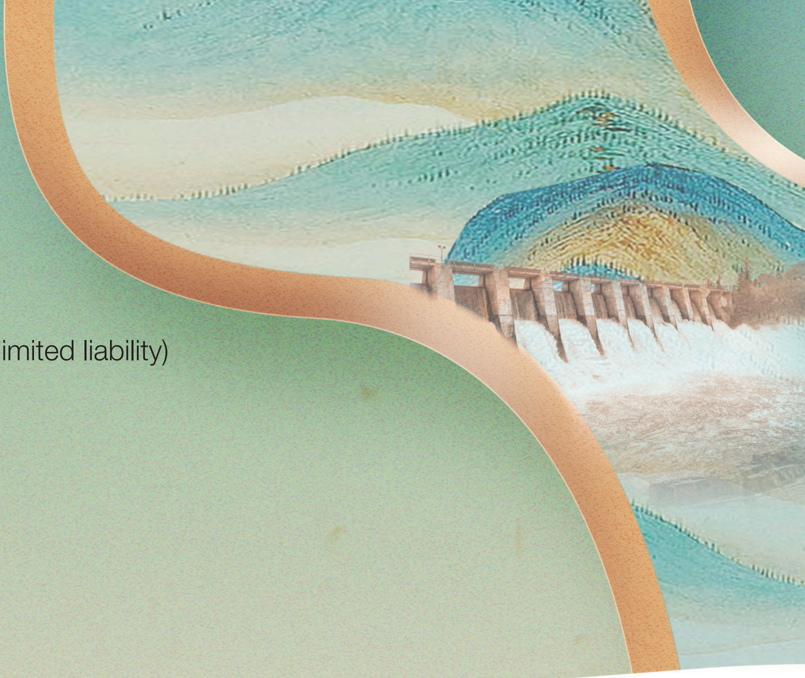
TIANNENG POWER
INTERNATIONAL LIMITED
天能動力國際有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code：00819



2023
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

Executive Directors

Dr. Zhang Tianren *(Chairman)*
Mr. Zhang Aogen
Mr. Shi Borong
Mr. Zhang Kaihong
Mr. Zhou Jianzhong

Independent Non-Executive Directors

Mr. Huang Dongliang
Mr. Zhang Yong
Mr. Xiao Gang

Audit Committee Members

Mr. Huang Dongliang *(Chairman)*
Mr. Zhang Yong
Mr. Xiao Gang

Remuneration Committee Members

Mr. Xiao Gang *(Chairman)*
Mr. Huang Dongliang
Mr. Zhang Aogen

Nomination Committee Members

Dr. Zhang Tianren *(Chairman)*
Mr. Huang Dongliang
Mr. Xiao Gang

Company Secretary

Ms. Hui Wai Man Shirley

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35th Floor, One Pacific Place,
88 Queensway Hong Kong

Statutory Address

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Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Suite 3202, 32 Floor,
Central Plaza
18 Harbour Road Wanchai,
Hong Kong

Principal Share Registrar

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
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Grand Cayman
KY1-1111,
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Public Relations

Porda Havas International Finance Communications (Group) Holdings Company Limited
Unit 2301, 23/F, The Centrium,
60 Wyndham Street,
Central,
Hong Kong

Listing Information

The Stock Exchange of Hong Kong Limited
Stock Code: 00819

Company's Website

http://www.tianneng.com.hk

FINANCIAL HIGHLIGHTS

(Amounts are expressed in thousand of RMB except per share data)

Consolidated Statement of Comprehensive Income (Note 1)

	2023	2022	2021	2020	2019
Revenue	**83,890,973**	74,598,641	85,615,917	53,525,039	40,613,555
Profit/(loss) before taxation	**2,563,485**	2,738,841	1,836,942	2,949,728	2,126,041
Taxation	**(727,780)**	(659,163)	(285,730)	(445,153)	(400,091)
Profit/(loss) for the year	**1,835,705**	2,079,678	1,551,212	2,504,575	1,725,950
Non-controlling interests	**13,869**	283,293	251,260	27,654	44,123
Profit/(loss) attributable to the owners of the Company	**1,821,836**	1,796,385	1,299,952	2,476,921	1,681,827
Earnings/(loss) per share (RMB/share)					
– Basic	**1.62**	1.60	1.15	2.20	1.49
– Diluted	**1.59**	1.57	1.13	2.15	1.47

Consolidated Statement of Financial Position (Note 2)

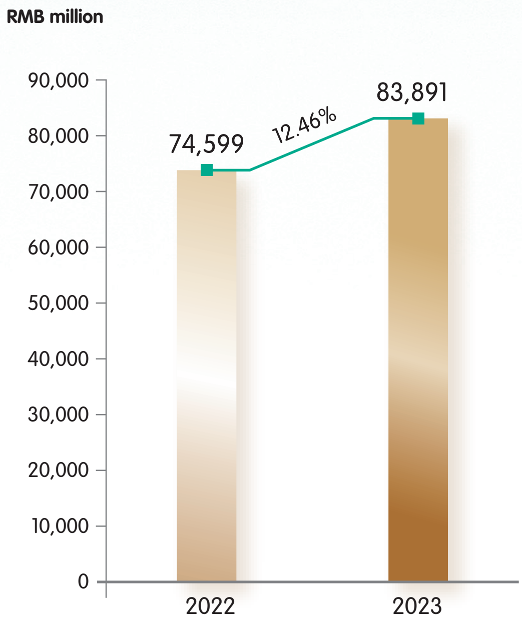
	Year ended 31 December				
	2023	2022	2021	2020	2019
Total assets	**46,750,952**	40,135,923	32,738,944	23,200,435	19,130,327
Total liabilities	**28,306,329**	22,969,749	17,362,012	13,741,146	11,843,811
Net assets/Total equity	**18,444,623**	17,166,174	15,376,932	9,459,289	7,286,516

Notes:

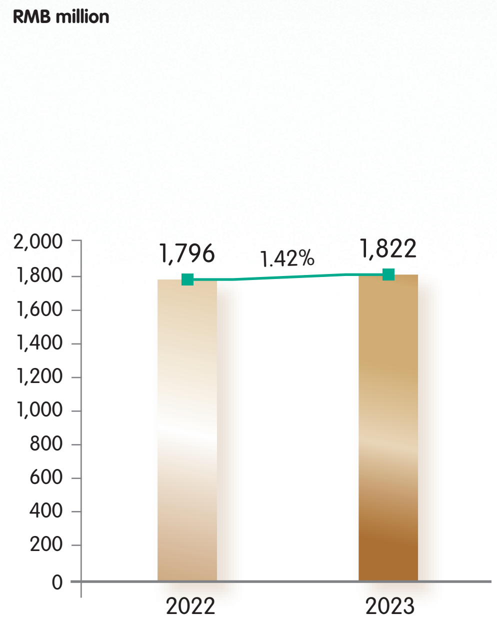
1. The results for the years ended 31 December 2019 are set out on page 56 of the Annual Report 2019 of the Company. The results for the year ended 31 December 2020 is set out on page 62 of the Annual Report 2020 of the Company. The results for the year ended 31 December 2021 is set out on page 72 of the Annual Report 2021 of the Company. The results for the year ended 31 December 2022 are set out on page 73 of the Annual Report 2022 of the Company. The results for 2023 are set out on page 73 of the 2023 Annual Report of the Company. All such information is extracted from the financial statements prepared under Hong Kong Financial Reporting Standards ("**HKFRSs**").

2. The consolidated statement of financial position as at 31 December 2019 are set out on page 57 of the Annual Report 2019 of the Company. The consolidated statement of financial position as at 31 December 2020 is set out on page 63 of the Annual Report 2020 of the Company. The consolidated statement of financial position as at 31 December 2021 is set out on page 73 of the Annual Report 2021 of the Company. The consolidated statement of financial position as at 31 December 2022 are set out on page 74 of the Annual Report 2022 of the Company. The consolidated statement of financial position is set out on page 74 of the 2023 Annual Report of the Company. All such information is extracted from the financial statements prepared under HKFRSs.

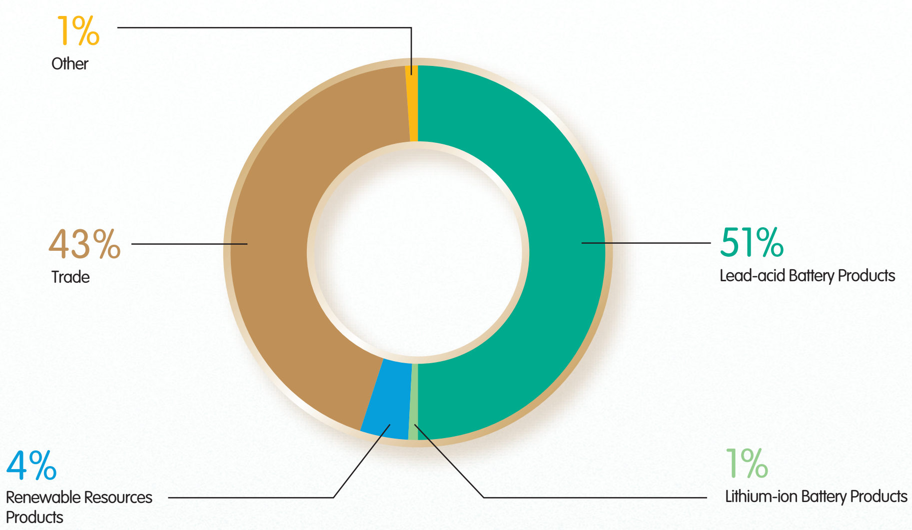
SALES TURNOVER



PROFIT ATTRIBUTABLE TO SHAREHOLDERS



SEGMENT TURNOVER



* Lead-acid battery products are mainly applied in bicycle (tricycle) battery, four-wheeler battery, tubular battery, starter and start-stop batteries for automobiles, energy storage battery and standby battery.

CHAIRMAN'S STATEMENT

Technological innovation leads to an industrial upgrade Start a new chapter of Tianneng in the spirit of dedication

Dear Shareholders,

On behalf of the board of directors of Tianneng Power International Limited ("**Tianneng**" or the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**"), I would like to present the annual report of the Company for the year ended 31 December 2023 (the "**Year**") to all Shareholders.

The year of 2023 was crammed with opportunities and challenges. All personnel from Tianneng put their emphasis on the "Dual Carbon" strategy launched in the People's Republic of China (the "**PRC**" or "**China**"), and adhered to the initiatives of "business, technology, capital", so as to make appropriate arrangement on the development and security. Tianneng has forged ahead against the trend and surmounted difficulties on the journey of high-quality development, during which the construction of the new energy industry has made solid progress.

In 2023, we have been moving forward with courage and vigour, riding on the momentum. Under the continuous development of new energy industries, the Group has been ploughing into two core areas which are motive battery and energy storage system ("**ESS**"), and is fully engaged in the light electric vehicles and key energy storage markets of grid side, power generation side, and industrial and commercial users side. Due to the synergies arising from the development of industrial ecosystem, green and low-carbon application scenarios have been expanding. Projects such as the South Taihu High Energy Lithium-ion Battery project and the New Energy Intelligent Manufacturing Base in Xinfeng County, Jiangxi Province have been put into operation. The world's largest lead-carbon ESS power station, which the Group participated in the construction, was officially connected to the grid. Manufacturing bases in overseas have been promoted in an orderly manner with revived echelon in the industry. At the same time, the Group has enhanced the quality of its life cycle ecosystem on the resource circulation and utilisation, while the recycling and utilisation level of waste batteries have been effectively improved. This has reduced energy consumption and environmental impacts, further establishing an industrial system capable of sustainable development.

We seized opportunities and acted upon the trends this year. Through the strategies of intelligentization, platform-building and globalisation, the Group has utilized global resources and proactively engaged in strategies including "integrated development of Yangtze River Delta" and "One Belt, One Road", and continued to put efforts in the major markets at both domestic and overseas level. The domestic strategic cooperation has been upgraded at the fullest that we have joined hands with leading enterprises in the PRC such as China Datang Corporation Limited and State Power Investment Corporation Limited to create a number of benchmark sample projects, in order to turn the green and low carbon "construction plan" into "real-life scenarios". At the same time, the Group has successfully convened the Second Tianneng Globalization Alliance Partner Conference, reaching a mutually beneficial cooperation and establishing a deep integration into the global market; the Group has successfully completed localization layout in over 10 countries, including Thailand, the Philippines, the Netherlands, and Argentina, etc., establishing both the global operation system and overseas service system; the construction of the factory in Vietnam has been advancing steadily, during the year, the Prime Minister of Vietnam met with Tianneng's representatives and gave full support to the Group in building up its overseas industrial ecosystem, which has boosted the globalization of Tianneng.

We rolled up our sleeves with expansion and innovation this year. Scientific and technological innovation continued to develop, and the research and development (R&D) system has been upgraded. Adhering to the product manufacturing philosophy of "once-in-a-generation application, once-in-a-generation storage, and once-in-a-generation R&D", the Group has established its first overseas independent R&D centre, built eight national R&D platforms, and completed the acceptance of two national key R&D projects. Tianneng has created a battery technology system "with lead, lithium, hydrogen and sodium as the main materials along with multiple technologies" that has comprehensively improved the industrial service ecosystem. Through technological innovation and product R&D, the performance of the Company's products has been significantly upgraded, and the energy density of the batteries and the battery cycle life have been significantly increased. We have developed our own high performance lead-carbon batteries which have overcome the technical barriers of low specific energy and short cycle life of traditional batteries. Such high-performing batteries have fulfilled the needs in the domestic market and reached the leading level in the world.

In 2023, we dared to take any challenges as they came. The Group has endeavoured to fulfil its social responsibility and corporate responsibility, and strived to jointly develop the economy, society and environment, so as to empower a better life. During the year, the Xinchuan Village in Changxing County, Zhejiang Province, built by Tianneng together with other organisations, implemented initiatives such as industrial transformation, upgrading, as well as environmental governance by employing the "village enterprise cooperation" model and the "empower project by new village talents" thoroughly, presenting a beautiful vision of a prosperous and picturesque village with a thriving population. Xinchuan Village has become the theoretical paradigm of rural modernisation in Chinese style. By leveraging on its own brand and resources, Tianneng was engaged in the works of "East-West Collaboration (東西協作)" and "Shanhai Collaboration (山海協作)", which has driven about 1.5 million high-quality employment throughout the industry chain, supporting the new development of common prosperity and demonstrating the heyday of Tianneng in such new era.

Profit Attributable to Shareholders and Dividend during the Year

For the year ended 31 December 2023, the Company's consolidated turnover was approximately RMB83,891 million, representing a growth of approximately 12.46% as compared to that of the previous year. Profit attributable to owners of the Company was approximately RMB1,822 million, representing a growth of approximately 1.42% as compared to that of the previous year. Basic earnings per share were approximately RMB1.62. The Company proposed to declare a cash dividend of HK$43.00 cents per ordinary share (the "**Share(s)**") held by its shareholders (the "**Shareholders**"). The proposal shall be subject to consideration and approval by the Shareholders at the annual general meeting to be held on 7 June 2024.

Everything in the past was the light to guide the Group moving forward, embarking on a new journey.

In a new year faced with opportunities and challenges, hopes and difficulties, we will work together to deeply cultivate the new energy industry market and create a new ecosystem in the industry. The Group will continue to cooperate with international new energy enterprises, major state-owned energy enterprises, universities, and scientific research institutes, with focus on enhancing innovation standards, developing diversified products, improving the value-added products, and technology of products and enhancing its intelligent, scenario-based, and systematic service capabilities, thereby increasing the comprehensive competitiveness which enables multiple application scenarios.

We will further leverage the synergies of motive batteries, smart ESS and resource recycling solutions to realize diverse application scenarios including green mobility, zero-carbon industries, and zero-carbon city. The Group will adhere to a systematic, market-driven and innovation-guided approach to resolve bottlenecks and obstacles during the process of developing the entire industry chain of green energy in an effective manner, and unleash the unlimited potential of low-carbon energy storage and application of intelligentization, so as to build a more attractive industrial ecosystem.

In 2024, we will continue to practice the concept of green development, further focus on new changes and unite consensus to form a more self-driven science and innovation platform for new energy and stimulate new momentums for the high-quality development of the industry. Adhering to the philosophy of openness, cooperation and win-win situation, the Group will take technological innovation and intelligent management as the engine to create diversified technology solutions of "lead, lithium, hydrogen, sodium" with forward-looking technological products and a forward-looking management system, blending science with technological innovation while contributing to the high-quality development of the new energy industry.

Appreciation

Lastly, on behalf of the Group, I would like to thank all our customers for their continuous support and kindness. I would also like to express my appreciation to all our business partners, investors, and Shareholders for their trust, and to extend my sincere gratitude to all staff for their professionalism, hard work and dedication over the Year. The Group will forge ahead, keep pace with the latest development seize industry opportunities, leverage our own advantages and strive to promote long-term sustainable development of the Group, thereby enhancing value for the Shareholders.

Zhang Tianren
Chairman

Hong Kong, 28 March 2024

COMPANY PROFILE

Tianneng Power International Limited ("**Tianneng**" or the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**"), founded in 1986, is a leading company in the new energy battery industry and light electric vehicles battery industry in the People's Republic of China (the "**PRC**" or "**China**"). In 2007, Tianneng was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (Stock Code: 00819.HK). After more than 30 years of development, it has become a new energy group focusing on the motive batteries for light electric vehicles, energy storage systems ("**ESS**") batteries, the recycling industry and integrating the research and development ("**R&D**"), production and sale of various types of batteries (including starter and start-stop batteries for automobiles and motive batteries for special industrial vehicles), green and intelligent manufacturing, and smart logistics platforms.

OPERATION REVIEW

During the year ended 31 December 2023 (the "**Reporting Period**"), the Group remained committed to its development strategies of "industry, technology and capital" as its guidance, to further strengthen the whole life cycle industrial chain of motive lead-acid battery. Additionally, the Group focused on constructing a new energy storage ecosystem, aiming to facilitate the synergistic growth of lead-acid battery and smart ESS. At the same time, the Group adhered to the concept of green development driven by technological innovation, deeply explored the diverse technologies in respect of "lead, lithium, hydrogen and sodium", as well as the coexistence of multiple business scenarios, accelerating the establishment of a low-carbon and recycling industrial system.

Promoting industrial upgrading and digital transformation is crucial for the sustainable development of Tianneng's lead-acid battery business. During the Reporting Period, Tianneng committed to advancing the construction of intelligent factories across its self-owned production bases to achieve seamless integration of intelligentization and eco-friendliness. Alongside precision digital marketing efforts, the Group has built an integrated industrial ecosystem that combined R&D, production and sales, achieving optimal allocation and maximizing the efficiency of the lead-acid battery industry. It further solidified the Company's position as the leader in the industry.

Converting technological advantages into product advantages is the competitiveness and solid strength of Tianneng, positioning it as the global leader in the motive lead-acid battery sector. During the Reporting Period, the Group leveraged on the "key technologies for the entire life cycle of batteries of Tianneng's lead-acid batteries" and achieved the comprehensive advancement of various champion-level lead-acid battery products, and reached another leap in power, performance and range, and fulfilled the diversified user needs across a range of scenarios by classifying products.

In addition to motive batteries, the Group focuses on the development of new ESS construction as the key strategic task during the Reporting Period. On the one hand, Tianneng continues to lead the lead-carbon battery technology and consistently achieves breakthroughs in key technologies related to lithium-ion ("**Li-ion**") batteries. The Group is also accelerating the application of technologies, including sodium-ion batteries and hydrogen fuel cell, in ESS products and system solutions. On the other hand, the Group is driving technological innovation in system integration to realize the key value of integration and allocation of different resources in the ESS industry chain and to realize the key values of diversification of application scenarios, and promotes the implementation of key plans across various sectors, including power generation, industrial and commercial user, and storage integration.

Being the industry's leading enterprise to establish a green circular industry park, the Group has consistently aligned itself with the national "Dual Carbon" strategy, which promotes green and low-carbon development across the industry chain. It excels in both "adding" by developing new businesses and "subtracting" through energy conservation and consumption reduction efforts. Tianneng positions itself in the dual-cycle track of waste lead-acid batteries and waste Li-ion batteries, achieved with a solid capacity reserve, continuous improvement of cutting-edge technology, and stringent environmental protection measures. A large amount of lead mining and solid waste emissions are reduced each year, and the recovery rate of related metal materials reaches up to 99% or above, thus achieving win-win economic and environmental benefits.

With a global perspective, the Group engages in the wave of development within the world's new energy industry. The Group seizes opportunities and expands its operations by leveraging its own advantages. In 2023, the Group established offices in the Netherlands, Vietnam and Thailand, etc. The Group has signed the Tianneng brand cooperation agreements with more than 20 overseas distributors, while simultaneously launching terminal shop plans and establishing a global R&D center, as well as a global resource integration center. These initiatives allow Tianneng to collaborate with global industry chain partners to participate in the rapid growth of its overseas business.

INDUSTRY DEVELOPMENT AND OPERATION

(1) High-end eco-friendly batteries

High-end eco-friendly batteries are a series of sealed maintenance-free lead-acid battery products created by the Group relying on its R&D and technology innovations, which include motive batteries, ESS batteries as well as starter and start-stop batteries for automobiles. During the Reporting Period, the high-end eco-friendly batteries business of the Group recorded an operating income of approximately RMB42,423 million, representing a year-on-year increase of approximately 18.68%.

Motive lead-acid battery

Lead-acid battery is a low-cost "resource-circular" energy product characterized by high safety, stable charging and discharging performance, wide application areas, recyclable and reusebale. Among them, motive lead-acid batteries, as a power source, are mainly used in vehicles such as light electric vehicles and special electric vehicles. During the Reporting Period, the Group's lead-acid battery business recorded an operating income of approximately RMB39,152 million, representing a year-on-year growth of approximately 19.32%.

According to the statistics set out in the White Paper for the Development of the Chinese Two-wheeled Electric Vehicles Industry (2023) (《中國電動二輪車行業發展白皮書(2023年)》) jointly published by EVTank, a research institute and China YiWei Institute of Economics, China produced a total of 59.04 million two-wheeled electric vehicles in 2022, recording a year-on-year rise of approximately 8.5%, which maintained stable growth. On the one side, two-wheeled electric vehicles are adapted to the demand for short-distance travel, providing residents with a low-carbon solution for commuting over short distances. On the other side, the rapid development of consumption businesses in takeaways, same-city delivery, instant retail and shared travel are driving the rise in the demands of two-wheeled electric vehicles.

The motive lead-acid batteries are well-suited to the demands of two-wheeled electric vehicle and remain the mainstream batteries in the market. There is still room for growth in their application within the two-wheeled vehicle market. As the leading enterprise in the motive lead-acid batteries industry, Tianneng is a pioneer of the technological breakthroughs, a promoter of the cutting-edge technology, and a leader of product upgrades. During the Reporting Period, the Group officially launched the "Tianneng Round-Engines Technology Platform (天能全擎技術平台)", which empowers four key technologies for the entire life cycle of motive batteries, namely, the key technology of cutting-edge material formulation, the key technology of extremely stable battery cells process, the key technology of automatic intelligent cloud charging, and the key technology of green resource regeneration. Leveraging the Tianneng Round-Engines Technology Platform, Tianneng aims to strengthen its market competitiveness in terms of products, leading the industry with holistic upgrading in areas such as performance, life, intelligentization and recycling.

In 2023, the Group accelerated the intelligentization transformation and achieved fruitful results. Tianneng has infiltrated digital intelligence into each process to advance the coverage in each section. Several companies have been honored as demonstrations of the green manufacturing system and pilot projects for intelligent manufacturing by the Ministry of Industry and Information Technology of the People's Republic of China (MIIT) with the titles such as "Green Industrial Park" and "Green Factory". The Group established a digital workshop of high-performance battery assembly process, where mature battery process knowledge was applied to the product design and production process, resulting in forming a complete set of digital solutions. The Group has successfully built a high-performance intelligent factory of motive lead-acid battery to achieve the goals of design and manufacturing collaboration, production operation intelligence, and production data visualization. Meanwhile, we are gradually extending intelligent manufacturing to our production bases and over 100 subsidiaries across the country to minimise production costs and improve product quality.

Driven by technological innovations and intelligentization transformation, the Group has deepened multi-channel marketing layouts. During the Reporting Period, the Group's primary market sales of motive lead-acid battery has been constantly improving, and it had further cooperation with downstream vehicle manufacturers. In the replacement market, the Group's self-built online service mall has been successfully launched and operated. Its basic transaction mode is functioning smoothly. The Group will continue to consolidate sales in the primary market while engaging with over 3,000 dealers and more than 400,000 terminal stores. It aims to enhance the Company's influence and core competitiveness in the motive lead-acid battery industry.

While the Group continues to consolidate its leading position in the domestic motive lead-acid battery market, it also focuses on the potential growth of the overseas two-wheeled vehicle market. Two-wheeled vehicles are one of the main means of transportation for daily commuting and short-distant travel in the Southeast Asia region. According to data from ASEANstats, Southeast Asia has about 250 million motorcycles currently on the road, which is one of the regions with the highest motorcycle ownership in the world. Under the pressure of energy and environmental protection concerns, the "fuel-to-electric" has developed into a general trend for the two-wheeled vehicle market in Southeast Asia. However, the current penetration rate of electrification remains relatively low, and there is significant potential for market growth in the future.

During the Reporting Period, the Group has continued to expand the overseas market and achieved remarkable achievements across various aspects such as products, brands and markets. In terms of the product, we have completed the promotion of our full range of products in overseas markets. The sales of motive battery products has been growing steadily, while the ESS products have gained prominence. The sodium-ion batteries have made their debut overseas. Tianneng also participated in a number of large-scale international exhibitions, which brought a dynamic experience to the global new energy market. In terms of branding, our recognition overseas is gradually increasing. During the Reporting Period, the Group opened its first overseas brand store in Ho Chi Minh City, Vietnam, officially expanding its terminal stores. Moreover, the Group successfully held the Second Tianeng Globalization Alliance (TGA) to expand its industry influence. In terms of market, the Group actively set up offices in Thailand and Holland to provide effective services to the local customers. The Group have signed cooperation agreements with more than 20 overseas distributors, which will help expand the Company's market influence in those countries.

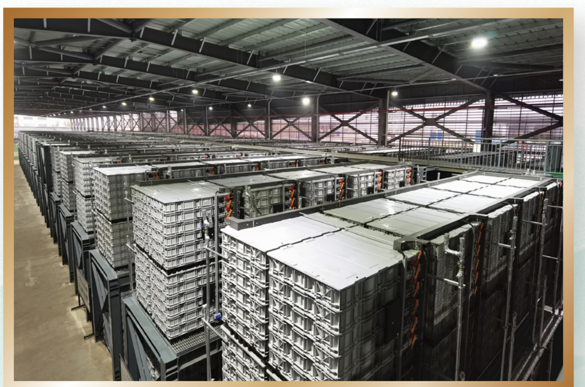
Lead-carbon ESS battery

Lead-carbon ESS batteries have become an important player in electrochemical energy storage. They possess distinct advantages in terms of safety, production and recycling processes, cycle life, and cost-effectiveness. Their application prospects are broad in the scenarios that requires the highest standards of safety, such as big data centres, new energy power stations and communication bases. During the Reporting Period, the lead-carbon ESS battery business of the Group recorded an operating income of approximately RMB338 million, representing a year-on-year increase of more than 100%.

Tianneng has insisted on developing lead-carbon batteries with high performance, high safety, long life and high cost-effectiveness. The Implementation Work of the 14th Five-Year Plan for New Energy Storage (《「十四五」新型儲能發展實施方案》) issued by the National Development and Reform Commission of the PRC (NDRC) and the National Energy Administration highlighted the development of diversified technologies for energy storage such as high performance lead-carbon batteries. The Work Plan for Stabilizing the Growth of Light Industry (2023-2024) (《輕工業穩增長工作方案(2023-2024年)》), issued by MIIT, NDRC, and other departments proposed to develop lead-carbon ESS battery products with huge effort. The batteries specialized for lead-carbon ESS that are independently developed by Tianneng inherit the mature technology of lead-acid batteries, and improve the life and energy density by mixing negative electrode with carbon. Meanwhile, it adopted high-performance design and AGM technology with new materials of multi-element rare earth alloys, which has excellent performance in various aspects and fully meets the ESS needs of different scenarios with leading technologies at an international level.

As one of the earliest companies in China to develop and promote lead-carbon battery technology, Tianneng has participated in the construction of multiple lead-carbon ESS power stations which have achieved one-time operation and long-term stable design and demonstration effects. "Peaceful Co-Storage (和平共儲)", a shared ESS power station with smart energy engaged by Tianneng, is currently the largest lead-carbon ESS power station in the world, featuring safety, durability, cost-effectiveness, a short construction cycle, and strong resource integration capabilities.

Tianneng has always been committed to collaborative innovation in the upstream and downstream of the industrial chain to achieve revolutionary breakthroughs in the technology of lead-carbon batteries, promoting diversified and sustainable development of ESS, and developing new ESS solutions. We will give full play to the technical advantages and application value of lead-carbon batteries in the field of ESS by leveraging the digital intelligent control system in conjunction with distributed energy, ESS of user side, and adjustable loads to maintain local power supply and enhance the flexibility and regulation of the power grid.



Other high-end eco-friendly batteries

As a leading enterprise of lead-acid batteries, the Group also operates other high-end eco-friendly batteries including starter and start-stop batteries for automobiles. Starter batteries for automobiles are designed for the instant starting, ignition, lighting power of vehicles, ships, diesel locomotives, etc. The start-stop batteries are used in automobile start-stop systems to save energy and reduce consumption. During the Reporting Period, other high-end eco-friendly battery business of the Group recorded an operating income of approximately RMB2,933 million.

In the field of starter and start-stop batteries for automobiles, lead-acid batteries are widely used in the market due to their well-established technology, high safety standards, high recycling rate, low price and other advantages. In recent years, Tianneng has been actively expanding its domestic and overseas market, which includes building product lines of high-end starter and start-stop batteries and aftermarket services for automobile, developing diversified sales channels, innovating marketing methods, and continuously providing customers with high-quality products and services. During the Reporting Period, the Group has launched several new products: parking air conditioning battery, new energy low-voltage module auxiliary battery and AGM start-stop battery, etc. The first batch of automobile batteries involved in the cooperation projects with Changan Ford Automobile Co., Ltd has been delivered, further opening up the national primary market and continuously enhancing the brand influence.

(2) New energy batteries

The Group's new energy batteries businesses are mainly production of Li-ion batteries, and the R&D, production and sales of next-generation battery products such as hydrogen fuel cells and sodium-ion batteries. During the Reporting Period, the Group's new energy batteries businesses recorded an operating income of approximately RMB882 million.

Li-ion batteries

The Group primarily applies its Li-ion batteries in the field of ESS. As the Company's one of the key business development directions, the ESS sector mainly takes the product supply, project design and construction for ESS battery cells as development direction, which possesses EPC general contracting and service delivery capabilities. Within the ESS application fields including power side, grid side, and user side, the Group offers system solutions utilizing lead-carbon, lithium and other technologies. It helps "new energy, energy storage" gain a competitive advantage in the cost per kilowatt-hour throughout the entire lifecycle.

Energy storage is one of the key technologies of energy reform, and it is also an important path to realize the development of "Dual Carbon". As an important technical support for the construction of new power systems which mainly based on new energy, the ESS technology has been gradually applied to different situations such as smooth grid connection of renewable energy, peak-load management, frequency regulation and power quality improvement. According to the incomplete statistics of the global ESS database (CNESA DataLink), in 2023, China has newly commissioned a scale of approximately 46.6GWh of new ESS installations, triple the amount of 2022's new commissioning scale.

Leveraging on the Group's extensive experience in the new energy battery manufacturing industry, the Group has further improved its strategic implementation of ESS. During the Reporting Period, the Group's Li-ion battery base with an output of 6GWh in South Taihu Lake, Changxing County, Huzhou City, Zhejiang Province, has been put into operation that ESS production capacity was expected to grow. The Company has successfully applied 5 air cooling modules and 4 liquid cooling modules of two types of Li-ion batteries, and fulfilled the relevant national standards and UL certifications. The Company's Li-ion battery liquid cooling ESS project has been shortlisted into the 2023 List of Advanced (Future) Technological Innovation Achievements of Zhejiang Province published by the Economy and Information Technology Department of Zhejiang Province, and its subsidiary Tianneng New Energy (Huzhou) Co., Ltd* (天能新能源（湖州）有限公司) has been officially listed as the "Zhejiang Provincial Postdoctoral Working Station (浙江省博士後工作站)".

While strengthening technology R&D, the Company is accelerating its market deployment and endeavours to expand its customers in each application field for ESS. During the Reporting Period, the successful grid connection of Datang Lubei 200MWh energy storage power station, the signing of the pilot project of a new type of shared energy storage power station system in Jinchang City, Gansu Province, and the entering of an agreement on strategic cooperation in ESS with Bein Joint Stock Company in Vietnam.

The Group also gives full play to its leading advantages of supporting the whole industrial chain and multiple technologies. By providing dual technology solutions of "lead-carbon & lithium", it meets the needs of diversified application scenarios and enhances the core competitiveness of the ESS business. We will accelerate reformation and innovation, enhance the conversion and acceptance capabilities of resources and orders, enhance the conversion rate and delivery capability of key projects, focus on key matters for achieving breakthroughs, so as to realize the integration of advantages and continue to push Tianneng's ESS development to a deeper level.

Hydrogen fuel cells

The hydrogen energy industry is in a stage to accelerate the development that the relevant technologies are gaining breakthroughs and the construction of infrastructure are improving. In August 2023, the first "Guidelines for the Construction of Hydrogen Energy Industry Standard System (2023 Edition)" (《氫能產業標準體系建設指南(2023版)》) at the national level jointly issued by six authorities including NDRC of the PRC clarified the key missions of domestic and international hydrogen energy standardization. The system has built a standardized system in the whole industrial chain for the production, storage, transportation and application of hydrogen energy, and gave full play to the significant role of hydrogen energy in building a modern energy system.

The Group has been committed to the promotion and application of clean energy such as hydrogen energy. It has mastered over the core technologies related to hydrogen fuel cells and the development of their key components. It is proactively expanding its services for hydrogen energy application across all scenarios, providing the entire industrial chain services of hydrogen energy, including hydrogen production, storage and transportation, refueling, and fuel cell application. Regarding hydrogen fuel cells, the Group has been exploring and refining catalysts, membrane electrodes, bipolar plates, stacks and systems. At the same time, Tianneng provides customised system integration solutions for application scenarios such as public transportation, logistics, construction machinery and ships, communication base stations, combined heat and power supply.

During the Reporting Period, Tianneng's hydrogen fuel cells segment focused on R&D core industrial technologies and the transformation of these achievements and actively facilitated the development of the hydrogen energy industry ecosystem and "hydrogen economy". In March, the high-powered hydrogen fuel cell systems independently developed by Tianneng successfully passed the national mandatory inspection, which showed excellent performance of the system. In April, the first prototype of hydrogen energy loader supported by Tianneng successfully launched and will soon be mass-produced, entering the operation stage under real vehicle conditions. In September, the high-power hydrogen fuel cell system developed by Tianneng was successfully applied into the vehicle. In December, Tianneng entered into a strategic cooperation agreement on hydrogen energy industry with Guangde City, Anhui Province, in which both parties will foster collaboration in hydrogen energy industry application and the demonstration for new model of zero-carbon public buses in urban areas.

Tianneng's hydrogen fuel cells will continue to strengthen collaborative cooperation with upstream and downstream enterprises in the industry chain, and is committed to reducing the production, manufacturing and operating costs of hydrogen fuel cells, improving the comprehensive and supporting capabilities of the hydrogen energy industry chain. By strengthening basic research, Tianneng accelerates product innovation to surpass the pivotal core technology of "Bottleneck", and boost the diversification of hydrogen energy applications in different aspects to promote green and efficient development of hydrogen energy industry.

Sodium-ion batteries

China has included sodium-ion batteries in the "14th Five-Year Plan for Scientific and Technological Innovation in Energy Sector (《「十四五」能源領域科技創新規劃》)"and has successively introduced a number of national policies to promote the industrialization process of sodium-ion batteries, providing a good environment for the development of China's sodium-ion battery industry. Analysts from the ASKCI predicted that China's sodium-ion battery market size will increase to approximately 28.2GWh in 2025. The Group now has a sodium-ion battery pilot production line, and its product performance indicators are at the leading level in the industry and possess advantages in market segments such as low-speed motive and ESS applications.

Sodium-ion batteries have numerous advantages such as resource sufficiency, low cost, high energy conversion efficiency, long cycle life, low maintenance costs, and high safety, and have certain market development potential. During the Reporting Period, the Group developed different types of sodium-ion battery application modules based on multiple application scenarios. Currently, it has developed 45V10Ah and 45V20Ah sodium-ion battery modules for the national standard, 24V135Ah heavy truck battery modules, 66V23Ah electric motorcycle battery modules, 48V50Ah home storage modules, and other products. In March, the Company officially released the first-generation sodium-ion battery "Tianna (天鈉)T1" for light electric vehicles. In addition, the Sodium-ion Battery Industry Ecosystem Alliance (鈉電池產業生態聯盟) has been established and formed close cooperative relationships with key enterprises in the light electric vehicle industry, e-commerce logistics platforms and investment institutions to jointly promote the development of the sodium-ion battery industry and the construction of an ecosystem.

(3) Recycling industry

The Group built two circular economic ecosystems of lead-acid batteries and Li-ion batteries so as to implement the extended producer responsibility system, flourishing the development of circular economy. It has created a battery life cycle and ecological industry chain that integrates "recycling, smelting, reproduction" so as to identify a green and environmental disposal model for a huge number of decommissioned motive batteries. During the Reporting Period, the Group's recycling industry recorded an operating income of approximately RMB3,600 million.

Recycling lead-acid batteries

Based on the recycling of used lead-acid batteries, Tianneng has established a comprehensive industrial ecosystem with "lead and other small metals" for collection, storage and transportation, disposal, and resource use. During the Reporting Period, the Group's recycling lead-acid batteries business recorded an external operating income of approximately RMB3,069 million.

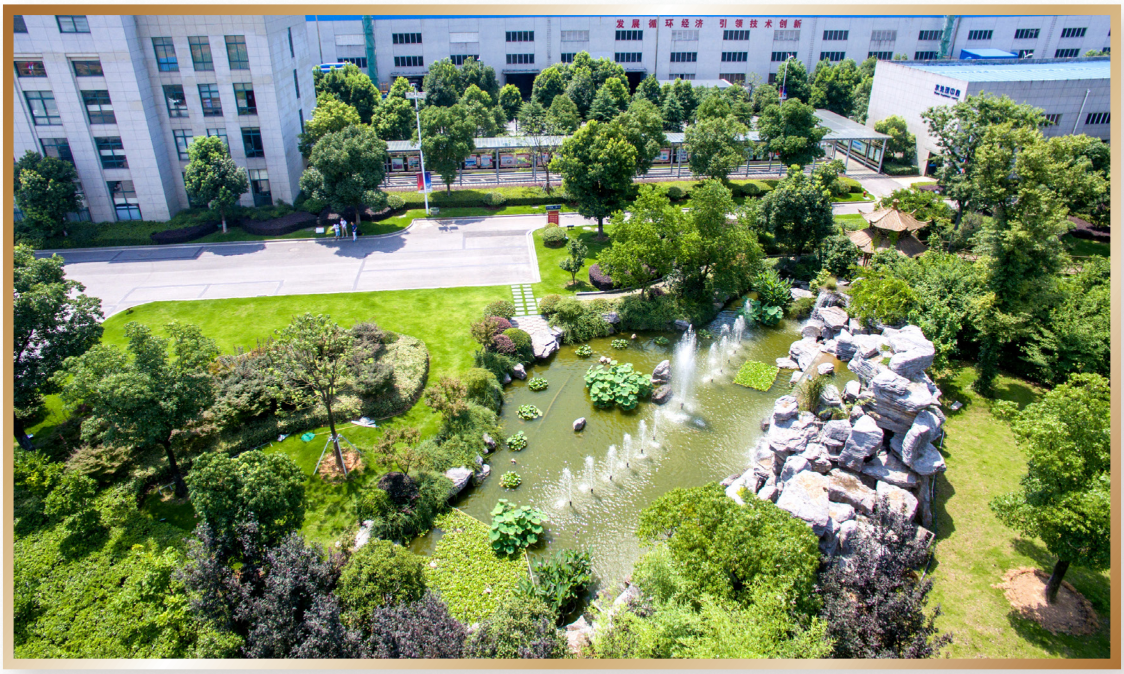
As the world's largest manufacturer and consumer of lead-acid batteries, the overall market size of lead-acid battery recycling industry in China has shown steady growth. According to Mysteel, the domestic scrap volume of used lead-acid batteries in 2023 amounted to approximately 6 million tons, representing an increase of 0.2 million tons over 2022, approximately 3.44%.

Since 2009, Tianneng has carried out the recycling business for lead-acid batteries and obtained qualifications of recycling pilots in 15 provinces across China. It has set up battery recycling pilot companies in 22 provinces and cities with more than 500,000 battery recycling outlets across China, building a standardized and efficient recycling system. The Group constructed four green circular economy industrial parks in Zhejiang, Anhui, Jiangsu, and Henan Province, with the annual capacity of disposing of 1 million tons of used lead-acid batteries. In December 2023, the Group has reached a long-term strategic agreement with China Recycling Investment Co., Ltd., of which recycling network and resources will provide Tianneng with more solid protection for its comprehensive layout in used lead-acid battery recycling.

The Group has obtained a number of advanced technology patents in the field of lead recycling which supported the key technologies for green renewable energy, leading to a significant decrease in the carbon footprint of the entire battery life cycle where the recycling rates of metal, sulfuric acid, plastic and other materials for used lead-acid batteries exceed 99%. The issue of extracting impurities such as copper, nickel and cadmium in the secondary lead refining process has been resolved with its pioneering unique refining process of secondary lead.

In order to fully implement the extended producer responsibility system, Tianneng strived to reform from digitalisation and build the whole process industry chain of recycling used lead-acid batteries. It constructs an intelligent supervision system that covers the entire process of recycling and disposal process for used lead-acid batteries, which characterized as "source identifiable, destination traceable, risk controllable, and responsibility investigable". With the gradual extension of the digital recycling model, it assumes that more used lead-acid batteries will be included in the green chain industry, realizing the comprehensive life cycle management of battery products.

This year, the production capacity of the used lead-acid battery recycling industry has been significantly increased, resulting in firm prices of used batteries in terms of raw materials. Due to such fierce competition, the lead-acid recycling business has faced the challenge of profitability. However, the Group continued to revitalize the recycling industry with high-quality production capacity and diversified recycling network through recycling system construction, recycling technology upgrades, and digital and intelligent transformation of production lines, so as to seize the synergies arising from the entire lead-acid battery industry chain, and to maintain its leading position in the used lead-acid battery recycling industry.



Recycling Li-ion batteries

Recycling of Li-ion batteries is mainly from motive batteries, consumer batteries and ESS batteries. The main outputs are cobalt sulfate, nickel sulfate, manganese sulfate and lithium carbonate. During the Reporting Period, the Group's Li-ion battery recycling business recorded an operating income of approximately RMB531 million.

According to the statistics from a research institute, EVTank, the recycling amount of used Li-ion batteries in China was approximately 415,000 tons in 2022. It is expected to reach approximately 2.312 million tons in 2026, with a market size of approximately 100 billion. In order to prepare for the day when there is enormous quantity of decommissioned batteries, Tianneng has equipped itself with the recycling and reuse capacity of processing 10,000 tons of used motive Li-ion batteries annually. Upon completion, the new project in Binhai County, Jiangsu Province will achieve the comprehensive utilisation of high-value Li-ion resources with annual capacity of 110,000 tons in aggregate.

In terms of qualification and technology, the Group took advantages of the dual white lists for "echelon utilisation, recycling utilisation" of used motive batteries published by MIIT to actively integrate upstream and downstream resources; applied Li-ion battery recycling ecotechnology in all aspects to achieve harmless treatment of scrap key components such as decommissioned batteries for new energy vehicles and reduce the carbon emission levels of the whole industry chain in an effective manner; reduced the overall disposal costs owing to mature key technologies such as safe disassembly without discharge and hydrometallurgy method, and therefore the recycling rates of nickel, cobalt, lithium of used Li-ion batteries were top notch in the industry. The wastewater generated during the production process was treated and recycled through MVR high-efficiency evaporation technology, achieving near-zero discharge of wastewater produced with a wastewater recycling rate of approximately 95%.

In terms of channels, the Group facilitated the development layout of urban mines, and built a closed-loop ecology of battery manufacturing, sales, recycling, echelon utilisation, and reuse, forming a three-dimensional Li-ion battery recycling network which is covered across China. Through in-depth network channels in various districts and counties, large-scale systematic operations, and top-down targeted strategic promotion, the Company has strengthened cooperation with vehicle-to-everything (V2X) platforms, vehicle manufacturers, and vehicle dismantling plants, to freeze the residual life of batteries in advance, and to promote the echelon utilisation and recycling of batteries.

During the Reporting Period, despite that the profitability of Li-ion battery recycling business has been restrained to a certain extent due to significant fluctuations in the prices of materials such as lithium carbonate, the development prospect was still solid as a post-Li-ion battery industry. The lithium battery recycling business of the Group has rich operation experience and continues to enhance market competitiveness through different measures such as production capacity construction, technological innovation, and product quality improvement. It also develops channels through the integration of upstream and downstream resources and open up business models, fully demonstrating its technical strength in the recycling field.

Outlook

Under the global energy transition and adhering to the backdrop of "Dual Carbon" goal, Tianneng abides by the philosophy of innovation, transformation and development. Rooted as a green energy solution provider, it adheres to high-quality development with the "customer-oriented and market-oriented" approaches. We vigorously develop the energy storage solutions of "lead, lithium, hydrogen, sodium" diverse technical route with our high-end eco-friendly batteries as its core business. By relying on the battery recycling system construction and the green and intelligent manufacturing upgrade, we are dedicated to building a green development ecology.

For the high-end eco-friendly battery business, the Group will coordinate industrial resources and strengthen the integration of lead-acid battery manufacturing, recycling and disposal, to create a strategic platform for lead-acid battery resources. It also aims to establish a comprehensive industrial and ecological chain by upgrading business models such as battery life cycle management and digital marketing on an ongoing basis, fortifying smart factories and lean manufacturing, enhancing product technology and quality, and expanding application scenarios.

By taking the ESS business as its second growth curve, Tianneng has been employed with unique competitive strategies in an effort to dominate in a niche market. Tianneng will completely integrate the R&D, production, sales, system integration, operation and other aspects of the ESS industry, adhere to promoting products with technology and assisting the ESS solutions to be applied in additional scenarios, so as to construct an ESS ecosystem based on system solutions and shape its own market competitiveness. In terms of the recycling business segment, the Group will strengthen business planning, and focus on the vertically integrated layout of "smart manufacturing, recycling, and disposal of batteries" to further improve the recycling network, upgrade smart manufacturing, improve the comprehensive disposal capability of batteries, and explore new paths for the efficient utilization of resources to promote new developments.

Tianneng will keep up its proactive response to China's "Belt and Road" initiative, promote the globalisation strategy to an advanced level, and accelerate the pace of "going global" by building a global manufacturing hub, supporting the strategy of localisation overseas, striving to develop new businesses, and strengthening its influence in the field of new energy overseas. Adhering to its new philosophy of development, the Group will focus on and refine its principal business, taking more responsibility in the process of China's high-quality economic development. Meanwhile, it will engage in wider, more focused and more sustainable cooperation for energy on a global scale with an open heart, so as to gather strength for building a community of global energy.

Management Analysis

Gross profit

The Group's gross profit decreased by approximately 6.65% to approximately RMB5,965 million in 2023 from approximately RMB6,389 million in 2022, mainly due to the decrease in gross profit of the Li-ion battery business and Li-ion battery recycling business. The overall gross profit margin decreased by 1.45 percentage points to 7.11% from 8.56% in 2022. Among them, the gross profit margin of the manufacturing business was 12.75%, representing a decrease of 2.36 percentage points as compared to 2022, mainly due to the decrease in sales gross profit margin of Li-ion batteries.

Other income

Other income of the Group increased by approximately 71.47% from approximately RMB1,106 million in 2022 to approximately RMB1,897 million in 2023. The increase was mainly attributable to the increase in government grants and interest income. Government grants increased from approximately RMB704 million in 2022 to approximately RMB1,219 million in 2023. The increase was mainly attributable to the increase in tax refunds received. Interest income increased from approximately RMB315 million in 2022 to approximately RMB568 million in 2023. The increase was mainly attributable to optimised fund allocation and increase in interest income from deposit.

Distribution and selling costs

Distribution and selling costs of the Group increased by approximately 15.86% from approximately RMB1,229 million in 2022 to approximately RMB1,424 million in 2023. The increase in selling and distribution costs was mainly due to the increase in transportation fees and travelling expenses.

Administrative expenses

Administrative expenses decreased by approximately 0.43% from approximately RMB1,363 million in 2022 to approximately RMB1,357 million in 2023. Such decrease was mainly due to the decrease in entertainment expenses and maintenance fees.

Finance costs

Finance costs increased by approximately 41.69% from approximately RMB341 million in 2022 to approximately RMB483 million in 2023, which was mainly due to the increase in loan size during the Reporting Period. In 2023, interest income from bank deposits and wealth management amounted to RMB588 million, representing an increase of RMB308 million as compared to RMB280 million in 2022.

The interest income from bank deposits and wealth management exceed finance costs by RMB105 million in 2023.

Taxation

Tax charges of the Group increased by approximately 10.41% from approximately RMB659 million in 2022 to approximately RMB728 million in 2023, which was mainly due to the increase in taxable profit during the Reporting Period.

Liquidity and Financial Resources

The net cash from operating activities for the Reporting Period was approximately RMB2,330 million (2022: RMB1,590 million). The increase was mainly attributable to the improved inventories and management of receivables.

As at 31 December 2023, the cash and cash equivalents and pledged/restricted bank deposits of the Group was approximately RMB15,435 million (31 December 2022: approximately RMB12,926 million). As at 31 December 2023, the Group obtained undrawn banks facilities of approximately RMB21,756 million (31 December 2022: approximately RMB13,086 million). In cash and cash equivalents and pledged/restricted bank deposits, approximately RMB15,313 million, RMB26 million, RMB96 million, RMB11,000 and RMB137,000 were denominated in Renminbi, Hong Kong Dollars, US Dollars, Euros and Singapore dollars, respectively. As the bank balances of currencies other than RMB accounted for approximately 0.79% of the total balances, the Group's relevant exchange risk is low.

As at 31 December 2023, the net current assets of the Group were approximately RMB6,054 million (31 December 2022: net current assets of approximately RMB6,166 million). The decrease was primarily attributable to the decrease in bills receivables and debt instruments at FVTOCI. As at 31 December 2023, the interest bearing loans of the Group with maturity of within one year amounted to approximately RMB6,248 million (31 December 2022: approximately RMB4,570 million). The interest-bearing loans of the Group with maturity of more than one year amounted to approximately RMB2,833 million (31 December 2022: RMB1,637 million). The interest-bearing loans of RMB8,255 million (31 December 2022: approximately RMB4,839 million) carried fixed and variable interest rates ranging from 2.5% to 5.85% (2022: 2.23% to 6.5%) per annum. Loans dominated in U.S. dollar and Hong Kong dollar as converted to denomination in Renminbi of approximately RMB826 million carried fixed and variable interest rates ranging from 2.88% to 6.94%. The Company will closely monitor the changes in interest rate and currency exchange and assess the interest rate risk and currency 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 Reporting Period, 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 2023, the total assets of the Group were approximately RMB46,751 million, representing an increase of 16.48% as compared to approximately RMB40,136 million as at 31 December 2022. Among them, non-current assets increased by approximately 28.05% to approximately RMB17,411 million and current assets increased by approximately 10.55% to approximately RMB29,340 million. The major reason for the increase of non-current assets was due to the capital expenditure on production plants and equipment upgrade. The increase in current assets was mainly attributable to the increase in cash and cash equivalents and pledged/restricted bank deposits and account receivables.

Liabilities

As at 31 December 2023, the total liabilities of the Group were approximately RMB28,306 million, representing an increase of approximately 23.23% as compared to approximately RMB22,970 million as at 31 December 2022. Among them, non-current liabilities increased by approximately 93.37% to approximately RMB5,020 million, mainly due to the increase in long-term interest-bearing borrowings of RMB1,200 million and redemption liabilities on ordinary shares of a subsidiary of RMB1,000 million; current liabilities increased by approximately 14.30% to approximately RMB23,286 million, mainly due to the increase in contract liabilities and short-term borrowings.

Analysis by Key Financial KPIs

Profitability:

	2023	2022
Return on equity	**10.31%**	12.78%
Gross profit margin	**7.11%**	8.56%
– Sales of batteries and battery related sales	**12.75%**	15.11%
– Trading	**-0.21%**	0.14%
Net profit margin	**2.19%**	2.79%

Due to the decline in gross profit margin of Li-ion batteries in 2023, the overall gross profit margin has declined compared to 2022.

Liquidity:

	2023	2022
Current ratio	**1.26**	1.30
Quick ratio	**0.97**	0.97

Both the ratios above in 2023 decreased when compared with those in 2022, mainly due to less increment of current assets as compared to that of the current liabilities.

Operating Cycle:

	2023	2022
Inventory turnover days	**32**	30
Account receivables turnover days	**7**	8
Account payables turnover days	**12**	15
Bills and account receivables turnover days	**12**	12
Bills and account payables turnover days	**41**	40

The inventory turnover days increased by 2 days to 32 days in 2023 due to the increase in production capacity and inventory in 2022. Account receivables turnover days decreased by 1 day from 2022 to 7 days in 2023 due to the improved management of account receivables. Account payables turnover days for 2023 decreased by 3 days to 12 days mainly due to the fact that the increase in account payables was less than the increase in the total procurement amount. Bills and account receivables turnover days remained the same as compared to 2022. Bills and account payables turnover days increased by 1 day to 41 days due to the fact that the increase in account payables was more than the increase in the total procurement amount.

Capital:

	2023	2022
Net debt ratio	**-2.03%**	-11.00%
Interest coverage ratio (Note)	**8.11**	11.30

Note: EBITDA divided by total interest expenses

As the interest-bearing debt ("**Debt**") and the cash and cash equivalents and pledged/restricted bank deposits as at 31 December 2023 were RMB9,081 million and RMB9,456 million, respectively. The cash and cash equivalents and pledged/restricted bank deposits exceed Debt by RMB375 million. There was adequate total capital during the Reporting Period. The interest coverage ratio is 8.11 times, and the ability to make interest payments still remain strong.

Return of Shareholders:

	2023	2022
Earning per share (Basic) (RMB)	**1.62**	1.60
Dividend per share (HK cents/share)	**43** (Note)	40

Note: representing the dividend proposed by the Company's board of directors (the "**Board**") for 2023, which is subject to approval at the forthcoming annual general meeting.

Capital Expenditure

The capital expenditure in 2023 was approximately RMB3,722 million (2022: approximately RMB3,029 million). A majority of the expenditure was incurred in the lithium-ion battery segments, lead-carbon ESS construction, lead-acid intelligent manufacturing and enhancement segments, and construction investment in the forthcoming 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 2023 was approximately RMB2,753 million (31 December 2022: approximately RMB2,934 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 2023 was approximately 19.42% (31 December 2022: approximately 15.47%).

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 policies 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 Reporting Period, the Group has entered into certain foreign currency forward contracts and closely monitored the movement of foreign currency rates. 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 2023 (31 December 2022: Nil).

Pledge of Assets

As at 31 December 2023, 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 RMB7,932 million (31 December 2022: RMB7,851 million).

Employee and Remuneration Policies

As at 31 December 2023, the Group employed a total of 25,776 employees (31 December 2022: 26,971 employees). Staff costs excluding directors' emoluments of the Group for the Reporting Period amounted to approximately RMB3,280 million (2022: RMB3,272 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 the 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.

Please refer to the paragraphs headed "Emolument Policy" in the "Directors' Report" section of this annual report for the mechanism for determining the emolument payable to the Directors.

Significant Investments Held

There were no other significant investments held by the Group as at 31 December 2023.

Financial assets at fair value through profit or loss

As at 31 December 2023, the Group's financial assets at fair value through profit or loss mainly included unlisted financial products purchased from commercial banks. The following table summarizes the Group's financial assets at fair value through profit or loss as at 31 December 2023:

Issuer	Product Category	Principal activities	Investment cost/ nominal value (RMB'000)	Fair value as at 31 December 2023 (RMB'000)	Interest/dividend received (RMB'000)	Percentage of total assets of the Company as at 31 December 2023
Industrial Bank Co., Ltd.	Raised wealth management product	Banking services	20,000.00	20,000.00	–	0.04%
Bank of China	Structured deposit	Banking services	200,000.00	200,000.00	–	0.43%
Standard Chartered Bank (Hong Kong) Limited	Locked exchange	Banking services	–	1,470.00	–	0.00%
Galaxy Futures Co. CITICS Futures Co., Ltd.	Futures	Futures and derivatives	–	5,667.65	–	0.01%
Pengda Futures Broker Co., Ltd.	Futures	Futures and derivatives	–	59.13	–	0.00%
Jinrui Futures Company Limited*	Futures	Futures and derivatives	–	571.75	–	0.00%
Zhongtai Futures Company Limited	Futures	Futures and derivatives	–	-254.33	–	0.00%
Listed company	Equity securities listed in China		41,179.33	41,294.44	905.38	0.09%
Listed company	Equity securities listed in Hong Kong		46,923.88	49,020.46	–	0.11%
Changxing Meishan Fumei Equity Investment Partnership (Limited Partnership)*	Equity investments	Equity investments	3,000.00	3,000.00	–	0.01%

* *For identification only*

Material Acquisition and Disposal

During the Reporting Period, on 5 May 2023, a Capital Increase Agreement and a Shareholder Agreement were entered into by Zhejiang Tianneng New Materials Co., Ltd. 浙江天能新材料有限公司 ("**Tianneng New Materials**", an indirect non-wholly owned subsidiary of the Company), 15 outside investors who are independent third parties and 3 investors who are controlled by the Company (collectively, the "Investors"), Tianneng Holding Group Co., Ltd. 天能控股集團有限公司 ("**Tianneng Holding**", an indirect wholly-owned subsidiary of the Company), Zhejiang Tianneng Commercial Management Co., Ltd. 浙江天能商業管理有限公司 ("**Tianneng Commercial**", an indirect wholly-owned subsidiary of the Company) and Tianchang Holding Co., Ltd. 天暢控股有限公司. Pursuant to the Capital Increase Agreement, the Investors agreed to subscribe to the new registered capital of Tianneng New Materials in the amount of RMB39,216,000 (representing approximately 28.57% of the registered capital of Tianneng New Materials as enlarged by the capital increase) with a cash consideration of RMB1,000,000,000. Tianneng New Materials has received all the cash consideration in September 2023.

Save as disclosed above, the Group has no material acquisition or disposal of subsidiaries, associates and joint ventures during the Reporting Period.

Purchase, Sale or Redemption of the Company's Listed Shares

Please refer to the paragraph headed "Share Capital and Issue of Securities" as set out in the "Directors' Report" section of this annual report for the purchase, sale and redemption of the Company's shares in this year.

Principal Risks and Uncertainties

Many economic experts closely monitor whether the global and Chinese economy growth will slow down in the coming years. The Group's traditional business such as the sale of e-bike battery may be under uncertainties if the consumer market downturn exists. It is the reason that the Group started industry chain transformation and upgrade a few years ago, aiming to diversify the risk of over reliance on any single business segment.

In the past few years, labour cost in China continuously increased and the production-oriented entities in China were facing increasing pressure of higher production cost. The Group will make use of more resources in establishing production automation system in order to reduce manpower needed per production unit. At the same time, the employee incentive scheme will be used as the other way to improve manpower efficiency.

Please refer to notes 4 and 42 to the consolidated financial statements for other risks and uncertainties.

Future Development

For the Group's future plans and development, please refer to the paragraph headed "Outlook" in the "Management Discussion and Analysis" section of this annual report.

Proposed Final Dividend

The Board has proposed the payment of a final dividend of HK$43 cents per share (2022: HK$40 cents per share). The financial statements do not reflect the dividend payable. The proposed final dividend is subject to approval by the Company's shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 7 June 2024. If the resolution for the proposed final dividend is passed at the annual general meeting, the proposed final dividend is expected to be paid on or before Monday, 8 July 2024.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 4 June 2024 to Friday, 7 June 2024 (both days inclusive), during which period no transfer of 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 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong, no later than 4:30 p.m. on Monday, 3 June 2024.

Further, the register of members of the Company will be closed from Monday, 17 June 2024 to Tuesday, 18 June 2024 (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 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong not later than 4:30 p.m. on Friday, 14 June 2024. Subject to the approval of the shareholders at the annual general meeting of the Company to be held on Friday, 7 June 2024, the proposed final dividend is expected to be paid on or before Monday, 8 July 2024.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. ZHANG Tianren
張天任博士

Aged 61, is the chairman (the "**Chairman**") of the board of directors (the "**Board**"), president and founder of the Group. He is also a chairman of the nomination committee of the Company (the "**Nomination Committee**"). Dr. ZHANG is responsible for our overall management and formulation of the business strategies. Dr. ZHANG graduated from Zhejiang University with a master degree of management, and was an honorary doctorate of the International American University (美國加州國際大學) and a visiting professor of the Zhejiang Sci-tech University. Dr. ZHANG has 38 years of experience in technological R&D and management of rechargeable battery industry in China. Dr. ZHANG was the factory manager of Zhejiang Changxing Storage Battery Factory during the period between 1989 and 2002, and has been the chairman and the general manager of Zhejiang Tianneng Battery Co., Ltd. ("**Tianneng Battery**") since 2003. Dr. ZHANG is currently the chairman of Tianneng Battery Group Co., Ltd.* ("**Tianneng Share**"), which is a listed company on the Science and Technology Innovation Board of the Shanghai Stock Exchange.

In addition to his key position in the Group, Dr. ZHANG was also a member of the 12th, 13th and 14th National People's Congress, an executive committee member of All-China Federation of Industry and Commerce and vice chairman of Zhejiang Federation of Industry and Commerce. Besides, he was a vice president of China Electrical Equipment Industry Association, vice council chairman of China Battery Industry Association, a member of China EV100, vice president of the National Technology and Equipment Industry Association (全國工商聯科技裝備業商會副會長), president of Battery Industry Association of Zhejiang Province and etc.

Dr. ZHANG was awarded as one of the World Outstanding Chinese at 11th World Outstanding Chinese Award, 1st New Technological Merchants in Zhejiang, 2009 Outstanding Zhejiang Merchants, Top Ten Influential Persons of the PRC Electric Appliance Industry 2009, the Person of the Year in the Chinese Market Economy Award 2011, 2012 Bauhinia Cup Outstanding Entrepreneur, the 2012 Ernst & Young Entrepreneur of the Year, 2014 Honorary Zhejiang Merchant and Distinguished Zhejiang Merchant (二零一四年光榮浙商、傑出浙商), 8th Outstanding Entrepreneur of China and 2016 Global New Energy Business Leader. Dr. ZHANG is the younger brother of Mr. ZHANG Aogen.

Mr. ZHANG Aogen
張敖根先生

Aged 66, is the executive Director and vice-president of the Group. He is also a member of the remuneration committee of the Company (the "**Remuneration Committee**"). Mr. ZHANG is responsible for our foreign trade and overseas investment functions. He joined Zhejiang Changxing Storage Battery Factory as a deputy factory manager in 1988 and was appointed as a deputy general manager of Tianneng Battery in 2003. Mr. ZHANG attended the seminar of business management for senior president in Zhejiang University from September 2007 to December 2008. Mr. ZHANG is currently a director of Tianneng Share, which is a listed company on the Science and Technology Innovation Board of the Shanghai Stock Exchange. Mr. ZHANG is a senior economist and has experience in sales management, procurement management as well as trade and investment. Mr. ZHANG is also an elder brother of Dr. ZHANG Tianren, chairman of the Board.

Mr. SHI Borong
史伯榮先生

Aged 70, is the executive Director and vice president of the Group. Mr. SHI joined Zhejiang Changxing Storage Battery Factory in 1989 and was promoted as deputy factory manager of Zhejiang Changxing Storage Battery Factory in 1990. He acted as deputy general manager of Tianneng Battery in 2003 and was appointed as the standing deputy general manager of Tianneng Battery in 2010. In September 2013, Mr. SHI was appointed as the chairman of Tianneng Battery (Anhui) Co., Ltd. and Anhui Zhongneng Power Supply Co., Ltd. Mr. SHI attended the seminar of business management for senior president in Zhejiang University from August 2007 to September 2008. Mr. SHI is a senior economist and has 34 years of management experience in rechargeable battery enterprises.

Mr. ZHANG Kaihong
張開紅先生

Aged 66, is the executive Director, vice president and the chief expert of technical center of the Group. Mr. ZHANG joined Zhejiang Changxing Storage Battery Factory in 1988 and acted as deputy factory manager of Zhejiang Changxing Storage Battery Factory in 1992. Mr. ZHANG was also appointed as deputy general manager of Tianneng Battery in 2003 and as general manager of Tianneng Battery (Wuhu) Co., Ltd. ("**Tianneng Wuhu**") in 2006. From February 2014, Mr. ZHANG was appointed as a vice-president of national level technology centre of the Group. Mr. ZHANG attended the seminar of business management for senior president in Zhejiang University from August 2007 to September 2008. Mr. ZHANG is a senior engineer with 37 years of experience in research and development, quality control and corporate management of rechargeable battery products.

Mr. ZHOU Jianzhong
周建中先生

Aged 53, is the executive Director and vice president of the Group. Mr. ZHOU is responsible for promoting the development of strategic and emerging industries of the Group as well as assisting the president in operations and management. Mr. ZHOU joined the Group in 1996 and has been the head of market management section of Tianneng Battery, standing deputy general manager of Zhejiang Changxing Tianneng Power Supply Co., Ltd. ("**Tianneng Power Supply**")), standing deputy general manager of Tianneng Battery, standing deputy general manager of Zhejiang Tianneng Energy Technology Co., Ltd. ("**Tianneng Energy Technology**"), general manager of Zhejiang Tianneng Power Energy Limited ("**Tianneng Power Energy**") and general manager of Zhejiang Tianneng Electrical Resources Limited ("**Tianneng Electrical Resources**"). He was appointed as vice-president of the Group in 2011. Mr. ZHOU attended the seminar of business management for senior president in Zhejiang University from September 2007 to December 2008, and attended the training program for general managers in China Europe International Business School from July 2017 to March 2018. Mr. ZHOU is currently a director of Tianneng Share, which is a listed company on the Science and Technology Innovation Board of the Shanghai Stock Exchange. He is a senior economist with 29 years of experience in the sales and management of rechargeable batteries and corporate management.

Independent Non-Executive Directors

Mr. HUANG Dongliang
黃董良先生

Aged 68, was appointed as an independent non-executive Director in February 2007. He is also the chairman of the audit committee of the Company (the "**Audit Committee**") and a member of each of the Remuneration Committee and the Nomination Committee. Mr. HUANG graduated from Zhongnan Finance University in 1988 with a bachelor degree majored in economics. Mr. HUANG obtained the qualifications of professor, senior accountant and registered tax agent in China. Mr. HUANG is a certified public accountant registered under the Chinese Institute of Certified Public Accountants. Mr. HUANG was an independent director of Zhejiang Medicine Co., Ltd. (浙江醫藥股份有限公司) which is a listed company on Shanghai Stock Exchange (Stock code: 600216.SH), until his retirement in June 2021. Mr. HUANG was an independent director of Lander Sports Development Co., Ltd. (萊茵達體育發展股份有限公司), which is a listed company on Shenzhen Stock Exchange in China (Stock code: 000558), until his retirement in May 2018.

Mr. ZHANG Yong
張湧先生

Aged 48, was appointed as an independent non-executive Director in August 2018. He is also a member of the Audit Committee. Mr. ZHANG graduated from Fudan University, majoring in international finance and obtained a doctoral degree in economics. Mr. ZHANG is currently the deputy director of Shanghai Institution for Finance & Development, a researcher of the Comprehensive Research Institute of Shanghai Free Trade Zone of Fudan University (復旦大學上海自貿區綜合研究院), a part-time professor of Nanjing University, a part-time tutor for postgraduate students of Shanghai University of Finance and Economics and a visiting professor of Shanghai Lixin University of Accounting and Finance (上海立信會計金融學院). He has been an independent director of Haima Automobile Co., ltd. which a listed company on the Main Board of the Shenzhen Stock Exchange (Stock code: 000572.SZ) since May 2021. He has been an independent director of Shanghai Taihe Water Technology Development Co., Ltd. which is a listed company on the Main Board of the Shanghai Stock Exchange (Stock code: 605081.SH) since April 2021. He has been an independent director of Shanghai Lingang Holdings CO.,LTD. which is a listed company on the Main Board of the Shanghai Stock Exchange (Stock code: 600848.SH) since September 2021. He has been an independent director of Tengda Construction Group Co.,Ltd. which is a listed company on the Main Board of the Shanghai Stock Exchange (stock code: 600512.SH, since November 2022.

Mr. XIAO Gang
肖鋼先生

Aged 62, was appointed as an independent non-executive Director in March 2022. He is also a chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. XIAO graduated from the Department of Chemistry of Danmarks Tekniske Universitet (丹麥技術大學) and the winner of the Chinese Government Friendship Award (中國政府友誼獎). He was accredited as a National Distinguished Expert (國家特聘專家), a fellow of The Royal Society of Chemistry (英國皇家化學會) and an expert of the China Council for International Investment Promotion (中國國際投資促進會).

Senior Management

Mr. ZHAO Haimin
趙海敏先生

Aged 59, is the vice-president of the Group. Mr. ZHAO is responsible for managing the research centre as well as the information technology commission of the Group. Mr. ZHAO joined us in 2004 as an assistant to the general manager and deputy general manager, etc. of Tianneng Battery. Mr. ZHAO was responsible for after-sales services, human resources and sales management of the Group, during which he organized and implemented the first tracking system of laser printing for quality and aftersale informationalization and the introduction of overseas high-end talents under the national "Thousand Talents Program" (國家千人) in respect of the field of new energy. Mr. ZHAO graduated from Bengbu Industrial Technology Institute (蚌埠工業技術學校), majoring in textile. Later, he attended a vocational school and a university for corporate management and was enrolled in the MBA programme in China University of Geosciences in 2009. Mr. ZHAO is a professorate senior engineer. He has extensive knowledge in non-woven fabrics and battery separators. Prior to joining us, Mr. ZHAO was an assistant to the general manager in Huzhou KINGSAFE Group Co., Ltd. (湖州金三發集團) and was responsible for the management of technology, production and sales.

Ms. WANG Jing
王靜女士

Aged 60, is our financial controller. Ms. WANG is responsible for the financial management of the Group. She joined the Group in 2004 as the manager of financial department of Tianneng Battery and was appointed as our financial controller in 2009. She has more than 41 years of financial management experience. Ms. WANG graduated from Hangzhou Institute of Electrical Engineering in Industrial Accounting in July 1988 and attended the advanced seminar of modern management (CFO) in Zhejiang Institute of Finance & Economics from June 2008 to June 2009. Prior to joining us, Ms. WANG worked in Zhejiang Leomax Cement Company Limited (浙江三獅水泥股份有限公司), Huzhou Kingsafe Group (湖州金三發集團) and Huzhou Tianheng United CPA Firm (湖州天衡聯合會計師事務所) and was responsible for the financial management and audit.

Ms. HUI Wai Man, Shirley
許惠敏女士

Aged 56, is the company secretary of the Company (the "**Company Secretary**"). Ms. HUI is responsible for the company secretarial affairs of the Group. She joined the Group in September 2009. She is a certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) as well as a fellow member of the Hong Kong Chartered Governance institute (formerly known as the Hong Kong Institute of Chartered Secretaries). She is a member of the Society of Chinese Accountants and Managements and the Hong Kong Securities Institute. Ms. HUI has over 34 years of professional experience in public accounting and corporate financing.

CORPORATE GOVERNANCE REPORT

The Company is committed to ensuring high standards of corporate governance. The Board of Directors of the Company (the "**Board**") believes that good corporate governance practices are increasingly important for maintaining and promoting investors' confidence.

Corporate Governance Code

The Company has adopted and met the provisions of Part 2 of the Corporate Governance Code (the "**Code**") as contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") that is applicable to the corporate governance report for the Reporting Period, except for the code provision C.2.1 in Part 2 of the Code as set out below.

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.

Board of Directors

Composition

During the year ended 31 December 2023 and up to the date of this report, the Board comprised eight members. Dr. Zhang Tianren is an executive Director, the Chairman and CEO of the Company. Mr. Zhang Aogen, Mr. Zhang Kaihong, Mr. Shi Borong and Mr. Zhou Jianzhong are the executive Directors of the Company while Mr. Huang Dongliang, Mr. Zhang Yong and Mr. Xiao Gang are the independent non-executive Directors of the Company. In compliance with Rule 3.10 of the Listing Rules, the Company had three independent non-executive Directors, one of them, namely Mr. Huang Dongliang has appropriate professional accounting experience and expertise.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 33 to 36 of this annual report.

Each independent non-executive Director has confirmed that he is independent of the Company and the Company also considers each of them to be independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Apart from Mr. Zhang Aogen being an elder brother of Dr. Zhang Tianren, the Chairman of the Board, there is no other relationship (including financial, business, family or other material relationship) among members of the Board. All of them are able to make free and independent judgment.

The Board has established mechanisms to ensure that independent views are available to the Board, including providing the Directors with sufficient resources to perform their duties, and Directors shall seek, at the Company's expense, independent professional advice to perform their responsibilities if necessary.

The Board shall at all times comprise at least three independent non-executive Directors that represent at least one-third of the Board, such that there is always a strong element of independence on the Board which can effectively exercise independent judgement.

All the Directors, including the independent non-executive Directors, are given equal opportunity and channels to communicate and express their views to the Board and have separate and independent access to the management of the Group in order to make informed decisions. The Chairman of the Board will hold meetings with the independent non-executive Directors without the involvement of other Directors at least annually to discuss any issues and concerns.

If any Director or his/her associate has a conflict of interest in a matter to be considered by the Board and the Board has determined that such conflict of interest to be material, such matter will be dealt with by a physical Board meeting rather than by written resolutions. Such Director will be required to declare his/her interests before the meeting and abstain from voting on the relevant resolutions.

The Board has reviewed and considered that the mechanisms have been duly implemented and are effective in ensuring that independent views and input are available to the Board during the year ended 31 December 2023.

Function

The Board, led by the Chairman, is responsible for formulation and approval of the Group's development, business strategies and policies, approval of business plans, recommendation of dividend and supervision of management. While the management of the Company was given sufficient autonomy by the Board to handle the daily ordinary course of administration and management, when the Board delegates aspects of its management and administration functions to the management, it has given clear directions as to the powers of the management, in particular, with respect to the circumstances where the management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

There is a formal schedule of matters specifically reserved to and delegated by the Board. The Board had given clear directions to the management of the Company that certain matters (including the following) must be reserved to the Board:

– Publication of final, interim and quarterly results (if any) of the Company;

– Dividend distribution or other distributions;

– Treasury policy, accounting policy and remuneration policy;

– Review on internal control system and risk management;

– Changes to major corporate structure of the Group or Board composition requiring notification by announcement;

– Notifiable transaction and non-exempted connected transaction/continuing connected transaction;

– Proposed transaction requiring Shareholders' approval;

– Capital re-structuring and issue of new securities;

– Joint-venture with third party involving capital commitment from the Group of over 5% in the relevant size test of the Company; and

– Financial assistance to the Directors.

In addition, the Board carries out the function of reviewing the corporate governance practice and disclosure system as follows:

– Review the Company's policies and practices on corporate governance;

– Review and monitor the training and continuous professional development of Directors and senior management;

– Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

– Review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

– Review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

The Company held five Board meetings and three general meetings during the year ended 31 December 2023. The attendance of individual Directors at these meetings was as follows:

Name	Attendance of Board meetings in person	Attendance of general meetings in person
Executive Directors		
Dr. Zhang Tianren	5	3/3
Mr. Zhang Aogen	5	3/3
Mr. Zhang Kaihong	5	3/3
Mr. Shi Borong	5	3/3
Mr. Zhou Jianzhong	5	3/3
Independent Non-executive Directors:		
Mr. Huang Dongliang	5	3/3
Mr. Zhang Yong	5	3/3
Mr. Xiao Gang	5	3/3

The term of appointment (renewable) of the independent non-executive Directors is as follows:

Mr. Huang Dongliang	11 June 2023 to 10 June 2024
Mr. Zhang Yong	8 August 2023 to 7 August 2024
Mr. Xiao Gang	15 March 2023 to 14 March 2024

The Company has taken out appropriate insurance coverage for the Directors in respect of legal actions taken against Directors and officers of the Group. The Board reviews the extent of the insurance coverage every year.

Responsibilities

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and the Shareholders. Their responsibilities include:

– holding regular Board meetings focusing on business strategy, operational issues and financial performance;

– monitoring the quality, timeliness, relevance and reliability of internal and external reporting;

– monitoring and managing the potential conflicts of interest of management, Board members and Shareholders, including misuse of corporate assets and abuse in connected transactions; and

– ensuring readily available processes are in place to maintain the overall integrity of the Company, including financial statements and internal control systems.

Diversity

With a view to achieve a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives and measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. According to Rule 13.92 of the Listing Rules, the above Board diversity policy of the Company has been approved by the Board and adopted by the Nomination Committee (as defined below) on 30 August 2013 and amended with effect from 1 January 2019. The Group's diversity policy is in compliance with the Listing Rules.

The nomination committee of the Company (the "**Nomination Committee**") holds meeting at least once a year to review the diversity of the Board, discusses the measurable objectives, including gender, knowledge, appropriate professional qualifications, relevant business background and experience, skills, relevant management expertise, independence of Directors, etc. and gives recommendation to the Board. During the Year, the Nomination Committee took the view that the measurable objectives were achieved to a large extent. It paid particular attention to the cultural and educational background, professional and technical experience, and skills of the members of Board and also reviewed the composition of executive Directors and independent non-executive Directors so as to ensure appropriate independence within the Board.

The Board aims to appoint at least one female director by December 31, 2024, in order to achieve gender diversity in the composition of the Board. The Board targets to continue to maintain at least one female representation on the Board. The Company will ensure that sufficient resources are available for providing appropriate trainings and career development to develop a pipeline of potential successors to the Board and maintain gender diversity.

To achieve diversity at workforce level, the Group has put in place appropriate recruitment and selection practices such that a diverse range of candidates are considered and ensure that gender diversity is taken into account when recruiting staff members of mid to senior level. The Group has also established talent management and training programs to provide career development guidance and promotion opportunities to develop a broad and diverse pool of skilled and experienced employees. During the year under review, the Board was not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

Details on the gender ratio of the Group together with relevant data can be found in the 2023 Environmental, Social and Governance Report of the Company.

Directors' Training

Pursuant to Provision C.1.4 of Part 2 of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors have been given relevant guidance materials to ensure that they are apprised of the latest changes in the commercial, legal and regulatory requirements in relation to the Company's businesses, and to refresh their knowledge and skills on the roles, functions and duties of a director of a listed company.

For the period from 1 January 2023 to 31 December 2023, all Directors provided their records of training to the Company. All Directors, namely Dr. Zhang Tianren, Mr. Zhang Aogen, Mr. Zhang Kaihong, Mr. Shi Borong, Mr. Zhou Jianzhong, Mr. Huang Dongliang, Mr. Zhang Yong and Mr. Xiao Gang, participated in continuous professional development mainly by reading various materials regarding directors' responsibilities, prevention of breaching the Listing Rules and disclosure of inside information, etc.

Company Secretary's Training

Pursuant to Rule 3.29 of the Listing Rules, the Company Secretary must take no less than 15 hours of relevant professional training in each financial year. The Company Secretary provided her training records to the Company indicating that she had taken more than 15 hours of relevant professional development by means of attending in-house briefings and seminars and reading relevant guidance materials.

Shareholders' Rights

Set out below is a summary of certain rights of the Shareholders as required to be disclosed pursuant to the Code.

Convening an extraordinary general meeting and procedures for putting forward proposals by Shareholders at general meeting

Each general meeting other than an annual general meeting shall be called an extraordinary general meeting. General meetings may be held in any part of the world as may be determined by the Board.

According to article 58 of the Company's amended and restated articles of association adopted on 8 June 2023 (the "**Amended and Restated Articles of Association**"), any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the principal meeting place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Any requisition to convene an extraordinary general meeting or proposal to be put forward at the general meeting can be addressed to the principal place of business of the Company in Hong Kong marked with the attention of the Company Secretary. The requisitionists must state in their request(s) the objects of the extraordinary general meeting to be convened, and such request must be signed by all the requisitionists. Upon receipt, the Company will verify the requisitionists' particulars and if the request is in order, the Company will convene the extraordinary general meeting in accordance with its Amended and Restated Articles of Association.

Enquiries from Shareholders to the Board

In order to ensure effective communication between the Shareholders and the Board, the Company adopted the Shareholders communication procedures on 24 February 2012. According to the Shareholders communication procedures, the Board should be responsible for maintaining an on-going dialogue with the Shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation. The Chairman of the Board should attend the annual general meetings. He should also invite the independent non-executive Directors, chairman of each of the audit committee and remuneration committee of the Company and the Nomination Committee and any other committees (as appropriate) to attend the annual general meetings. In their absence, the chairman should invite another member of the committees or failing this, his duly appointed delegate, to attend the annual general meetings. These persons should be available to answer questions at the annual general meetings.

The chairman of each independent Board committee (if any) should also be available to answer questions at any general meetings to approve a connected transaction or any other transaction that requires independent Shareholders' approval.

Shareholders and investors are welcome to visit the Company's website and raise enquiries through the Investor Relations Department of the Company and/or the Company's public relations representative (Porda Havas International Finance Communications (Group) Holdings Company Limited) whose contact details are available on the website.

Remuneration Committee

The Company has established a remuneration committee (the "**Remuneration Committee**") with specific terms of reference which deal clearly with its duties and responsibilities. The Remuneration Committee comprises one executive Director, namely Mr. Zhang Aogen and two independent non-executive Directors, namely Mr, Huang Dongliang and Mr. Xiao Gang and is currently by chaired by Mr. Xiao Gang.

The terms of reference of the Remuneration Committee which were amended and adopted by the Board on 20 December 2022 follow the guidelines set out in the Code and it is mainly responsible for making recommendations to the Board on the Company's policy for the remuneration of Directors and senior management. The Remuneration Committee also makes recommendations to the Board on the remuneration packages of the Directors and senior management.

The Remuneration Committee shall meet at least once a year. One committee meeting was held in 2023 to assess the performance of Directors and review and approve the remuneration of the Directors. The attendance of each member is set out as follows:

Name	Meeting held	Meeting attended in person
Mr. Huang Dongliang	1	1
Mr. Zhang Aogen	1	1
Mr. Xiao Gang *(Chairman)*	1	1

During the Remuneration Committee meeting, proposal for adjustment of the remuneration package for Directors and senior management (the "**Proposal**") was reviewed and approved by the Remuneration Committee and the Proposal was proposed to the Board for approval and approved by the Board.

Nomination Committee

The Company has established the Nomination Committee with specific terms of reference which deal clearly with its duties and responsibilities. The Nomination Committee comprises one executive Director, namely Dr. Zhang Tianren and two independent non-executive Directors, namely Mr. Huang Dongliang and Mr. Xiao Geng and is currently by chaired by Dr. Zhang Tianren.

The terms of reference of the Nomination Committee have been determined with reference to the Code. The Nomination Committee is responsible for identifying potential new Directors and recommending to the Board for consideration. A Director appointed by the Board is subject to re-election by the Shareholders at the first annual general meeting after his/her appointment. Under the Company's Amended and Restated Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at an annual general meeting at least once every three years.

Appointment and Re-election of Directors

The Board has established and adopted a written nomination policy (the "**Nomination Policy**") specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company.

Selection criteria

The Nomination Committee shall, based on those criteria as set out in the Nomination Policy (such as reputation for integrity, qualifications and experience, time commitment and contribution to diversity of the Board according to the Board diversity policy, etc.), identify and recommend the proposed candidate to the Board for approval of an appointment. In the case of re-appointment of Director, the Nomination Committee would take into account factors such as contribution, attendance in meetings and level of participation from the retiring Directors. Where the candidate is appointed for the position of independent non-executive Director, the Nomination Committee will also assess his/her independence with reference to the requirements set out in the Listing Rules.

Nomination procedures

In appointing a new Director, the Nomination Committee and/or the Board will first call a meeting of the Nomination Committee and invite nominations of candidates from Board members for its consideration prior to the meeting. The Nomination Committee may also put forward candidates who are not nominated by the Board. The Nomination Committee shall then make recommendations for the Board's consideration and approval. The information, including biography, independence (for nomination of non-executive or independent non-executive Directors only), proposed remuneration and other information as required under the applicable laws and regulations will be included in the circular to Shareholders (if applicable). A Shareholder may also serve to the principal place of business of the Company in Hong Kong a notice in writing for its intention to propose a resolution to elect a certain candidate as Director and a notice by the nominated person of his/her willingness to be elected according to the articles of association, without the Board's recommendation or nomination of the Nomination Committee other than those candidates as set out in the circular (if applicable). The Board shall then consider and have the final decision on all matters relating to whether to have the recommended candidates to stand for election at a general meeting. The Nomination Committee shall ensure the transparency and fairness of the selection procedure.

New Directors, on appointment, will be given an induction package containing all key legal and Listing Rules' requirements as well as guidelines on the responsibilities and obligations to be observed by a Director. The package will also include the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board. The senior management will subsequently conduct such briefing as is necessary to give the new Directors more detailed information on the Group's operations, business and activities.

According to article 87 of the Amended and Restated Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected as Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to article 86(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election.

According to code provision B.2.2 of Part 2 of the Code, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Potential new Directors are selected on the basis of their qualification, skills and experience which the Nomination Committee considers will make a positive contribution to the performance of the Board.

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

a. Reputation for integrity;

b. Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

c. Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;

d. Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; and

e. Such other perspectives appropriate to the Company's business.

These factors are for reference only, and are not meant to be exhaustive and decisive. The Nomination Committee may consider other factors so as to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

The Nomination Committee shall meet at least once a year. One committee meeting was held in 2023 to review the composition of the Board, consider the independence of the independent non-executive Directors and the retirement of Directors. The attendance of each member is set out as follows:

Name	Meeting held	Meeting attended in person
Dr. Zhang Tianren *(Chairman)*	1	1
Mr. Huang Dongliang	1	1
Mr. Xiao Gang	1	1

Remuneration of the Senior Management

The remuneration of the senior management of our Group for the year ended 31 December 2023 falls within the following band:

	Number of People
Nil to RMB1,000,000	4

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix C3 to the Listing Rules. Having made specific enquiry, all Directors of the Company have complied with the required standard set out in the Model Code throughout the year ended 31 December 2023.

Audit Committee

The Company has established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules. The Audit Committee comprises the three independent non-executive Director (Messrs. Huang Dongliang, Zhang Yong and Xiao Gang) and is currently chaired by Mr. Huang Dongliang.

The primary duties of the Audit Committee (inter alia) are to review the financial reporting process and internal control system of the Group, and to make proposals to the Board as to appointment, renewal and resignation of the Company's independent external auditors and the related remuneration and appointment terms. The Audit Committee has reviewed the annual report with the management and the Company's independent external auditors and recommended its adoption by the Board.

The written terms of reference, which describe the authority and duties of the Audit Committee, are regularly reviewed to comply with provision D.3.3 of Part 2 of the Code. The Audit Committee held two meetings during the year ended 31 December 2023. The attendance of each member is set out as follows:

Name	Meetings held	Meetings attended in person
Mr. Huang Dongliang *(Chairman)*	2	2
Mr. Zhang Yong	2	2
Mr. Xiao Gang	2	2

The Audit Committee oversees the financial reporting process. In this process, the management of the Company is responsible for the preparation of the Group's financial statements including the selection of suitable accounting policies. Independent external auditors are responsible for auditing and attesting to the Group's financial statements and evaluating the Group's system of internal controls. The Audit Committee oversees the respective works of the management and the independent external auditors to monitor the processes and safeguards deployed by them. The Audit Committee reports to the Board on its findings after each of its meeting. With effect from 1 January 2022, the Audit Committee oversees the Group's risk management system.

The Audit Committee reviewed and discussed the Group's financial statements for the year ended 31 December 2023 with the management and independent external auditors. The Audit Committee also received reports and met with the independent external auditors to discuss the general scope of their audit work and their assessment of the Group's internal controls.

Based on these reviews, discussions and the report of the independent external auditors, the Audit Committee recommended for the Board's approval of the consolidated financial statements for the six months ended 30 June 2023 and the year ended 31 December 2023, with the Auditors' Report thereon.

The Audit Committee recommended to the Board that the Shareholders be asked to re-appoint Deloitte Touche Tohmatsu ("**Deloitte**") as the Group's independent external auditor for the year ending 31 December 2024.

Independent External Auditor

In 2022, ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA") has resigned as the auditor of the Group with effect from 5 July 2022 taking into account the availability of its internal resources for the audit services for the Group's financial year ending 31 December 2022.

The Board, with the recommendation from the Audit Committee, has resolved to appoint Deloitte Touche Tohmatsu ("**Deloitte**") as the new auditor of the Group with effect from 8 July 2022 to fill the casual vacancy following the resignation of ZHONGHUI ANDA. For further details regarding the change of auditor of the Group, please refer to the announcement of the Company dated 8 July 2022.

Deloitte has been re-appointed as the auditor of the Company at the annual general meeting held on 8 June 2023. A resolution for the re-appointment of Deloitte as the Company's auditor for the ensuing year is to be proposed at the forthcoming annual general meeting in 2024.

During the year ended 31 December 2023, the fees paid and payable to Deloitte in respect of audit and audit related services amounted to approximately RMB2.4600 million, while the fees paid and payable to Deloitte relating to non-audit services (provision of assistance in fulfilling Tianneng Power's country-by-country reporting obligations and issuing letters on the statement of sufficient working capital) amounted to approximately RMB1.0390 million.

Save as disclosed above, there were no other change in auditor of the Company during the past three years.

Internal Control and Risk Management

The Board is responsible for maintaining an adequate system of internal controls and risk management within the Group and reviewing their effectiveness at least annually, covering all material controls, including financial, operational and compliance controls as well as risk management functions of the year. The Board is committed to strengthening the Group's internal control system, and has established a series of internal control policies and procedures. The system of internal controls is designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. It is also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimize, rather than eliminate risks of failure in operation systems and failure to achieve business objectives. The Group also has an internal audit function.

The Group strictly follows the requirements of the SFO and the Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable. Before inside information is fully disclosed to the public, such information is kept strictly confidential. The Group has further enhanced the procedures with the establishment of a continuous disclosure policy and provided relevant training to all relevant staff of the Group. The Board considered that the procedures and measures in relation to the handling and dissemination of inside information to be effective and adequate.

The Company engaged an international professional management consultancy firm, BT Corporate Governance Limited ("**BTCG**"), to assess and evaluate the risk and effectiveness of its system of internal controls up to 31 December 2023. The Audit Committee members, together with the senior management, have reviewed, considered and discussed all findings and recommendations of the internal control review relating to the internal control system that operates within the Group, and the Audit Committee and the senior management are satisfied that the internal control system of the Group is sound and adequate. Pursuant to the system improvement recommendations made by BTCG, the Group will continue to improve its internal management and control systems.

The Board has also conducted an annual review on the effectiveness of the accounting and financial reporting function of the Company and takes the view that the Company possesses adequate resources and its staff are equipped with suitable qualifications and experience in this regard.

Completing the review this year, the Board considers that its risk management and internal control systems are effective and adequate. Going forward, the Company will conduct regular reviews of the Company's internal control and risk management systems and their effectiveness to ensure that the interest of the Shareholders is safeguarded.

Going Concern

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

Communication with Shareholders

The objective of Shareholder communication is to provide the Shareholders with detailed information about the Company so that they can exercise their rights as the Shareholders in an informed manner. The Company uses a range of communication tools to ensure the Shareholders are kept well informed. These include general meeting, annual report, various notices, announcements and circulars. Procedure for demanding voting by poll has been included in all circulars accompanying notice convening general meeting and the detailed procedures for conducting a poll has been read out by the Chairman at general meeting. The general meeting provides the Shareholders with a useful forum and encourages the Shareholders to attend the general meetings of the Company to raise comments and exchange views with the Board. The Chairman, Directors and independent external auditor, where appropriate, are available to answer questions at the meeting. The Board considers that the Company's communication with the Shareholders is effective during the year under review.

Directors' Responsibility in Preparing the Financial Statements

The Directors acknowledge that it is their responsibilities to prepare the financial statements. The responsibilities of the independent external auditor with respect to financial reporting are set out in the Independent Auditor's Report on page 69 to page 72.

Constitutional Documents

In March 2023, the Board proposed to make certain amendments (the "**Proposed Amendments**") to the existing memorandum of association and articles of association of the Company (the "**Existing Memorandum and Articles**"), primarily to (i) provide more flexibility in relation to the conduct of general meetings of the Company by allowing general meetings to be held at different physical locations simultaneously, or to be held as hybrid meetings or electronic meetings which may be attended by the Shareholders by means of electronic facilities; (ii) reflect the latest amendments to the Listing Rules, particularly Appendix 3 to the Listing Rules concerning the core shareholder protection standards which came into effect on 1 January 2022 and to bring the Existing Memorandum and Articles up-todate with the applicable laws of the Cayman Islands; and (iii) incorporate other consequential and housekeeping amendments which are in line with the above amendments. Following the Shareholders' approval of the Proposed Amendments by way of special resolution at the 2023 AGM held on 8 June 2023, the Company has adopted the amended and restated memorandum of association of the Company (the "**New Memorandum**") and Amended and Restated Articles of Association (the "Amended and Restated Articles of Association, together with the New Memorandum, collectively the "**New Memorandum and Articles**") with effect from 8 June 2023. The latest version of the New Memorandum and Articles is available on the websites of the Company and the Stock Exchange.

DIRECTORS' REPORT

The Directors present the annual report and the audited consolidated financial statements for the year ended 31 December 2023.

Principal Activities

The Company acts as an investment holding company and provides corporate management services. The Group is principally engaged in the production of motive batteries in China. The activities of the principal subsidiaries are shown in note 46 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 73. The Directors propose to declare a final dividend of HK$43.00 cents per Share (2022: HK$40.00 cents).

Property, Plant and Equipment

During the Year, construction in progress of approximately RMB1,467 million and RMB1,173 million were completed and transferred to buildings and plant and machinery, respectively. During the Year, the Group continued to expand its manufacturing facilities. The Group acquired buildings, plant and machinery for approximately RMB1,218 million. Details of these and other movements in the property, plant and equipment of the Group during the Year are set out in note 16 to the consolidated financial statements.

Business Review

Details of the Company's business review are set out in the "Management Discussion and Analysis" section of this annual report, of which this Directors' Report forms part.

Share Capital and Issue of Securities

Details of the movement during the Year in the share capital of the Company are set out in note 35 to the consolidated financial statements.

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

Distributive Reserves

As at 31 December 2023, the Company's reserve available for distribution amounted to approximately RMB919 million (2022: RMB909 million). Under the Company Law (Revised) Chapter 25 of the Cayman Islands, the share premium of the Company is available for distribution or paying dividends to the Shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

Directors

The directors of the Company during the Year and up to the date of this report were:

Executive Directors:
Dr. Zhang Tianren *(Chairman)*
Mr. Zhang Aogen
Mr. Zhang Kaihong
Mr. Shi Borong
Mr. Zhou Jianzhong

Independent non-executive Directors:
Mr. Huang Dongliang
Mr. Zhang Yong
Mr. Xiao Gang

The term of appointment (renewable) of the independent non-executive Directors is as follows:

Mr. Huang Dongliang	11 June 2023 to 10 June 2024
Mr. Zhang Yong	8 August 2023 to 7 August 2024
Mr. Xiao Gang	15 March 2023 to 14 March 2024

In accordance with article 87 of the Amended and Restated Articles of Association, Mr. Zhang Aogen, Mr. Zhang Kaihang and Mr. Zhou Jianzhong will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("**AGM**").

Directors' Service Contracts

All of the executive Directors and independent non-executive Directors of the Company have entered into service contracts or letters of appointment with the Company. The term of appointment of each of Dr. Zhang Tianren, Mr. Zhang Aogen, Mr. Zhang Kaihong, Mr. Shi Borong and Mr. Huang Dongliang, is 3 years from 11 June 2007; the term of appointment of Mr. Zhou Jianzhong is 3 years from 27 March 2015; the term of appointment of Mr. Zhang Yong is 3 years from 8 August 2018; the term of appointment of Mr. Xiao Gang is 1 year from 15 March 2022 to 14 March 2023. The term of appointment of each Director is renewable by mutual agreement of both parties unless terminated by not less than three months' prior notice in writing served by either party. All Directors are subject to retirement by rotation and re-election at the Company's AGM at least once every three years in accordance with article 87 of the Amended and Restated Articles of Association.

No Director proposed for re-election at the AGM has a service contract which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

Permitted Indemnity

The Company has taken out appropriate insurance coverage for the Directors in respect of legal actions taken against Directors and officers of the Group. The Board reviews the extent of the insurance coverage every year.

Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

As at 31 December 2023, the interests and the short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and the debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures (Continued)

(a) Long positions

Ordinary Shares of HK$0.1 each of the Company:

Name of Director	Capacity	Number of interested Shares held (note 1)	Aggregate approximate percentage of issued share capital of the Company (note 7)
Zhang Tianren	Interest of a controlled corporation (note 2)	411,355,650 (L)	36.53%
	Interest of spouse (note 2)	438,000 (L)	0.04%
Zhang Aogen	Interest of a controlled corporation (note 3)	13,641,022 (L)	1.21%
Zhang Kaihong	Interest of a controlled corporation (note 4)	18,884,174 (L)	1.68%
Shi Borong	Interest of a controlled corporation (note 5)	15,686,141 (L)	1.39%
Zhou Jianzhong	Interest of a controlled corporation (note 6)	2,362,815 (L)	0.21%
Huang Dongliang	Beneficial owner	240,000 (L)	0.02%

Notes:

1. The letter "L" denotes long position in the Shares of the Company.

2. The 411,355,650 Shares of the Company were held by Prime Leader Global Limited, which was wholly-owned by Dr. Zhang Tianren. 438,000 Shares were held by Ms. Yang Yaping and the interest in the remaining 180,000 Shares arises from the share options granted to Ms. Yang Yaping, spouse of Dr. Zhang Tianren.

3. The 13,641,022 Shares of the Company were held by Top Benefits International Limited, which was wholly-owned by Mr. Zhang Aogen.

4. The 18,884,174 Shares of the Company were held by Plenty Gold Holdings Limited, which was wholly-owned by Mr. Zhang Kaihong.

5. The 15,686,141 Shares of the Company were held by Precise Asia Global Limited, which was wholly-owned by Mr. Shi Borong.

6. The 2,362,815 Shares of the Company were held by Centre Wealth Limited, which was wholly-owned by Mr. Zhou Jianzhong.

7. Shareholding percentage is based on 1,126,124,500 issued Shares of the Company as at 31 December 2023.

Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures (Continued)

(b) Other interests and short positions

Save as disclosed above, on 16 June 2014, the Company has granted 58,660,000 options to subscribe for Shares in accordance with the Company's share option scheme adopted pursuant to a resolution passed by the then Shareholders on 26 February 2007. Among the options, 2,215,000 options were granted to the associates of the Directors. The names of the grantees who are associates of the Directors were listed in the announcement of the Company dated 16 June 2014.

Retirement Benefits Scheme

Details of the retirement benefits scheme of the Group are set out in note 38 to the consolidated financial statements.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed on pages 56 and 60, at no time during the Year was the Company, its parent company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or any of their spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

Directors' Interest in Competitors

As at the date of this report, within the knowledge of the Directors, no Director or any of his/her respective associates has any interest in a business which competes or may compete with the business of the Group.

Directors' Interests in Contracts of Significance

No transaction, arrangement or contract of significance, to which the Company, or any of its subsidiaries was a party and in which a Director or any entity in connection with any Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Management Contracts

No contracts concerning the management and administration of the whole and any substantial part of the business of the Company were entered into or existed during the Year.

Substantial Shareholders

As at 31 December 2023, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following persons, other than a Director or chief executive of the Company, had notified the Company of relevant interests and short positions in the Shares or underlying Shares of the Company which would have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO in the issued share capital of the Company:

Ordinary Shares of HK$0.1 each of the Company:

Name of Shareholder	**Capacity**	**Number of Shares held** (Note 1)	**Approximate percentage of issued share capital of the Company** (Note 3)
Zhang Tianren	Interest of a controlled corporation (Note 2)	411,355,650 (L)	36.53%
	Interest of spouse (Note 2)	438,000(L)	0.04%
Yang Yaping	Beneficial owner (Note 2)	438,000 (L)	0.04%
	Interest of spouse (Note 2)	411,355,650 (L)	36.53%
Prime Leader Global Limited	Beneficial owner	411,355,650 (L)	36.53%

Notes:

1. The letter "L" denotes long position in the Shares of the Company.

2. The 411,355,650 Shares were held by Prime Leader Global Limited, which was wholly-owned by Dr. Zhang Tianren. 438,000 Shares were held by Ms. Yang Yaping and the interest in the remaining 180,000 Shares arises from the share options granted to Ms. Yang Yaping, spouse of Dr. Zhang Tianren. Ms. Yang Yaping, being the spouse of Dr. Zhang Tianren, is deemed to be interested in the Shares held by Dr. Zhang Tianren.

3. Shareholding percentage is based on 1,126,124,500 issued Shares of the Company as at 31 December 2023.

Share Option Schemes

A share option scheme (the "**2007 Share Option Scheme**") was adopted pursuant to a resolution passed by the Shareholders on 26 February 2007. An ordinary resolution was passed at the annual general meeting of the Company held on 16 May 2014 (the "**2014 AGM**") relating to the refreshment of scheme mandate limit of the Scheme as set out in the supplemental notice of the 2014 AGM. The 2007 Share Option Scheme expired on 10 June 2017. After its termination, no further options will be granted but the provisions of the 2007 Share Option Scheme shall in all other respects remain in full force and effect and options which were granted during the life of the 2007 Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

The following is a summary of the terms of the 2007 Share Option Scheme:

(a) Purpose

To provide incentives or rewards to selected participants for their contribution to the Group.

(b) Participants

Full-time employee, Directors (including independent non-executive Directors) and part-time employees with weekly working hours of 10 hours and above, of the Group, substantial shareholders of each member of the Group, associates of the Directors and substantial shareholders of any member of the Group, trustee of any trust pre-approved by the Board, and any advisor (professional or otherwise), consultant, distributor, supplier, agent, customer, joint venture partner, service provider to the Group whom the Board considers has contributed or contributes to the Group.

(c) Total number of shares available for issue

(i) The limit on the number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2007 Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the Shares in issue from time to time.

(ii) Subject to paragraph (i) above, the total number of Shares which may be issued upon exercise of all options to be granted under the 2007 Share Option Scheme and any other share option schemes of the Company must not in aggregate, exceed 10% of the Shares in issue on 16 May 2014 (the "**2007 Scheme Limit**") unless approval of the Shareholders has been obtained. Options lapsed in accordance with the terms of the 2007 Share Option Scheme will not be counted for the purpose of calculating the 2007 Scheme Limit.

(iii) Subject to paragraph (i) above, the Company may refresh the 2007 Scheme Limit at any time subject to prior Shareholders' approval provided that the limit as "refreshed" must not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders' approval. Options previously granted under the 2007 Share Option Scheme and other share option schemes (including those outstanding, cancelled, lapsed in accordance with the 2007 Share Option Scheme or other share option scheme or exercised options) will not be counted for the purpose for calculating the limit as renewed.

(iv) Subject to paragraph (i) above, the Company may also seek separate Shareholders' approval for granting options beyond the 2007 Scheme Limit to participants specifically identified by the Company.

(v) As at the latest practicable date prior to the issue of this annual report, no further options could be granted under the 2007 Share Option Scheme and 32,931,000 Shares were available for issue for the outstanding options under the 2007 Share Option Scheme, representing approximately 2.92% of the total issued share capital of the Company at that date.

(d) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the Shares in issue from time to time. Any further grant of options to such participant beyond the limit must be subject to Shareholders' approval with such participant and his or her associates abstaining from voting.

(e) Option period

An option may be exercised at any time during the period to be determined and notified by the Board to each grantee and in any event such period of time shall not be more than ten years from the date on which the option is granted.

(f) Vesting period of the options granted

There is no general requirement that an option must be held for any minimum period before it can be exercised, but the Board may impose restrictions on the exercise of an option during the option period.

(g) Consideration on acceptance of the option

The grantee shall pay HK$1.00 to the Company by way of consideration for the grant upon acceptance of the option.

(h) Basis of determining the exercise price of option granted

The subscription price will be determined by the Board in its absolute discretion and will be no less than the highest of:

(i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer of the option;

(ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the offer date; and

(iii) the nominal value of a Share at the time of exercise of an option.

(i) Remaining life of the 2007 Share Option Scheme

The 2007 Share Option Scheme expired on 10 June 2017.

Details of the share options granted under the 2007 Share Option Scheme and the movement of the Company's share options during the reporting period are as follows:

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK$)	Closing price of Company's Shares immediately before the date of grant (HK$)	Weighted average closing price of Company's Shares immediately before the date of exercise (HK$)	Number of option outstanding as at 1 January 2023	Number of options granted during the period	Number of options exercised during the period	Number of options cancelled during the period	Number of options lapsed in accordance with the terms of the options or the Scheme during the period	Number of options outstanding as at 31 December 2023	Approximate shareholding percentage of the underlying Shares for the options in the share capital of the Company
Huang Dongliang (Independent non-executive Director)	16/6/2014	16/6/2015 to 15/6/2024	2.90	2.89	–	90,000	–	–	–	–	90,000	0.01%
	16/6/2014	16/6/2015 to 15/6/2024	2.90	2.89	–	33,624,000	–	–	–	783,000	32,841,000	2.91%
						33,714,000	–	–	–	783,000	32,931,000	2.92%

The vesting period of all the outstanding share options is the period beginning on the date of grant and ending on the date immediately before commencement of the exercise period.

On 18 May 2018, the Company by ordinary resolution approved the adoption of a new share option scheme (the "**2018 Share Option Scheme**"). No options have yet been granted under the 2018 Share Option Scheme.

The following is a summary of the terms of the 2018 Share Option Scheme:

(a) Purpose

To reward the participants who have contributed to the Group.

(b) Participants

As per existing terms of the 2018 Share Option Scheme, participants of the scheme may be any party falling within any one or more of the following items (i) to (v) whom the Board considers, in its sole discretion, has contributed or contributes to the Group:

(i) all full-time employees, Directors (including independent non-executive Directors) and part-time employees with weekly working hours of 10 hours and above, of the Group;

(ii) substantial shareholders of each member of the Group;

(iii) associates of the directors and substantial shareholders of any member of the Group;

(iv) trustee of any trust pre-approved by the Board; and

(v) any advisor (professional or otherwise), consultant, distributor, supplier, agent, customer, joint venture partner, service provider to the Group.

(c) Total number of shares available for issue

(i) The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2018 Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time.

(ii) Subject to sub-paragraph (i) above, the Shares which are the subject to options to be granted under the 2018 Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the Shares in issue on 18 May 2018, the date of approval of the scheme by the Shareholders (the "**2018 Scheme Limit**") unless approval of the Shareholders has been obtained pursuant to sub-paragraphs (iii) and (iv). Options lapsed in accordance with the terms of the 2018 Share Option Scheme and any other share option schemes of the Company will not be counted for the purpose of calculating the 2018 Scheme Limit.

(iii) Subject to sub-paragraph (i) above, the Company may refresh the 2018 Scheme Limit at any time subject to prior Shareholders' approval. However, the 2018 Scheme Limit as "refreshed" must not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders' approval. Options previously granted under the 2018 Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the 2018 Share Option Scheme or any other share option scheme or exercised options) will not be counted for the purpose for calculating the limit as "refreshed". A circular containing information and the disclaimer required under the Listing Rules must be sent to the Shareholders in connection with the meeting at which their approval will be sought.

(iv) Subject to sub-paragraph (i) above, the Company may also seek separate Shareholders' approval for granting options beyond the 2018 Scheme Limit to participants specifically identified by the Company before the aforesaid Shareholders' meeting where such approval is sought.

(v) As at the latest practicable date prior to the issue of this annual report, 112,654,650 Shares were available for issue under the 2018 Share Option Scheme, representing approximately 10% of the total issued share capital of the Company at that date.

(d) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the Shares in issue from time to time. Any further grant of options to such participant beyond the limit must be subject to Shareholders' approval with such participant and his or her associates abstaining from voting.

(e) Option period

An option may be exercised at any time during a period to be determined and notified by the Board to each grantee and in any event such period of time shall not be more than ten years from the date on which the option is granted.

(f) Vesting period of the options granted

There is no general requirement that an option must be held for any minimum period before it can be exercised, but the Board may impose restrictions on the exercise of an option during the option period.

(g) Consideration on acceptance of the option

The grantee shall pay HK$1.00 to the Company by way of consideration for the grant upon acceptance of the option.

(h) Basis of determining the exercise price of option granted

The subscription price will be determined by the Board in its absolute discretion and will be no less than the highest of:

(i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer of the option;

(ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the offer date; and

(iii) the nominal value of a Share.

(i) Remaining life of the 2018 Share Option Scheme

The 2018 Share Option Scheme shall be valid and effective for a period of ten years commencing on 18 May 2018, the effective date of the scheme, and will expire on 17 May 2028.

Further details of the 2007 Share Option Scheme and the 2018 Share Option Scheme are set out in Note 37 to the financial statements.

As at 31 December 2023, no further options could be granted under the 2007 Share Option Scheme. For the 2018 Share Option Scheme, 112,654,650 options were available for grant under the 2018 Scheme Limit at the beginning and the end of the reporting period. No option was granted under all schemes of the Company during the reporting period.

Independent Non-Executive Directors

Mr. Huang Dongliang has signed a letter of appointment with the Company for an initial period of three years commencing 11 June 2007 and will continue thereafter until terminated by either party giving not less than three months' prior written notice to the other. The letter of appointment of Mr. Huang Dongliang with the Company expired on 10 June 2010. Thereafter, the term has been renewed for a further term of one year in each year. Mr. Zhang Yong (appointed with effect from 8 August 2018) has signed the letter of appointment with the Company for an initial period of three years commencing 8 August 2018. Mr. Xiao Gang (appointed with effect from 15 March 2022) has signed the letter of appointment with the Company for an initial period of one year commencing 15 March 2022. The Company has received, from each of the independent non-executive Directors, a confirmation of his independence. The Company considers that all of the independent non-executive Directors are independent.

Emolument Policy

The Group's emolument policies are as follows:

(i) the amount of remuneration is determined on a case by case basis depending on the Directors, or employees' relevant experience, responsibility, workload and the time devoted to the Group;

(ii) non-cash benefits may be provided at the discretion of the Board to the relevant Directors or employees under their remuneration package; and

(iii) the Directors or employees who are eligible participants under the share option scheme may be granted, at the discretion of the Board, options of the share option scheme adopted by the Company, as part of their remuneration package.

Dividend Policy

The Company has adopted a dividend policy, pursuant to which the Company may distribute profit by way of (i) cash or (ii) shares as may be determined by the Board from time to time. The profit distribution policy of the Company is:

(a) Profit distribution policy of the Company shall achieve continuity, stability and sustainability;

(b) The Company targets a payout ratio with balance on distribution of profits and profits retained for business operation and future development;

(c) Profit distribution of the Company shall take into account:

(i) the earnings per share of the Company;

(ii) the reasonable return in investment of the investors and the Shareholders in order to provide incentive for them to continue to support the Company in their long-term development;

(iii) the financial conditions and business plan of the Company; and

(iv) the market sentiment and circumstances.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to the existing Shareholders.

Major Customers and Suppliers

During the Year, the aggregate sales attributable to the Group's five largest customers amounted to 16.32% of the Group's turnover. The largest customer accounted for 4.35% of the Group's total turnover. During the Year, the Group's five largest suppliers accounted for 18.60% of the Group's total purchase and the largest supplier accounted for 6.25% of the Group's total purchase. At no time during the Year did a Director, an associate of a Director or a Shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

Corporate Governance

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this annual report.

Environmental Protection

Details of the Company's environmental policy and performance are published in the separate Environmental, Social and Governance Report which will be available at the Company's website and the website of the Stock Exchange at the same time as this annual report is published.

Audit Committee

The Audit Committee was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Huang Dongliang (chairman), Mr. Zhang Yong and Mr. Xiao Gang.

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 Reporting Period.

Donations

During the year ended 31 December 2023, the Group made charitable donations of approximately RMB4.3670 million (2022: RMB2.0012 million).

Sufficiency of Public Float

From information publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, at least 25% of the Company's total issued share capital is held by the public throughout the year ended 31 December 2023 as required under the Listing Rules.

Auditor

A resolution will be submitted to the AGM to re-appoint Deloitte as the auditor of the Company.

On behalf of the Board

Zhang Aogen
Director

Hong Kong, 28 March 2024

Continuing Connected Transactions

Master Purchase Agreement

Background

As set out in the announcement of the Company dated 25 December 2020, Zhejiang Changtong Technology Company Limited* (浙江暢通科技有限公司) ("**Zhejiang Changtong**") is a company established in the PRC, and upon Ms. Zhang Mei'e, being the sister of Dr. Zhang Tianren (an executive Director, the Chairman of the Board and a controlling shareholder (as defined in the Listing Rules) of the Company) and Mr. Zhang Aogen (an executive Director), acquired 90% shareholding interest in Zhejiang Changtong in December 2019, Zhejiang Changtong became a company directly and jointly owned by Ms. Zhang Mei'e and her spouse, Mr. Ni Danqing, as to 90% and 10%, respectively. As Ms. Zhang Mei'e and Mr. Ni Danqing are associates (as defined in the Listing Rules) of Dr. Zhang Tianren and Mr. Zhang Aogen, Zhejiang Changtong has become a connected person (as defined in the Listing Rules) of the Company since the completion of the change of business registration in respect of the equity transfer on 30 December 2019 by virtue of Rule 14A.12(2) of the Listing Rules.

Reasons for the transaction

As Zhejiang Changtong produces certain plastic and glass fiber components, which are the essential materials for the production of the components of lead storage batteries by the Company, purchasing these components from Zhejiang Changtong is part of the Company's ordinary businesses.

Pricing basis and policy

On 25 December 2020, the Company entered into the 2021-23 Master Purchase Agreement (the "**2021-23 MPA**") with Zhejiang Changtong for the purchase of certain components for its production of lead storage batteries (including plastic and glass fiber components) by member(s) of the Group from Zhejiang Changtong during the 3-year period commencing 1 January 2021 and expiring on 31 December 2023, both days inclusive.

In respect of the pricing of the products purchased from Zhejiang Changtong, agreed prices should be comparable with prevailing market prices; and agreed prices should be no less favourable than those offered to independent third party enterprises of the same industry as the Group at the material time, to the extent that those products are of comparable nature, quality, brand and specification.

Continuing Connected Transactions (Continued)

Annual caps

The estimated aggregate consideration for the transactions under the 2021-23 MPA for the year ended 31 December 2023 was approximately RMB640,000,000.

Actual transaction values for the Year

The total transaction amount under the 2021-23 MPA for the year ended 31 December 2023 was approximately RMB573,339,000.

Master Services Agreement

Background

As set out in the announcement of the Company dated 29 April 2022, on 29 April 2022, Tianneng Holding Group Co., Ltd.* (天能控股集團有限公司) ("**Tianneng Holding**"), an indirect wholly-owned subsidiary of the Company, and Zhejiang Changneng Commercial Management Company Limited* (浙江暢能商業管理有限公司) ("**Zhejiang Changneng**") entered into the master services agreement (the "**Master Services Agreement**") in relation to the provision of labour and leasing services between the Group, and Zhejiang Changneng, its subsidiaries, associates and other controlled entities (collectively, the "**Zhejiang Changneng Group**") for a term of three years commencing from 1 January 2022 to 31 December 2024.

Zhejiang Changneng is a wholly-owned subsidiary of Tianchang Holding Co., Ltd.* (天暢控股有限公司) ("**Tianchang Holding**"), which is in turn owned as to 98% by Dr. Zhang Tianren, who is the controlling shareholder and an executive Director of the Company and the remaining 2% by Dr. Zhang Tianren's son, Mr. Zhang Hao (張昊). Accordingly, Zhejiang Changneng is a connected person of the Company under the Listing Rules.

Pursuant to the Master Services Agreement, the Zhejiang Changneng Group shall provide the labour services in respect of catering, property management and conference services to the Group and the Group shall provide leasing services in respect of certain properties and/or ancillary equipment and facilities to the Zhejiang Changneng Group, from time to time. The Group shall enter into separate agreements to set out the specific provisions of the labour services and the leasing of properties and ancillary equipment and facilities with the Zhejiang Changneng Group.

Reasons for the transaction

In the course of its daily production and operation, the Group conducts continuing connected transactions with the Zhejiang Changneng Group in relation to the labour and leasing services. In order to better regulate such continuing connected transactions under the Listing Rules, the Company and Zhejiang Changneng entered into the Master Services Agreement.

Continuing Connected Transactions (Continued)

Pricing policy

The price for provision of labour and leasing services shall be determined in accordance with the following principles:

(i) the prices prescribed by the government of the PRC or any regulatory authority(ies) (if any) ("**government prescribed prices**") or the pricing guidelines or prices to be determined by the parties within the range as set by the government of the PRC or any regulatory authority(ies) (if any) ("**government-guided prices**");

(ii) the market prices determined in accordance with the prevailing prices charged by independent third parties providing the same types of services on normal commercial terms, where none of the government prescribed prices or government-guided prices are available or applicable; and

(iii) the agreed prices based on the actual or reasonable cost incurred thereof plus a reasonable profit (which is determined with reference to the nature and historical price of services, current market price (if applicable) of the similar services and the Group's forecasted demand and increase in the market price of such services in the remaining term), where none of the above pricing principles are available or applicable.

(iv) All transactions contemplated under the Master Services Agreement shall be conducted at the price and/or payment terms which shall be fair and reasonable to the Group and no less favourable to the Group than those offered by the independent third parties.

Annual caps

For the year ended 31 December 2023, the estimated aggregate consideration for the provision of the labour services by the Zhejiang Changneng Group under the Master Services Agreements paid by the Group to the Zhiejiang Changneng Group was approximately RMB7,000,000; and the estimated aggregate consideration for the provision of the leasing services by the Group under the Master Services Agreements paid by the Zhejiang Changneng Group to the Group was approximately RMB500,000.

Actual transaction values for the Year

For the year ended 31 December 2023, the total transaction amount under the Master Services Agreement was as follows:

- Amount paid by the Group to the Zhejiang Changneng Group for the provision of the labour services by the Zhejiang Changneng Group: approximately RMB4,040,000

- The Zhejiang Changneng Group has not provided leasing services to the Group.

Continuing Connected Transactions (Continued)

The independent non-executive Directors have reviewed the above continuing connected transactions, and confirmed that they have been entered into:

a) in the ordinary and usual course of businesses of the Group;

b) on normal commercial terms; and

c) in accordance with the relevant written agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company was engaged to perform works on the continuing connected transactions set out above in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has provided a letter to the Board confirming nothing has come to their attention that causes them to believe that the continuing connected transactions disclosed above:

(1) have not been approved by the listed issuer's Board;

(2) were not, in all material respects, in accordance with the pricing policies of the Group;

(3) were not entered into, in all material respects, in accordance with the relevant agreements governing the transaction; and

(4) have exceeded the cap.

On 29 December 2023, the Company entered into the 2024-2026 Mutual Supply Agreement with Zhejiang Changtong for transactions with Zhejiang Changtong upon expiration of the 2021-2023 MPA during the 3-year period commencing 1 January 2024 and expiring on 31 December 2026 for (i) the purchase of certain components for production of lead storage batteries by member(s) of the Group from Zhejiang Changtong and (ii) the sale of plastic particles and other materials from member(s) of the Group to Zhejiang Changtong. For further details, please refer to the announcement of the Company dated 29 December 2023.

Discloseable and Connected Transaction

Deemed Disposal of Interest in a Connected Subsidiary and Grant of the Put Option

On 5 May 2023, (i) Zhejiang Tianneng New Materials Co., Ltd.* (浙江天能新材料有限公司) ("**Tianneng New Materials**") (a connected subsidiary of the Company), (ii) 15 outside investors who are independent third parties and 3 investors who are controlled by the Company (collectively the "**Investors**") and (iii) Tianneng Holding Group Co., Ltd.* (天能控股集團有限公司) ("**Tianneng Holding**") and Zhejiang Tianneng Commercial Management Co., Ltd.* (浙江天能商業管理有限公司) (two indirect wholly-owned subsidiaries of the Company) and Tianchang Holding Co., Ltd.* (天暢控股有限公司) (a connected person of the Company who is an existing shareholder of Tianneng New Materials) (collectively the "**Tianneng Parties**") entered into the capital increase agreement (the "**Capital Increase Agreement**") whereby the Investors agreed to pay the total subscription price of RMB1,000,000,000 to subscribe for the new registered capital of RMB39,216,000 in Tianneng New Materials, representing approximately 28.57% of the registered capital of Tianneng New Materials as enlarged by the capital increase (the "**Capital Increase**"). Upon completion of the Capital Increase, the Company's indirect shareholding in Tianneng New Materials decreased from 65% to approximately 49.27%. Notwithstanding the decrease in the Company's indirect shareholding interest in Tianneng New Materials, Tianneng New Materials continues to be a non-wholly-owned subsidiary of the Company since Tianneng New Materials continues to be controlled by the Company.

In connection with the Capital Increase Agreement, Tianneng New Materials, the Investors and the Tianneng Parties entered into the shareholders agreement (the "**Shareholders Agreement**") on 5 May 2023, which sets our the rights and obligations of the shareholders of Tianneng New Materials, the governance structure of Tianneng New Materials and the option granted to the Investors and exercisable by the Investors to sell at its discretion all or part of the equity interests held by the Investors in Tianneng New Materials to Tianneng New Materials and/or Tianneng Holding pursuant to the terms and conditions of the Shareholders Agreement (the "**Put Option**"). The Shareholders Agreement came into effect on the date on which the Capital Increase was considered and approved at an extraordinary general meeting of the Company held on 14 July 2023. For details, please refer to the announcement of the Company dated 5 May 2023, the circular of the Company dated 28 June 2023 and the announcement of the Company dated 14 July 2023.

The Directors confirmed that the Company has complied with the applicable requirements under Chapter 14A of the Listing Rules with regard to those related party transactions which constituted connection transaction and continuing connected transactions, namely the deemed disposal of interest in a connected subsidiary and grant of the put option and transactions under the 2021-2023 MPA and the Master Services Agreement (which are subject to disclosure and/or independent Shareholders' approval requirements). Save for the aforementioned, other related party transactions as set out in note 46 to the financial statements did not constitute connected transaction/continuing connected transaction under the Listing Rules.

* *For identificant purpose only*

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF TIANNENG POWER INTERNATIONAL LIMITED
天能動力國際有限公司
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Tianneng Power International Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 73 to 148, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Cut-off of revenue recognition from contracts with customers</td></tr>
<tr><td>As stated in notes 5 and 6 to the consolidated financial statements, operating profit of the Group was substantially contributed by the manufacturing business segment, in which the sales of lead-acid battery products represented over 90% of revenue from the manufacturing business segment. The sales of lead-acid battery products are recognised at a point in time when the control of the goods is transferred to the customers based on the management's estimation on the date when the customers receive the goods.

We identified the cut-off of revenue from sales of lead-acid battery products as a key audit matter because revenue is one of the key performance indicator of the Group which increase the risk of early recognition of revenue prior to transferring risk and reward to the customers.</td><td>Our audit procedures in relation to cut-off of revenue recognition of sales of lead-acid battery products included:

– Understanding the business process of revenue recognition of sales of lead-acid battery products and evaluating the design, implementation and operating effectiveness of key controls relevant to the cut-off of revenue recognition;

– Reviewing the contracts for sales of lead-acid battery products, on a sample basis, to assess whether the Group's revenue recognition policy is in compliance with HKFRS 15 Revenue from Contracts with Customers;

– Testing, on a sample basis, the recorded revenue before the year end by examining the underlying supporting evidences related to the respective sales transactions and delivery arrangement, including the delivery terms, logistic information, to assess whether the sales transactions are recorded in the correct financial period; and

– Interviewing the logistic suppliers, on a sample basis, to evaluate the reasonableness of the receipt date estimated by management.</td></tr>
</table>

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Cheung, Wilfred.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTES	Year ended 31 December **2023** **RMB'000**	 2022 RMB'000
Revenue	5	**83,890,973**	74,598,641
Cost of sales		**(77,926,315)**	(68,209,336)
Gross profit		**5,964,658**	6,389,305
Other income	7	**1,897,109**	1,106,402
Other gains and losses	8	**(50,677)**	(57,443)
Impairment losses under expected credit loss model, net of reversal	9	**(55,439)**	(143,062)
Distribution and selling expenses		**(1,424,382)**	(1,229,444)
Administrative expenses		**(1,357,017)**	(1,362,895)
Research and development costs		**(1,927,152)**	(1,622,379)
Share of results of associates		**(835)**	(905)
Finance costs	10	**(482,780)**	(340,738)
Profit before tax		**2,563,485**	2,738,841
Income tax expense	11	**(727,780)**	(659,163)
Profit for the year	12	**1,835,705**	2,079,678
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**"), net of income tax		**(6,067)**	46,142
Item that may be reclassified subsequently to profit or loss:			
Fair value gain on debt instruments measured at FVTOCI, net of income tax		**–**	5,687
Other comprehensive (expense) income for the year, net of income tax		**(6,067)**	51,829
Total comprehensive income for the year		**1,829,638**	2,131,507
Profit for the year attributable to:			
Owners of the Company		**1,821,836**	1,796,385
Non-controlling interests		**13,869**	283,293
		1,835,705	2,079,678
Total comprehensive income attributable to:			
Owners of the Company		**1,815,769**	1,848,214
Non-controlling interests		**13,869**	283,293
		1,829,638	2,131,507
Earnings per share	15		
– Basic *(RMB cents)*		**162**	160
– Diluted *(RMB cents)*		**159**	157

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	As at 31 December 2023 RMB'000	 2022 RMB'000
Non-current Assets			
Property, plant and equipment	16	**13,054,093**	8,486,582
Right-of-use assets	17	**1,350,614**	1,249,263
Goodwill		**499**	499
Interests in associates	18	**318,609**	228,227
Equity instruments at FVTOCI	19	**355,651**	324,083
Deferred tax assets	20	**916,290**	790,922
Deposits for acquisition of property, plant and equipment		**380,435**	973,742
Loan receivables	24	**297,486**	333,436
Pledged/restricted bank deposits	27	**737,320**	1,210,000
		17,410,997	13,596,754
Current Assets			
Inventories	21	**6,807,515**	6,840,510
Properties under development for sale/properties for sale	22	**883,491**	860,626
Bills, trade and other receivables	23	**5,031,601**	5,041,205
Loan receivables	24	**1,085,648**	930,503
Amounts due from related parties	29	**36,966**	1,478
Debt instruments at FVTOCI	25	**476,093**	798,005
Financial assets at fair value through profit or loss ("**FVTPL**")	26	**320,828**	350,439
Pledged/restricted bank deposits	27	**5,242,219**	3,720,595
Time deposits	27	**–**	450,000
Cash and cash equivalents	27	**9,455,594**	7,545,808
		29,339,955	26,539,169
Current Liabilities			
Bills, trade and other payables	28	**12,997,639**	11,958,681
Amounts due to related parties	29	**239,461**	316,228
Taxation liabilities		**455,722**	499,543
Borrowings	30	**6,240,750**	4,558,209
Lease liabilities	31	**7,215**	11,608
Provision	32	**631,508**	697,428
Contract liabilities	33	**2,713,775**	2,331,915
		23,286,070	20,373,612
Net Current Assets		**6,053,885**	6,165,557
Total Assets less Current Liabilities		**23,464,882**	19,762,311
Non-current Liabilities			
Deferred tax liabilities	20	**90,031**	94,424
Borrowings	30	**2,826,775**	1,624,218
Lease liabilities	31	**6,315**	13,437
Deferred government grants	34	**1,093,547**	864,058
Redemption liabilities on ordinary shares of a subsidiary	35	**1,003,591**	–
		5,020,259	2,596,137
Net Assets		**18,444,623**	17,166,174

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	As at 31 December **2023** **RMB'000**	 2022 RMB'000
Capital and Reserves			
Share capital	36	**109,850**	109,850
Share premium and reserves	37	**15,750,030**	14,334,266
Equity attributable to the owners of the Company		**15,859,880**	14,444,116
Non-controlling interests		**2,584,743**	2,722,058
Total Equity		**18,444,623**	17,166,174

The consolidated financial statements on pages 73 to 148 were approved and authorised for issue by the board of directors on 28 March 2024 and are signed on its behalf by:

Dr. ZHANG Tianren
DIRECTOR

Mr. ZHANG Aogen
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note 37)	Capital reserve RMB'000	Share options reserve RMB'000	Investment revaluation reserve RMB'000	Other FVTOCI reserve RMB'000	Statutory surplus reserve fund RMB'000 (note 37)	Discretionary surplus reserve fund RMB'000 (note 37)	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022	109,850	778,567	10,000	3,658,601	35,355	(216,718)	(5,687)	1,122,931	143,212	7,344,385	12,980,496	2,396,436	15,376,932
Profit for the year	–	–	–	–	–	–	–	–	–	1,796,385	1,796,385	283,293	2,079,678
Other comprehensive income for the year	–	–	–	–	–	46,142	5,687	–	–	–	51,829	–	51,829
Total comprehensive income for the year	–	–	–	–	–	46,142	5,687	–	–	1,796,385	1,848,214	283,293	2,131,507
Transfer	–	–	–	–	–	–	–	263,290	–	(263,290)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	96,511	96,511
Dividend recognised as distribution (note 14)	–	–	–	–	–	–	–	–	–	(384,594)	(384,594)	–	(384,594)
Dividend paid/payable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(117,933)	(117,933)
Disposal of investments in equity instruments at FVTOCI	–	–	–	–	–	(102)	–	–	–	102	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	73,943	73,943
Disposal of subsidiaries (note 40)	–	–	–	–	–	–	–	–	–	–	–	(17,836)	(17,836)
Forfeiture of equity-settled share-based payment	–	–	–	–	(1,112)	–	–	–	–	1,112	–	–	–
Recognition of equity-settled share based payment (note 38)	–	–	–	–	–	–	–	–	–	–	–	7,644	7,644
At 31 December 2022	109,850	778,567	10,000	3,658,601	34,243	(170,678)	–	1,386,221	143,212	8,494,100	14,444,116	2,722,058	17,166,174
Profit for the year	-	-	-	-	-	-	-	-	-	1,821,836	1,821,836	13,869	1,835,705
Other comprehensive expense for the year	-	-	-	-	-	(6,067)	-	-	-	-	(6,067)	-	(6,067)
Total comprehensive (expense) income for the year	-	-	-	-	-	(6,067)	-	-	-	1,821,836	1,815,769	13,869	1,829,638
Transfer	-	-	-	-	-	-	-	134,928	-	(134,928)	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	1,469	1,469
Dividend recognised as distribution (note 14)	-	-	-	-	-	-	-	-	-	(400,005)	(400,005)	-	(400,005)
Dividend paid/payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(161,080)	(161,080)
Forfeiture of equity-settled share-based payment	-	-	-	-	(848)	-	-	-	-	848	-	-	-
Recognition of equity-settled share based payment (note 38)	-	-	-	-	-	-	-	-	-	-	-	8,427	8,427
At 31 December 2023	109,850	778,567	10,000	3,658,601	33,395	(176,745)	-	1,521,149	143,212	9,781,851	15,859,880	2,584,743	18,444,623

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Operating activities		
Profit before tax	**2,563,485**	2,738,841
Adjustments for:		
Interest income	**(568,330)**	(314,934)
Amortisation of deferred government grants	**(80,539)**	(40,111)
Dividend income	**(7,660)**	(9,692)
Finance costs	**482,780**	340,738
Share of results of associates	**835**	905
Depreciation of property plant and equipment	**821,672**	726,843
Depreciation of right-of-use assets	**45,567**	42,314
Loss on disposal/write-off of property, plant and equipment	**55,173**	66,464
Impairment losses under ECL model, net of reversal	**55,439**	143,062
Recognition of allowance for inventories	**338,604**	96,392
Share-based payments	**8,427**	7,644
Gains on structured bank deposits	**(19,287)**	(67,382)
Fair value change of investments in listed equity securities	**20,302**	15,438
Fair value change of derivative financial instruments	**(16,940)**	(59,064)
Gain on disposal of subsidiaries	**–**	(53,332)
Net foreign exchange losses	**33,144**	133,629
Operating cash flows before movements in working capital	**3,732,672**	3,767,755
Increase in inventories	**(305,609)**	(2,459,245)
Increase in properties under development for sale	**(305,362)**	(219,192)
Increase in bills, trade and other receivables	**(29,468)**	(1,796,258)
Decrease in debt instruments at FVTOCI	**321,912**	196,631
Increase in bills, trade and other payables	**51,452**	2,769,722
Increase in contract liabilities	**381,860**	203,357
Decrease in provision	**(65,920)**	(22,864)
(Decrease) increase in amounts due to related parties	**(76,767)**	76,258
(Increase) decrease in amounts due from related parties	**(21,838)**	2,001
Cash generated from operations	**3,682,932**	2,518,165
Interest paid	**(903,534)**	(339,293)
Income tax paid	**(449,868)**	(589,356)
Net cash from operating activities	**2,329,530**	1,589,516

For the year ended 31 December 2023

	Year ended 31 December 2023 RMB'000	2022 RMB'000
Investing activities		
Interest received	**568,330**	314,934
Investments in associates	**(91,217)**	(93,657)
Disposal of investment in an associate	**–**	3,000
Dividend income	**7,660**	9,692
Proceeds from disposal of property, plant and equipment	**57,693**	43,778
Purchase of property, plant and equipment	**(3,194,441)**	(1,949,068)
Purchases of equity instruments at FVTPL	**(44,459)**	(5,500)
Purchases of equity instruments at FVTOCI	**(35,463)**	–
Cash inflow from derivative financial instruments	**20,667**	47,560
Placement of pledged/restricted bank deposits	**(5,979,539)**	(4,930,595)
Withdrawal of pledged/restricted bank deposits	**4,930,595**	2,943,087
Placement of time deposits	**–**	(450,000)
Withdrawal of time deposits	**450,000**	–
Placement of structured bank deposits	**(3,036,000)**	(8,892,026)
Withdrawal of structured bank deposits	**3,105,328**	10,210,367
Asset-related government grants received	**310,028**	270,442
Deposit for acquisition of property, plant and equipment	**(380,435)**	(973,742)
Acquisition of a subsidiary	**–**	16,625
Deposit received for disposal of a subsidiary	**31,100**	–
Disposal of subsidiaries	**–**	64,022
Acquisition of right-of-use assets	**(146,918)**	(106,385)
Payment to independent third parties for loan receivables	**(1,188,782)**	(996,089)
Receipt of repayment for loan receivables	**1,053,220**	262,270
Loan to an associate	**(13,650)**	–
Net cash used in investing activities	**(3,576,283)**	(4,211,285)
Financing activities		
New borrowings raised	**13,469,954**	7,957,645
Repayments of borrowings	**(10,603,153)**	(6,161,938)
Dividends paid	**(509,815)**	(282,012)
Dividends paid to non-controlling interests	**(161,080)**	(117,933)
Capital contribution from non-controlling shareholders	**1,469**	96,511
Proceeds from issue of redeemable ordinary shares of a subsidiary	**972,048**	–
Repayment of lease liabilities	**(12,884)**	(22,060)
Net cash from financing activities	**3,156,539**	1,470,213
Net increase (decrease) in cash and cash equivalents	**1,909,786**	(1,151,556)
Cash and cash equivalents at the beginning of the year	**7,545,808**	8,697,364
Total cash and cash equivalents at the end of the year, represented by cash and cash equivalents	**9,455,594**	7,545,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL

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 principal activities of its subsidiaries are the manufacture and sales of lead-acid battery products, lithium-ion battery products and recycled materials and trading of materials. 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

2.1 Impacts on application of HKFRS 17 (including the October 2020 and February 2022 Amendments) Insurance Contracts

The Group has applied the new standard and the relevant amendments for the first time in the current year.

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 *Insurance Contracts*.

HKFRS 17 defines an insurance contract as a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

In October 2020, the HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 *Extension of the Temporary Exemption from HKFRS 9* that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In February 2022, the HKICPA issued Amendment to HKFRS 17 *Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information* to address implementation challenges that were identified after HKFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

Certain contracts entered into by the Group, e.g. assurance type warranty to customers, financial guarantee contracts issued by the Group, meet the definition of insurance contracts under HKFRS 17. However, these contracts are specifically scoped out from HKFRS 17 and the Group continues to account for these contracts under relevant accounting standards. Therefore, the application of HKFRS 17 in the current year had no material impact on the consolidated financial statements.

2.2 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

2.2 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in note 3 to the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[2]
Amendments to HKAS 1	*Non-current Liabilities with Covenants*[2]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[2]
Amendments to HKAS 21	*Lack of Exchangeability*[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all the amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Basis of consolidation (Continued)

Changes in the Group's interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Investments in associates (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in notes 4, 5 and 33.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred government grants in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purpose of measuring deferred tax of leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to right-of-use assets or the lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of HKAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Property, plant and equipment (Continued)

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Impairment on property, plant and equipment and right-of-use assets (Continued)

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties under development which are intended to be sold upon completion of development are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties under development for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties under development for sale are transferred to properties for sale upon completion.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of lead-acid motive battery products are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, expect for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in other comprehensive income and accumulated under the heading of other FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these receivables. When these receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss include any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including bills, trade and other receivables, loan receivables, amounts due from related parties, amount due from an associate, debt instruments at FVTOCI, pledged/restricted bank deposits, time deposits, bank balances and financial guarantee contracts) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on trade receivables are assessed individually for debtors credit-impaired and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Lifetime ECL for certain trade receivables is considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for receivables that are measured at FVTOCI and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables, loan receivables, amounts due from related parties and amount due from an associate where the corresponding adjustment is recognised through a loss allowance account. For receivables that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the other FVTOCI reserve without reducing the carrying amount of these receivables. Such amount represents the changes in the other FVTOCI reserve in relation to accumulated loss allowance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item (note 8) as part of the net foreign exchange losses;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item as part of the net gain/(loss) from changes in fair value of financial assets at FVTPL (note 8);
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the fair value through other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of receivables that are measured at FVTOCI, the cumulative gain or loss previously accumulated in the other FVTOCI reserve is reclassified to profit or loss

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issued costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities at amortised cost, including bills, trade and other payables, amounts due to related parties, borrowings and redemption liabilities on ordinary shares of a subsidiary are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other gains and losses' line item in profit or loss (note 8) as part of net foreign exchange losses for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgement in applying accounting policies (Continued)

Principal versus agent consideration (principal)

The Group engages in trading of materials. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods and the Group is exposed to inventory risk. When the Group satisfies the performance obligation, the Group recognises trading revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

During the year ended 31 December 2023, the Group recognised revenue relating to trading amounted to RMB36,493,545,000 (2022: RMB32,627,597,000).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Deferred tax asset

As at 31 December 2023, deferred tax assets of RMB916,290,000 (2022: RMB790,922,000) in relation to unused tax losses, accrued warranty, deferred government grants and other temporary differences have been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB1,342,781,000 (2022: RMB252,972,000) and deductible temporary differences of RMB635,252,000 (2022: RMB227,965,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place. Further details of deferred taxation are disclosed in note 20.

Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL assessment and the Group's trade receivables are disclosed in note 43 and note 23, respectively.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Types of goods or service		
Manufacturing business		
Lead-acid battery products	**42,423,301**	35,747,300
Renewable resources products	**3,600,226**	3,813,709
Lithium-ion battery products	**876,813**	1,602,312
Others (note)	**497,088**	807,723
Trading	**36,493,545**	32,627,597
	83,890,973	74,598,641
Geographical markets		
Mainland China	**83,651,021**	74,234,912
Others	**239,952**	363,729
	83,890,973	74,598,641
Timing of revenue recognition		
A point in time	**83,842,432**	74,115,516
Over time	**48,541**	483,125
	83,890,973	74,598,641

Note: It includes provision of freight transportation service and sales of other products.

(ii) Performance obligations for contracts with customers and revenue recognition policies

Sales of goods (revenue recognised at a point in time)

The Group sells lead-acid battery products, renewable resources products, lithium-ion battery products and other products to customers. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities. Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 45 to 90 days upon delivery.

Sales-related warranties associated with lead-acid battery products and lithium-ion battery products cannot be purchased separately and they serve as an assurance type of warranty that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37.

5. REVENUE (Continued)

(ii) Performance obligations for contracts with customers and revenue recognition policies (Continued)

Trading (revenue recognised at a point in time)

The Group recognises revenue from trading of materials when the control of materials has transferred, being when customers collect the materials or obtain the control of the materials at the warehouse. Following the transfer, customers has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. Customers are normally required to make full prepayment before goods delivery.

Freight transportation service (revenue recognised over time)

The performance obligation is satisfied over time as services are rendered and payment is generally due upon delivery of the shipments and issuance of the invoice to the customers.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) in relation to sales of properties as at 31 December 2023 and 2022 and the expected timing of recognising revenue are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within one year	**65,186**	163,597
More than one year but not more than two years	**222,731**	–
More than two years	**–**	123,274
	287,917	286,871

As at 31 December 2023 and 2022, all other sales contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. 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 resources allocation and performance assessment. For the manufacturing operation, there was 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 manufacturing operation on a consolidated basis. Therefore, the operation of the Group constitutes two single operating and reportable segments, (1) manufacturing business and (2) trading.

The CODM makes decisions according to operating result of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes 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 described in note 3. Segment results represent the profits earned by each segment and exclude certain other gains and losses, share of results of associates, corporate administrative expenses and finance costs. Inter-segment sales are charged at cost plus profit approach.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Segment revenue		
Manufacturing business		
– external sales	**47,397,428**	41,971,044
Trading		
– external sales	**36,493,545**	32,627,597
– inter-segment sales	**6,318,624**	411,618
Segment revenue	**90,209,597**	75,010,259
Eliminations	**(6,318,624)**	(411,618)
Group revenue	**83,890,973**	74,598,641
Segment results		
Manufacturing business	**1,900,516**	2,188,543
Trading	**(7,368)**	(42,535)
	1,893,148	2,146,008
Unallocated		
Other gains and losses	**(50,677)**	(57,443)
Share of results of associates	**(835)**	(905)
Corporate administrative expenses	**(5,171)**	(7,962)
Finance costs	**(760)**	(20)
Profit for the year	**1,835,705**	2,079,678

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2023	Manufacturing business RMB'000	Trading RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation of property, plant and equipment	818,413	3,259	–	821,672
Depreciation of right-of-use assets	45,567	–	–	45,567
Impairment losses on trade receivables recognised in profit or loss	10,327	18,887	–	29,214
Loss on disposal/written off of property, plant and equipment	55,173	–	–	55,173
Interest income	551,105	16,751	474	568,330
Income tax expense	724,939	2,841	–	727,780
Write-down of inventories	338,604	–	–	338,604

For the year ended 31 December 2022	Manufacturing business RMB'000	Trading RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation of property, plant and equipment	726,513	330	–	726,843
Depreciation of right-of-use assets	42,314	–	–	42,314
Impairment losses on trade receivables recognised in profit or loss	108,704	7,726	–	116,430
Loss on disposal/written off of property, plant and equipment	66,464	–	–	66,464
Interest income	295,426	23,062	(3,554)	314,934
Income tax expense	652,978	6,185	–	659,163
Write-down of inventories	96,392	–	–	96,392

Information about major customers

During the year ended 31 December 2023 and 2022, none of the Group's individual customer contributed more than 10% to the total revenue of the Group.

7. OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Government grants		
– related to income (note i)	**1,138,175**	664,097
– related to assets (note ii)	**80,539**	40,111
Interest income from bank deposits and bank balances	**462,677**	212,565
Interest income from loan receivables	**105,653**	102,369
Income from sales of scrap materials	**102,405**	77,568
Dividend income	**7,660**	9,692
	1,897,109	1,106,402

Notes:

i. The government grants related to income mainly represent unconditional government subsidies received from relevant government bodies to encourage the operations of certain subsidiaries. The government grants are accounted for as immediate financial support with no future related costs expected to be incurred and are not related to any assets.

ii. The government grants related to assets mainly represent government subsidies obtained in relation to the acquisition of land use right or property, plant and equipment of certain subsidiaries of the Group, which were included in the consolidated statement of financial position as deferred government grants and credited to profit or loss on a straight-line basis over the lease term of the land use right or the useful life of the equipment.

8. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Net gains (losses) on financial assets at FVTPL		
– structured bank deposits	**19,287**	67,382
– investments in listed equity securities	**(20,302)**	(15,438)
– commodity derivative contracts	**2,566**	36,572
– foreign currency forward contracts	**14,374**	22,492
Loss on disposal/written off of property, plant and equipment	**(55,173)**	(66,464)
Net foreign exchange losses	**(33,144)**	(133,629)
Gain on disposal of subsidiaries (note 40)	**–**	53,332
Others	**21,715**	(21,690)
	(50,677)	(57,443)

9. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Impairment losses, net of reversal, recognised on		
– trade receivables	**29,214**	116,430
– other receivables	**9,858**	10,552
– loan receivables	**16,367**	16,080
	55,439	143,062

Details of impairment assessment are set out in note 43.

10. FINANCE COSTS

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest on borrowings	**349,806**	264,776
Interest on factorised bills	**100,062**	74,517
Interest on redemption liabilities on ordinary shares of a subsidiary	**31,543**	–
Interest on lease liabilities	**1,369**	1,445
	482,780	340,738

11. INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
People's Republic of China (the "**PRC**") Enterprise Income Tax ("**EIT**"):		
– Current tax	**828,713**	697,114
Deferred tax (note 20):		
– Current year	**(100,933)**	(37,951)
	727,780	659,163

The Company was incorporated in the Cayman Islands and Tianneng International Investment Holdings Limited was incorporated in the British Virgin Islands (the "**BVI**") and as such are tax exempted as no business carried out in the Cayman Islands and the BVI under the tax laws of the Cayman Islands and the BVI, respectively.

The subsidiaries of the Company operating in Hong Kong did not have tax assessable profit during both years.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", New and High Technical Enterprise is subject to income tax at a preferential tax rate of 15%. Certain subsidiaries of the Company were qualified as New and High Technical Enterprises in accordance with the applicable EIT Law and are subject to income tax at a preferential tax rate of 15% for a period of three years starting from 2021 to 2023 according to the EIT Law.

11. INCOME TAX EXPENSE (Continued)

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit before tax	**2,563,485**	2,738,841
Tax at the applicable income tax rate of 25% (2022: 25%)	**640,871**	684,710
Tax effect of expenses not deductible for tax purposes	**4,349**	8,981
Tax effect of tax losses not recognised	**173,878**	29,001
Utilisation of tax losses previously not recognised	**(867)**	–
Tax effect of deductible temporary differences not recognised	**73,720**	41,678
Income tax at concessionary rates	**(10,756)**	20,089
Tax effect of additional deduction related to research and development costs and certain staff costs	**(198,770)**	(171,925)
Withholding tax on undistributed profits of PRC subsidiaries	**45,355**	46,629
	727,780	659,163

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised in other comprehensive income:

	Year ended 31 December 2023			Year ended 31 December 2022		
	Before-tax amount RMB'000	**Tax expense RMB'000**	**Net-of-income tax amount RMB'000**	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-income tax amount RMB'000
Item that will not be reclassified to profit or loss:						
Fair value (loss) gain on investment in equity instruments at FVTOCI	**(3,895)**	**(2,172)**	**(6,067)**	56,594	(10,452)	46,142
Item that may be reclassified subsequently to profit or loss:						
Fair value gain on debt instruments measured at FVTOCI	**–**	**–**	**–**	7,581	(1,894)	5,687
	(3,895)	**(2,172)**	**(6,067)**	64,175	(12,346)	51,829

12. PROFIT FOR THE YEAR

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Directors' remuneration (note 13)	**4,156**	4,307
Other staff costs	**3,087,309**	3,103,052
Retirement benefits scheme contributions, excluding directors	**184,068**	161,021
Share-based payments	**8,427**	7,644
Total staff costs	**3,283,960**	3,276,024
Depreciation of property, plant and equipment	**821,672**	726,843
Depreciation of right-of-use assets	**45,567**	42,314
Auditor's remuneration	**2,180**	2,030
Cost of inventories sold	**74,642,355**	67,160,592
Write-down of inventories (included in cost of sales)	**338,604**	96,392

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2023	**Fees**	**Salaries and other benefits**	**Contributions to retirement benefit schemes**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Executive directors (i)				
Zhang Tianren (ii)	–	**1,500**	–	**1,500**
Zhang Aogen	–	**662**	–	**662**
Zhang Kaihong	–	**659**	–	**659**
Shi Borong	–	–	–	–
Zhou Jianzhong	–	**716**	**19**	**735**
Independent non-executive directors				
Huang Dongliang	**200**	–	–	**200**
Zhang Yong	**200**	–	–	**200**
Xiao Gang	**200**	–	–	**200**
Total	**600**	**3,537**	**19**	**4,156**

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 31 December 2022	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Total RMB'000
Executive directors (i)				
Zhang Tianren (ii)	–	1,512	59	1,571
Zhang Aogen	–	652	–	652
Zhang Kaihong	–	761	–	761
Shi Borong	–	–	–	–
Zhou Jianzhong	–	703	20	723
Independent non-executive directors				
Huang Dongliang	200	–	–	200
Zhang Yong	200	–	–	200
Xia Yongyao (iii)	50	–	–	50
Xiao Gang (iv)	150	–	–	150
Total	600	3,628	79	4,307

Notes:

i. The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

ii. Dr. Zhang Tianren is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

iii. Mr. Xia Yongyao resigned as an independent non-executive director of the Company with effect from 15 March 2022.

iv. Mr. Xiao Gang has been appointed as an independent non-executive director of the Company with effect from 15 March 2022.

For the years ended 31 December 2023 and 2022, no director of the Company was included in the five highest paid individuals, details of whose emoluments are set out above. The emoluments of the five highest paid individuals during the year are as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Basic salaries and allowances	**10,508**	14,057
Retirement benefits scheme contributions	**81**	123
	10,589	14,180

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

The emoluments of the five highest paid individuals are within the following bands:

	Number of employees	
	2023	2022
Hong Kong dollar ("**HK$**") HK$1,500,001 to HK$2,000,000	**2**	–
HK$2,000,001 to HK$2,500,000	**2**	1
HK$2,500,001 to HK$3,000,000	**–**	2
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**–**	1

During the year, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during both years.

No share option was granted during the years ended 31 December 2023 and 2022.

14. DIVIDENDS

	Year ended 31 December	
	2023 **RMB'000**	2022 RMB'000
Dividends declared during the year: 2023: 2022 final dividend of HK$40.00 cents (equivalent to RMB35.52 cents) (2022: 2021 final dividend of HK$40.00 cents (equivalent to RMB34.15 cents)) per ordinary share	**400,005**	384,594

Subsequent to the end of the reporting period, a final dividend of HK$ 43.00 cents (equivalent to RMB38.99 cents) (2022: HK$40.00 cents (equivalent to RMB35.52 cents)) in respect of the year ended 31 December 2023 per ordinary share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share – attributable to the owners of the Company	**1,821,836**	1,796,385

	Year ended 31 December	
	2023	2022
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,126,124,500**	1,126,124,500
Effect of dilutive potential ordinary shares – share options	**21,909,530**	21,269,586
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,148,034,030**	1,147,394,086

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2022	3,600,756	4,631,181	110,245	309,345	1,011,127	9,662,654
Additions	248,433	979,607	20,320	34,344	1,601,729	2,884,433
Transfers	381,532	252,814	–	19,726	(654,072)	–
Transfer from properties under development for sale	–	–	–	–	72,667	72,667
Transfer to right-of-use assets	–	–	–	–	(63,672)	(63,672)
Disposals/write-off	(13,968)	(225,059)	(6,941)	(7,882)	–	(253,850)
Disposals of subsidiaries	(51,110)	(50,318)	(683)	(1,421)	(5,087)	(108,619)
At 31 December 2022	4,165,643	5,588,225	122,941	354,112	1,962,692	12,193,613
Additions	474,222	744,023	15,946	59,527	3,925,834	5,219,552
Transfers	1,466,621	1,172,820	–	–	(2,639,441)	–
Transfer from properties under development for sale	–	–	–	–	282,497	282,497
Disposals/write-off	(9,275)	(278,971)	(9,312)	(17,037)	–	(314,595)
At 31 December 2023	6,097,211	7,226,097	129,575	396,602	3,531,582	17,381,067
DEPRECIATION AND IMPAIRMENT						
At 1 January 2022	1,056,632	1,822,777	63,591	215,166	–	3,158,166
Provided for the year	190,773	487,196	19,404	29,470	–	726,843
Disposals/write-off	(3,581)	(131,998)	(4,267)	(3,762)	–	(143,608)
Disposals of subsidiaries	(6,832)	(26,724)	(232)	(582)	–	(34,370)
At 31 December 2022	1,236,992	2,151,251	78,496	240,292	–	3,707,031
Provided for the year	257,693	512,417	14,063	37,499	–	821,672
Disposals/write-off	(5,086)	(175,444)	(7,567)	(13,632)	–	(201,729)
At 31 December 2023	1,489,599	2,488,224	84,992	264,159	–	4,326,974
CARRYING VALUES						
At 31 December 2023	4,607,612	4,737,873	44,583	132,443	3,531,582	13,054,093
At 31 December 2022	2,928,651	3,436,974	44,445	113,820	1,962,692	8,486,582

The above items of property, plant and equipment, except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis at the following useful life:

Buildings	20 years
Plant and machinery	10 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5-10 years

As at 31 December 2023, included in buildings held for own use are buildings with aggregate carrying amount of approximately RMB1,920,094,000 (2022: RMB239,831,000) whose property certificates are in the process of obtaining.

17. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at 31 December 2023			
Carrying amounts	1,336,302	14,312	1,350,614
As at 31 December 2022			
Carrying amounts	1,219,342	29,921	1,249,263
For the year ended 31 December 2023			
Depreciation charge	29,958	15,609	45,567
For the year ended 31 December 2022			
Depreciation charge	27,260	15,054	42,314

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Expense relating to short-term leases	**3,977**	9,275
Total cash outflow for leases	**163,779**	137,720
Additions to right-of-use assets	**146,918**	129,681

The Group leases various (i) properties lease agreements are typically made for fixed periods of 2 to 5 years and; (ii) leasehold lands lease agreements are typically made for fixed periods of 50 or 70 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

As at 31 December 2023 and 2022, the Group has obtained the land use right certificates for all leasehold lands.

Restrictions or covenants on leases

In addition, lease liabilities of RMB13,530,000 are recognised with related right-of-use assets of RMB14,312,000 as at 31 December 2023 (2022: liabilities of RMB25,045,000 are recognised with related right-of-use assets of RMB29,921,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

18. INTERESTS IN ASSOCIATES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Cost of investment in associates	**323,644**	232,427
Share of post-acquisition losses and other comprehensive expenses	**(5,035)**	(4,200)
	318,609	228,227

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of entities	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
			31/12/ 2023	31/12/ 2022	**31/12/ 2023**	31/12/ 2022	
浙江谷尚智能科技有限公司 Zhejiang Gushang Intelligent Technology Co., Ltd. ("**Zhejiang Gushang**")	PRC	PRC	**20%**	20%	**20%**	20%	Research and development of industrial robots
航天國華生態環境(浙江)有限公司 Aerospace Guohua Ecological Environment (Zhejiang) Co., Ltd. ("**Aerospace Guohua**")	PRC	PRC	**20%**	20%	**20%**	20%	Manufacture and sale of recyclable materials
連雲港市雲海電源有限公司 Lianyungang Yunhai Power Supply Co., Ltd. ("**Lianyungang Yunhai**")	PRC	PRC	**23%**	23%	**23%**	23%	Manufacture and sale of lead-acid battery products
浙江長興綠色電池科技有限公司 Zhejiang Changxing Green Battery Technology Co., Ltd.	PRC	PRC	**20%**	20%	**20%**	20%	Research and development of new energy technology
長興通能商業管理有限公司 Changxing Tongneng Business Management Co., Ltd.	PRC	PRC	34%	34%	34%	34%	Property management and sale of automobile

18. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates

The associate is accounted for using the equity method in these consolidated financial statements.

Zhejiang Gushang

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Current assets	**293,746**	268,047
Non-current assets	**966,860**	606,471
Current liabilities	**(20,930)**	(29,994)

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss and total comprehensive expense for the year	**(4,847)**	(372)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Net assets of Zhejiang Gushang	**1,239,676**	844,524
Proportion of the Group's ownership interest in Zhejiang Gushang	**20%**	20%
Carrying amount of the Group's interest in Zhejiang Gushang	**247,935**	168,905

Aggregate information of associates that are not individually material

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
The Group's share of post-tax profit (loss) and total comprehensive income (expense)	**134**	(831)
Aggregate carrying amount of the Group's interests in these associates	**70,674**	59,322

19. EQUITY INSTRUMENTS AT FVTOCI

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Listed equity securities (i)	**208,187**	204,683
Unlisted equity securities (ii)	**147,464**	119,400
	355,651	324,083

Notes:

(i) The above listed equity investments represent ordinary shares of entities listed in Hong Kong or Shanghai.

(ii) The above unlisted equity investments represent the Group's equity interest in a private entity established in the PRC.

The above investments are not held for trading and are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

20. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Asset-related government grants	Withholding tax on undistributed profits	Fair values adjustment on property, plant and equipment and right-of-use assets from acquisition of subsidiaries	Interest capitalisation	Provision for inventories, loan receivables, trade and other receivables	Fair value change of debt instruments at FVTOCI	Accrued warranty	Accrued expenses	Fair value change of equity instruments at FVTOCI	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	88,526	(36,647)	(12,883)	(9,617)	56,017	1,894	154,290	76,404	–	308,668	1,204	627,856
Credit (charge) to profit or loss	19,526	(46,629)	369	884	6,782	–	(9,138)	21,421	–	66,243	(21,507)	37,951
Charge to other comprehensive income	–	–	–	–	–	(1,894)	–	–	(10,452)	–	–	(12,346)
Reversal on payment of withholding tax on distribution of earnings from PRC subsidiaries	–	43,037	–	–	–	–	–	–	–	–	–	43,037
At 31 December 2022	108,052	(40,239)	(12,514)	(8,733)	62,799	–	145,152	97,825	(10,452)	374,911	(20,303)	696,498
Credit (charge) to profit or loss	**8,662**	**(45,355)**	**2,483**	**954**	**41,487**	**-**	**(17,746)**	**21,545**	**-**	**69,180**	**19,723**	**100,933**
Charge to other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,172)**	**-**	**-**	**(2,172)**
Reversal on payment of withholding tax on distribution of earnings from PRC subsidiaries	**-**	**31,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**31,000**
At 31 December 2023	**116,714**	**(54,594)**	**(10,031)**	**(7,779)**	**104,286**	**-**	**127,406**	**119,370**	**(12,624)**	**444,091**	**(580)**	**826,259**

20. DEFERRED TAXATION (Continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Deferred tax assets	**916,290**	790,922
Deferred tax liabilities	**(90,031)**	(94,424)
	826,259	696,498

As at the end of the reporting period, the Group has unused tax losses of approximately RMB1,342,781,000 (at 31 December 2022: RMB252,972,000) available to offset against future profits, in respect of which no deferred tax assets been recognised, due to the unpredictability of future profit streams. Such unrecognised losses will expire at various dates up to and including 2033 (at 31 December 2022: 2027).

At the end of the reporting period, the Group has deductible temporary differences of RMB635,252,000 (2022: RMB227,965,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law, starting from 1 January 2008, 10% withholding income tax is imposed on dividends declared in respect of profits earned in year 2008 onwards and distributed to foreign investors for companies established in the PRC. For investors incorporated in Hong Kong, a preferential rate of 5% will be applied where appropriate. Other than the PRC withholding income tax provided in respect of undistributed profits of the PRC subsidiaries as above, no deferred taxation has been provided for the remaining retained profits of approximately RMB11,626 million (at 31 December 2022: RMB9,707 million), which was derived from the PRC subsidiaries since 1 January 2008 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

21. INVENTORIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Raw materials	**1,931,295**	1,971,421
Work in progress	**3,634,044**	3,514,665
Finished goods	**1,242,176**	1,354,424
	6,807,515	6,840,510

22. PROPERTIES UNDER DEVELOPMENT FOR SALE/PROPERTIES FOR SALE

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Properties under development for sale	**842,335**	860,626
Properties for sale	**41,156**	–
	883,491	860,626

22. PROPERTIES UNDER DEVELOPMENT FOR SALE/PROPERTIES FOR SALE (Continued)

As at 31 December 2023 and 2022, the Group's properties under development for sale are situated in the PRC. All of the properties under development for sales are stated at the lower of cost and net realisable value. At the end of reporting period, no properties under development for sale were pledged as security.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Carrying amount of leasehold lands	**766,239**	590,445

The carrying amount of leasehold lands is measured at cost less any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands taking into account the estimated residual values as at 31 December 2023 and 2022.

23. BILLS, TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Bills receivables*	**1,742,657**	2,206,207
Trade receivables	**2,101,758**	1,738,719
Less: Allowance for credit losses	**(291,232)**	(351,350)
	1,810,526	1,387,369
Other receivables	**140,699**	178,702
Less: Allowance for credit losses	**(55,819)**	(45,961)
	84,880	132,741
Prepayments for materials	**698,658**	605,966
PRC value added tax and EIT recoverable	**694,880**	708,922
	5,031,601	5,041,205

* The balance represents bills receivables held by the Group which is measured at amortised cost since the bills are held within a business model whose objective is to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. All bills received by the Group are with a maturity period of less than one year.

As at 1 January 2022, trade receivables from contracts with customers amounted to RMB1,615,137,000.

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

23. BILLS, TRADE AND OTHER RECEIVABLES (Continued)

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
0 to 45 days	**988,618**	920,192
46 to 90 days	**538,833**	359,021
91 to 180 days	**140,801**	49,972
181 to 365 days	**93,671**	23,895
1 year to 2 years	**23,007**	11,876
Over 2 years	**25,596**	22,413
	1,810,526	1,387,369

Details of impairment assessment of trade and other receivables are set out in note 43.

24. LOAN RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Fixed-rate loan receivables	**1,383,134**	1,263,939
Analysed as		
Current	**1,085,648**	930,503
Non-current	**297,486**	333,436
	1,383,134	1,263,939

Included in the carrying amount of loan receivables as at 31 December 2023 is accumulated impairment losses of RMB22,398,000 (2022: RMB18,536,000). Details of impairment assessment are set out in note 43.

As at 31 December 2023 and 2022, all loans are either guaranteed and/or secured by collaterals.

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within one year	**1,085,648**	930,503
In more than one year but not more than two years	**211,896**	267,744
In more than two years but not more than five years	**85,590**	65,692
	1,383,134	1,263,939

For the year ended 31 December 2023, the range of effective interest rates on the Group's loan receivables is 3.09% to 17.69% (2022: 5.46% to 14.00%).

25. DEBT INSTRUMENTS AT FVTOCI

As at 31 December 2023 and 2022, the balance represents bills receivables held by the Group which is measured at FVTOCI since the bills are held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

The following is an aged analysis of debt instruments at FVTOCI at the end of the reporting period:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
0 to 180 days	**474,843**	783,755
181 to 365 days	**1,250**	14,250
	476,093	798,005

These bills receivables are all issued by reputable banks of good credit quality. Management of the Group considered the credit risk of these bank issued bills is insignificant and no impairment was provided on them at the year end.

26. FINANCIAL ASSETS AT FVTPL

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Financial assets mandatorily measured at FVTPL:		
Structured bank deposits	**220,000**	270,041
Equity securities listed in Mainland China	**41,294**	43,877
Equity securities listed in Hong Kong	**49,020**	25,280
Foreign currency forward contracts	**1,470**	9,375
Commodity derivative contracts	**6,044**	1,866
Unlisted equity investments	**3,000**	–
	320,828	350,439

27. CASH AND CASH EQUIVALENTS/PLEDGED/RESTRICTED BANK DEPOSITS/TIME DEPOSITS

Cash and cash equivalents include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.01% to 0.25% (2022: 0.01% to 0.35%).

As at 31 December 2023, bank balances that are placed in restricted bank accounts in accordance with the applicable government regulations amounting to RMB36,716,000 (2022: RMB127,769,000), such balances can only be applied in the designated property development projects. The balances carry interest at an interest rate of 0.25% (2022: 0.35%) per annum.

Pledged bank deposits represented bank deposits pledged to banks to secure short-term banking facilities granted to the Group. The pledged deposits at 31 December 2023 carry interest rates ranging from 0.20% to 3.55% (2022: 0.30% to 3.90%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank issued bills payables.

As at 31 December 2022, time deposits carry fixed interest rates ranging from 3.60% to 3.90% per annum and will be matured within one year.

Details of impairment assessment of bank balances, pledged/restricted bank deposits and time deposits are set out in note 43.

28. BILLS, TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables	**2,492,342**	2,456,894
Bills payables	**6,154,646**	6,198,145
Value added tax payables and other tax payables	**766,238**	729,460
Staff salaries and welfare payables	**646,354**	657,223
Payables for purchase of property, plant and equipment	**1,671,923**	620,554
Accrued charges	**624,414**	474,586
Deposits payables	**365,068**	440,744
Dividend payables	**688**	110,498
Other payables	**275,966**	270,577
	12,997,639	11,958,681

The Group normally receives credit terms of 5 days to 90 days (2022: 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 dates:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
0 – 90 days	**2,043,673**	2,181,136
91 – 180 days	**253,180**	150,787
181 – 365 days	**40,140**	61,633
1 – 2 years	**115,324**	34,473
Over 2 years	**40,025**	28,865
	2,492,342	2,456,894

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
0 – 180 days	**6,152,115**	6,148,145
181 – 365 days	**2,531**	50,000
	6,154,646	6,198,145

29. AMOUNTS DUE TO/FROM RELATED PARTIES

Details of the amounts due to related parties are as follows:

Name of related parties	As at 31 December 2023 RMB'000	2022 RMB'000
浙江暢通科技有限公司 Zhejiang Changtong Technology Company Limited ("**Changtong Technology**") (note i)	**222,928**	269,070
濟源市萬洋冶煉(集團)有限公司 Jiyuan City Wanyang Smelting (Group) Co., Ltd. ("**Wanyang Group**") (note ii)	**9,632**	42,874
浙江長興欣欣包裝有限公司 Zhejiang Changxing Xin Xin Packaging Co., Ltd ("**Xin Xin Packaging**") (note iii)	**3,878**	4,169
Lianyungang Yunhai	**2,969**	–
長興遠鴻機械有限公司 Changxing Yuanhong Machinery Company Limited ("**Yuanhong Machinery**") (note iv)	**45**	115
Aerospace Guohua	**9**	–
	239,461	316,228

The amounts due to related parties are trade in nature, unsecured and with ageing less than 180 days.

Details of the amounts due from related parties are as follows:

Name of related parties	As at 31 December 2023 RMB'000	2022 RMB'000
Wanyang Group	**16,377**	–
Lianyungang Yunhai	**14,902**	–
Aerospace Guohua	**3,468**	–
Changtong Technology	**1,514**	1,475
浙江暢能商業管理有限公司 Zhejiang Changneng Business Management Co., Ltd. ("**Changneng Business Management**") (note v)	**705**	3
	36,966	1,478

Included in the amount due from Lianyungang Yunhai, RMB13,650,000 is non-trade related, unsecured, interest bearing at 5.10% per annum and repayable on demand. The remaining amounts due from related parties are trade in nature, unsecured and with ageing less than 180 days.

Notes:

i) Changtong Technology is beneficially owned by Ms. Zhang Mei'e, who is the sister of Dr. Zhang Tianren, the beneficial owner and the director of the Company, and her spouse, Mr. Ni Danqing.

ii) Wanyang Group is a party which holds 49% interest of Jiyuan Wanyang Green Energy Co., Ltd. (濟源市萬洋綠色能源有限公司), a 51% owned subsidiary of the Group.

iii) Xin Xin Packaging is beneficially owned by Ms. Chen Pingping and Ms. She Fangli, who are the cousin and niece respectively of Dr. Zhang Tianren.

iv) Yuanhong Machinery is beneficially owned by Mr. Zhang Kaihong's son. Mr. Zhang Kaihong is a director of the Company.

v) Changneng Business Management is controlled by Dr. Zhang Tianren.

30. BORROWINGS

	As at 31 December	
	2023	2022
Bank borrowings	**8,692,876**	5,886,596
Other borrowings*	**374,649**	295,831
	9,067,525	6,182,427
Secured	**3,340,848**	1,339,101
Unsecured	**5,726,677**	4,843,326
	9,067,525	6,182,427
The carrying amounts of the above borrowings are repayable**:		
Within one year	**6,240,750**	4,558,209
Within a period of more than one year but not exceeding two years	**938,161**	1,298,088
Within a period of more than two years but not more than five years	**1,169,978**	264,300
Over five years	**718,636**	61,830
	9,067,525	6,182,427
Less: Amounts due within one year shown under current liabilities	**(6,240,750)**	(4,558,209)
Amounts shown under non-current liabilities	**2,826,775**	1,624,218

* As at 31 December 2023, other borrowings amounting to RMB100,000,000 (31 December 2022: RMB100,000,000) were from Changtong Technology, which are unsecured and carry interest at 6.00% per annum.

** The amounts due are based on scheduled repayment dates set out in the loan agreements.

Details of assets pledged by the Group at the end of the reporting period are set out in note 45.

The exposure of the Group's borrowings are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Fixed-rate borrowings	**374,649**	295,831
Variable-rate borrowings	**8,692,876**	5,886,596
	9,067,525	6,182,427

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	Year ended 31 December	
	2023	2022
Fixed-rate borrowings	**5.00%-6.00%**	5.00%-6.00%
Variable-rate borrowings	**1.09%-6.50%**	1.30%-6.50%

30. BORROWINGS (Continued)

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	United States dollars ("US$")	HK$
As at 31 December 2023 (RMB'000)	690,563	135,933
As at 31 December 2022 (RMB'000)	940,221	428,784

31. LEASE LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**7,215**	11,608
Within a period of more than one year but not more than two years	**2,677**	8,824
Within a period of more than two years but not more than five years	**3,638**	4,613
	13,530	25,045
Less: Amount due for settlement with 12 months shown under current liabilities	**(7,215)**	(11,608)
Amount due for settlement after 12 months shown under non-current liabilities	**6,315**	13,437

The weighted average incremental borrowing rate applied to lease liabilities is 4.90% (2022: 4.90%).

32. PROVISION

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
At 1 January	**697,428**	720,292
Provision in the year	**646,440**	729,053
Utilisation of provision	**(712,360)**	(751,917)
At 31 December	**631,508**	697,428

The Group provided a warranty on battery products. A warranty provision is estimated and accrued at the time of sale and is based upon various factors including the actual warranty claims, unit sales history, the estimated replacement cost and repair cost for returned products, predicted future warranty claim rate with reference to prior experiences and volumes of products sold. The amount of accrued warranty is adjusted as required to reflect the actual costs incurred when information becomes available.

33. CONTRACT LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Sales of goods	**2,425,858**	2,045,044
Sales of properties	**287,917**	286,871
	2,713,775	2,331,915

As at 1 January 2022, contract liabilities amounted to RMB2,129,216,000.

The contract liabilities as at 1 January 2022 and 31 December 2022, amounting to RMB RMB2,129,216,000 and RMB2,208,641,000, respectively, were recognised as revenue during the years ended 31 December 2022 and 2023.

The Group receives 30% to 100% of the contract value as deposits from property purchasers when they sign the sale and purchase agreements. Such advance payments result in contract liabilities being recognised throughout the property construction period for the amounts received.

34. DEFERRED GOVERNMENT GRANTS

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
At 1 January	**864,058**	633,727
Additions	**310,028**	270,442
Released to other income (note 7)	**(80,539)**	(40,111)
At 31 December	**1,093,547**	864,058

The Group received grants from the local government related to the acquisition of property, plant and equipment and land use right. The amounts are deferred and amortised over the useful lives of the relevant assets.

35. REDEMPTION LIABILITIES ON ORDINARY SHARES OF A SUBSIDIARY

On 5 May 2023, a Capital Increase Agreement and a Shareholders Agreement were entered into by Zhejiang Tianneng New Materials Co., Ltd. 浙江天能新材料有限公司 ("**Tianneng New Materials**", an indirect non-wholly owned subsidiary of the Company), 15 outside investors who are independent third parties and 3 investors who are controlled by the Company (the "**Investors**"), Tianneng Holding Group Co., Ltd. 天能控股集團有限公司 ("**Tianneng Holding**", an indirect wholly-owned subsidiary of the Company), Zhejiang Tianneng Commercial Management Co., Ltd. 浙江天能商管理有限公司 ("**Tianneng Commercial**", an indirect wholly-owned subsidiary of the Company) and Tianchang Holding Co., Ltd. 天暢控股有限公司. Pursuant to the Capital Increase Agreement, the Investors agreed to subscribe to the new registered capital of Tianneng New Materials in the amount of RMB39,216,000 (representing approximately 28.57% of the registered capital of Tianneng New Materials as enlarged by the capital increase) with a cash consideration of RMB1,000,000,000 (the "**Capital Increase**"). Tianneng New Materials had received all proceeds for the Capital Increase by September 2023. Upon completion of the Capital Increase, the Company's indirect interest in Tianneng New Materials will decrease from 65.00% to 49.27%.

35. REDEMPTION LIABILITIES ON ORDINARY SHARES OF A SUBSIDIARY (Continued)

The key terms of the Shareholders Agreement are summarized as follows:

Redemption rights

The Investors was entitled to the redemption right upon the occurrence of certain events, including: (i) Tianneng New Materials fails to achieve an initial public offering on the A Share market in the PRC and other markets as agreed by the parties to the Capital Increase Agreement ("**Qualified Listing**") before 31 December 2026, or due to other causes, it is reasonably foreseeable that Tianneng New Materials cannot achieve a Qualified Listing within the aforesaid deadline, (ii) before 31 December 2026, Tianneng New Material or Tianneng Holding expressly declares that Tianneng New Material has abandoned the Qualified Listing arrangement or work. If any of the above conditions has occurred, Tianneng New Materials and/or Tianneng Holding will be obligated to repurchase the shares from the Investors at the original investment amount plus a yield at 8% per annum and minus any paid dividends.

Anti-dilution rights

From the date of completion of the Capital Increase to the date of the Qualified Listing, if Tianneng New Materials undertakes any capital increase or issues convertible bonds or other security interests that may be converted into the registered capital of Tianneng New Materials, unless the Investors agree in writing, the subscription price of the new investors shall not be lower than the subscription price of the Investors. With the written consent of the Investors, the subscription price of the new investor may be lower than that of the Investors. In such case, the Investors shall have the right to request Tianneng Holding, Tianchang Holding or Tianneng Commercial to compensate the Investors, so that the subscription price of the Investors' investment in Tianneng New Materials shall be adjusted to that of the new investor.

Presentation and classification

The redemption obligations give rise to financial liabilities, which are measured at the present value of the maximum redemption amount.

The movements of redemption liabilities on ordinary shares of a subsidiary during the year ended 31 December 2023 are set out below.

	RMB'000
At 1 January 2023	–
Issue of redeemable ordinary shares of a subsidiary	972,048
Interest charge	31,543
At 31 December 2023	1,003,591

36. SHARE CAPITAL

	Number of shares	Amount RMB'000
Ordinary shares of the Company with nominal value of HK$0.10 each		
Authorised:		
At 1 January 2022, 31 December 2022 and 31 December 2023	2,000,000,000	212,780
Issued and fully paid:		
At 1 January 2022, 31 December 2022 and 31 December 2023	1,126,124,500	109,850

37. RESERVES

Special reserve

The special reserve of the Group represents the difference between the nominal amount of the shares issued by Tianneng International Investment Holdings Limited ("**Tianneng BVI**") and the aggregate amount of paid-in capital of the subsidiaries acquired by Tianneng BVI pursuant to the group reorganisation which took place in 2004 as more fully explained in the prospectus of the Company dated 29 May 2007.

Statutory surplus reserve fund/Discretionary surplus reserve fund

As stipulated by the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are required to maintain two reserves, being a statutory surplus reserve fund and a discretionary surplus reserve fund which are non-distributable. Appropriations to such reserves are made out of profit after taxation of the statutory financial statements of the PRC subsidiaries while the amount and allocation basis are decided by their board of directors annually. Pursuant to the relevant laws and regulations in the PRC, it requires the appropriation to the statutory surplus reserve fund until the balance reaches 50% of the registered share capital. The statutory surplus reserve fund and the discretionary surplus reserve fund can be used to make up its prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

38. SHARE-BASED PAYMENTS

Share options scheme

The Company has a share options scheme (the "**Scheme**") for eligible directors of the Company, eligible employees of the Group and other selected participants. According to the terms of the Scheme, option granted must be taken up within 28 days from the date of grant, upon payment of HK$1.00. The options may be exercised in accordance with the terms of the Scheme at any time during the exercise period determined by the board of directors which shall in any event not be more than ten years from the date of grant. Share options are vested over a period up to a maximum of four years after the date of grant.

The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Scheme to an eligible participant in any 12-month period shall not exceed 1% of the number of shares in issue unless approved by shareholders in a general meeting. The maximum number of shares in respect of which options may be granted under the Scheme shall not in aggregate exceed 10% of the shares in issue on the date on which dealings in the shares first commence on the Hong Kong Stock Exchange, i.e. a total of 100,000,000 shares (the "**Option Limit**"). Pursuant to an annual general meeting held on 16 May 2014, the Option Limit has been refreshed to 10% of the shares in issue on the date of the annual general meeting, i.e. a total of 111,190,800 shares.

All holders of options granted under the Scheme may only exercise their options in the following manner:

Maximum percentage of options exercisable	Vesting period
10% of the options	Upon the first anniversary of the date of grant
Additional 20% of the options	Upon the second anniversary of the date of grant
Additional 30% of the options	Upon the third anniversary of the date of grant
Additional 40% of the options	Upon the fourth anniversary of the date of grant

38. SHARE-BASED PAYMENTS (Continued)

Share options scheme (Continued)

The following tables disclosed movements of the Company's options under the Scheme during the years ended 31 December 2023 and 2022:

Category	**Grant date**	**Exercisable period**	**Exercise price**	**Outstanding at 01/01/2023**	**Forfeited during the year**	**Outstanding at 31/12/2023**
Option C	16.6.2014	16.6.2015-15.6.2024	HK$2.90	**33,714,000**	**(783,000)**	**32,931,000**
Exercisable at the end of the year						**32,931,000**

Category	Grant date	Exercisable period	Exercise price	Outstanding at 01/01/2022	Forfeited during the year	Outstanding at 31/12/2022
Option C	16.6.2014	16.6.2015-15.6.2024	HK$2.90	34,794,000	(1,080,000)	33,714,000
Exercisable at the end of the year						33,714,000

No options were exercised during the years ended 31 December 2023 and 2022.

During the years ended 31 December 2023 and 2022, no expense were recognised in relation to share options granted by the Company under the Scheme.

Share award scheme of a subsidiary of the Company

Pursuant to the shareholders' resolution approved on 23 May 2019, Tianneng Share adopted a share award scheme for eligible senior management and eligible employees of Tianneng Share and its subsidiaries (the "**Selected Employees**") (the "**Share Award Scheme**"). The objective of the Share Award Scheme is to recognise the contribution by the Selected Employees and to provide them with incentives in order to retain them for the continuing operation and development of Tianneng Share and its subsidiaries.

According to the Share Award Scheme, 41,200,000 shares of Tianneng Share were granted to certain limited partnerships (the "**Limited Partnership**"), which were legally owned by Zhejiang Tianneng Commercial Management Co., Ltd. ("**Tianneng Commercial**"), a wholly owned subsidiary of the Group, and the Selected Employees and for the purpose of facilitating the purchasing, holding and selling of shares of Tianneng Share for the benefit of the Selected Employees. 13,959,000 shares have been subscribed at a price of RMB7.69 per share.

These shares are restricted for sale until the fourth anniversary date after the initial public offering of Tianneng Share in A-share market (the "**Qualified IPO**") which was completed in January 2021. Upon the expiry of restriction of the awarded shares, the Limited Partnership shall dispose the awarded shares at the prevailing market price and transfer the proceeds in relation to the awarded shares to the respective Selected Employees.

If the Selected Employees resigned before the expiry of restriction of the awarded shares, they are required to sell back the awarded shares at a share price of RMB7.69 plus interest at 115% of the benchmark lending rate of peer loan issued by the People's Bank of China.

38. SHARE-BASED PAYMENTS (Continued)

Share award scheme of a subsidiary of the Company (Continued)

The fair value of the restricted shares granted on 23 May 2019 amounted to approximately RMB71,367,000 which was determined by referenced to the recent transaction price of the shares of Tianneng Share. During the year ended 31 December 2023, an expense of approximately RMB8,427,000 (2022: RMB7,644,000) was recognised by the Group in relation to the restricted shares granted by Tianneng Share under the Share Award Scheme.

As at 31 December 2023, financial liabilities of approximately RMB104,946,000 (2022: RMB110,864,000) was recognised according to the repurchase consideration to be paid under Share Award Scheme if the granted shares become unvested.

39. RETIREMENT BENEFIT SCHEMES

The employees of the PRC subsidiaries are members of the state-management retirement benefits scheme operated by the PRC government. The Group is required to contribute 16% of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

The Group also operates a Mandatory Provident Fund Scheme for all employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the scheme, which contribution is matched by the employees. As at 31 December 2023 and 2022, the Group had no forfeited contributions available to reduce the contributions payable in future years.

The amounts of contributions made by the Group in respect of the retirement benefit schemes during both years are disclosed in notes 12 and 13.

40. DISPOSAL OF SUBSIDIARIES

Year ended 31 December 2022

During the year ended 31 December 2022, the Group disposed of 80% and 70% of its interests in Aerospace Guohua and 浙江天能高分子材料科技有限公司 Zhejiang Tianneng Polymer Material Technology Co., Ltd. ("**Tianneng Polymer Material**") to independent third parties for cash consideration of RMB129,440,000 and RMB1,000,000, respectively. The net assets of Aerospace Guohua and Tianneng Polymer Material at the dates of disposal were as follows:

	Aerospace Guohua RMB'000	**Tianneng Polymer Material** RMB'000	**Total** RMB'000
Consideration received:			
Cash received	63,560	1,000	64,560
Deferred consideration	65,880	–	65,880
	129,440	1,000	130,440
Analysis of assets and liabilities over which control was lost:			
Property, plant and equipment	68,606	5,643	74,249
Right-of-use assets	55,047	–	55,047
Goodwill	22,806	–	22,806
Inventories	6,967	–	6,967
Bills, trade and other receivables	27,875	129	28,004
Cash and cash equivalents	429	109	538
Trade and other payables	(38,543)	(5,206)	(43,749)
Borrowings	(15,900)	–	(15,900)
Contract liabilities	(658)	–	(658)
Net assets disposed of	126,629	675	127,304
Gain on disposal of subsidiaries:			
Consideration received and receivable	129,440	1,000	130,440
Net assets disposed of	(126,629)	(675)	(127,304)
Recognition of investment in an associate	32,360	–	32,360
Non-controlling interests	17,634	202	17,836
Gain on disposal	52,805	527	53,332
Net cash inflow arising on disposal:			
Cash consideration	63,560	1,000	64,560
Less: bank balances and cash disposed of	(429)	(109)	(538)
	63,131	891	64,022

41. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	As at 31 December	
	2023 **RMB'000**	2022 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**2,752,584**	2,933,564

42. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes borrowings, lease liabilities and redemption liabilities on ordinary shares of a subsidiary as disclosed in notes 30, 31 and 35, respectively, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

43. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Financial assets		
Financial assets at FVTPL		
Mandatorily measured at FVTPL		
– Structured bank deposits	**220,000**	270,041
– Held-for-trading investments		
– Equity securities listed in Mainland China	**41,294**	43,877
– Equity securities listed in Hong Kong	**49,020**	25,280
– Derivative financial instruments	**7,514**	11,241
– Unlisted equity investments	**3,000**	–
Equity instruments at FVTOCI	**355,651**	324,083
Debt instruments at FVTOCI	**476,093**	798,005
Amortised cost	**20,493,296**	17,918,137
Financial liabilities		
Amortised cost	**21,271,210**	16,596,067

b. Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, loan receivables, bills, trade and other receivables, amounts due from related parties, debt instruments at FVTOCI, financial assets at FVTPL, pledged/restricted bank deposits, time deposits, cash and cash equivalents, bills, trade and other payables, amounts due to related parties, borrowings and redemption liabilities on ordinary shares of a subsidiary. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

43. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk

Currency risk

The Group collects most of its revenue in RMB and most of the expenditures as well as capital expenditures are also denominated in RMB, which is the functional currency of the relevant subsidiaries. The Group's exposure to foreign currency risk is arising mainly from certain bank balances, certain financial assets at FVTPL, certain equity instrument at FVTOCI and certain bank borrowings which are denominated in foreign currencies. Except for the above items denominated in foreign currencies, the group entities did not have any other monetary assets or liabilities denominated in foreign currencies as at the end of the reporting period.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of reporting date are as follows:

	Assets		**Liabilities**	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
US$	**134,813**	129,534	**690,563**	940,221
HK$	**61,552**	179,689	**136,621**	539,282

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.

Sensitivity analysis

The Group is mainly exposed to the currency risk on US$ and HK$ against RMB.

The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting date for a 5% (2022: 5%) change in foreign currency rates. The analysis illustrates the impact for a 5% (2022: 5%) strengthening of RMB against the relevant currency. For a 5% (2022: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and other comprehensive income.

43. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

	US$ impact (i)		HK$ impact (ii)	
	2023 **RMB'000**	2022 RMB'000	**2023** **RMB'000**	2022 RMB'000
Increase in post-tax profit for the year as a result of a 5% strengthening of RMB against the foreign currency	**29,123**	41,467	**3,927**	18,181

(i) This is mainly attributable to the exposure outstanding on US$ denominated bank balances and bank borrowings of the Group at the end of the reporting period.

(ii) This is mainly attributable to the exposure to outstanding HK$ denominated bank balances, financial assets at FVTPL and bank borrowings of the Group at the end of the reporting period.

	HK$ impact	
	2023 **RMB'000**	2022 RMB'000
Decrease in investment revaluation reserve for the year as a result of a 5% strengthening of RMB against the foreign currency	**7,257**	8,457

This is mainly attributable to the exposure to outstanding HK$ denominated equity instrument at FVTOCI of the Group at the end of the reporting period.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loan receivables (see note 24 for details), pledged/restricted bank deposits and time deposits (see note 27 for details), fixed-rate borrowings (see note 30 for details) and lease liabilities (see note 31 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 27 for details) and variable-rate borrowings (see note 30 for details). The directors of the Company monitor interest rate exposures and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2022: 50 basis points) increase or decrease in variable-rate bank borrowings are used represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If the interest rate on variable-rate borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2023 would decrease/increase by RMB38,213,000 (2022: decrease/increase by RMB27,598,000).

43. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities measured at FVTPL and FVTOCI. For quoted equity securities measured at FVTPL, the management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group also invested in certain unquoted and quoted equity securities for investees operating in battery industry sector for long term strategic purposes which had been designed as FVTOCI. The management closely monitors such exposure and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. Sensitivity analyses for unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in note 43c.

If the prices of the respective equity instruments had been 10% (2022: 10%) higher/lower, the post-tax profit for the year ended 31 December 2023 would increase/decrease by RMB9,031,000 (2022: increase/decrease by RMB5,819,000) as a result of the changes in fair value of investments at FVTPL and the other comprehensive income would increase/decrease by RMB33,026,000 (2022: increase/decrease by RMB30,084,000) as a result of the changes in fair value of investments at FVTOCI.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the amount of each class of financial assets as disclosed in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with loan receivables is mitigated because they are secured over equipment or trade receivables.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Bills receivables/debt instruments at FVTOCI

Bills receivables and debt instruments at FVTOCI were all bank-issued notes. Since the issuers were reputable banks of good credit quality, the management of the Group considered the credit risk of these bank issued bills is insignificant and no impairment was provided on them at the year end.

43. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Loan receivables

The management estimates the estimated loss rates of loan receivables based on historical credit loss experience of the debtors as well as the fair value of the collateral pledged by the debtors to the loan receivables. Based on assessment by the management, the loss given default is low in view of the estimated realised amount of ultimate disposal of the collaterals.

Pledged bank deposits/restricted bank deposits/bank balances/time deposits

There is concentration of credit risk on pledged/restricted bank deposits, bank balances and time deposits for the Group as at 31 December 2023 and 2022. The credit risk on liquid funds is limited because the majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

Financial guarantee contracts

For financial guarantee contracts, the aggregate amount of outstanding financial guarantees issued to banks in respect of mortgage loans granted to its customers that the Group could be required to pay amounted to RMB202,922,000.00 as at 31 December 2023 (2022: RMB199,207,000). The fair value of these financial guarantee, as at dates of initial recognition, were considered insignificant. At the end of the reporting period, management has performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. No loss allowance was recognised in the profit or loss.

43. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and trade-related amounts due from related parties	Other financial assets
Grade A	The counterparty has a low risk of default and does not have any past-due amounts or the counterparty is a new customer as a large producer with good reputation and good credit rating based on internal assessment	Lifetime ECL – not credit-impaired	12-month ECL
Grade B	Debtor frequently repays after due dates but usually settle after due date or the counterparty is a new customer other than those grouped in grade A counterparties	Lifetime ECL – not credit-impaired	12-month ECL
Grade C	The counterparty delays its payment after due dates with no settlement yet, or there have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Grade D	The counterparty has been charged by the Group or could not settle the receivables according to the contracts or there is other evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Grade E	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

43. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	12-month or lifetime ECL	Gross carrying amount	
			31/12/2023	31/12/2022
			RMB'000	RMB'000
Debt instruments at FVTOCI				
Bills receivables	25	Lifetime ECL (not credit-impaired)	**476,093**	798,005
Financial assets at amortised cost				
Loan receivables	24	12-month ECL	**1,405,532**	1,282,475
Amounts due from related parties	29			
– trade nature		Lifetime ECL (not credit-impaired)	**23,316**	1,478
– non-trade nature		12-month ECL	**13,650**	–
Bank balances and time deposits	27	12-month ECL	**9,455,594**	7,995,808
Pledged/restricted bank deposits	27	12-month ECL	**5,979,539**	4,930,595
Bills receivables	23	Lifetime ECL (not credit-impaired)	**1,742,657**	2,206,207
Trade receivables	23	Lifetime ECL (provision matrix)	**1,854,269**	1,412,536
		Credit-impaired	**247,489**	326,183
Other receivables	23	12-month ECL	**84,880**	132,959
		Credit-impaired	**55,819**	45,743

43. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis within lifetime ECL (not credit-impaired). Debtors credit-impaired with gross carrying amount of RMB247,489,000 as at 31 December 2023 (2022: RMB326,183,000) were assessed individually.

Internal credit rating	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
As at 31 December 2023			
Grade A	**0.5%**	**997,771**	**4,850**
Grade B	**5.0%**	**809,169**	**40,447**
Grade C	**20.0%**	**47,329**	**9,466**
		1,854,269	**54,763**
As at 31 December 2022			
Grade A	0.5%	579,873	2,907
Grade B	5.0%	790,665	39,533
Grade C	20.0%	41,998	8,400
		1,412,536	50,840

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As at 31 December 2023, the Group provided RMB54,763,000 (2022: RMB50,840,000) impairment allowance for trade receivables based on collective assessment. Impairment allowance of RMB236,469,000 (2022: RMB300,510,000) were made on debtors with credit-impaired debtors.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2022	93,730	159,781	253,511
– Impairment losses, net of reversal	(17,595)	134,025	116,430
– Transfer to credit-impaired	(25,295)	25,295	–
– Write-offs	–	(18,591)	(18,591)
As at 31 December 2022	50,840	300,510	351,350
– Impairment losses, net of reversal	**22,602**	**6,612**	**29,214**
– Transfer to credit-impaired	**(18,679)**	**18,679**	**–**
– Write-offs	**–**	**(89,332)**	**(89,332)**
As at 31 December 2023	**54,763**	**236,469**	**291,232**

43. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group writes off a trade receivable when there is information indicating that debtors is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtors has been placed under liquidation or has entered into bankruptcy proceedings.

Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and the flexibility through the use of bank and other borrowings. In addition, banking facilities have been put in place for contingency purposes.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted balances RMB'000	Carrying amounts RMB'000
At 31 December 2023							
Non-derivative financial liabilities							
Bills, trade and other payables	–	**10,960,633**	**–**	**–**	**–**	**10,960,633**	**10,960,633**
Amounts due to related parties	–	**239,461**	**–**	**–**	**–**	**239,461**	**239,461**
Borrowings	3.63	**6,385,516**	**1,018,916**	**1,302,251**	**790,549**	**9,497,232**	**9,067,525**
Redemption liabilities on ordinary shares of a subsidiary	8.00	**77,764**	**77,764**	**1,049,812**	**–**	**1,205,340**	**1,003,591**
Lease liabilities	4.90	**7,721**	**2,965**	**3,833**	**–**	**14,519**	**13,530**
		17,671,095	**1,099,645**	**2,355,896**	**790,549**	**21,917,185**	**21,284,740**
At 31 December 2022							
Non-derivative financial liabilities							
Bills, trade and other payables	–	10,097,412	–	–	–	10,097,412	10,097,412
Amounts due to related parties	–	316,228	–	–	–	316,228	316,228
Borrowings	3.49	4,654,299	1,325,520	293,081	62,239	6,335,139	6,182,427
Lease liabilities	4.90	12,063	9,442	5,380	–	26,885	25,045
		15,080,002	1,334,962	298,461	62,239	16,775,664	16,621,112

43. FINANCIAL INSTRUMENTS (Continued)

c. Fair value

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31/12/2023 RMB'000	Fair value as at 31/12/2022 RMB'000	Fair value hierarchy	Valuation technique and key input	Significant unobservable input	Relationship of unobservable inputs to fair value
Listed equity securities classified as financial assets at FVTPL	Listed equity securities in Mainland China: RMB41,294	Listed equity securities in Mainland China: RMB43,877	Level 1	Quoted transaction prices in active markets.	N/A	N/A
	Listed equity securities in Hong Kong: RMB49,020	Listed equity securities in Hong Kong: RMB25,280				
Listed equity instruments at FVTOCI	Listed equity securities in Hong Kong: RMB145,145	Listed equity securities in Hong Kong: RMB169,143	Level 1	Quoted transaction prices in active markets.	N/A	N/A
	Listed equity securities in Mainland China: RMB63,042	Listed equity securities in Mainland China: RMB35,540				
Foreign currency forward contracts	Assets: RMB1,470	Assets: RMB9,375	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Commodity derivative contracts	Assets: RMB6,044	Assets: RMB1,866	Level 2	The fair value of the commodity derivative contracts is estimated by reference to the quoted prices of similar standardised commodity derivative contracts at the end of the reporting period.	N/A	N/A
Debt instruments at FVTOCI	RMB476,093	RMB798,005	Level 2	Discounted cash flow is estimated based on discount rate observed in the available market.	N/A	N/A
Structured bank deposits at FVTPL	RMB220,000	RMB270,041	Level 3	Discounted cash flow is estimated based on expected return.	Expected return	An increase in the expected return would result in a decrease in the fair value measurement of the structured bank deposits, and vice versa.
Unlisted equity instruments	At FVTOCI: RMB147,464 At FVTPL: RMB3,000	At FVTOCI: RMB119,400 At FVTPL: Nil	Level 3	Backsolve from recent transaction price.	Recent transaction price	The higher the recent transaction price, the higher the fair value

43. FINANCIAL INSTRUMENTS (Continued)

c. Fair value (Continued)

(ii) Reconciliation of Level 3 fair value measurements of financial assets

	Structured bank deposits at FVTPL RMB'000	Unlisted equity instruments at FVTOCI RMB'000	Unlisted equity instruments at FVTPL
At 1 January 2022	1,521,000	66,552	–
Total gains	67,382	74,502	–
– in profit or loss	67,382	–	–
– in other comprehensive income	–	74,502	–
Purchases	8,892,026	–	–
Transfers out of Level 3(note)	–	(21,212)	–
Disposals/settlements	(10,210,367)	(442)	–
At 31 December 2022	270,041	119,400	–
Total gains	19,287	12,600	–
– in profit or loss	19,287	–	–
– in other comprehensive income	–	12,600	–
Purchases	3,036,000	15,464	3,000
Disposals/settlements	(3,105,328)	–	–
At 31 December 2023	220,000	147,464	3,000

Note: The Group owns 0.14% equity interest in 翱捷科技(上海)有限公司 Aojie Technology (Shanghai) Company Limited ("**Aojie Technology**") that is classified as a financial asset at FVTOCI and is measured at fair value at each reporting date. The fair value of the investment as at 31 December 2023 amounts to RMB41,250,000 (31 December 2022: RMB35,540,000). The fair value of the investment as at 31 December 2021 was measured using a valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy. Aojie Technology has become a listed entity on Shanghai Stock Exchange since January 2022, with its shares traded in an active market. Therefore, the fair value of the investment as at 31 December 2023 and 2022 was determined based on a quoted transaction price and was classified as Level 1 of the fair value hierarchy.

(iii) Fair value of financial assets and financial liabilities that are recorded at amortised cost

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values at the end of each reporting period.

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cash flow will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB'000	**Dividend payables** RMB'000	**Lease liabilities** RMB'000	**Redemption liabilities on ordinary shares of a subsidiary** RMB'000	**Total** RMB'000
At 1 January 2022	4,283,521	7,916	22,364	–	4,313,801
Financing cash flows	1,795,707	(282,012)	(22,060)	–	1,491,635
Non-cash changes					
– New leases entered	–	–	23,296	–	23,296
– Dividends declared	–	384,594	–	–	384,594
– Disposal of a subsidiary	(15,900)	–	–	–	(15,900)
– Interest expenses	–	–	1,445	–	1,445
– Exchange adjustments	119,099	–	–	–	119,099
At 31 December 2022 and 1 January 2023	6,182,427	110,498	25,045	–	6,317,970
Financing cash flows	**2,866,801**	**(509,815)**	**(12,884)**	**972,048**	**3,316,150**
Non-cash changes					
– Dividends declared	**–**	**400,005**	**–**	**–**	**400,005**
– Interest expenses	**–**	**–**	**1,369**	**31,543**	**32,912**
– Exchange adjustments	**18,297**	**–**	**–**	**–**	**18,297**
At 31 December 2023	**9,067,525**	**688**	**13,530**	**1,003,591**	**10,085,334**

45. PLEDGE OF ASSETS

At the end of the reporting period, the Group has pledged the following assets to secure the general banking facilities granted to the Group.

	As at 31 December	
	2023 **RMB'000**	2022 RMB'000
Pledged/restricted bank deposits	**5,979,539**	4,930,595
Structured bank deposits	**–**	30,000
Property, plant and equipment	**171,331**	427,737
Debt instruments at FVTOCI	**301,391**	654,612
Right-of-use assets	**315,557**	220,182
Bills receivables	**1,164,619**	1,588,327
	7,932,437	7,851,453

46. RELATED PARTY TRANSACTIONS

(a) Related party transactions

During the year, the Group had the following transactions with its related companies:

		Year ended 31 December	
		2023	2022
		RMB'000	RMB'000
Changtong Technology	Purchase of materials	**573,339**	574,942
Changtong Technology	Sales of materials	**3,831**	2,307
Yuanhong Machinery	Purchase of materials	**2,011**	2,120
Changxing Jin Ling Hotel (note i)	Hotel expenses	**1,123**	77
Changneng Business Management	Property management fees	**4,040**	7,313
Changneng Business Management	Rental income	**–**	75
Xin Xin Packaging	Purchase of consumables	**7,237**	7,023
Wanyang Group	Purchase of materials	**1,174,067**	937,769
Wanyang Group	Sales of materials	**415,660**	87,575
Lianyungang Yunhai	Purchase of materials	**32,883**	–
Lianyungang Yunhai	Sales of materials	**3,022**	–

Note:

(i) Changxing Jin Ling Hotel (長興金陵大酒店) is controlled by Dr. Zhang Tianren.

(b) Details of the remuneration of directors and other members of key management during the year are set out in note 13.

(c) Details of the balances with related parties are set out in note 29.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiaries	Place/Country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company		Principal activities
			31/12/2023	31/12/2022	
Tianneng International Investment Holdings Limited	British Virgin Islands/ Hong Kong 15 November 2004	US$1	**100%**	100%	Investment holding
浙江省長興天能電源有限公司 Zhejiang Changxing Tianneng Power Supply Co., Ltd.	PRC – Limited liability company 11 March 1998	Registered capital – RMB108,000,000	**100%**	100%	Manufacture and sales of lead-acid batteries
天能電池集團有限公司 Tianneng Share	PRC – Limited liability company 13 March 2003	Registered capital – RMB972,100,000	**86%**	86%	Investment holding, research and development, manufacture and sales of lead-acid batteries and battery related accessories
天能帥福得能源股份有限公司 Tianneng Saft Energy Co., Ltd.	PRC – Limited liability company 1 July 2004	Registered capital – RMB692,777,778	**60%**	60%	Manufacture and sales of lithium-ion batteries
天能電池(蕪湖)有限公司 Tianneng Battery (Wuhu) Co., Ltd.	PRC – Limited liability company 21 October 2005	Registered capital – RMB230,000,000	**100%**	100%	Manufacture and sales of lead-acid batteries
浙江天能電池(江蘇)有限公司 Zhejiang Tianneng Battery (Jiangsu) Co., Ltd.	PRC – Limited liability company 9 May 2005	Registered capital – RMB200,000,000	**100%**	100%	Manufacture and sales of lead-acid batteries
浙江天能電池(江蘇)新能源有限公司 Zhejiang Tianneng Battery (Jiangsu) New Energy Co., Ltd.	PRC – Limited liability company 8 January 2008	Registered capital – RMB120,000,000	**100%**	100%	Manufacture and sales of lead-acid batteries
浙江天能動力能源有限公司 Zhejiang Tianneng Power Energy Co., Ltd.	PRC – Limited liability company 2 July 2009	Registered capital – RMB400,000,000	**100%**	100%	Manufacture and sales of lead-acid batteries
浙江天能電源材料有限公司 Zhejiang Tianneng Power Supply Material Co., Ltd.	PRC – Limited liability company 2 July 2009	Registered capital – RMB700,000,000	**100%**	100%	Manufacture and sales of recycled materials
浙江天能物資貿易有限公司 Zhejiang Tianneng Material Trading Co., Ltd.	PRC – Limited liability company 25 March 2009	Registered capital – RMB80,000,000	**100%**	100%	Sales of metal materials
天能電池集團(安徽)有限公司 Tianneng Battery Group (Anhui) Co., Ltd.	PRC – Limited liability company 4 November 2010	Registered capital – RMB300,000,000	**100%**	100%	Manufacture and sales of lead-acid batteries
濟源市萬洋綠色能源有限公司 Jiyuan Wanyang Green Energy Co., Ltd.	PRC – Limited liability company 27 October 2010	Registered capital – RMB102,160,000	**51%**	51%	Manufacture and sales of lead-acid batteries

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place/Country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company 31/12/2023	31/12/2022	Principal activities
安徽中能電源有限公司 Anhui Zhongneng Power Supply Co., Ltd.	PRC – Limited liability company 17 April 2008	Registered capital – RMB100,000,000	**100%**	100%	Manufacture and sale of electrode plates
浙江赫克力能源有限公司 Zhejiang Hercules Energy Co., Ltd.	PRC – Limited liability company 10 November 2009	Registered capital – RMB60,000,000	**100%**	100%	Manufacture and sales of lead-acid batteries and recycled batteries
河南晶能電源有限公司 Henan Jingneng Energy Co., Ltd.	PRC – Limited liability company 13 March 2009	Registered capital – RMB43,600,000	**60%**	60%	Manufacture and sales of lead-acid batteries
天能集團貴州能源科技有限公司 Tianneng Group Guizhou Energy Technology Co., Ltd.	PRC – Limited liability company 12 July 2012	Registered capital – RMB200,000,000	**100%**	100%	Manufacture and sales of lead-acid batteries
安徽轟達電源有限公司 Anhui Hongda Power Supply Co., Ltd.	PRC – Limited liability company 26 March 2010	Registered capital – RMB50,000,000	**100%**	100%	Manufacture and sale of electrode plates
安徽天暢金屬材料有限公司 Anhui Tianchang Metal Material Supply Co., Ltd.	PRC – Limited liability company 14 May 2018	Registered capital – RMB300,000,000	**51%**	51%	Manufacture and sale of recycled materials
天能金玥(上海)新能源材料有限公司 Tianneng Jinyue (Shanghai) New Energy Materials Co., Ltd.	PRC – Limited liability company 28 November 2016	Registered capital – RMB100,000,000	**100%**	100%	Trading of materials
浙江天暢供應鏈管理有限公司 Zhejiang Tianchang Supply Chain Management Co., Ltd.	PRC – Limited liability company 26 April 2018	Registered capital – RMB30,000,000	**90%**	90%	Provision of transportation service to group companies
浙江天贏供應鏈管理有限公司 Zhejiang Tianying Supply Chain Management Co., Ltd.	PRC – Limited liability company 5 February 2020	Registered capital – RMB30,000,000	**100%**	100%	Trading of materials
天能金玥(天津)有限公司 Tianneng Jinyue (Tianjin) Co., Ltd.	PRC – Limited liability company 9 May 2020	Registered capital – RMB20,000,000	**100%**	100%	Trading of materials
天能物產(海南)有限公司 Tianneng Products (Hainan) Co. Ltd.	PRC – Limited liability company 22 June 2022	Registered capital – RMB10,000,000	**100%**	100%	Trading of materials
Tianneng New Materials	PRC – Limited liability company 15 October 2018	Registered capital – RMB137,256,000	**49%**	65%	Trading of materials

The above table lists the subsidiaries of the Group which, in the opinion of the Company's directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Company's directors, result in particulars of excessive length.

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current assets		
Equipment	**–**	23
Investments in and amounts due from subsidiaries	**1,270,221**	1,160,898
	1,270,221	1,160,921
Current assets		
Other receivables	**223**	228
Cash and cash equivalents	**12,223**	139,801
	12,446	140,029
Current liabilities		
Borrowings – current portion	**99,100**	–
Other payables	**1,136**	110,979
Amounts due to subsidiaries	**120,375**	136,390
	220,611	247,369
Net current liabilities	**(208,165)**	(107,340)
Net assets	**1,062,056**	1,053,581
Capital and reserves		
Share capital	**109,850**	109,850
Reserves	**952,206**	943,731
Total equity	**1,062,056**	1,053,581

Movement in the Company's reserves

	Share premium	**Share options reserve**	**(Accumulated losses) retained profits**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	778,567	35,355	(22,741)	791,181
Profit for the year	–	–	537,144	537,144
Forfeiture of share options	–	(1,112)	1,112	–
Dividend recognised as distribution	–	–	(384,594)	(384,594)
At 31 December 2022	778,567	34,243	130,921	943,731
Profit for the year	–	–	408,480	408,480
Forfeiture of share options	–	(848)	848	–
Dividend recognised as distribution	–	–	(400,005)	(400,005)
At 31 December 2023	778,567	33,395	140,244	952,206