standardization" and the "3rd Batch of Key Technological Modification Project for National Industrial Revitalization" by the National Development and Reform Commission, and was included as the "First Batch of Key Promoting Project of Integration of Informatization and Industrialization for Promoting Energy-Saving and Emission Reduction in China" by the Ministry of Industry and Information Technology. Meanwhile, the Group has also started to explore and plan for its lithium battery recycling business.

### 3. *Diversification of sales channels*

(1) **Integration of e-commerce and Internet:** The Group focused on the demand of consumers and rapidly established an operational model of “Online experience + offline services” by focusing on product improvement, supply chain enhancement, big data analysis, after-sales services and consumer experience optimization. The Group developed its first APP for battery sales with Alibaba Group in order to implement its Internet sales model.

(2) **International strategies:**

**Pursuing international trading and global sales:** The PRC Government vigorously promoted the implementation of the national strategy of “One Belt, One Road”, with a view to strengthening international economic cooperation. Leveraging the core technologies and excellent products, the Group has been comprehensively expanding the international markets, such as Europe, Australia, South America and Southeast Asia. In particular, with a population of nearly 600 million and the development of electric vehicle industry still in the initial stage, Southeast Asian countries will probably follow the development path of electric vehicle industry in China and therefore will be entering the golden age of development in the next 10 years. During the Reporting Period, the Group achieved scaling up of income from foreign trade, up by 16 times as compared with the same period last year.

**Attracting talents for global research and development:** The Group proactively gathered technology experts from various countries, such as China, the United States, Australia, Korea and Japan, with a view to building up its core technological advantages in all aspects along the industry chain, including materials, batteries, management system, recycling, etc.

**Conducting cross-border mergers and acquisitions for global manufacturing:** The Group proactively sought for opportunities for mergers and acquisitions from the upstream and downstream of the cross-border industry chain, so as to build overseas production base for research and development as appropriate.

## **II. Launching Various New Products and Optimizing Product Structure**

The Company has always adhered to the “customer-oriented” principle. Its products have been widely used by more than 100 electric vehicle manufacturers including BAIC Motor, Chery, Kandi, Zotye and Dearcar, etc. The Company was therefore recognized as the best Chinese new energy motive battery brand by Frost & Sullivan and the Chinese leading battery brand for electric vehicles by Ipsos for four consecutive years. In order to promptly respond to customers’ demands, the Group successfully developed high energy graphene batteries, power-type lithium iron phosphate batteries and 3200mAh ternary cylindrical battery cells during the Reporting Period, laying a solid foundation for the Group to expand its high-end customer base.

### ***Graphene Battery:***

A battery grid, which is made of multiple complex rare earth alloys, is used to solve the problem of anode films, so that the battery will be more durable and its useful life can be 10% longer. At the same time, ultra-stable carbon fiber is added to the positive formula, so that the battery is equipped with higher energy (an increase of 20% in life mileage); while graphene is added to the negative formula to improve the battery’s performance at low temperatures (-20°C). In June 2016, the Group and Levdeo jointly organized the “10,000-miles Silk Road Challenge – New Discovery Tour of Levdeo S50 (挑戰萬里絲綢路–雷丁 S50新發現之旅)”. After installing Tianneng’s graphene battery, a Levdeo S50 electric car successfully travelled across 34 counties and cities in a month, with the total mileage of more than 5,000 kilometers.

### ***Power-type Lithium Iron Phosphate Battery:***

The R&D team of the Group significantly prolonged the cycle life and enhanced the fast-charging ability and high-current discharge performance of the battery by modifying (such as composition and coating) the high-performance lithium iron phosphate positive materials into well-crystallized positive materials with excellent performance. Meanwhile, the Group solved the low temperature performance problem of lithium iron phosphate batteries through optimization of electrolyte additives, so that the battery is still able to make use of more than 80% of its capacity even the temperature is as low as -20°C. This type of battery has been successfully put into trial run on electric buses.

### ***3200mAh Ternary Cylindrical Battery Cell:***

During the Reporting Period, the Group successfully developed a high specific energy ternary cylindrical battery cell. New positive materials, silicon carbide negative materials as well as quality imported films are used to effectively increase the energy density to 260Wh/kg, with a cell capacity exceeding 3200mAh.

### **III. Further Expansion of the Production Capacity of Emerging Industries**

During the Reporting Period, the Group completed the construction of a plant for the high energy motive lithium battery project, with an annual production capacity of 3GWh. After completion by stages in the future, the Group's annual production capacity of motive lithium battery will reach 5.5GWh.

The Eastern China recycling base added Phase II to its old battery recycling and handling project with a capacity of 150,000 tons. It is expected that the Group's old battery recycling and handling capacity per annum will be comprehensively enhanced to 400,000 tons by the end of 2016.

### **IV. New Momentum from Technology and Equipment Upgrade**

The Group insisted on driving business development through technology innovation. The R&D team comprises of 700 members, including academicians, experts of the national "Thousand Talents Plan" and the provincial "Thousand Talents Plan", 112 engineering experts, battery experts from the United States, Japan and Korea, and doctors. Major work carried out by the team included completion of various scientific research projects and studies, including enhancement of energy density of NCM ternary battery, industrialization of lithium iron phosphate batteries, high voltage and high capacity lithium materials with rich manganese, Intelligent Building Management System (BMS), high-end lead battery technology, etc. As of 30 June 2016, Tianneng Power obtained a total of 1,568 patents authorized by the State and 13 products were listed as National Key New Product.

During the Reporting Period, the Group's lithium battery business was elected as "Smart Manufacturing Project 2016 (2016年智能製造項目)" and the "First Batch of Key Laboratory for Lithium Battery in China (中國首批鋰電池重點實驗室)" by the Ministry of Industry and Information Technology, as well as the "Top 10 Motive Batteries for Electric Logistics Vehicles in China (中國電動物流車動力電池前十強)", "Top 3 Popular Motive Lithium Battery Brands in China (中國最受關注的動力鋰電池品牌前三名)" by Gaogong Lithium Battery (高工鋰電), and the "Top 10 Battery Brand of Motive Lithium Battery in China in 2015 (2015中國動力鋰電池十大電芯品牌)" by qd-lib.com (鋰電大數據). On 29 April 2016, Tianneng Lithium Battery was listed in the third batch of Catalogue for Enterprises under the "Conditions for Standardisation of the Vehicle Rechargeable Battery Industry (汽車動力蓄電池行業規範條件)", which currently comprises of four batches with a total of 57 companies, by the Ministry of Industry and Information Technology of the People's Republic of China. In June 2016, a number of motive battery models of Tianneng Lithium Battery have successfully passed the mandatory inspection under the new international standard for motive batteries.

The Group has accumulated 30 years of extensive experience in the battery industry with a particular focus on the enhancement of battery technique and intellectual manufacturing. After 8 years of testing and improvement, the Group is currently one of the few manufacturing enterprises mastering lead battery casting and rolling technique in the motive battery sector. We also possess some core patents. Casting and rolling technique can reduce the amount of material consumed, reduce energy consumption, enhance per capita efficiency and realise full automation production, therefore represents a major reform in intellectual manufacturing of lead battery.

## **V. Favorable Policies for Lead Batteries**

1. On 20 January 2016, the Ministry of Industry and Information Technology announced that 39 enterprises were included in the first batch of the "List of Enterprises that Conform with the 'Standardized Conditions of the Industry of Lead-Acid Batteries'" (《符合<鉛蓄電池行業規範條件>企業名單》); on 22 July 2016, the Ministry of Industry and Information Technology announced that 55 enterprises were included in the second batch of the "List of Enterprises that Conform with the 'Standardized Conditions of the Industry of Lead-Acid Batteries'". More than 90% of production capacities of the Group have passed the access inspection of the industry of lead-acid batteries.

2. The first set of standards of “Technical Specification for Mini Low-Speed Electric Vehicles” (《微型低速電動車技術條件》) in China was officially implemented with effect from 1 August 2016. The standards are applicable to mini low-speed four-wheel pure electric cars that ride on the roads in urban and rural areas. The standards stipulate that the speed of mini low-speed four-wheel pure electric cars should be between 40km/h to 70 km/h and the mileage per charge should exceed 80km. The standards impose no specific restrictions on the motive battery and both lead battery and lithium battery are allowed. The Group already enjoyed absolute advantages in the field of battery for mini electric car, and the introduction of the said national standards will be beneficial for the rapid growth of the Group’s mini electric car battery business.

## **CAPITAL MANAGEMENT**

The management of the Group has the utmost confidence in its future development. During the Reporting Period, the Group repurchased a total of 15,276,000 shares by utilizing HK\$91,915,940 of its capital. The number of repurchased shares represents 1.34% of the total share capital. On 18 May 2016, the annual general meeting of the Company passed a resolution that not more than 10% of the number of issued shares as at the date of the passing of such resolution may be repurchased during the relevant period.

Since its listing, the Company has been included as the constituent stocks of the China Low Carbon Index, Hong Kong Hang Seng Composite Index, Hang Seng Global Composite Index, Hang Seng Corporate Sustainability Index, Gelonghui HK A100 Index and MSCI Index, respectively.

## **FUTURE PROSPECTS**

In the future, the Group will focus on quality and efficiency and adhere to the main theme of making progress while maintaining stability, so as to upgrade the technologies in the fields of lithium battery and lead-acid battery, etc., expand the customer groups at various levels from the industries of new energy vehicle, mini electric car, electric tricycle, electric bike and wind energy and solar energy storage system, actively develop both of the international and domestic markets, refine the lead and lithium recycling systems and comprehensively strengthen the competitive advantages of the entire new energy battery industrial chain.

The Group will continue to adhere to the concept of “New Energy New World”, with an aim to becoming “a world leading new energy solution provider”. It will also continue to maintain proper order of the industry and deepen its innovative reform in order to bring better returns to the Shareholders in the long run.

## **FINANCIAL REVIEW**

### **Sales**

The Group's sales for the Reporting Period was approximately RMB9,105 million, an increase of approximately 20.9% as compared with the same period last year.

### **Gross profit**

The Group's gross profit and gross profit margin for the Reporting Period were approximately RMB1,318 million and approximately 14.5% respectively, representing an increase of approximately 20.8% and basically remained flat as compared with the same period last year, mainly attributable to the increase in sales income.

### **Other income**

The Group's other income for the Reporting Period was approximately RMB143.80 million (for the six months ended 30 June 2015: approximately RMB66.74 million), representing an increase of 115.5% as compared with the same period last year. It was mainly resulted from the increase in government grants.

### **Selling and distribution costs**

Selling and distribution costs increased from approximately RMB273 million in the same period last year to approximately RMB277 million for the Reporting Period, which was mainly attributable to the increase in traditional media advertising cost.

### **Administrative expenses**

Administrative expenses increased from approximately RMB151 million in the same period last year to approximately RMB163 million for the Reporting Period, which was mainly attributable to the increase in amortisation costs and the increase in staff wages.

### **Research and development ("R&D") costs**

Research and development costs increased from approximately RMB241 million in the same period last year to approximately RMB276 million for the Reporting Period, which was mainly attributable to the increase in the number of R&D projects and optimization of the R&D team.

## **Finance costs**

Finance costs decreased from approximately RMB86.44 million in the same period last year to approximately RMB71.67 million for the Reporting Period, which was mainly due to the decrease in interest bearing loans.

## **Operating activities cash flow**

During the Reporting Period, the net cash generated from operating activities of the Group decreased from RMB1,149 million in the same period last year to approximately RMB781 million. It was mainly attributable to the increase in inventories and receivables.

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

As at 30 June 2016, the shareholders' equity of the Company amounted to approximately RMB3,477 million (31 December 2015: approximately RMB3,388 million). The Group's capital structure is the equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

As at 30 June 2016, the Group has total assets of approximately RMB11.438 billion (31 December 2015: approximately RMB10.546 billion), representing an increase of approximately RMB892 million, or approximately 8.5%. As at 30 June 2016, total current assets of the Group were approximately RMB7,306 million (31 December 2015: approximately RMB6,424 million), accounting for approximately 63.88% of total assets and representing an increase of approximately 2.96 percentage points as compared with those as at 31 December 2015. Total non-current assets were approximately RMB4,132 million (31 December 2015: approximately RMB4,122 million), representing an increase of approximately RMB10 million and accounting for approximately 36.12% of the total assets.

As at 30 June 2016, total liabilities of the Group were approximately RMB7,825 million (31 December 2015: approximately RMB7,079 million), representing an increase of approximately 10.54%. As at 30 June 2016, total current liabilities of the Group were approximately RMB6,690 million (31 December 2015: approximately RMB5,691 million), accounting for approximately 85.50% of total liabilities and representing an increase of approximately 5.11 percentage points as compared with those as at 31 December 2015. Total non-current liabilities of the Group were approximately RMB1,135 million (31 December 2015: approximately RMB1,388 million), representing a decrease of approximately RMB253 million and accounting for approximately 14.50% of the total liabilities.

As at 30 June 2016, the cash and bank balances of the Group (including pledged bank deposits) were approximately RMB2,769 million (31 December 2015: approximately RMB2,126 million), of which approximately RMB189.6630 million and approximately RMB11.5578 million are denominated in Hong Kong Dollars and United States Dollars respectively. As at 30 June 2016, the bank borrowings of the Group with maturity of within one year amounted to approximately RMB1,469 million (31 December 2015: approximately RMB822 million). The bank borrowings and loan notes (together as “**interest bearing loans**”) with maturity of more than one year amounted to approximately RMB1,092 million (31 December 2015: approximately RMB1,338 million). The interest bearing loans amounted to approximately RMB2,188 million and approximately RMB373 million were denominated in Renminbi and Hong Kong Dollars respectively, and carried fixed and variable interest rates ranging from 3.55% to 8% (2015: 3.94% to 8%) per annum.

In conclusion, the borrowings of the Group as at 30 June 2016 remained at a healthy and controllable level. With unutilized credit facilities of RMB2,250 million, 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 2016, 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 RMB2,128 million (31 December 2015: approximately RMB2,092 million).

### **Gearing ratio**

As at 30 June 2016, the Group’s gearing ratio, defined as the percentage of the sum of current and non-current portions of interest bearing loans against the total assets, was approximately 22.4% (31 December 2015: approximately 20.5%).

## **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 2016 (31 December 2015: Nil).

## **Capital commitments**

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

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2016, the Group employed a total of 18,115 employees (30 June 2015: 18,139). Staff cost of the Group for the Reporting Period was approximately RMB558 million (for the six months ended 30 June 2015: approximately RMB491 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 Reporting Period (for the six months ended 30 June 2015: Nil).

## **SIGNIFICANT INVESTMENTS HELD**

During the Reporting Period, the Group recorded a net loss of approximately RMB7.47 million (for the six months ended 30 June 2015: net loss of approximately RMB3.90 million) 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 2016 (as at 31 December 2015: Nil).

## **MATERIAL ACQUISITION AND DISPOSAL**

During the Reporting Period, other than disclosure in Note 23 to the financial statements, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures.

## **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**

On 17 August 2016, the Group made an announcement in relation to the proposed postponement of its application to the National Equities Exchange and Quotations System, details of which are set out in the announcement.

## **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 Reporting Period as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**"), except for the code provision A.2.1 of the CG Code. Mr. Zhang Tianren is both the chairman ("**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 vest the roles in two separate 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 Audit Committee comprises three independent non-executive Directors. The primary duties of the Audit Committee (inter alia) are to review the financial reporting system, the risk management and internal control systems 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 results 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 for securities transactions set out in the Model Code throughout the six months ended 30 June 2016.

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 Scheme are set out in note 18 to the financial statements. An ordinary resolution was passed at the annual general meeting of the Company held on 16 May 2014 (the "**Annual General Meeting**") relating to the refreshment of scheme mandate limit of the Scheme as set out in the supplemental notice of the 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 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 Reporting Period are as follows:

| Name of grantee                                         | Date of grant of the options | Exercise period          | Exercise price of the options<br>(HK\$) | Closing price of Company's shares immediately before the date of grant<br>(HK\$) | Weighted average closing price of Company's shares immediately before the date of exercise<br>(HK\$) | Number of option outstanding as at 1 January 2016 | Number of options granted during the period | Number of options exercised during the period | Number of options cancelled during the period | Number of options with the terms of the Scheme during the period | Number of options outstanding as at 30 June 2016 | Approximate shareholding percentage of the underlying shares for the options in the share capital of the Company |
|---------------------------------------------------------|------------------------------|--------------------------|-----------------------------------------|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------|-----------------------------------------------|-----------------------------------------------|------------------------------------------------------------------|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| Huang Dongliang<br>(Independent non-executive Director) | 16/6/2014                    | 16/6/2015 to 15/6/2024   | 2.90                                    | 2.89                                                                             | –                                                                                                    | 90,000                                            | –                                           | –                                             | –                                             | –                                                                | 90,000                                           | 0.01%                                                                                                            |
| Other eligible participants                             | 22/11/2010                   | 22/11/2011 to 21/11/2020 | 3.18                                    | 3.02                                                                             | –                                                                                                    | 680,000                                           | –                                           | –                                             | –                                             | –                                                                | 680,000                                          | 0.06%                                                                                                            |
|                                                         | 16/6/2014                    | 16/6/2015 to 15/6/2024   | 2.90                                    | 2.89                                                                             | –                                                                                                    | 45,929,500                                        | –                                           | –                                             | –                                             | (1,741,500)                                                      | 44,188,000                                       | 3.92%                                                                                                            |
|                                                         |                              |                          |                                         |                                                                                  |                                                                                                      | 46,699,500                                        | –                                           | –                                             | –                                             | (1,741,500)                                                      | 44,958,000                                       | 3.98%                                                                                                            |

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

During the Reporting Period, the Company repurchased a total of 15,276,000 Shares of HK\$0.10 each in the capital of its own shares on the Hong Kong Stock Exchange, details of which are as follows:

| Date of repurchase | Number<br>of Shares<br>repurchased | Highest price<br>paid per Share<br>(HK\$) | Lowest price<br>paid per Share<br>(HK\$) | Approximate<br>aggregate<br>consideration<br>(HK\$)<br><i>(exclude relevant<br/>expenses)</i> |
|--------------------|------------------------------------|-------------------------------------------|------------------------------------------|-----------------------------------------------------------------------------------------------|
| 29 April 2016      | 6,334,000                          | 6.36                                      | 6.11                                     | 39,777,340                                                                                    |
| 5 May 2016         | 2,584,000                          | 6.20                                      | 6.08                                     | 15,863,480                                                                                    |
| 6 May 2016         | 1,660,000                          | 6.18                                      | 6.04                                     | 10,143,780                                                                                    |
| 10 May 2016        | 1,378,000                          | 5.94                                      | 5.92                                     | 8,173,360                                                                                     |
| 19 May 2016        | 1,354,000                          | 6.06                                      | 5.92                                     | 8,160,180                                                                                     |
| 13 June 2016       | 1,266,000                          | 5.28                                      | 4.97                                     | 6,469,900                                                                                     |
| 14 June 2016       | 700,000                            | 4.79                                      | 4.68                                     | 3,327,900                                                                                     |
|                    | <u>15,276,000</u>                  |                                           |                                          | <u>91,915,940</u>                                                                             |

The issued share capital of the Company was reduced by the par value of the repurchased Shares which had been cancelled on 16 May 2016, 31 May 2016 and 30 June 2016. The repurchases of Shares were effected by the Directors pursuant to the general mandate to repurchase Shares which was duly approved by the Shareholders at the annual general meetings of the Company held on 16 May 2015 and 18 May 2016.

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

Except as disclosed above, during the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **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 Hong Kong Stock Exchange 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, 19 August 2016