



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)

Executive Directors:

ZHANG Tianren (*Chairman*)
ZHANG Aogen
SHI Borong
ZHANG Kaihong
ZHOU Jianzhong

Registered office:

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Cayman Islands

Independent Non-Executive Directors:

HUANG Dongliang
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Head office and principal place of business in

Hong Kong:
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18 Harbour Road
Wanchai, Hong Kong

11 January 2023

To the Shareholders

Dear Sir or Madam,

**DEEMED DISPOSAL AND MAJOR TRANSACTION
IN RELATION TO THE PROPOSED OFFERING OF
THE GLOBAL DEPOSITORY RECEIPTS REPRESENTING A SHARES
OF
TIANNENG BATTERY GROUP CO., LTD.
ON
SIX SWISS EXCHANGE AG**

INTRODUCTION

Reference is made to the announcement of the Company dated 13 December 2022 in relation to the Proposed Offering that may be implemented by Tianneng Share. As at the Latest Practicable Date, Tianneng Share is controlled as to approximately 86.53% by the Company and its results are consolidated with the financial statements of the Company.

The Proposed Offering, if proceed, will constitute a deemed disposal of the interest in a subsidiary of the Company (namely Tianneng Share) under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Offering is expected to be higher than 25% but less than 75%, the Proposed Offering, if proceed, may constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Company therefore proposes to convene the EGM to obtain the approval of the Shareholders regarding the Proposed Offering as required under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) information on the Proposed Offering; (ii) other information as required under the Listing Rules; and (iii) a notice of the EGM.

THE PROPOSED OFFERING

Subject to, among other things, the market conditions and demands, the relevant PRC and Swiss laws, rules and regulations, the requisite approvals by the Shareholders, the shareholders of Tianneng Share and the relevant PRC and Swiss regulatory authorities, it is currently proposed that Tianneng Share, an indirect non-wholly owned subsidiary of the Company established under the laws of the PRC with limited liability and whose A Shares are listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange, will issue GDRs representing A Shares on SIX Swiss Exchange. The Proposed Offering is expected to involve the issue of not more than 97,210,000 A Shares by Tianneng Share, equivalent to not more than 10% of the total issued share capital of Tianneng Share as at the Latest Practicable Date.

On the basis of the aforesaid, existing shareholders of Tianneng Share will experience dilution of their holdings of A Shares and voting rights with respect to such A Shares of no more than 9.09%. Accordingly, upon completion of the Proposed Offering, the shareholding of the Company in Tianneng Share will be diluted from approximately 86.53% to no less than approximately 78.66%.

The actual number of GDRs will depend on, among other things, the conversion ratio between the GDRs and A Shares, the market conditions and demands, as well as the relevant PRC and Swiss laws, rules and regulations. It is currently expected that immediately upon completion of the Proposed Offering, the Company will have an indirect interest of not less than 50% in Tianneng Share and therefore Tianneng Share will remain as an indirect non-wholly owned subsidiary of the Company and its results will continue to be consolidated with the financial statements of the Company.

Solely for reference purpose, on the basis of the 20-day average closing price of RMB36.71 per A share as traded on the Shanghai Stock Exchange on and before the Latest Practicable Date, and the pricing discount of 10%, the size of the Proposed Offering will be approximately RMB3,212 million. The aforesaid discount, which is for reference purpose only, was based on the Provisions on the Supervision and Administration of Depository Receipts under the Stock Connect Scheme between Domestic and Overseas Stock Exchange issued by China Securities Regulatory Commission on 11 February 2022, and with reference to the GDRs issued on the SIX Swiss Exchange from July 2022 to December 2022.

The Company would like to emphasize that the above price and issuance size are solely for reference purpose. As at the Latest Practicable Date, no such price range has been determined. Any such price range and the final offer price will depend on factors including, among other things, the market conditions and demands, the relevant PRC and Swiss laws, rules and regulations as well as the market price of the A Shares at the material time.

Tianneng Share will obtain approval from its shareholders at a general meeting to be convened by it for the Proposed Offering. Subject to factors including, among other things, the market conditions and demands, the relevant PRC and Swiss laws, rules and regulations, and barring unforeseeable circumstances, and after the Company and Tianneng Share having obtained their respective shareholders' approvals, it is currently expected that the formal application for the Proposed Offering will be submitted to the CSRC and SIX Exchange Regulation AG in or around February 2023 and the Proposed Offering will be launched and completed in or around the second quarter of 2023.

INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the production of motive batteries in China.

INFORMATION OF TIANNENG SHARE

Tianneng Share was established in the PRC as a limited liability company and is an indirect non-wholly owned subsidiary of the Company whose A Shares are listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange (stock code: 688819.SH). Tianneng Share is principally engaged in investment holding, research and development, manufacture and sales of lead-acid batteries and battery related accessories.

Key financial information of Tianneng Share

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2021 RMB'000
Revenue	35,099,878	38,716,169
Net profit (before tax)	2,737,095	1,578,906
Net profit (after tax)	2,319,056	1,324,858
	As at 31 December 2020 RMB'000	As at 31 December 2021 RMB'000
Total assets	19,643,121	26,677,081
Net assets	7,128,028	12,739,103

As at 30 June 2022, the unaudited total assets and net assets of Tianneng Share amount to approximately RMB30,168,407,481 and RMB12,897,877,253, respectively.

REASONS AND BENEFITS OF THE PROPOSED OFFERING

(1) Strengthening the overseas production base and enhancing the overseas sales network

Tianneng Share is one of the largest lead battery companies in the world, and is also a leading enterprise in batteries (including lead batteries and lithium-ion batteries) for light electric vehicles in China. It is also one of the few Chinese companies that can deliver comprehensive new energy system solutions including, among other things, motive batteries and energy storage batteries, to customers across the globe including those in Asia Pacific, Europe, America, and Africa. Internationalization has always been one of Tianneng Share's important development strategies. In light of the huge market potentials arising from the gradual increase of overseas lead battery and lithium-ion battery production capacities, Tianneng Share will continue to strengthen its position in the Asia-Pacific, European and American markets, enhance its global sales capabilities, and increase penetration of key overseas regions. Tianneng Share aims to enhance its brand awareness and competitiveness in the international market through the Proposed Offering, with a view to further boosting its position in the global market.

(2) Improving capabilities in R&D and technological innovation

Adhering to the development strategy of "Application Generation, Reserve Generation, R&D Generation", Tianneng Share adheres to technological innovation in promoting green development and cultivating the lead battery, lithium-ion battery and fuel cell markets, and is committed to providing support to the evolutions in the industry both domestically and internationally. Through the Proposed Offering, Tianneng Share will increase investment in research and development and innovation and participate in the global market for new energy batteries proactively. Through the recruitment of high-quality technical personnel overseas and the expansion of international presence, Tianneng Share will further integrate cutting-edge and application technologies domestically and globally, better utilize resources of different regions, improve technical standards and capabilities in various aspects, and actively optimize its product structures with a view to offering the world leading new energy battery products.

(3) Inter-connection of the Sino-Swiss capital markets, optimizing the share capital structure and improving corporate governance

The Proposed Offering is a key step for Tianneng Share to actively respond to the domestic capital market policy, deepen the inter-connection of the Sino-Swiss capital markets, and promote the economic development through offshore capital market. By virtue of the inter-connection mechanism between the domestic capital market and offshore capital market, Tianneng Share will be directly connected with the offshore capital markets, thereby enhancing Tianneng Share's global brand awareness, financial position as well as multi-channel financing capabilities. Further, pursuant to the issuance of GDRs to offshore professional institutional investors and investors in the industry, Tianneng Share's share capital structure will be optimized which will further improve the transparency and standard of corporate governance of Tianneng Share, thereby providing a solid corporate governance structure for Tianneng Share to achieve high quality development.

Immediately upon completion of the Proposed Offering, the Company will remain to be the ultimate controlling shareholder of Tianneng Share and will continue to consolidate the financial statements of Tianneng Share. Accordingly, the Company will continue to enjoy the benefits arising from the future business development and growth of Tianneng Share.

Having considered the above, the Board (including the independent non-executive Directors) is of the view that the Proposed Offering is fair and reasonable and in the interests of the Company and its shareholders as a whole.

FINANCIAL EFFECT OF THE DEEMED DISPOSAL

Upon the completion of the Proposed Offering, on the basis of the sale of all GDRs, the Company's interest in Tianneng Share is currently expected to be diluted from approximately 86.53% to approximately 78.66%, and Tianneng Share will remain as a subsidiary of the Company.

Save for the listing expenses expected to be incurred in connection with the Proposed Offering and the dilution impact on the profit attributable to the owners of the Company, there will be no material gain or loss expected to accrue to the Company's consolidated statement of profit or loss and other comprehensive income as a result of the Deemed Disposal upon the completion of the Proposed Offering.

IMPLICATIONS UNDER THE LISTING RULES

The Proposed Offering, if proceed, will constitute a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Offering is expected to be higher than 25% but less than 75%, the Proposed Offering, if proceed, may constitute a major transaction under Chapter 14 of the Listing Rules. The Proposed Offering is therefore subject to the reporting, announcement and shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Company therefore proposes to convene the EGM to obtain the approval of Shareholders regarding the Proposed Offering as required under Chapter 14 of the Listing Rules.

EGM

The EGM will be convened by the Company at Conference Room, 3/F., Tianneng Group Building, No. 18 Baoqiao Road, Huaxi Industrial Function Zone, Changxing County, Zhejiang, China on Tuesday, 31 January 2023 at 2:00 p.m., at which a resolution will be proposed to consider and, if thought fit, approve the Proposed Offering. A notice convening the EGM is set out on pages 17 to 18 of this circular.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder is required to abstain from voting at the EGM.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from 26 January 2023 to 31 January 2023, both days inclusive, during which no transfer of shares will be effected. All properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with Tricor Investor Services Limited, the Company's branch share registrar, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 20 January 2023. Shareholders whose names are recorded in the register of members of the Company on 31 January 2023 are entitled to attend and vote at the EGM.

RECOMMENDATION

The Directors, including the independent non-executive Directors, consider that the Proposed Offering is fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors, including the independent non-executive Directors, recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Proposed Offering.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Shareholders and prospective investors should note that the implementation and the final size of the Proposed Offering will be subject to factors including, among other things, the market conditions and demands, as well as the relevant PRC and Swiss laws, rules and regulations, and the requisite approvals by the respective shareholders of the Company and Tianneng Share and the relevant PRC and Swiss regulatory authorities, and the Proposed Offering may or may not proceed as contemplated or at all. Accordingly, Shareholders and prospective investors are advised to exercise caution when dealing in the shares or other securities of the Company or Tianneng Share. The Company will make further announcement(s) in relation to the Proposed Offering as and when appropriate.

By Order of the Board
Tianneng Power International Limited

Zhang Tianren
Chairman

* *For identification purposes only*