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TIANNENG POWER INTERNATIONAL LIMITED

天能動力國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00819)

UPDATES ON THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF THE BATTERIES BUSINESS BY WAY OF PROPOSED A SHARE LISTING OF THE SPIN-OFF COMPANY ON THE SHANGHAI STOCK EXCHANGE

This announcement is made by the board of directors (the “**Board**”) of Tianneng Power International Limited (the “**Company**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provision (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 9 November 2018, 23 April 2019, 30 December 2019, 24 June 2020, 6 July 2020 and 15 December 2020 and the circular of the Company dated 24 June 2019 (the “**Circular**”) in relation to the Proposed Spin-off and the Proposed A Share Listing. Unless otherwise specified, capitalised terms used herein shall have the same meaning as ascribed to them in the Circular.

(I) THE PROPOSED A SHARE LISTING

1. Prospectus

The full text of the prospectus in relation to the Proposed A Share Listing on the Science and Technology Innovation Board of the Shanghai Stock Exchange (“**Sci-Tech Board**”) and the relevant appendices, which are available in Chinese only, have been published by the Spin-off Company on the website of the Shanghai Stock Exchange (www.sse.com.cn).

2. Pricing

As required by the applicable PRC laws and regulations, the Spin-off Company and CITIC Securities Company Limited (“CITIC”), the lead underwriter of the Proposed A Share Listing, have conducted preliminary price consultations among qualified participants in the PRC who meet the requirements of the PRC laws and regulations to determine the Offer Price.

It is determined that the Offer Price of the shares of the Spin-off Company would be RMB41.79 per share.

(II) THE OFFERING

Pursuant to the Proposed A Share Listing, the Spin-off Company will offer 116,600,000 new shares for subscription by investors. The salient terms of the offering are summarised below:

1. Number of shares being offered

A total of 116,600,000 new shares of the Spin-off Company will be offered for subscription by investors in the Proposed A Share Listing. The number of shares being offered in the offering represents approximately 13.63% of the existing share capital of the Spin-off Company and approximately 11.99% of the share capital of the Spin-off Company as enlarged by the issue of the new shares under the offering.

2. Offer Price

The Offer Price for the shares of the Spin-off Company in the Proposed A Share Listing is RMB41.79 per share.

3. Use of proceeds

The total proceeds to be raised, after deducting expenses and commissions, are expected to be used by the Spin-off Company primarily in the following areas: (1) green intelligent manufacturing and technology reform project; (2) high-energy power lithium battery and PACK project; (3) high-capacity-and-reliability start-stop batteries construction projects; (4) comprehensive digital support platform construction project; (5) national standard technology centre innovative capability upgrade project; and (6) supplement working capital.

(III) INFORMATION ON THE PARTIES

1. The Group

The Company is incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. It is an investment holding Company. The Group has three major businesses, namely the research and development, production, sales and services of (i) high-end eco-friendly batteries; (ii) new energy batteries; and (iii) green new materials.

2. The Spin-off Group

The Spin-off Company was incorporated in the PRC as a limited liability company on 13 March 2003 and is currently an indirect non-wholly-owned subsidiary of the Company. The Spin-off Group is principally engaged in the business of research and development, manufacture, sales and ancillary services of batteries (including lead-acid batteries, lithium batteries and other new energy batteries).

The financial information of the Spin-off Company for the two years ended 31 December 2018 and 2019, and the six months ended 30 June 2020 is set out below:

	For the financial year ended 31 December		For the six months ended
	2018	2019	30 June 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net profit attributable to shareholders	1,217,259	1,491,731	789,525

The net asset value attributable to shareholders of the Spin-off Company as at 30 June 2020 was approximately RMB5,241,942 thousand.

Currently, the Company controls approximately 98.33% equity interests of the total issued shares of the Spin-off Company. Upon completion of the offering and the Proposed A Share Listing, the Company will control approximately 86.53% equity interests of the total issued shares of the Spin-off Company. The Spin-off Company will remain as a subsidiary of the Company and its results will continue to be consolidated into the financial statements of the Company.

3. CITIC

CITIC is a joint stock company incorporated in the PRC. It is the sponsor and lead underwriter to the Proposed A Share Listing. CITIC is a leading investment bank in the PRC that engages in investment banking, securities, investment management and other related financial services. The H shares of CITIC are listed on the main board of the Stock Exchange (Stock Code: 6030). To the best knowledge of the Directors, having made reasonable enquiry, and save as the information disclosed in the prospectus of the Spin-off Company, CITIC and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

(IV) REASONS AND BENEFITS OF THE PROPOSED SPIN-OFF AND THE PROPOSED A SHARE LISTING

The Directors consider that the Proposed Spin-off and the Proposed A Share Listing will be beneficial to both the Group and the Spin-off Group for the following reasons:

- (a) the proceeds from the Proposed A Share Listing is intended to be used primarily to expand the lithium battery business and the intelligent transformation of lead-acid battery production bases, to construct the Company's information systems and to establish a comprehensive digital support platform, and to supplement working capital;
- (b) as the Remaining Group and the Spin-off Group operate in different business segments, they likely have different growth paths and different business strategies. The clear delineation between the businesses and products of the Remaining Group and the Spin-off Group provide greater transparency and clearer corporate structure facilitating operation efficiency;
- (c) the Proposed Spin-off and Proposed A Share Listing will provide separate fundraising platforms for the Remaining Group and the Spin-off Group with respect to their respective operations and future expansion. In particular, after the completion of the Proposed Spin-off and Proposed A Share Listing, the Spin-off Group will have a separate and independent listing platform in the PRC which will enable it to have a direct access to the PRC capital market and to enhance its possibility to explore new financing and fund raising channels for the development of its business;

- (d) the Proposed Spin-off and Proposed A Share Listing will enhance the liquidity and value of the shares of the Spin-off Company by allowing the value of the Spin-off Group to be assessed on its own merits;
- (e) the Proposed Spin-off and Proposed A Share Listing will bring market-oriented valuation to the Spin-off Company. It is expected that the Proposed A Share Listing will obtain a higher asset premium, thus the Proposed Spin-off and Proposed A Share Listing will also create and unlock value of the shares of the Spin-off Company held by the Company; and
- (f) after completion of the Proposed Spin-off and Proposed A Share Listing, the Company remains to be the ultimate controlling shareholder of the Spin-off Company and will continue to consolidate the financial statements of the Spin-off Group. It would continue to enjoy the benefits arising from the future business development and growth of the Spin-off Group.

By building up a new financing platform in the PRC as a result of the Proposed Spin-off and the Proposed A Share Listing, it is expected that, among others, the corporate governance structure of the Group will be further enhanced and strengthened.

Having considered the above, the Board is of the view that the Proposed Spin-off and the Proposed A Share Listing are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

(V) FINANCIAL EFFECT

As the Proposed A Share Listing on the Sci-Tech Board will not result in the Company's loss of control over the Spin-off Company, the Proposed Listing on the Sci-Tech Board will be accounted for as an equity transaction and will not result in the recognition of gain or loss in the Company's consolidated statement of profit or loss and other comprehensive income.

(VI) LISTING RULES IMPLICATION

The controlling interest of the Company in the Spin-off Company will be reduced from approximately 98.33% to approximately 86.53% upon completion of the offering and the Proposed A Share Listing. The offering hence constitutes a deemed disposal by the Company of its interest in the Spin-off Company.

As one of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in relation to the offering is more than 25% but less than 75%, the offering constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. The Company has complied with the applicable reporting, announcement and shareholders' approval requirements for major transactions and under paragraph 3(e)(1) of PN15 of the Listing Rules.

This announcement is for information purposes only and does not constitute any invitation or offer to acquire, purchase or subscribe for securities of the Spin-off Company.

Further announcement(s) will be made by the Company as and when appropriate in respect of any material development in relation to the Proposed Spin-off and the Proposed A Share Listing.

Shareholders and prospective investors of the Company should note that the Proposed Spin-off and the Proposed A Share Listing shall be subject to, among other things, the prevailing market conditions. Even if the relevant regulatory authority has approved the initial public offering of shares of the Spin-off Company and its listing on the Sci-Tech Board, there is still a risk that the issue will fail as a result of insufficient subscription or failure to meet the expected market value of the Sci-Tech Board as prescribed by the Shanghai Stock Exchange at the time of the issue. The Company does not guarantee the proceeding of the Proposed A Share Listing, nor the timing to proceed. Therefore, Shareholders and prospective investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board

TIANNENG POWER INTERNATIONAL LIMITED

ZHANG Tianren

Chairman

Hong Kong, 4 January 2021

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