天能

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00819)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 16.87% to approximately RMB40.614 billion.
- Profit attributable to shareholders increased by approximately 41.53% to approximately RMB1.682 billion.
- Basic earnings per share increased by approximately 41.90% to approximately RMB1.49.
- A final dividend of HK39 cents per share is proposed.

2019 ANNUAL RESULTS

The board of directors (the "Board") of Tianneng Power International Limited (the "Company" or "Tianneng Power") hereby announces the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 together with the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** ***RMB'000***	2018 *RMB'000* (Restated)
Revenue	*5*	**40,613,555**	34,750,848
Cost of sales		**(35,925,798)**	(30,709,295)
Gross profit		**4,687,757**	4,041,553
Interest revenue		**93,091**	31,454
Other income		**369,165**	355,771
Other gains and losses	*6*	**(6,311)**	(49,692)
Impairment losses, net of reversal		**(32,546)**	(23,007)
Selling and distribution costs		**(896,684)**	(889,947)
Administrative expenses		**(662,969)**	(593,309)
Research and development costs		**(1,153,860)**	(1,114,293)
Other expenses		**(16,313)**	(41,459)
Share of (loss) profit of an associate		**(254)**	3,126
Finance costs	*7*	**(255,035)**	(189,547)
Profit before taxation		**2,126,041**	1,530,650
Taxation	*8*	**(400,091)**	(295,474)
Profit for the year	*9*	**1,725,950**	1,235,176

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Restated)
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Fair value changes of equity investment at fair value through other comprehensive income		**(13,321)**	(137,116)
Income tax relating to items that will not be reclassified subsequently		**–**	2,775
		(13,321)	(134,341)
Items that may be reclassified to profit or loss:			
Fair value change of debt instruments measured at fair value through other comprehensive income		**(1,184)**	5,785
Income tax relating to items that may be reclassified subsequently		**264**	(1,446)
		(920)	4,339
Total comprehensive income for the year		**1,711,709**	1,105,174
Profit for the year attributable to:			
Owners of the Company		**1,681,827**	1,188,278
Non-controlling interests		**44,123**	46,898
		1,725,950	1,235,176
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,667,761**	1,058,261
Non-controlling interests		**43,948**	46,913
		1,711,709	1,105,174
Earnings per share	*11*		
– Basic (RMB)		**1.49**	1.05
– Diluted (RMB)		**1.47**	1.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	**2019** ***RMB'000***	2018 *RMB'000* (Restated)	1 January 2018 *RMB'000* (Restated)
Non-current assets				
Property, plant and equipment		**4,783,297**	4,294,944	4,193,098
Goodwill		**499**	499	499
Right of use assets		**593,720**	–	–
Prepaid lease payments		**–**	510,081	443,116
Interest in an associate		**1,446**	–	15,574
Equity investments at fair value through other comprehensive income		**284,036**	297,357	226,000
Deferred tax assets		**451,754**	378,433	377,886
Deposit paid for acquisition of property, plant and equipment		**238,360**	162,631	63,896
Long-term receivable		**12,103**	–	–
		6,365,215	5,643,945	5,320,069
Current assets				
Inventories		**3,740,219**	2,972,563	2,293,494
Bills, trade and other receivables	*12*	**1,513,995**	1,246,238	1,149,974
Amounts due from related parties		**3,709**	8,901	17,096
Prepaid lease payments		**–**	12,296	12,296
Debt instruments at fair value through other comprehensive income		**1,207,570**	969,300	1,175,800
Financial assets at fair value through profit or loss		**854,102**	1,100,849	–
Pledged bank deposit		**1,291,326**	1,068,449	727,562
Bank balances and cash		**4,154,191**	3,833,751	3,872,392
		12,765,112	11,212,347	9,248,614

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Restated)	1 January 2018 RMB'000 (Restated)
Current liabilities				
Bills, trade and other payables	*13*	**6,746,172**	5,752,416	4,828,976
Amounts due to related parties		**20,024**	25,550	62,142
Derivative financial instruments		**104**	–	7,561
Taxation payables		**205,778**	234,561	156,271
Borrowings – current portion		**1,260,415**	1,856,650	1,324,561
Long-term loan notes – due within one year		**398,853**	378,588	–
Deferred government grants		**33,859**	26,773	22,421
Obligations under finance leases – due within one year		–	–	4,275
Lease liabilities		**7,076**	–	–
Provision		**650,728**	631,454	568,156
Contract liabilities		**1,749,311**	1,647,223	1,547,950
		11,072,320	10,553,215	8,522,313
Net current assets		**1,692,792**	659,132	726,301
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,058,007**	6,303,077	6,046,370
Non-current liabilities				
Borrowings – non current portion		**252,746**	68,800	129,800
Deferred government grants		**425,150**	361,205	354,310
Lease liabilities		**15,497**	–	–
Deferred tax liabilities		**78,098**	85,366	56,904
Long-term loan notes		–	398,508	774,341
		771,491	913,879	1,315,355
NET ASSETS		**7,286,516**	5,389,198	4,731,015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 31 December 2019

				1 January
		2019	2018	2018
	Notes	***RMB'000***	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
Capital and reserves				
Share capital		**109,905**	109,905	109,889
Reserves		**6,554,699**	5,037,434	4,429,012
Equity attributable to owners of the Company		**6,664,604**	5,147,339	4,538,901
Non-controlling interests		**621,912**	241,859	192,114
TOTAL EQUITY		**7,286,516**	5,389,198	4,731,015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

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 addresses of the registered office and principal place of business of the Company are disclosed in the "Corporation Information" section of the annual report.

The Company is an investment holding company. The Company and its subsidiaries are collectively referred to as the "Group".

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

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 16 "Leases"

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under HKAS 17 "Leases".

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

As a lessee, the Group's leases are mainly rentals of offices and leasehold lands. The right-of-use assets were measured at the amount equal to the lease liability and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. HKFRS 16 has been applied and resulted in changes in consolidated amounts reported in the consolidated financial statements as follows:

	As at 1 January 2019 *RMB'000*
Increase in right-of-use assets	541,048
Decrease in prepaid lease payments	522,377
Increase in lease liabilities	18,671

The operating lease commitments disclosed as at 31 December 2018 were approximately RMB23,121,000, while the lease liabilities recognised as at 1 January 2019 were approximately RMB18,671,000, of which approximately RMB4,246,000 were current lease liabilities and approximately RMB14,425,000 were non-current lease liabilities.

The differences between the operating lease commitments discounted using the lessee's incremental borrowing rate of 4.9% and the total lease liabilities recognised in the consolidated statement of financial position at the date of initial application of HKFRS 16 comprised the exclusion of short-term leases recognised on a straight-line basis as expenses.

3. PRIOR YEAR ADJUSTMENTS

(a) Re-assessment of warranty provision

The Group provides a warranty of up to fifteen months on all lead-acid motive battery products. During the year, directors of the Company re-assessed the method of provision for estimated liabilities in relation to product quality warranties, including but not limited to the key assumptions on the estimated replacement cost and repair cost for returned products. As a result of the re-assessment, the amount of estimated liabilities provision arising from after-sale obligations at 1 January 2018 and 31 December 2018 has been redefined. Accordingly, prior year adjustments have been made to adjust the amounts of provision for warranty and utilisation of provision for the year ended 31 December 2018.

For certain customers which do not require a replacement battery immediately at the time making the warranty claim, the Group allows them to obtain the warranty batteries at a later date. Such amounts were recorded in provision as at 1 January 2018 and 31 December 2018. These balances of RMB290,445,000 and RMB242,983,000 were re-classified to other payables and contract liabilities as at 1 January 2018 and 31 December 2018, respectively.

(b) Recognition of intertemporal adjustment for income

The Group recognises revenue and recognises the relevant sales rebates when it satisfies a performance obligation by transferring control over the products to the customers. During the year, directors of the Company re-assessed the delivery time of the products and accordingly the revenue recognition time as well as the recognition time of sales rebates. As a result, adjustments have been made to such revenue of approximately RMB198,758,000 and the corresponding costs in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

(c) Intertemporal adjustment of employees' remuneration

The Group observed that there were situations where some of employee's remuneration were spread across two accounting periods and the relevant amount represented a lower proportion of the aggregate amounts of remuneration for those years. The Group has make adjustments to such remunerations of approximately RMB18,684,000 and the corresponding employee remuneration payables of approximately RMB42,851,000 in the consolidated statement of profit or loss and other comprehensive income and in the consolidated statement of financial position for the year ended 31 December 2018, respectively.

(d) Interest capitalization, Intertemporal adjustment for depreciation and redefinition of asset-related government grants

During the year,the Group re-visited the usage of certain property, plant and equipment, including the commencement date of usage and re-assessed the capitalized interests related to those property, plant and equipment for the year ended 31 December 2018. As a result, prior year adjustments have been provided to adjust the related interests of approximately RMB11,812,000 as expenses, and adjusted the depreciation expenses by RMB7,533,000 in the consolidated statement profit or loss.

In addition, the Group had re-assessed the relevant subsidy documentations for the government grants received, redefined the nature of the government grants for the year ended 31 December 2018 according to the subsidy documents, and recalculated these government grants and the amortisation thereof. As a result of the re-assessment, prior year adjustments have been provided to adjust the government grants previously recorded as other income in the consolidated profit or loss and other comprehensive income for the year ended 31 December 2018 by RMB16,835,000. Originally, the Group recognised such government grants of approximately RMB387,978,000 as a deduction from the carrying amount of the relevant assets. As a result, prior year adjustments have been provided to adjust the deferred government grants and increase the carrying amount of the relevant assets.

The following tables disclose the restatements that have been made in order to reflect the above corrections to each of the line items in the consolidated statement of profit or loss and other comprehensive income as previously reported for the year ended 31 December 2018 and consolidated statement of financial position as at 31 December 2018 and 1 January 2018 as previously reported.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018

	2018 (As previously reported) *RMB'000*	Re-assessment of warranty expenses *RMB'000*	Recognition of intertemporal adjustment for income *RMB'000*	Intertemporal adjustment of employees' remuneration *RMB'000*	Interest capitalization, Intertemporal adjustment for depreciation and redefinition of asset-related government grants *RMB'000*	Income tax and deferred tax *RMB'000*	Non-controlling interest *RMB'000*	2018 (As restated) *RMB'000*
Revenue	34,552,090		198,758					34,750,848
Cost of sales	(30,466,367)	120,776	(355,774)	(8,120)	190			(30,709,295)
Gross profit	4,085,723							4,041,553
Other income	369,658		412		17,155			387,225
Other gains and losses	(43,481)				(6,211)			(49,692)
Impairment losses, net of reversal	(23,007)							(23,007)
Selling and distribution costs	(889,947)							(889,947)
Administrative expenses	(563,674)			(10,564)	(19,071)			(593,309)
Research and development costs	(1,114,293)							(1,114,293)
Other expenses	(41,459)							(41,459)
Share of profit of an associate	3,126							3,126
Finance costs	(177,735)				(11,812)			(189,547)
Profit before taxation	1,604,911							1,530,650
Taxation	(304,114)					8,640		(295,474)
Profit for the year	1,300,797							1,235,176
Other comprehensive income (expense):								
Items that will not be reclassified to profit or loss:								
Fair value changes of equity investment at fair value through other comprehensive income	(137,116)							(137,116)
Income tax relating to items that may be reclassified subsequently	2,775							2,775
	(134,341)							(134,341)
Items that may be reclassified to profit or loss:								
Fair value change of debt instruments measured at fair value through other comprehensive income	5,785							5,785
Income tax relating to items that may be reclassified subsequently	(1,446)							(1,446)
	4,339							4,339
Total comprehensive income (expense) for the year	1,170,795							1,105,174
Profit for the year attributable to:								
Owners of the Company	1,252,430						(64,152)	1,188,278
Non-controlling interests	48,367						(1,469)	46,898
	1,300,797							1,235,176
Total comprehensive income (expense) for the year attributable to:								
Owners of the Company	1,122,413						(64,152)	1,058,261
Non-controlling interests	48,382						(1,469)	46,913
	1,170,795							1,105,174
Earnings per share								
– Basic (RMB)	1.11							1.05
– Diluted (RMB)	1.09							1.03

Consolidated statement of financial position as at 31 December 2018

	2018 (As previously reported) *RMB'000*	Re-assessment of warranty expenses *RMB'000*	Recognition of intertemporal adjustment for income *RMB'000*	Intertemporal adjustment of employees' remuneration *RMB'000*	Interest capitalization, Intertemporal adjustment for depreciation and redefinition of asset-related government grants *RMB'000*	Income tax and deferred tax *RMB'000*	Non-controlling interest *RMB'000*	2018 (As restated) *RMB'000*
Non-current assets								
Property, plant and equipment	4,113,612				181,332			4,294,944
Goodwill	499							499
Prepaid lease payments	324,615				185,466			510,081
Equity investments at FVTOCI	297,357							297,357
Deferred tax assets	366,999					11,434		378,433
Deposit paid for acquisition of property, plant and equipment	167,404				(4,773)			162,631
	5,270,486							5,643,945
Current assets								
Inventories	3,130,048	14,126	(171,611)					2,972,563
Bills, trade and other receivables	1,250,010	(69,589)	67,468	(1,651)				1,246,238
Amounts due from related parties	8,901							8,901
Prepaid lease payments	9,497				2,799			12,296
Debt instruments at FVTOCI	969,300							969,300
Financial assets at FVTPL	1,100,849							1,100,849
Pledged bank deposit	1,068,449							1,068,449
Bank balances and cash	3,833,751							3,833,751
	11,370,805							11,212,347
Current liabilities								
Bills, trade and other payables	6,131,130	(214,741)	(276,875)	42,851	70,051			5,752,416
Amounts due to related parties	25,550							25,550
Taxation payables	232,495					2,066		234,561
Borrowings – current portion	1,856,650							1,856,650
Long-term loan notes – due within one year	378,588							378,588
Deferred government grants	–				26,773			26,773
Provision	549,230	82,224						631,454
Contract liabilities	1,124,451	242,983	279,789					1,647,223
	10,298,094							10,553,215
Net current assets	1,072,711							659,132
TOTAL ASSETS LESS CURRENT LIABILITIES	6,343,197							6,303,077
Non-current liabilities								
Borrowings – non current portion	68,800							68,800
Deferred government grants	–				361,205			361,205
Deferred tax liabilities	102,609					(17,243)		85,366
Long-term loan notes	398,508							398,508
	569,917							913,879
NET ASSETS	5,773,280							5,389,198
Capital and reserves								
Share capital	109,905							109,905
Reserves	5,429,922	(165,929)	(107,057)	(44,502)	(93,205)	26,611	(8,406)	5,037,434
Equity attributable to owners of the Company	5,539,827							5,147,339
Non-controlling interests	233,453						8,406	241,859
TOTAL EQUITY	5,773,280							5,389,198

Consolidated statement of financial position as at 1 January 2018

	2018 (As previously reported) *RMB'000*	Effect of changes in accounting policies *RMB'000*	Re-assessment of warranty expenses *RMB'000*	Recognition of intertemporal adjustment for income *RMB'000*	Intertemporal adjustment of employees' remuneration *RMB'000*	Interest capitalization, Intertemporal adjustment for depreciation and redefinition of asset-related government grants *RMB'000*	Income tax and deferred tax *RMB'000*	Non-controlling interest *RMB'000*	2018 (As restated) *RMB'000*
Non-current assets									
Property, plant and equipment	3,949,384					243,714			4,193,098
Goodwill	499								499
Prepaid lease payments	240,449					202,667			443,116
Interest in an associate	15,574								15,574
Equity investments at FVTOCI	–	226,000							226,000
Available-for-sale investments	226,000	(226,000)							–
Deferred tax assets	336,434	6,063					35,389		377,886
Deposit paid for acquisition of property, plant and equipment	63,896								63,896
	4,832,236								5,320,069
Current assets									
Inventories	2,132,701		(13,069)	173,862					2,293,494
Bills, trade and other receivables	2,392,492	(1,195,873)	194,495	(241,140)					1,149,974
Amounts due from related parties	17,096								17,096
Prepaid lease payments	7,219					5,077			12,296
Debt instruments at FVTOCI	–	1,175,800							1,175,800
Pledged bank deposit	727,562								727,562
Bank balances and cash	3,872,392								3,872,392
	9,149,462								9,248,614
Current liabilities									
Bills, trade and other payables	5,970,617	(804,919)	58,688	(569,411)	25,818	148,183			4,828,976
Amounts due to related parties	62,142								62,142
Derivative financial instruments	7,561								7,561
Taxation payables	123,190						33,081		156,271
Borrowings – current portion	1,324,561								1,324,561
Deferred government grants	–					22,421			22,421
Obligations under finance leases – due within one year	4,275								4,275
Provision	449,158		118,998						568,156
Contract liabilities	–	804,919	290,445	452,586					1,547,950
	7,941,504								8,522,313
Net current assets	1,207,958								726,301
TOTAL ASSETS LESS CURRENT LIABILITIES	6,040,194								6,046,370
Non-current liabilities									
Borrowings – non current portion	129,800								129,800
Deferred government grants	–					354,310			354,310
Deferred tax liabilities	72,567						(15,663)		56,904
Long-term loan notes	774,341								774,341
	976,708								1,315,355
NET ASSETS	5,063,486								4,731,015
Capital and reserves									
Share capital	109,889								109,889
Reserves	4,768,671	(11,323)	(286,705)	49,547	(25,818)	(73,456)	17,971	(9,875)	4,429,012
Equity attributable to owners of the Company	4,878,560								4,538,901
Non-controlling interests	184,926	(2,687)						9,875	192,114
TOTAL EQUITY	5,063,486								4,731,015

4. SEGMENT INFORMATION

The Group's operating and reportable segments are based on information prepared and reported to the chief operating decision makers ("CODM"), being the board of directors of the Company, for the purposes of resource allocation and performance assessment. For the sales of batteries and battery related accessories operation, there were no further discrete financial information since the financial information provided to the CODM does not contain profit or loss information of each product line or each market segment and the CODM review the operating results of the sales of batteries and battery related accessories operation on a consolidated basis. Therefore, the operation of the Group constitutes two single operating and reportable segments, namely (1) sales of batteries and battery related accessories; and (2) trading of new energy materials.

These segments are the basis on which the Group reports its segment information.

The CODM makes decisions according to operating result of each segment. No analysis of segment assets and segment liabilities presented is as the CODM does not regularly review such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented. The accounting policies of the operating and reportable segment are the same as the Group's accounting policies. Segment results represent the profits earned by each segment and exclude certain other gains and losses, corporate administrative expenses and finance costs. Intersegment sales are charged at cost plus profit approach.

Segment revenue and results

For the year ended 31 December 2019

	Sales of batteries and battery related accessories *RMB'000*	**Trading of new energy materials** *RMB'000*	**Total** *RMB'000*
Reportable segment revenue derived from the group's external customer	**30,605,852**	**10,007,703**	**40,613,555**
Inter-segment sales	**–**	**985,423**	**985,423**
Reportable segment revenue	**30,605,852**	**10,993,126**	**41,598,978**
Segment profit	**1,707,772**	**16,342**	**1,724,114**
Other gains and losses			**13,679**
Corporate administrative expenses			**(7,220)**
Financial costs			**(4,623)**
Profit for the year			**1,725,950**

For the year ended 31 December 2018

	Sales of batteries and battery related accessories *RMB'000* (Restated)	Trading of new energy materials *RMB'000*	Total *RMB'000* (Restated)
Reportable segment revenue derived from the group's external customer	32,033,582	2,717,266	34,750,848
Inter-segment sales	–	202,392	202,392
Reportable segment revenue	32,033,582	2,919,658	34,953,240
Segment profit	1,266,595	8,836	1,275,431
Other gains and losses			(20,909)
Corporate administrative expenses			(14,251)
Financial costs			(5,095)
Profit for the year			1,235,176

Other segment information

For the year ended 31 December 2019	Sales of batteries and battery related accessories *RMB'000*	Trading of new energy materials *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Depreciation of property, plant and equipment	**460,256**	**157**	**–**	**464,013**
Amortisation of right-of-used assets	**20,728**	**–**	**–**	**20,728**
Loss on disposal/written off of property, plant and equipment	**84,814**	**–**	**–**	**84,814**
Interest revenue	**80,264**	**12,822**	**5**	**93,091**
Income tax expense	**388,007**	**12,084**	**–**	**400,091**
Write-down of inventories	**23,082**	**–**	**–**	**23,082**

For the year ended 31 December 2018	Sales of batteries and battery related accessories *RMB'000* (Restated)	Trading of new energy materials *RMB'000* (Restated)	Unallocated *RMB'000* (Restated)	Total *RMB'000* (Restated)
Depreciation of property, plant and equipment	412,026	82	–	412,108
Amortisation of prepaid lease payments	12,296	–	–	12,296
Loss on disposal/written off of property, plant and equipment	82,012	–	–	82,012
Interest revenue	31,163	290	1	31,454
Income tax expense	292,638	2,836	–	295,474
Write-down of inventories	8,138	–	–	8,138

Information about major customers

During the year ended 31 December 2019 and 2018, none of the Group's individual customers contributed more than 10% to the total revenue of the Group.

5. REVENUE

Revenue represents the amounts received and receivable for goods sold excluding value added taxes, less returns and allowances and services provided by the Group to outside customers during the year.

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Sales of batteries and battery related accessories		
Lead-acid battery products		
Electrical bicycle (tricycle) battery *(note i)*	**25,684,597**	26,488,909
Micro electric vehicle battery	**2,057,863**	2,005,409
Special-purpose battery *(note ii)*	**477,726**	447,660
Renewable resources product	**940,806**	2,046,179
Lithium battery products	**626,788**	552,504
Others	**818,072**	492,921
Trading of new energy materials	**10,007,703**	2,717,266
	40,613,555	34,750,848

Note :

i It includes battery products mainly for electrical bicycle and electrical tricycle.

ii It includes battery products mainly for tubular battery, lead-acid starter battery, energy storage battery and standby battery.

6. OTHER GAINS AND LOSSES

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Net gains (losses) on financial assets at FVTPL		
– structured bank deposits	**76,127**	82,327
– held-for-trading investments *(note i)*	**12,735**	(25,825)
– foreign currency forward contracts	**–**	(2,281)
– commodity derivative contracts *(note ii)*	**(2,304)**	13,366
Write off/loss on disposal of property, plant and equipment	**(84,814)**	(82,012)
Net foreign exchange losses	**(8,055)**	(35,267)
	(6,311)	(49,692)

Notes:

i Net gains on held-for-trading investments included gains arising on changes in fair value of RMB12,735,000 (2018: losses of RMB25,825,000), which were earned on these investments in listed equity securities during the year ended 31 December 2019. Such gains (2018: losses) included unrealised gains of RMB12,735,000 (2018: unrealised losses of RMB9,535,000) and no realised losses (2018: realised losses of RMB16,290,000).

ii Net losses on commodity derivative contracts represented realised losses of RMB2,081,000 (2018: realised gains of RMB13,215,000) and unrealised losses of RMB223,000 (2018: unrealised gains of RMB151,000) arising on changes in fair value of commodity derivative contracts.

7. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Interest on borrowings	**124,721**	95,742
Effective interest on long-term loan note	**37,540**	63,482
Interest on factorised bills	**86,529**	31,544
Lease liabilities interest	**1,231**	–
Others	**5,014**	–
	255,035	190,768
Less: amounts capitalised in the cost of qualified assets	**–**	(1,221)
	255,035	189,547

8. TAXATION

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Hong Kong Profits Tax:		
– Current tax	**–**	–
PRC Enterprise Income Tax ("EIT"):		
– Current tax	**428,438**	259,569
– Underprovision in prior years	**4,594**	8,322
Deferred tax:	**(32,941)**	27,583
	400,091	295,474

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

For the year ended 31 December 2019 and 2018, Hong Kong Profits Tax is calculated under two-tier profits tax system where the first HK$2 million of estimated assessable profits is taxed at a reduced rate of 8.25% and the remaining of estimated assessable profits is taxed at 16.5%.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable tax rate of PRC subsidiaries is 25% during the year ended 31 December 2019 except that, Tianneng Battery Group Co., Ltd. ("Tianneng Battery"), Tianneng Battery Group (Anhui) Co., Ltd. ("Tianneng Battery Anhui"), Zhejiang Tianneng Energy Technology Co., Ltd. ("Zhejiang Tianneng Energy"), Zhejiang Tianneng Power Energy Co., Ltd. ("Zhejiang Tianneng Power"), Tianneng Battery (Wuhu) Co., Ltd. ("Tianneng Battery Wuhu"), Anhui Zhongneng Power Supply Co., Ltd. ("Anhui Zhongneng"), Tianneng Group (Henan) Energy Technology Co., Ltd. ("Tianneng Henan"), Jiyuan Wanyang Green Energy Co., Ltd. ("Jiyuan Wanyang"), Tianneng Battery Group Jiangsu Technology Co., Ltd. ("Tianneng Jiangsu Technology"), Zhejiang Tianneng Battery (Jiangsu) New Energy Co., Ltd., Zhejiang Hercules Energy Co., Ltd. and天能集團江蘇科技有限公司 which were recognised as High-Tech companies and enjoyed a tax rate of 15% for the year ended 31 December 2019 (1.1.2018 to 31.12.2018: 15% applicable for Tianneng Battery, Tianneng Battery Anhui, Zhejiang Tianneng Energy, Zhejiang Tianneng Power, Tianneng Battery Wuhu, Anhui Zhongneng, Tianneng Henan, Jiyuan Wanyang, Tianneng Jiangsu Technology and Anhui Hongda Power Supply Co., Ltd.).

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

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Profit before taxation	**2,126,041**	1,530,650
Tax at the applicable income tax rate of 25% (2018: 25%)	**531,510**	382,663
Tax effect of income not taxable and expenses not deductible for tax purposes	**19,457**	39,710
Tax effect of tax losses not recognised	**6,015**	9,018
Utilisation of tax losses previously not recognised	**(11,203)**	(9,373)
Income tax at concessionary rates	**(83,444)**	(64,776)
Under provision in prior years	**4,594**	8,322
Tax effect of additional deduction related to research and development costs and certain staff costs	**(112,257)**	(114,650)
Tax effect in respect of Group restructuring	**–**	10,560
Withholding tax on undistributed profits of PRC subsidiaries	**45,419**	34,000
	400,091	295,474

9. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Auditor's remuneration	**2,130**	2,690
Cost of inventories sold	**35,925,798**	30,709,295
Write-down of inventories (included in cost of sales)	**23,082**	8,138
Depreciation of property, plant and equipment	**460,413**	412,108
Amortisation of prepaid lease payments	**–**	12,296
Amortisation of right-of-use assets	**20,728**	–
Expenses related to short-term lease	**10,500**	–
Expenses related to variable lease payments not included in lease liabilities	**6,505**	–
Operating lease charges	**–**	14,285
Directors' remuneration	**4,310**	4,408
Other staff costs	**1,845,090**	1,595,480
Retirement benefits scheme contributions, excluding directors	**97,325**	46,947
Share-based payments	**7,590**	2,724
Total staff costs	**1,954,315**	1,649,559

10. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year: 2019: 2018 final dividend of HK38.00 cents (equivalent to approximately RMB33.30 cents) per ordinary share (2018: 2017 final dividend of HK37.00 cents (equivalent to approximately RMB30.93 cents))	**376,251**	340,769

Subsequent to the end of the reporting period, a final dividend of HK39.00 cents (equivalent to approximately RMB35.04 cents) (2018: HK38.00 cents (equivalent to approximately RMB33.30 cents)) in respect of the year ended 31 December 2019 per ordinary share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

11. EARNINGS PER SHARE

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Earnings for the purposes of calculating basic and diluted earnings per share		
– Profit for the year attributable to the owners of the Company	**1,681,827**	1,188,278

	2019	2018
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,126,726,500**	1,126,604,692
Effect of dilutive potential ordinary shares – share options	**21,086,923**	26,550,911
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,147,813,423**	1,153,155,603

12. BILLS, TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Trade receivables	**861,090**	974,577
Less: Allowance for credit losses	**(219,221)**	(205,500)
	641,869	769,077
Other receivables	**183,295**	217,331
Less: Allowance for credit losses	**(38,035)**	(19,210)
	145,260	198,121
Prepayment	**490,639**	196,164
PRC value added tax receivables	**236,227**	82,876
	1,513,995	1,246,238

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice dates.

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
0 to 45 days	**338,350**	432,993
46 to 90 days	**218,825**	175,356
91 to 180 days	**38,061**	56,431
181 to 365 days	**19,614**	45,231
1 year to 2 years	**26,472**	59,066
Over 2 years	**547**	–
	641,869	769,077

13. BILLS, TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Trade payables	**1,980,354**	2,117,171
Bills payables	**2,771,524**	2,062,703
Other payables and accrued charges	**1,994,294**	1,572,542
	6,746,172	5,752,416

The Group normally receives credit terms of 5 days to 90 days (2018: 5 days to 90 days) from its suppliers. The following is an aged analysis of trade payables at the end of the reporting period, presented based on the invoice date:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
0 to 90 days	**1,530,362**	1,886,286
91 to 180 days	**303,362**	117,791
181 to 365 days	**75,309**	64,973
1 to 2 years	**41,329**	22,387
Over 2 years	**29,992**	25,734
	1,980,354	2,117,171

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

	2019	2018
	RMB'000	*RMB'000*
0 to 180 days	**2,556,387**	2,062,703
181 to 365 days	**215,137**	–
	2,771,524	2,062,703

MANAGEMENT DISCUSSION AND ANALYSIS

Tianneng has three major businesses, namely the research and development ("R&D") and sales service, production sales, and services of: (1) high-end eco-friendly batteries; (2) new energy batteries; and (3) green renewable materials.

OPERATION REVIEW

In 2019, a crucial year for active global market presence, Tianneng was blessed with opportunities. During the year, amid the complex and severe industrial landscape and the internal demands for high-quality development, the Group, while based on the fundamental directives of "moderate innovation, steady progress, and reasonable efficiency", we adhered to our green developmental philosophy. The Group relied on reform and innovation and steadily applied strategic initiatives. We undertook comprehensive lean management approach, through our continuous effort to refine our industrial supply framework. We strike to progress steadily for a worldwide presence, along with materializing an overall quality and sustainable growth and development.

During the reporting period, the Group realised sales revenue of approximately RMB40,614 million, representing an increase of 16.87% year-on-year; and net profit of approximately RMB1,726 million, representing an increase of 39.73%, year-on-year.

According to the "List of Top 100 Battery Enterprises in China for 2018" (《2018年度中國電池行業百強企業名單》) issued by the China Industrial Association of Power Sources in July 2019, Tianneng continued to rank first among the top 100 enterprises in the China's battery industry.

On 14 December 2019, as "2019 China Energy (Group) 500" (jointly compiled and elected by China Energy News Agency and Centre for China Energy Economics Research) was officially released, Tianneng was re-elected and ranked 30 among the top 500 in the list, due to the Group's remarkable achievements in the sector of new energy. Tianneng's rapid and consolidated progress was approved by the government authorities at all levels. In 2019, the Company was honoured the "single champion demonstration enterprise" within the manufacturing category, the national quality benchmarking enterprise, a quality development leader in Zhejiang province, and elected as the educational enterprise for first batch of "Eagle Action", an innovative leading enterprise in Zhejiang province and other honours, all approved by the Ministry of Industry and Information Technology.

(I) High-end eco-friendly batteries

High-end eco-friendly batteries are one of the Group's major businesses, providing the Group with a solid cash flow. During the reporting period, sales revenue of high-end eco-friendly batteries was approximately RMB28.220 billion.

Tianneng adheres to the concept of green development promoted by technological innovation, and has launched a green battery product series based on "lead batteries plus lithium batteries". Regarding the lead battery segment, our products are distinguished with product and technology innovations. The Company has successfully applied on a large scale of the sealed maintenance-free lead batteries to the power sector for light electric vehicles. Besides providing our nationals at large with low-carbon, environmental-friendly, economical and practical means for travelling, the Company has extended the developmental capacity of the lead battery industry, which, in turn, bears significant impact for the smooth promotion of the "electricity for gasoline" within the green energy framework.

The Company follows the R&D strategy of "new materials, new structures, new technologies, new sectors", to improve the energy density of lead batteries, to enhance the working life of lead batteries and the performance of lead batteries under application scenarios such as low temperature. With all such measures, the Group has launched an independent and comprehensive core technology system, and firmly grasped the initiative for innovative development.

1. Batteries for electric bicycle and electric tricycle

Today, low-carbon travelling, energy-saving and environmental protection have become the common pursuit among users. Electric bicycles have evolved into one of the mainstream modes of transportation on account of their environmental-friendly, economy, labor-saving, load endurance, long-range travelling and other characteristics. Due to the popularization of new trends such as takeaway and express delivery, the commercial application of electric bicycles and electric tricycles have been further expanding. On account of the continuous development of China's economy, the continuous improvement in consumption levels, popularization of energy-saving and environmental protection awareness, and the rolling out of energy conservation and emission reduction initiatives. We also believe a sustainable growth for the electric vehicles in local markets.

(1) Short-distance cross-over delivery service

Along with the continuous increasing awareness among residents on green consumption and the sophisticated development of "Internet plus" service business model across the country, various on-site services have become the mainstream of new consumption norm, and as such, both the takeaway industry and express delivery industry have flourished. The takeaway industry and the express delivery industry are highly dependent on using two-wheeled and three-wheeled electric bicycles as modes of traffic, and the vital means of traffic for these two industries are electric bicycles and electric tricycles.

(2) Shared electric bicycles

Electric bicycle is an important mobility tool under the concept of low-carbon life. Since 2018 onwards, shared electric bicycles have become the main trend backed by the inflow of capital funding and we are all ushered into an era of travelling reform. A large number of emerging sharing platform companies have sprung up in the Chinese market in an attempt to meet the needs of consumers with Chinese characteristics. Since shared electric bicycle market has reached the stage of full-swing development, the demand for electric bicycles has gained new growth.

(3) Consumption upgrade

With the increasing sophisticated development in the electric bicycle market, the overall trend for consumption upgrade in the electric bicycle industry has become evident. Based on consumers' orientation, quality electric bicycle manufacturers invest lavishly in product R&D. They incline to promote product differentiation, enhance the touch of technology, the element of fashion, which all significantly promote the functionality and product variety of electric bicycles. The market landscape since consumption upgrade has provided the sufficient fundamentals for the upgrade and further development of the electric bicycle industry, and an emerging overall trend of growth is expected in the electric bicycle industry in the future.

(4) New national standards

The national standards for the "Safety Technical Specifications for Electric Bicycles" (hereinafter referred to as the "new national standard") were formally approved and implemented on 15 April 2019 by the China Administration of Market Supervision and Standardization Administration of China. The successful rolling out of the new national standard has brought forth great significance to the steady growth within the industry, and has also enabled a standardised market order, improved product safety performance, and promoted the survival of the fittest in the market.

2. Mini electric vehicle batteries

Mini electric vehicles are low-speed four-wheelers driven by electric power. They are small and affordable, and are usually adopted for short-distance travel.

Against the backdrop of diversified transportation landscape and the increase in nationals' consumption level, mini electric vehicles best serve as a convenient, low-carbon and environmentally friendly national transport means. Moreover, it has gradually become a mainstream way, 1 plus 1, in rural areas and urban travel mode, which is gasoline-fueled vehicle plus mini electric vehicle. With the issuance of relevant national policies, mini electric vehicles are incorporated into the category of new energy vehicle for the first time, which has reflected the fact that governments at all levels have begun to concern with the development of mini electric vehicles. The legal status of mini electric vehicles is expected to be eventually defined. As the national standards applied to mini electric vehicles, this will bring along a new growth momentum in the mini electric vehicle market. Power battery, served as the power source for electric vehicles, is definitely the core component to enable the consolidated development in the electric vehicle industry. Again, power battery is related to several aspects, such as the quality, life endurance and cruising range of electric vehicles, and it is also the most crucial factor that determine the overall core competitiveness of electric vehicle manufacturing operators. Tianneng continues to maintain market leading position and technological comparative strength in the mini vehicle batteries' sector.

3. *Other high-end eco-friendly batteries*

(1) Traction batteries

Traction batteries serve as a DC power source for forklifts, tractors, trucks, underground mine locomotives and other facilities. As such, the batteries are widely used in airports, stations, ferries' ports, agrarian markets ,industrial mining fields and corporate warehouses. At the same time, served as DC power source for clean and pollution-free logistic vehicles, traction batteries have been widely adopted in public transportation network, sports, leisure and entertainment sectors. Today, the traction batteries produced by the Group carry the specific design strictly in accordance with European standards. The batteries' operating life and safety performance indicators are better than national standards. The Group has concluded strategic partnerships with domestic and overseas quality enterprises such as Anhui Heli Co., Hangcha Group, Linde Forklift, and Nuoli's Noblift Forklift, and therefore, has climbed to be the second largest domestic brand in the field of forklift battery. The Group will pay more attention in aftersales market expansion, and continue to introduce new elements into its business model with the aim to increase market share.

(2) Start-stop batteries

From the perspective of usage, starting batteries of vehicles, served as consumables, have plenty of capacity for development in the replacement market as they need to be replaced every two to three years. Additionally, domestic vehicle manufacturers are swayed by the national energy conservation and emission reduction policies, and due to which, we expect the loaded utilisation rate of the new vehicle start-stop system will increase significantly in the coming years, and the market capacity for start-stop batteries is both pressing and promising. Currently, the assembly rate for vehicle start-stop battery in China remains at a relatively low level and lies within an early developmental phase. Therefore, the products are expected to reach for a rapid developmental phase in the future. The Group will continue to scale-up investment on the production facilities for vehicle start-stop batteries, delve into international technical collaborative efforts, opt for the advantage of priority-entry into the second-tier markets, to enable a gradual rise in market position.

Apart from the fact that the Group owns strong brand, marketing capacity, service capacity, and industrial leading comparative strength, we also have access to plenty of recovery channels for waste and used vehicles batteries, through which the Group join hands with other start-stop battery manufacturers to achieve a win-win situation in the replacement market. During the reporting period, the Group saw rapid development in its vehicle battery business, facilitated with world-class automated production line and advanced production technology and adopted industry-leading facilities and management philosophy. The Group established strategic cooperation with various start-stop battery manufacturers in the sector, while based on which, we integrated resources to form a united front. We intend to expand our sales team so as to plough further into the start-stop battery market. Eventually, the Group expects to earn a respected brand in start-stop battery market.

(3) Smart energy

Tianneng has a comprehensive series of energy storage solutions that serve to provide reliable green energy protection. The Group provides effective backup power protection for global communication network, electricity, railways, ships, radio and television broadcast, UPS, consumer products, and other sectors.

The Group regards the peak and frequency modulation and base station energy storage as the primary targeted markets in China, though it is still actively exploring overseas markets. The Group adopts a variety of world-leading technologies such as lead-carbon batteries and lithium-ion batteries to meet the diverse needs of customers and at the same time provides smart micro-grid energy systems and composite energy storage systems, and other solutions.

The Group's energy storage battery technology has climbed to the leading position in domestic markets. The system solution provided by the Group can be bi-directionally converted into the public power grid for electrical power storage. When connected to the main network, our solutions are featured with peak-load shifting, frequency modulation, and independent power supply, and other functions that meet the end-users' requirements for distributed power access, quality power supply, reliable power supply, and security.

(II) New energy batteries

During the reporting period, the Group's operating revenue in new energy battery business recorded approximately RMB627 million.

The Company actively invests in the research, development and industrialization of lithium battery technology. We adopt the multi-wheel driven technical paths that includes mainstream ternary lithium iron phosphate, cylindrical and soft-pack battery, and has acquired a variety of high-performance positive electrode materials and high-safety diaphragm seals application technologies. By means of a comprehensive upgrade of technical framework, we are able to effectively improve the energy density, charging and discharging rates and recycling lifespan of lithium battery products. In November 2019, in the witness of the leaders of China and France, the Company signed a cooperation agreement with SAFT, a subsidiary under the France-based Total group, one of the world's top 500 enterprises. Pursuant to the agreement, both contract parties agree to merge their respective comparative strength to achieve synergic development in technology, manufacturing and marketing, among other aspects, and will develop manufacture and sell advanced lithium battery products in markets of China and worldwide.

For new energy batteries, the Group is resolute to continue to improve the capacity utilization rate, and in accordance with the actual proceeding of state policies, market supply and demand dynamics to roll out measures on modification and refinement. Along with the intensive collaborative efforts with advanced new energy companies overseas, the Group will continue to commit to the development and production and services of high-energy lithium batteries, as well as the R&D and production of electric vehicle batteries, and energy storage with the ultimate aim to further enhance the Group's market position in the field of new energy.

(III) Green renewable materials

Environmental issues have always been the focal points of interests to an alarming number of global economies, and environmental conservation measures have constantly evolved in tandem with development of society and technology advancement. To promote the green develop in China, as well as to cultivate ecological civilization are regarded as one of the crucial steps towards "sustainable development". Facing the backdrop of state initiatives and emerging market opportunities, the Group participated to formulate the national standard, "Standard system for circular economy of Industrial Enterprises and Parks (工業企業和園區循環經濟標準體系) and "Industrial standard for regulating the recycling of waste batteries" (廢蓄電池回收規範行業標準). The Group also served as the representative, on behalf of manufacturing enterprises, actively sought for and obtain state support in terms of policies and other resource. The Group was honourably elected by the National Development and Reform Commission as "Enterprise in resource comprehensive utilization " and "Standardised pilot enterprise in national circular economy", and enlisted as "Key projects intended for energy conservation and emissions reduction ", and selected into the "First Batch of Green Manufacturing System Demonstration Facility", "Green supply chain demonstration enterprise " by the Ministry of Industry and Information Technology.

The Group always advocates harmonious development that will create minimum impact on the environment, and applies the concept of eco-system conservation to the whole life cycle of product design and disposal. The Group strives to build a circular industry chain that incorporates"recycle, smelt and reproduce" in the chained production. We also aim to upgrade corporate status to become an exemplary demonstration base for eco-friendly, low-carbon and recycling ventures. The Group actively implements the concept of sustainable development, with the adoption of the state-of-the-art furnace technology and the harmless treatment of waste batteries, and becomes the benchmark enterprise in the industry. We follow a two-wheel developmental blueprint, in line with the internal resource of the Group and the needs of society. The Group further expands its recycling channels, try to achieve production, sales, after sale and service" and "scrap metal recycling, smelting and reproduction", an all-inclusive supply chain for batteries. The Group will continue to strengthen the power of the recycling sector, steadily source for more categories of renewable materials that carry market values, while we will also expand into the upstream and downstream products within the industry chain and further extend into related derivative product markets.

(IV) Strategic blueprint for global presence, market share expansion

In response to the national initiative “The Belt and Road”, the Group’s products have launched in the international markets and covered a worldwide sales network. Our products are mainly sold to South Asia, Southeast Asia, West Asia, Europe, Africa and other regions and countries. We are bestowed with boosted momentum for market penetration overseas.

(1) International trade

Regarding the high-end eco-friendly battery sector, the Group focuses on the developing countries with underdeveloped areas and to helps the infrastructure construction in the respective countries and regions. For new energy batteries, part of our products have earned international accreditations and have successively entered high-end consumer markets in developed countries, including Europe and Australia. Leveraging on industry top-notch technology and excellent products, the Group primarily targets on entering into the international markets such as Southeast Asia and Europe, particularly the densely populated South and Southeast Asian countries. The overall trend for electrification development of transportation has become a proven reality. Today, the electric bicycle industry has already entered its preliminary developmental phase. We expect within the next five to ten years, the respective industry will usher into a golden phase of development and growth.

(2) Globalised network for R&D, worldwide manufacturing chain, recycling across the globe

The Group actively explores for co-operations with scientific research platforms overseas to hire technical experts from China, the United States, South Korea, Japan and other countries, that will enable us to foster core technological advantages for the entire industrial chain. At the same time, the Group actively seeks mergers and acquisitions opportunities for upstream and downstream products, conducts research on site selection, and finds R&D centers and production bases overseas in due time. We aim to gradually implement local production, recycling, and smelting, with global supply chain network.

(V) Boosted by capital funding

On 30 December 2019, the Company has secured the "Notice of Acceptance of Tianneng Battery Group Co., Ltd.'s Initial Public Offering and Listing on the Science and Technology Board" issued by the Shanghai Stock Exchange, and the "Tianneng Battery Group Co., Ltd.'s initial public offering and listing on the Science and Technology Board (Declaration Draft for Prospectus)" was published on the Shanghai Stock Exchange website. Meanwhile, the announcement of "Updates on the Proposed Spin-off and Separate Listing of the batteries business by way of Proposed A Shares Listing of the Spin-off Company on the Shanghai Stock Exchange" was disclosed by the Company on the Hong Kong Stock Exchange's website.

PROSPECTS

Backed by the twin opportunities of industrial consumption upgrade and thorough environmental protection governance, the Group will continue to consolidate and enhance the comparative edges of its major business of green energy, accelerate the development pace in areas such as the integration of technology and materials of new emerging industries, speed up the pace for green manufacturing and industrial park. The Group aims to evolve into a demonstration base through restructuring upgrade and platform-based corporate building. We expect to press forward towards the mid-to-high-end products and expand our market share to cover the overseas markets. As such, we poise to create the most favorable competitive edges for the Group to join into the most competitive international markets. Meanwhile, we initiate breakthroughs in the green recycling industry, new energy batteries, vehicle start-stop batteries, self-developed high-performance new materials, along with speeding up the application of various technology application on big data, Internet of Things and Artificial Intelligence (AI) that all enable us to boost our productive capacity. We also actively seek to enhance our business portfolio and product efficiency by adopting technological innovation and business model, the twin-engine strategic initiative. We will continue in our pursuit of green energy development, better living environment, as well as working tirelessly that we, Tianneng will climb to be the most respected first-tier new energy enterprise across the globe.

MANAGEMENT ANALYSIS

Gross profit

The Group's gross profit increased by approximately 15.99% to approximately RMB4,688 million in 2019 from approximately RMB4,042 million in 2018, which was attributable to the increase in sales volume and the rise in gross profit margin of batteries. The overall gross profit margin decreased by 0.09 percentage points to 11.54% from 11.63% in 2018. Among which, gross profit margin of manufacturing segment was 15.39%, representing an increase of 2.70 percentage points when compared with 2018, but as the gross profit margin of the newly-added trading segment in 2019 was relatively low, thus resulting in a decrease in the overall gross profit margin.

Other income

Other income of the Group increased by approximately 3.76% from approximately RMB356 million in 2018 to approximately RMB369 million in 2019. The increase was mainly attributable to the increase in dividend from stock and other sales activities. Interest income increases from approximately 31 million in 2018 to approximately 93 million in 2019. The increase is mainly attributable to optimised fund allocation and increase in interest income from deposit.

Selling and distribution costs

Selling and distribution costs of the Group increased by approximately 0.76% from approximately RMB890 million in 2018 to approximately RMB897 million in 2019. The slight increase in selling and distribution costs was mainly due to the increase in transportation expenses.

Administrative expenses

Administrative expenses increased by approximately 11.74% from approximately RMB593 million in 2018 to approximately RMB663 million in 2019. Such increase was mainly due to the increase in staff cost and consultancy expenses.

Finance costs

Finance costs increased by approximately 34.55% from approximately RMB190 million in 2018 to approximately RMB255 million in 2019, which was mainly due to the increase in total borrowings during the year.

Taxation

Tax charges of the Group increased by approximately 35.41% from approximately RMB295 million in 2018 to approximately RMB400 million in 2019, which was mainly due to the increase in profit during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The net cash from operating activities for the year of 2019 was approximately RMB1,739 million (2018: approximately RMB2,077 million). In 2019, the Group had better profit and strengthened management of account receivables and account payables enabling the overall cash flow of operating activities to maintain at a good level.

As at 31 December 2019, the bank balances and cash (including pledged bank deposits) of the Group was approximately RMB5,446 million (31 December 2018: approximately RMB4,902 million). As at 31 December 2019, the Group obtained undrawn banks facilities of approximately RMB6,500 million (31 December 2018: approximately RMB3,333 million). The bank balances and cash (including pledged bank deposits) approximately of RMB5,368 million, RMB44.57 million, RMB32.54 million and RMB0.01 million were denominated in Renminbi, Hong Kong Dollars, US Dollars and Euros respectively. As the bank balances in Hong Kong Dollars, US Dollars and Euros collectively accounted for approximately 1.42% of the total balances, the Group's relevant exchange risk is low.

As at 31 December 2019, the net current assets of the Group were approximately RMB1,693 million (31 December 2018: net current assets of approximately RMB659 million). The increase was primarily attributable to the increase in inventories, prepayments and bank deposits of the Company and the Company's ability to control the level of its liabilities and financial risks.

As at 31 December 2019, the interest bearing borrowings, finance leases and loan notes (together as "interest bearing loans") of the Group with maturity of within one year totally amounted to approximately RMB1,659 million (31 December 2018: approximately RMB2,235 million). The interest bearing loans of the Group with maturity of more than one year amounted to approximately RMB253 million (31 December 2018: approximately RMB467 million). The interest bearing loans of approximately RMB1,912 million carried fixed and variable interest rates ranging from approximately 4.08% to 8.00% (2018: approximately 3.99% to 8.00%) per annum. The Company will closely monitor the changes in interest rate and assess the interest rate risk.

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

FINANCIAL POSITION

Assets

As at 31 December 2019, the total assets of the Group were approximately RMB19,130 million, representing an increase of 13.49% as compared to approximately RMB16,856 million as at 31 December 2018. Among them, non-current assets increased by approximately 12.78% to approximately RMB6,365 million and current assets increased by approximately 13.85% to approximately RMB12,765 million. The major reason for the increase of non-current assets was due to the capital expenditure on production plants and equipment upgrading. The increase in current assets was mainly attributable to the increase in inventories and bank deposits.

Liabilities

As at 31 December 2019, the total liabilities of the Group were approximately RMB11,844 million, representing an increase of approximately 3.29% as compared to approximately RMB11,467 million as at 31 December 2018. Among them, non-current liabilities decreased by approximately 15.58% to approximately RMB771 million, mainly due to the decrease in long-term interest bearing borrowings and long-term loan notes; current liabilities increased by approximately 4.92% to approximately RMB11,072 million, mainly due to the increase in bills payables and contract liabilities.

ANALYSIS BY KEY FINANCIAL PERFORMANCE INDICATORS

Profitability:

	2019	2018
Return on equity	**23.69%**	22.92%
Gross profit margin	**11.54%**	11.63%
– Trading of new energy materials	**-0.22%**	0.12%
– Sales of batteries and battery related accessories	**15.39%**	12.69%
Net profit margin	**4.25%**	3.55%

The overall gross profit margin in 2019 decreased compared to 2018 due to the newly-added trading business. Not considering the trading business, the gross profit margin increased by approximately 2.70 percentage point to approximately 15.39% in 2019 compared to 2018.

Liquidity:

	2019	2018
Current ratio	**1.15**	1.06
Quick ratio	**0.82**	0.78

Both of the ratios above in 2019 slightly increased when compared with those in 2018, mainly due to a higher increase of current assets as compared to that of the current liabilities.

Operating Cycle:

	2019	2018
Inventory turnover days	**34**	30
Account receivables turnover days	**8**	10
Account payables turnover days	**21**	27
Bills and account receivables turnover days	**18**	21
Bills and account payables turnover days	**45**	46

The inventory turnover days increased by 4 day to 34 days in 2019 due to the enhancement of capacity in 2019. Account receivables turnover days decreased by 2 days from 2018 to 8 days in 2019 due to improved management of account receivables in 2019. Account payables turnover days for 2019 decreased by 6 days to 21 days mainly due to the decrease in account payables. Bills and account receivables turnover days decreased by 3 days due to the decrease in account receivables. Bills and account payables turnover days were basically the same as last year.

Capital:

	2019	2018
Net debt ratio	**-30.77%**	-20.99%
Interest coverage ratio *(Note)*	**11.22%**	11.24%

Note: EBITDA divided by total interest expenses

As the interest bearing debt ("Debt") and the cash and bank balances as at 31 December 2019 were approximately RMB1,912 million and RMB4,154 million respectively, the net debt was approximately RMB-2,242 million. The net debt ratio decreased from -20.99% to -30.77%. There was adequate total capital during the year.

The interest coverage ratio was basically the same as last year, and the ability to make interest payments remained strong.

Return of Shareholders:

	2019	2018
Earning per share (Basic)	**1.49**	1.05
Dividend per share (HK cent/share)	**39** *(Note)*	38

Note: representing the dividend proposed by the Company's board of directors for 2019, which is subject to approval at the annual general meeting.

CAPITAL EXPENDITURE

The capital expenditure in 2019 was approximately RMB1,118 million (2018: approximately RMB654 million). A majority of expenditure was incurred on the construction of Guizhou base, upgrade of production facilities and construction investment in the recycling segments.

CAPITAL COMMITMENTS

The amount contracted for but not stated in the consolidated financial statements in respect of the acquisition of property, plant and equipment as at 31 December 2019 was approximately RMB852 million (31 December 2018: approximately RMB338 million).

GEARING RATIO

The Group's gearing ratio (which is based on the amount of total interest bearing loans divided by total assets multiplied by 100%) as at 31 December 2019 was approximately 9.99% (31 December 2018: approximately 16.03%).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

As the Group's operations were mainly conducted in China and the majority of businesses were transacted in Renminbi, the Group has set up policy to strike a balance between uncertainty and the risk of opportunity loss due to the growing significance of its exposures to fluctuations in foreign currencies. Foreign currency forward contracts can be used to eliminate the currency exposures. During the year, the Group has entered into certain foreign currency forward contracts and closely monitored the movement of foreign currency rate. The Board is of the view that the Company's operating cash flow and liquidity are not subject to significant foreign exchange rate risk.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2019 (31 December 2018: Nil).

PLEDGE OF ASSETS

As at 31 December 2019, the bank facilities of the Group were secured by bank deposits, bills receivables, property, plant and equipment and prepaid lease payments. The aggregate net book value of the assets pledged amounted to approximately RMB2,891 million (31 December 2018: RMB2,898 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed a total of 21,676 employees (31 December 2018: 20,508 employees). Staff costs excluding directors' emoluments of the Group for the year of 2019 amounted to approximately RMB1,950 million (2018: RMB1,645 million). The costs included basic salaries and benefits as well as staff benefits such as discretionary bonus, medical and insurance plans, pension scheme (including the schemes under the statutory requirement of the government such as pension insurance in China and mandatory provident fund in Hong Kong), unemployment insurance plans and share option scheme etc. Competitive remuneration packages were offered to employees. The Company has adopted incentive programs (including share option scheme) to encourage employee performance and provided a range of training programs for the development of its staff.

SIGNIFICANT INVESTMENTS HELD

Save as the investments in equity securities listed on the Hong Kong Stock Exchange and the structured deposits placed with banks, there were no other significant investments held by the Group as at 31 December 2019. Such investment refers to its increased holdings of those excellent companies in the industry, reflecting its confidence in the prospect of the industry and the increase in corporate interest.

MATERIAL ACQUISITION AND DISPOSAL

The Group has no material acquisition and disposal as at 31 December 2019.

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

As at 31 December 2019, two tranches of corporate bonds in an aggregate amount of RMB400 million (2018: RMB780 million) issued by Tianneng Battery Group Co., Ltd., a wholly-owned subsidiary of the Company, to the domestic institutional investors in China for a term of 6 years remained outstanding with date of maturity on 20 September 2020. Further details of the issues can be referred to the announcements of the Company dated 7 March 2014, 10 March 2014, 18 September 2014 and 26 September 2014.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of land use rights

On 3 January 2020, became the successful bidder for the land use rights (subject to the signing of the land transfer agreement(s) and payment of the land transfer fees), at the total consideration of RMB450,000,000 through the Public Bidding.

The Lands are located in Huzhou, Zhejiang Province, the PRC. The Group intends to develop the Lands as the Tianneng Taihu Science and Technology City, which will comprise headquarters of the Group, business centers, science and technology parks, training and education centers, apartments and other communal facilities. The details of the acquisition of land use rights, please refer to the annoucement dated on 5 January 2020.

(b) Formation of joint venture company

Tianneng Holding Group Co., Ltd.* (天能控股集團有限公司) (the "Tianneng Holding") (an indirect wholly-owned subsidiary of the Company), Zhejiang Changxing Tianneng Financial Holding Co., Ltd.* (浙江長興天能金融控股有限公司) (the "Tianneng Financial") (an indirect wholly-owned subsidiary of the Company) and Prime Leader Global Limited (the "Prime Leader") (a connected person of the Company) expect to invest a total of RMB170,000,000 into the Tianneng Finance Leases (Tianjin) Co., Ltd.* (天能融資租賃（天津）有限公司) (the "JV Company") by contributing to its registered capital. Tianneng Holding, Tianneng Financial and Prime Leader have agreed to contribute RMB85,000,000, RMB42,500,000 and RMB42,500,000, respectively, representing 50%, 25% and 25% of the registered capital of the JV Company, respectively. The details of the formation of joint venture company, please refer to the annoucement dated on 17 January 2020.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 18 May 2020 to Friday, 22 May 2020, both days inclusive, during which period no transfer of the shares of the Company will be registered. In order to qualify for attending the annual general meeting of the Company of this year, all share certificates, together with duly completed transfer forms, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 15 May 2020.

Further, the register of members of the Company will be closed from Friday, 29 May 2020 to Tuesday, 2 June 2020 (both days inclusive), during which period no transfer of the shares of the Company will be registered. In order to establish entitlements to the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 28 May 2020. Subject to the approval of the shareholders at the AGM of the Company to be held on 22 May 2020, the proposed final dividend is expected to be paid on or before Monday, 29 June 2020.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. As at 31 December 2019, the Audit Committee comprised three independent non-executive directors, namely, Mr. Huang Dongliang, Mr. Wu Feng and Mr. Zhang Yong.

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

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2019.

CORPORATE GOVERNANCE CODE

The Company has adopted the provisions of the Corporate Governance Code (the "Code") as contained in Appendix 14 to the Listing Rules during the period from 1 January 2019 to 31 December 2019. For the year ended 31 December 2019, except for the Code provision A.2.1, the Company has complied with the provisions set out in the Code. Dr. Zhang Tianren is both the Chairman and CEO of the Company who is responsible for managing the Group's business. The Board considers that vesting the roles of Chairman and CEO in the same person facilitates the execution of the Company's business strategies and maximizes the effectiveness of its operation. With the present Board structure and scope of business, the Board considers that there is no imminent need to separate the roles into two individuals. However, the Board will continue to review the effectiveness of the Group's corporate governance structure to assess whether the separation of the position of the Chairman and CEO is necessary.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

COMPLIANCE WITH THE MODEL CODE OF LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year 2019.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held at Conference Room, 3/F, Tianneng Group Building, Huaxi Industrial Function Zone, Changxing County, Zhejiang Province, the PRC on Friday, 22 May 2020 at 2:00 p.m.. Notice of annual general meeting will be published on the Company's website at www.tianneng.com.hk and the website of the Hong Kong Stock Exchange at www.hkex.com.hk and despatched to the shareholders of the Company as soon as practicable.

PUBLICATION

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

GENERAL INFORMATION

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

This announcement will be published on the website of the Company at www.tianneng.com.hk and the website of the Hong Kong Stock Exchange at www.hkex.com.hk.

By Order of the Board
TIANNENG POWER INTERNATIONAL LIMITED
ZHANG Tianren
Chairman

Hong Kong, 27 March 2020

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