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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)**

### **CONNECTED TRANSACTION IN RELATION TO DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY**

#### **CAPITAL INCREASE ARRANGEMENT**

The Board is pleased to announce that, on 26 May 2022 (after trading hours), Tianneng Holding (an indirect wholly-owned subsidiary of the Company), Tianneng Management (an indirect wholly-owned subsidiary of the Company) and Tianchang Holding entered into the Capital Increase Agreement, pursuant to which Tianneng Management and Tianchang Holding agreed to make capital contributions of RMB35,686,300 and RMB89,215,700 to Tianneng New Materials, respectively, of which RMB13,726,000 and RMB34,314,000 will be contributed to Tianneng New Materials' registered capital and RMB21,960,300 and RMB54,901,700 will be contributed to Tianneng New Materials' reserved capital.

Before completion of the Capital Injection, Tianneng New Materials was a wholly-owned subsidiary of Tianneng Holding and had a registered capital of RMB50,000,000. Upon completion of the Capital Injection, the registered capital of Tianneng New Materials is increased to RMB98,040,000 and its equity interest is owned as to 51%, 14% and 35% by Tianneng Holding, Tianneng Management and Tianchang Holding, respectively. Tianneng New Materials continues to be an indirect subsidiary of the Company and the financial results of Tianneng New Materials continues to be consolidated into those of the Group.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the Group's equity interest in Tianneng New Materials (through Tianneng Holding and Tianneng Management) decreases from 100% to 65% upon completion of the Capital Injection, the Tianchang Capital Injection constitutes a deemed disposal for the Company under Rule 14.29 of the Listing Rules. Given that all of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Tianchang Capital Injection are less than 5%, the Capital Increase Arrangement are therefore exempt from all reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Tianchang Holding's equity interest is owned as to 98% and 2% by Dr. Zhang and Mr. Zhang, respectively. Dr. Zhang is a controlling shareholder and an executive Director of the Company and Mr. Zhang is a son of Dr. Zhang. Accordingly, Tianchang Holding is an associate of Dr. Zhang and a connected person of the Company pursuant to the Listing Rules. As a result, the entering into of the Capital Increase Arrangement constitutes connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the Capital Increase Arrangement exceed 0.1% but are less than 5%, the Capital Increase Arrangement is subject to the reporting and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **CAPITAL INCREASE ARRANGEMENT**

The Board is pleased to announce that, on 26 May 2022 (after trading hours), Tianneng Holding (an indirect wholly-owned subsidiary of the Company), Tianneng Management (an indirect wholly-owned subsidiary of the Company), Tianchang Holding and Tianneng New Materials entered into the Capital Increase Agreement, pursuant to which Tianneng Management and Tianchang Holding agreed to make capital contributions of RMB35,686,300 and RMB89,215,700 to Tianneng New Materials, respectively.

The principal terms of the Capital Increase Agreement are as follows:

- Date** : 26 May 2022
- Parties** : (i) Tianneng Holding;  
(ii) Tianneng Management; and  
(iii) Tianchang Holding

**Increase in registered capital and capital contribution** : The parties agreed that the registered capital of Tianneng New Materials shall be increased from RMB50,000,000 to RMB98,040,000. Tianneng Management and Tianchang Holding agreed to make capital contribution of RMB35,686,300 and RMB89,215,700 to Tianneng New Materials, respectively, of which RMB13,726,000 and RMB34,314,000 will be contributed to Tianneng New Materials' registered capital and RMB21,960,300 and RMB54,901,700 will be contributed to Tianneng New Materials' reserved capital.

The table below sets forth the shareholding structure of Tianneng New Materials (i) before the Capital Injection; and (ii) immediately after the completion of the Capital Injection:

	Before the Capital Injection			Amount of capital contributions	Immediately after completion of the Capital Injection		
	Registered capital (RMB million)	Capital reserve (RMB million)	Equity interest (%)	(RMB million)	Registered capital (RMB million)	Capital reserve (RMB million)	Equity interest (%)
Tianneng Holding	50	0	100	0	50	0	51
Tianneng Management	0	0	0	35.6863	13.726	21.9603	14
Tianchang Holding	0	0	0	89.2157	34.314	54.9017	35
<b>Total</b>	<b>50</b>	<b>0</b>	<b>100.0</b>	<b>124.902</b>	<b>98.04</b>	<b>76.862</b>	<b>100.0</b>

**Payment Terms** : Tianneng Holding and Tianchang Holding shall make the respective capital contribution in cash to Tianneng New Materials within 30 working days from the date of the Capital Increase Agreement.

Upon payment of the capital contributions, Tianneng New Materials will complete the relevant registration procedures in relation to the Capital Injection.

Upon completion of the Capital Injection, the registered capital of Tianneng New Materials is increased from RMB50,000,000 to RMB98,040,000 and the equity interest in Tianneng New Materials is owned as to 51%, 14% and 35% by Tianneng Holding, Tianneng Management and Tianchang Holding, respectively. Tianneng New Materials continues to be an indirect subsidiary of the Company and the financial results of Tianneng New Materials continues to be consolidated into those of the Group.

The capital contribution amount pursuant to the Capital Increase Agreement was determined with reference to the appraised value of Tianneng New Materials of approximately RMB130 million as at 31 March 2022, after arm's length negotiations between the parties on normal commercial terms after taking into account the potential capital needs of Tianneng New Materials. The payment of the Group's share of the additional capital contributions (i.e. Tianneng Capital Injection) will be funded by the internal resources of the Group.

## **REASONS FOR ENTERING INTO THE CAPITAL INCREASE ARRANGEMENT**

The Board believes that the Capital Injection to Tianneng New Materials will provide additional financial resources to supplement Tianneng New Materials' general working capital, broaden the capital base, provide a stable funding source, enhance the financial conditions of Tianneng New Materials for its business development and pursue its growth strategies, which is beneficial to its shareholders (including the Company) in the long run and is in line with the Group's long-term corporate investment strategy.

The capital contributions of RMB124.9 million in aggregate from the Capital Increase Arrangement will be applied by Tianneng New Materials as general working capital and for the development of future projects.

The Board (including the independent non-executive Directors but excluding Dr. Zhang) believes that the terms of the Capital Increase Agreement are fair and reasonable, are on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board has approved the entering into of the Capital Increase Arrangement. Except for Dr. Zhang, a controlling shareholder and an executive Director of the Company who owns 98% equity interest of Tianchang Holding as at the date of this announcement, none of the Directors has any material interest in the Capital Increase Arrangement or was required to abstain from voting on the relevant resolutions of the Board.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the Company's equity interest in Tianneng New Materials (through Tianneng Holding and Tianneng Management) decreases from 100% to 65% upon completion of the Capital Injection, the Tianchang Capital Injection constitutes a deemed disposal for the Company under Rule 14.29 of the Listing Rules. Given that all of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Tianchang Capital Injection are less than 5%, the Capital Increase Arrangement are therefore exempt from all reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Tianchang Holding's equity interest is owned as to 98% and 2% by Dr. Zhang and Mr. Zhang, respectively. Dr. Zhang is a controlling shareholder and an executive Director of the Company and Mr. Zhang is a son of Dr. Zhang. Accordingly, Tianchang Holding is an associate of Dr. Zhang and a connected person of the Company pursuant to the Listing Rules. As a result, the entering into of the Capital Increase Arrangement constitutes connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the Capital Increase Arrangement exceed 0.1% but are less than 5%, the Capital Increase Arrangement is subject to the reporting and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **FINANCIAL IMPLICATION OF THE CAPITAL CONTRIBUTION ARRANGEMENT**

Before completion of the Capital Injection, Tianneng New Materials is indirectly held by the Company (through Tianneng Holding) as to 100%. Upon completion of the Capital Injection, the Company's equity interest in Tianneng New Materials (through Tianneng Holding and Tianneng Management) decreases from 100% to 65% and Tianneng New Materials will remain an indirect non-wholly owned subsidiary of the Company. As such, the results of operations and financial position of Tianneng New Materials will continue to be recorded in the Group's consolidated financial statements. As the decrease in interests of the Company, through Tianneng Holding and Tianneng Management, in Tianneng New Materials will not cause a loss of its control over Tianneng New Materials, therefore, the Company will not record gain or loss from the Capital Injection under the Hong Kong Financial Reporting Standards.

## **GENERAL INFORMATION ON THE PARTIES**

### **The Group**

The Group principally engages in three major businesses, namely the research and development, production, sale and service of (i) high-tech eco-friendly batteries; (ii) new energy batteries; and (iii) renewable new materials. High-tech eco-friendly battery products are mainly used in electrical bicycles, electrical tricycles and mini electric vehicles, as well as for start-stop and energy storage. The Group mainly operates in the PRC.

### **Tianchang Holding**

Tianchang Holding is a company established under the laws of the PRC with limited liability, and a connected person of the Company for the reasons set out in the paragraph headed “Implications under the Listing Rules” above. The principal activities of Tianchang Holding are assets and equity investments, provision of enterprise management advisory services and related businesses.

### **Tianneng Management**

Tianneng Management is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Its scope of business includes, among other things, the provision of commercial management services.

### **Tianneng Holding**

Tianneng Holding is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Tianneng Holding principally engages in provision of investment management, enterprise management consulting and investment advisory services.

## **INFORMATION ON TIANNENG NEW MATERIALS**

Tianneng New Materials principally engages in the battery recycling business.

Below is a summary of the audited consolidated financial information of Tianneng New Materials prepared in accordance with accounting principles generally accepted in the PRC:

	<b>For the year ended 31 December 2020 <i>(audited)</i> RMB</b>	<b>For the year ended 31 December 2021 <i>(audited)</i> RMB</b>
Profit/(loss) before taxation	(2,314,451.53)	46,798,095.76
Profit/(loss) after taxation	(2,314,451.53)	36,132,802.23

The unaudited net assets and total assets of the Target Company as at 30 April 2022 was approximately RMB141,755,582.98 and RMB476,350,194.64, respectively.

## DEFINITIONS

In this announcement, the following terms and expressions shall, unless the context requires otherwise, have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Increase Agreement”	the capital increase agreement dated 26 May 2022 entered into among Tianneng Holding, Tianneng Management, Tianchang Holding and Tianneng New Materials in relation to the Capital Injection
“Capital Increase Arrangement”	the capital increase arrangement as contemplated under the Capital Increase Agreement
“Capital Injection”	Tianneng Capital Injection and Tianchang Capital Injection
“Company”	Tianneng Power International Limited (天能動力國際有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00819)

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Zhang”	Dr. Zhang Tianren (張天任), the chairman of the Board, and a controlling shareholder and an executive Director of the Company
“Group”	the Company and its subsidiaries, and “member of the Group” means any one of them
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhang”	Mr. Zhang Hao (張昊), a son of Dr. Zhang
“percentage ratio(s)”	has the meaning ascribed to it under Rule 14.04(9) of the Listing Rules
“PRC”	the People’s Republic of China and, for the purposes of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianchang Capital Injection”	the capital injection of RMB89,215,700 by Tianchang Holding to Tianneng New Materials
“Tianchang Holding”	Tianchang Holding Co., Ltd.* (天暢控股有限公司), a limited company established under the laws of the PRC, and as at the date of the Capital Injection whose equity interest is owned as to 98% and 2% by Dr. Zhang and Mr. Zhang, respectively



“Tianneng Capital Injection”	the capital injection of RMB35,686,300 by Tianneng Management to Tianneng New Materials
“Tianneng Management”	Zhejian Tianneng Commercial Management Co., Ltd.* (浙江天能商業管理有限公司), a limited company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Tianneng New Materials”	Zhejian Tianneng New Materials Co., Ltd.* (浙江天能新材料有限公司), a limited company established under the laws of the PRC, an indirect wholly-owned subsidiary of the Company and whose equity interest is owned as to 100% by Tianneng Holding before completion of the Capital Injection
“Tianneng Holding”	Tianneng Holding Group Co., Ltd.* (天能控股集團有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

By order of the Board

**TIANNENG POWER INTERNATIONAL LIMITED**

**ZHANG Tianren**

*Chairman*

Hong Kong, 27 May 2022

*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; and the independent non-executive directors of the Company are Mr. HUANG Dongliang, Mr. ZHANG Yong and Mr. XIAO Gang.*

\* *For ease of reference, the names of the PRC established companies or entities (if any) and the PRC laws and regulations (if any) have generally been included in this announcement in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail.*