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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)

CONTINUING CONNECTED TRANSACTIONS 2024-2026 MUTUAL SUPPLY AGREEMENT

THE 2024-2026 MUTUAL SUPPLY AGREEMENT

Reference is made to the announcement of the Company dated 25 December 2020 regarding, among other things, the 2021-2023 Master Purchase Agreement.

In view of the prospective expiry of the 2021-2023 Master Purchase Agreement on 31 December 2023, on 29 December 2023 (after trading hours), the Company (for itself and on behalf of other member(s) of the Group) entered into the 2024-2026 Mutual Supply Agreement with Zhejiang Changtong for (i) the purchase of certain components for production of lead storage batteries (including plastic and glass fiber components) by member(s) of the Group from Zhejiang Changtong and (ii) the sale of plastic particles (lead acid recycled products) and other materials from member(s) of the Group to Zhejiang Changtong during the three-year period commencing 1 January 2024 and expiring on 31 December 2026, both days inclusive.

LISTING RULES IMPLICATIONS

As at the date of the 2024-2026 Mutual Supply Agreement and the date of this announcement, Zhejiang Changtong is owned as to 90% by Ms. Zhang Mei'e, being the sister of Mr. Zhang Tianren (an executive Director, the chairman of the Board and a controlling shareholder of the Company) and Mr. Zhang Aogen (an executive Director) and 10% by Mr. Ni Danqing, Ms. Zhang Mei'e's spouse. As Ms. Zhang Mei'e and Mr. Ni Danqing are associates of Mr. Zhang Tianren and Mr. Zhang Aogen, Zhejiang Changtong is a connected person of the Company pursuant to Rule 14A.12(2) of the Listing Rules. Hence, the 2024-2026 Mutual Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As the maximum Annual Cap for the Transactions contemplated under the 2024-2026 Mutual Supply Agreement exceeds HK\$3,000,000 and the applicable percentage ratios in respect of the maximum Annual Cap exceed 0.1% but all of them are less than 5%, the Transactions contemplated under the 2024-2026 Mutual Supply Agreement are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but are exempt from the circular, independent financial advice and any independent shareholders' approval requirement.

The Board (excluding Mr. Zhang Tianren and Mr. Zhang Aogen but including the independent non-executive Directors) considers that the terms of and the Transactions conducted or contemplated under the 2024-2026 Mutual Supply Agreement (including the Annual Caps) are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Company and its shareholders as a whole.

1. 2024-2026 MUTUAL SUPPLY AGREEMENT AND ANNUAL CAPS

As the Group intends to continue to purchase certain components for its production of lead storage batteries (including plastic and glass fiber components) from Zhejiang Changtong, and set out a framework to regulate and streamline the sale of plastic particles (lead acid recycled products) and other materials to Zhejiang Changtong in the ordinary and usual course of its business, such Transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In view of the prospective expiry of the 2021-2023 Master Purchase Agreement on 31 December 2023, on 29 December 2023 (after trading hours), the Company (for itself and on behalf of other member(s) of the Group) entered into the 2024-2026 Mutual Supply Agreement with Zhejiang Changtong for (i) the purchase of certain components for production of lead storage batteries (including plastic and glass fiber components) by member(s) of the Group from Zhejiang Changtong and (ii) the sale of plastic particles (lead acid recycled products) and other materials from member(s) of the Group to Zhejiang Changtong during the three-year period commencing 1 January 2024 and expiring on 31 December 2026, both days inclusive.

Principal Terms of the 2024-2026 Mutual Supply Agreement

The principal terms of the 2024-2026 Mutual Supply Agreement are summarised as follows:

Date: 29 December 2023

Parties: (i) the Company (for itself and on behalf of other member(s) of the Group); and
(ii) Zhejiang Changtong.

Scope of products for sale and purchase:

Zhejiang Changtong agreed to supply to the Group certain plastic and glass fiber components of such type(s), quantity and manner as may be specified in the purchase order(s) to be placed, and/or purchase contract(s) to be entered into by relevant member(s) of the Group with Zhejiang Changtong.

The Company (for itself and on behalf of other member(s) of the Group) agreed to supply to Zhejiang Changtong plastic particles (lead acid recycled products) and other materials of such type(s), quantity and manner as may be specified in the purchase order(s) to be placed, and/or purchase contract(s) to be entered into by Zhejiang Changtong with the Group.

Term:

- (i) Three years commencing 1 January 2024 and expiring on 31 December 2026, both days inclusive;
- (ii) the term of each individual purchase order and/or purchase contract shall not exceed the term specified in the 2024-2026 Mutual Supply Agreement; and
- (iii) the 2024-2026 Mutual Supply Agreement shall be terminated once Zhejiang Changtong ceases to be a connected person of the Company, or when the Listing Rules are no longer applicable to the Company (whichever earlier).

Pricing principles:

The pricing of the products for sale and purchase will be determined in accordance with the following principles:

- (i) the volume and amount of purchases of products as specified in the purchase order(s) placed, and/or purchase contract(s) to be entered into between relevant member(s) of the Group and Zhejiang Changtong;
- (ii) the agreed price(s) as specified in the price determination confirmation(s) for each purchase order and/or purchase contract will be determined with reference to the reasonable cost of supply in respect of similar products from Independent Third Party suppliers plus a reasonable profit margin to cover the related costs and expenses incurred, including costs of raw materials, valued-added tax(es), and transportation, storage and handling charges and expenses incurred, etc.;

- (iii) agreed prices should be fair and reasonable in the ordinary and usual course of business, and on terms and conditions determined in accordance with normal commercial terms, or if there are insufficient comparable transactions to determine whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) any other Independent Third Party;
- (iv) agreed prices should be comparable with prevailing market prices; and
- (v) agreed prices should be no less favourable than those offered to Independent Third Party enterprises of the same industry as the Group or Zhejiang Changtong (as appropriate) at the material time, to the extent that those products are of comparable nature, quality, brand and specification.

Payment terms:

Payment for the products purchased will be settled by way of bank acceptance bill or cash with a credit period of approximately 95 days.

Internal Control Measures

In order to ensure that the pricing mechanism and terms of the Transactions under the 2024-2026 Mutual Supply Agreement are fair and reasonable and no less favourable than the terms offered by any Independent Third Party, the Group has established a series of internal control procedures, namely:

- (i) with respect to the purchase and/or sale of products by the Group, in determining whether the price and/or payment terms offered by and/or to Zhejiang Changtong are reasonable or no less favourable than those offered by and/or to any Independent Third Party, the Group will obtain and compare price references from the market to the extent that those products are of comparable nature, quality, quantity and condition. In the event that the price and/or payment terms offered by Zhejiang Changtong are less favourable than those offered by any Independent Third Party, the Group will have the right to terminate and cancel such purchases. The Directors (including the independent non-executive Directors) consider that such methods and procedures can ensure that the Transactions contemplated under the 2024-2026 Mutual Supply Agreement will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders;

- (ii) the Group's audit committee will convene meetings every year to discuss and assess the implementation of the continuing connected transactions of the Group;
- (iii) the external auditors of the Group will conduct an interim review and a year-end audit for each financial year, and will issue their conclusion and letter to the Board in relation to the pricing policies and annual caps of the continuing connected transactions of the Group conducted during the preceding financial year pursuant to the Listing Rules; and
- (iv) in accordance with the Listing Rules, the independent non-executive Directors will conduct an annual review with respect to the continuing connected transactions of the Group throughout the preceding financial year and give confirmation on the transaction amounts and terms of the transactions in each annual report of the Group.

In view of the above, the Company considers that there are adequate internal control procedures and external supervision measures to ensure that the Transactions will comply with the relevant regulatory guidelines and the terms of the 2024-2026 Mutual Supply Agreement.

Historical Transaction Records with Zhejiang Changtong

Set out below is a summary of the transaction records of the transactions under the 2021-2023 Master Purchase Agreement for the two years ended 31 December 2021 and 2022 and the 11 months ended 30 November 2023:

	Year ended 31 December		11 months ended 30 November
	2021	2022	2023
	(RMB)	(RMB)	(RMB)
	(audited)	(audited)	(unaudited)
Amounts paid to Zhejiang Changtong by the Group for the provision of the products	515,827,000	574,942,000	528,000,000
Amounts paid to the Group by Zhejiang Changtong for the provision of the products	476,000	2,307,000	3,410,000

The aggregate annual amounts of the transactions under the 2021-2023 Master Purchase Agreement for the two years ended 31 December 2021 and 2022 did not exceed the respective maximum aggregate annual values as set out in the announcement dated 25 December 2020.

As at the date of this announcement, the maximum aggregate annual value for 2023 as set out in the announcement dated 25 December 2020 have not been exceeded and the Board anticipates that the aggregate annual amounts of the transactions under the 2021-2023 Master Purchase Agreement for the year ending 31 December 2023 will not exceed the maximum aggregate annual value for 2023.

Annual Caps

The Annual Caps represent the estimated aggregate amount (i) payable to Zhejiang Changtong by the Group for the products to be provided by Zhejiang Changtong and (ii) payable to the Group by Zhejiang Changtong for the products to be provided by the Group in each year under the 2024-2026 Mutual Supply Agreement, and are determined with reference to the following assumptions which the Directors (including the independent non-executive Directors) consider reasonable: (i) the anticipated purchase orders to be placed and/or purchase contracts to be entered into by relevant member(s) of the Group with Zhejiang Changtong, together with the anticipated market demand for the Group's products; (ii) the historical volume and consideration for the products purchased by member(s) of the Group from Zhejiang Changtong pursuant to the 2021-2023 Master Purchase Agreement; (iii) the expected increase in the Group's production of batteries in the coming three years; and (iv) the anticipated purchase orders to be placed and/or purchase contracts to be entered into by Zhejiang Changtong with the Group.

The Annual Caps in respect of the Transactions contemplated under the 2024-2026 Mutual Supply Agreement for the three years ending 31 December 2024, 2025 and 2026 are set out as below:

	For the year ending 31 December 2024 (RMB)	For the year ending 31 December 2025 (RMB)	For the year ending 31 December 2026 (RMB)
Annual cap of the amounts to be paid to Zhejiang Changtong by the Group for the provision of the products	320,000,000	320,000,000	320,000,000
Annual cap of the amounts to be paid to the Group by Zhejiang Changtong for the provision of the products	5,000,000	5,000,000	5,000,000

In the event that the actual amount of Transactions conducted by relevant member(s) of the Group with Zhejiang Changtong pursuant to the 2024-2026 Mutual Supply Agreement may exceed the Annual Cap for the relevant year, the Company shall promptly notify the Stock Exchange and take necessary actions to comply with the Listing Rules, including (among others) seeking independent shareholders' approval (if necessary) and announcing such Transactions.

Listing Rules Implications

As at the date of the 2024-2026 Mutual Supply Agreement and the date of this announcement, Zhejiang Changtong is owned as to 90% by Ms. Zhang Mei'e, being the sister of Mr. Zhang Tianren (an executive Director, the chairman of the Board and a controlling shareholder of the Company) and Mr. Zhang Aogen (an executive Director) and 10% by Mr. Ni Danqing, Ms. Zhang Mei'e's spouse. As Ms. Zhang Mei'e and Mr. Ni Danqing are associates of Mr. Zhang Tianren and Mr. Zhang Aogen, Zhejiang Changtong is a connected person of the Company pursuant to Rule 14A.12(2) of the Listing Rules. Hence, the 2024-2026 Mutual Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As the maximum Annual Cap for the Transactions contemplated under the 2024-2026 Mutual Supply Agreement exceeds HK\$3,000,000 and the applicable percentage ratios in respect of the maximum Annual Cap exceed 0.1% but all of them are less than 5%, the Transactions contemplated under the 2024-2026 Mutual Supply Agreement are subject to the reporting,

announcement and annual review requirements under Chapter 14A of the Listing Rules but are exempt from the circular, independent financial advice and any independent shareholders' approval requirement.

Mr. Zhang Tianren and Mr. Zhang Aogen have abstained from voting at the Board meeting on the resolution approving the 2024-2026 Mutual Supply Agreement due to conflict of interests. Save as mentioned above, none of the Directors has any material interest in the 2024-2026 Mutual Supply Agreement and hence no other Director has abstained from voting on such resolution.

The Company will disclose information in relation to the 2024-2026 Mutual Supply Agreement in its subsequently published annual report and accounts in accordance with the relevant requirements as set out in Rule 14A.71 of the Listing Rules.

2. REASONS FOR AND BENEFITS OF THE 2024-2026 MUTUAL SUPPLY AGREEMENT

As Zhejiang Changtong has maintained business relationship with the Group during the past few years and is familiar with the Group's product specifications and quality requirements, it is able to respond quickly and in a cost effective manner to any new specifications that the Group may from time to time request. Furthermore, the new 2024-2026 Mutual Supply Agreement continues to allow the Group to source products needed for its ordinary and usual course of business at market price and terms and with assured stable quality, contributing towards the Group's efforts in cost control and improving efficiency, as well as allows the Group to sell products to Zhejiang Changtong on terms no less favourable to the Group than terms available to the Independent Third Parties.

In addition, the Directors consider that the 2024-2026 Mutual Supply Agreement can set out a framework to regulate and streamline the on-going transactions between members of the Group and Zhejiang Changtong. The 2024-2026 Mutual Supply Agreement will also provide a single basis on which the Company will comply with the relevant reporting, announcement and annual review requirements (to the extent applicable) in compliance with the Listing Rules and thereby enhance administrative efficiency and save costs for the Company in complying with such requirements.

Having considered the above factors and the basis of determination of the Annual Caps, the Board (excluding Mr. Zhang Tianren and Mr. Zhang Aogen but including the independent non-executive Directors) considers that the terms of and the Transactions conducted or contemplated under the 2024-2026 Mutual Supply Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Company and its shareholders as a whole, and that the Annual Caps are fair and reasonable and in the interest of the Company and its shareholders as a whole.

3. INFORMATION ON 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.

4. INFORMATION ON ZHEJIANG CHANGTONG

Zhejiang Changtong principally engages in the supply of components for the production of battery products.

As at the date of this announcement, Zhejiang Changtong is owned as to 90% by Ms. Zhang Mei'e, being the sister of Mr. Zhang Tianren (an executive Director, the chairman of the Board and a controlling shareholder of the Company) and Mr. Zhang Aogen (an executive Director), and 10% by Mr. Ni Danqing, Ms. Zhang Mei'e's spouse.

5. DEFINITIONS

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

“2021-2023 Master Purchase Agreement”	a framework agreement on purchase of certain components for the production of lead storage batteries (including plastic and glass fiber components) entered into between the Company (for itself and on behalf of other member(s) of the Group) as purchaser and Zhejiang Changtong as supplier dated 25 December 2020 for a term commencing 1 January 2021 and expiring on 31 December 2023, both days inclusive
“2024-2026 Mutual Supply Agreement”	a framework agreement on mutual supply of products entered into between the Company (for itself and on behalf of other member(s) of the Group) and Zhejiang Changtong dated 29 December 2023 for a term commencing 1 January 2024 and expiring on 31 December 2026, both days inclusive
“Annual Cap(s)”	the maximum aggregate annual purchase and sales amounts in respect of the Transactions contemplated under the 2024-2026 Mutual Supply Agreement for a term commencing 1 January 2024 and expiring on 31 December 2026, both days inclusive
“associate(s)”	has the meaning ascribed to it under the Listing Rules

“Board”	the board of Directors
“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
“Group”	the Company and its subsidiaries, and “member of the Group” means any one of them
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any third party(ies) which, together with their respective beneficial owner(s) (if any) and to the best of the Directors’ knowledge, information and belief, having made all reasonable enquires, are third party(ies) independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transactions” the continuing connected transactions (as defined under the Listing Rules) of the Company concerning the purchase and sales of certain products between member(s) of the Group and Zhejiang Changtong

“Zhejiang Changtong” Zhejiang Changtong Technology Company Limited* (浙江暢通科技有限公司), a company established in the PRC with limited liability which principally engages in the supply of components for the production of battery products

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

Hong Kong, 29 December 2023

As at the date of this announcement, the Board comprises:

Executive Directors : *ZHANG Tianren (Chairman), ZHANG Aogen, ZHANG Kaihong, SHI Borong, and ZHOU Jianzhong*

Independent non-executive Directors : *HUANG Dongliang, ZHANG Yong and 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.*

^ *Where the context so permits or requires, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.*