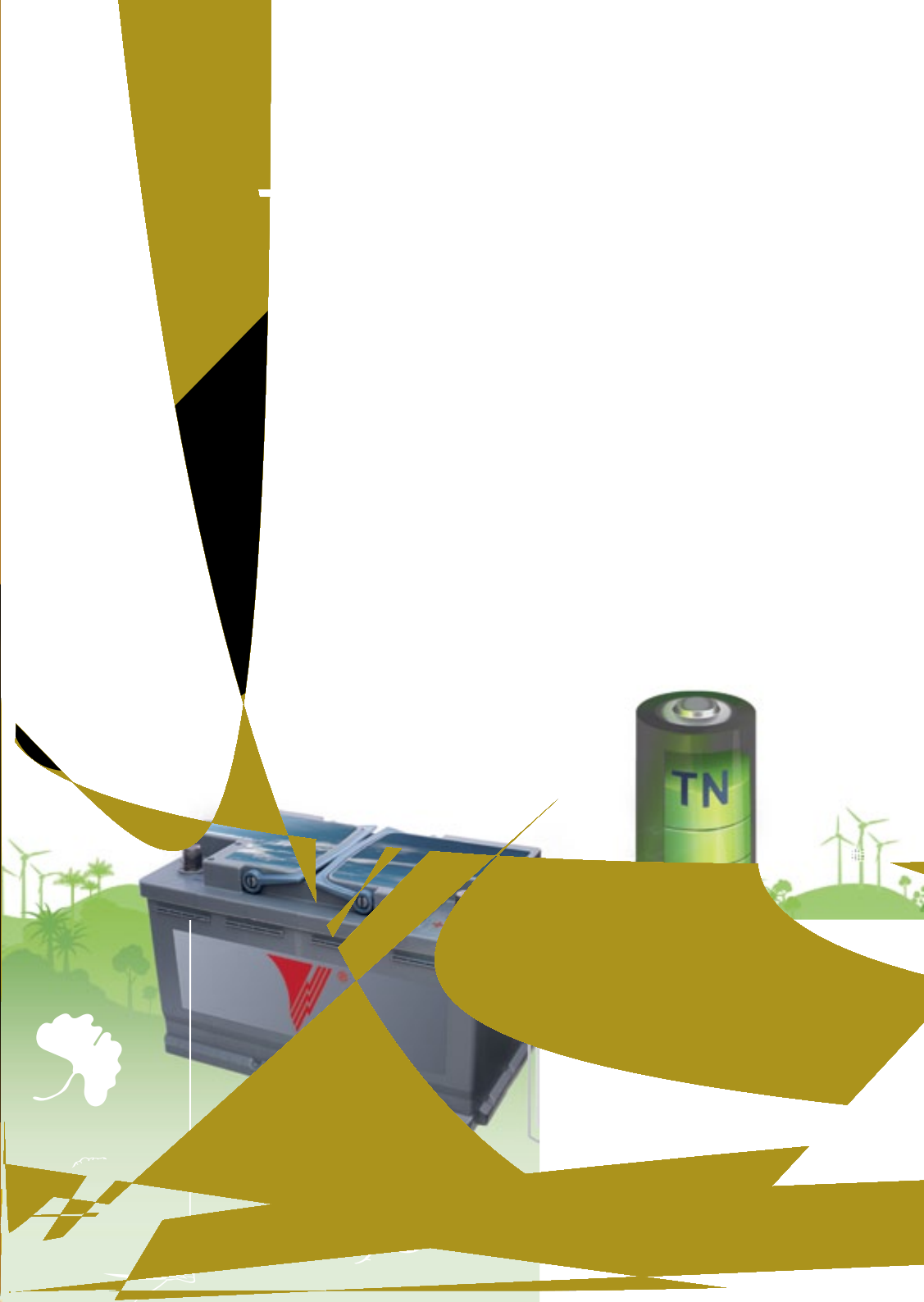






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CORPORATE INFORMATION

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. WU Feng
(resigned with effect from 30 June 2021)
Mr. ZHANG Yong
Mr. XIA Yongyao (appointed with effect from 30 June 2021)

AUDIT COMMITTEE MEMBERS

Mr. HUANG Dongliang (*Chairman*)
Mr. WU Feng
(resigned with effect from 30 June 2021)
Mr. ZHANG Yong
Mr. XIA Yongyao (appointed with effect from 30 June 2021)

REMUNERATION COMMITTEE MEMBERS

Mr. WU Feng (*Chairman*)
(resigned with effect from 30 June 2021)
Mr. XIA Yongyao (*Chairman*) (appointed with effect from 30 June 2021)
Mr. HUANG Dongliang
Mr. ZHANG Aogen

NOMINATION COMMITTEE MEMBERS

Dr. ZHANG Tianren (*Chairman*)
Mr. HUANG Dongliang
Mr. WU Feng
(resigned with effect from 30 June 2021)
Mr. XIA Yongyao (appointed with effect from 30 June 2021)

COMPANY SECRETARY

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LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 00819





MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

Tianneng Power International Limited (“**Tianneng**” or the “**Company**”), together with its subsidiaries (the “**Group**”), is a leading company in the sector of batteries for new-energy vehicles in the People’s Republic of China (“**China**” or the “**PRC**”), founded in 1986. 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



MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Group realised a turnover of approximately RMB36,276 million and a net profit of approximately RMB743 million, representing an increase of approximately 60.27% and a decrease of approximately 13.58% year-on-year, primarily because the prices of relevant raw materials recorded a year-on-year increase. The raw materials of the Company mainly include lead metal and alloy, PE plastics, as well as anode and cathode materials, diaphragm and electrolyte for lithium batteries, which were used in its main products.

In spite of the changing macro environment, the entire staff of the Company worked in a down-to-earth attitude, dedicated themselves to innovation, and carried out the strategy of Intelligence, Platform-Building and Globalisation in an intensive manner, which yielded robust operating results.

During the reporting period, the Group saw synergetic development of lead batteries and lithium-ion batteries and proceeded with the industrialisation of fuel cells steadily. Meanwhile, the Group worked proactively to develop its internal and external circulation, so as to prepare fresh momentum for the Group's global development and continue to lead in the development of the industry. The Group has established production bases and logistics systems in Zhejiang, Anhui and Henan provinces where the demand is vigorous. In tandem with that, Tianneng adopted the Go Abroad strategy and established its operating networks in Vietnam and India and multiple African countries, as the Company actively engages itself in global operations. The Group was listed in the Global 500 New Energy Companies in 2020, Fortune China 500 in 2020 by the Fortune magazine, Top 500 Chinese Private Enterprises in 2020, Top 500 Chinese Manufacturing Enterprises in 2020 and other rankings. On the list of 2021 Fortune China 500 released in July 2021, Tianneng ranked 17th in terms of ROE.



MANAGEMENT DISCUSSION AND ANALYSIS

In recent years, Tianneng has primarily steered towards green intelligent manufacturing, capitalised on the opportunities of digital economy, and focused on establishing its user ecosystem operation platform and Industrial Internet of Things (“IIoT”) platform to build Cloud-based Tianneng (雲上天能). The Group has successively developed a number of digitisation projects, such as smart factories for motive batteries of new-energy vehicles, Tianchang Smart Warehouse Industrial Park (天暢智庫產業園) and Tianneng Green Manufacturing Park (天能綠色製造產業園). During the reporting period, the Group was successfully listed in the Pilot Enterprises for the Future Factories in Zhejiang province in 2021 and the Key Provincial Projects for IIoT Platform in 2021, as released by the Economy and Information Technology Department of Zhejiang province.



Tianneng Green Intelligent Manufacturing Factory (天能綠色智能製造工廠)



MANAGEMENT DISCUSSION AND ANALYSIS

Attaching great importance to R&D, Tianneng has established a three-tier R&D structure that comprises Central International Research Institute, Technology Centres of Business Divisions and Technology Departments of Production Bases. Rooted in the lead battery business, the Group strives to develop its lithium battery business, steadily industrialise fuel cells, and keep exploring new battery technologies such as sodium-ion batteries and solid-state batteries. It also dedicates itself to the R&D and application of new technologies, new technique and new materials to meet the demands of diverse markets and customers and shape the core competitiveness for the Company's high-quality development. During the reporting period, Tianneng launched the first high-end eco-friendly batteries that use the new materials of nano carbon alloy and lanthanum crystal alloy, the Balance Tech (衡科技) series of super manganese iron lithium batteries, lithium-ion portable power stations and five new series of start-stop batteries for automobiles. At the same time, the Company launched hydrogen-powered electric bicycles jointly with Yadea Group (Stock code: 1585.HK), and Nanjing Jinlong Urban Passenger Buses that are installed with Tianneng T60-C Hydrogen Fuel Cell System have been listed in the 345th batch of Road Vehicle Manufacturers and Products 《道路機動車輛生產企業及產品》 by the PRC Ministry of Industry and Information Technology ("MIIT").





MANAGEMENT DISCUSSION AND ANALYSIS

Based on its stellar product quality, systematic after-sales service and strong sales base, “Tianneng” has become a well-known brand for new energy batteries. With speedy development of the Internet and new media, Tianneng has carried out its Youth, End Customer Focus and Globalisation brand strategies, worked to create its brand mascot



MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in three lines of business, namely, the R&D, manufacturing and sale of 1) high-end eco-friendly batteries; 2) new energy batteries; and 3) renewable new materials.

I. High-end eco-friendly batteries

High-end eco-friendly batteries are a series of sealed maintenance-free lead battery products created by Tianneng relying on its R&D and technology innovations.

Lead batteries, advantageous for its price-performance ratio, safety and stability and high recyclability, serve as the most commonly used batteries in vehicles and equipment such as light electric vehicles, special electric vehicles and start-stop systems in automobiles. Lead batteries enjoyed a stable overall growth in market demand during the reporting period.

Tianneng, a leading enterprise in lead batteries, has earned extensive brand and quality recognition amongst consumers. According to the information provided by the China Battery Industry Association, Tianneng's market share exceeded 40% in lead motive batteries for domestic light electric vehicles, and has sustained a momentum of year-on-year growth in recent years.

During the reporting period, the operating revenue of high-end eco-friendly battery business amounted to approximately RMB13,119 million, representing an increase of approximately 12.70% year-on-year. As the Group's key business, high-end eco-friendly batteries have maintained the momentum of high-quality sustainable development.





MANAGEMENT DISCUSSION AND ANALYSIS

1. *Two-wheeled and three-wheeled electric vehicle battery*

Lead batteries are one of the most commonly used batteries for two-wheeled and three-wheeled electric vehicles such as electric bicycles, tricycles, light motorcycles and scooters, with primary application to the power systems of vehicles for daily commuting, logistics and express delivery. Owing to their safety, stability and high price-performance ratio as well as rigidity of demand, lead batteries have grown into essential consumer goods for commuting among the Chinese public with a huge market. In recent years, the thriving new economy has driven the demand for two-wheeled and three-wheeled electric vehicles in the short-distance delivery and express delivery. Meanwhile, the COVID-19 pandemic has propelled the transformation to the commuting alone mode for end consumers. As such, the market of two-wheeled and three-wheeled electric vehicles has embraced another peak in its growth.

According to the White Paper for the Development of the Chinese Two-wheeled Electric Vehicles Industry (2021) (《中國電動二輪車行業發展白皮書(2021)》) published by EVTank, a research institute, China produced a total of 48.34 million two-wheeled electric vehicles in 2020, recording a year-on-year rise of approximately 27.2%. Given the aggregate ownership of approximately 340 million two-wheeled electric vehicles, approximately every four Chinese people own one two-wheeled electric vehicle. As suggested by the MIIT information, 16.202 million new electric bicycles were produced from January to June 2021, which represented an increase of approximately 33.6% year-on-year. Due to the frequent daily use by consumers, lead batteries need replacement every 0.5 to 3 years, generating an even greater replacement demand. Apart from that, the replacement market has a massive base of individuals as the end consumers.

The Company has established an extensive range of deep-rooted sales and after-sales service channels. Following years of development and accumulation, the Company has built a national integrated marketing and after-sales network of over 3,000 distributors that covers extensive end markets. In recent years, the Company has been engaged in an ongoing digital transformation of its sales network. Tianneng has launched the Tabor Cloud (泰博雲), a digital tool to help its distributors analyse the latest market supply and demand and grasp market incremental points in real time, which has sharpened their capabilities of business operation and refined operation.

MANAGEMENT DISCUSSION AND ANALYSIS

On 15 April 2019, China formally implemented the Safety Technical Specifications for Electric Bicycles GB17761-2018 as the new national standard (the “**New National Standard**”), which specifies such standards as the weight and maximum hourly speed for electric bicycles. The implementation of the New National Standard has promoted the healthy development of the light electric vehicles market, and the outdated production capacity within the industry will gradually be eliminated.

Amidst the healthy industry development, the Company has kept enhancing its R&D and product quality and launching new products. During the reporting period, the Company presented its Nano-Carbon-Crystal vehicle batteries that pioneered the industry with its application of the new materials, namely nano carbon alloy and lanthanum crystal alloy, as well as the cutting-edge technology of 720° 3D mixed paste (立體混膏). The new product has addressed the issues of lead batteries in respect of anode and cathode additives, and satisfied the consumers’ demand for endurance, high quality and sound pricing. As of the present, the Company has developed a series of products such as Nano Carbon Crystal, King Kong (金剛), New Black Gold (真黑金), Longevity King (長壽王), Long Mileage King (長跑王) and Big Black Bull (大黑牛), catering to the demands from various market segments. During the reporting period, the sales volume of batteries for two-wheeled and three-wheeled electric bicycles amounted to approximately 36 GWh, representing an increase of approximately 14.86% as compared with the same period last year.



Diversified two-wheeled and three-wheeled electric vehicle battery products launched by Tianneng catering to the demands from various market segments



2. *M_i_ni_e_l_e_c_t_r_i_c_e_b_a_t_t_e_r_i_e_s*

Mini electric vehicle batteries are the motive batteries for low-speed four-wheelers powered solely by electricity. Such vehicles have a top speed ranging from 40 to 70 km/h with no more than four seats, and usually serve as a substitute for short-distance commuting. Currently, such vehicles use lead batteries as one of the power sources, with a battery replacement period of approximately 1 to 5 years.

Mini electric vehicles are popular in rural areas, urban-rural integration areas as well as third and fourth-tier cities in China with a relatively low per capita income, primarily because: 1) their price-performance ratio is high while the cost of use is low compared with other four-wheelers; 2) they match the needs as the cruising range of a mini electric vehicle can generally cover the daily commuting of urban and rural residents, with a low speed limit which can ensure the safety of elderly drivers; and 3) their owners can charge them easily via household power directly, without installing special charging piles.

In June 2021, MIIT released the GB/T 28382 Pure Battery Electric Passenger Cars - Specifications (Draft for Comment) (《純電動乘用車技術條件》(徵求意見稿)) (the “**Draft**”). Mini electric vehicles serve as a sub-category of pure electric passenger vehicles under the name of Mini Low-speed Passenger Vehicles Powered Solely by Electricity in the Draft. In the meantime, such vehicles are also specified with relevant technical specifications and experimental approaches that correspond to their low-speed, miniature and lightweight characteristics in the Draft. The release of the Draft is conducive to accelerating the well-regulated management of the industry, facilitating the orderly development of such industry norms and ensuring that people’s demand for travel safety is met, which will provide a tremendous boost to the quick expansion of the mini electric vehicles market.

Sustaining its market leadership in mini electric vehicle batteries, the Company offers motive battery system solutions and technical support and services to such key clients as Levdeo (雷丁), Honri (鴻日) and Jingpeng (金彭). The Company also continues to develop the replacement marketsLang1. The release

3. *One aggregate defined by battery* (1) **Start-stop batteries**

Start-stop batteries are applied to the ignition and lighting of automobiles, motorcycles, vessels and internal combustion engines. Capable of effectively reducing emissions, the start-stop system is an energy-saving and emissions-reducing technology that has developed rapidly in recent years. The system has a marked uptick in its penetration rate since 2016. According to the China Industry Information Network, China reached a 70% market penetration for its automobile start-stop batteries in 2020. Lead batteries have become the mainstream batteries in automobile start-stop system, for their good safety, high price-performance ratio and wide temperature range.

Based on different customers for sale, the market of start-stop batteries can be divided into primary and secondary markets. Automobile start-stop batteries have an average operating life of three to five years, with approximately a fifth of operating vehicles in need of battery replacement each year. During the reporting period, the Company integrated and optimised its network



MANAGEMENT DISCUSSION AND ANALYSIS

Going forward, Tianneng's automobile start-stop batteries will leverage on the Group's brand merits and technology accumulation to keep exploring its market potential.



Tianneng's new concept of the automobile start-stop battery products

(2) Energy storage batteries and backup batteries

Energy storage batteries are mainly used in solar and wind power generation equipment as well as other electric equipment. Backup batteries are chiefly used in substations to provide closing current to power units and to provide backup energy in public facilities. Energy storage batteries and backup batteries have a replacement cycle of roughly 5 to 8 years.

This year has seen a raft of policies introduced by state authorities to accelerate the development of the energy storage industry. In June 2021, the National Energy Administration solicited public opinions as to the Administrative Regulations on New Energy Storage Projects (Tentative) (Draft for Comment) (《新型儲能項目管理規範(暫行)徵求意見稿》), and underscored the safety of the energy storage projects on echelon utilisation of motive batteries, emphasizing the importance of batteries' consistent management technology. In July 2021, the National Development and Reform Commission and the National Energy Administration jointly issued the Guiding Opinions on Accelerating the Development of New Energy Storage (《關於加快推動新型儲能發展的指導意見》), which sets out that new energy storage shall evolve from initial commercialisation to large-scale utilisation



MANAGEMENT DISCUSSION AND ANALYSIS

with the installed capacity of new energy storage technology to surpass 30GW by 2025 and that new energy storage shall attain fully market-based development by 2030. In July 2021, the National Development and Reform Commission issued the Notice on Further Improving the Mechanism of Electricity Pricing Based on Time Slots (《關於進一步完善分時電價機制的通知》). It sets forth that electricity price shall, in principle, increase by no less than 20% on top of such price during the peak period, and that the peak-trough price difference shall not be lower than 4:1 where the maximum systemic peak-trough difference in electricity price exceeded 40% in the previous year or is estimated to exceed 40% in the current year. The rollout of such policies has specified the unique position of new energy storage, improved the pricing mechanism of new energy storage, and provided better guidance for users in peak-load shifting, improving power supply and demand and facilitating the consumption of new energy.

As a leader in the Chinese new energy industry, Tianneng has proactively explored the development of smart energy storage, kept exploring cutting-edge technology, and worked to develop energy storage products and system solutions combining lead batteries and lithium-ion batteries for years. The High-performance Lead-carbon Battery Industrialisation Demonstration Project (高性能鉛炭電池產業化示範項目) works on a new type of batteries developed independently by Tianneng in line with leading international technical standards, with the product extensively used in such fields as energy storage power stations and new energy hybrid vehicles. In December 2020, the high-performance lead-carbon battery won the China Industrial Award (中國工業大獎), the most prestigious accolade in the Chinese industrial sector established by the State Council.



MANAGEMENT DISCUSSION AND ANALYSIS

Owing to its years of deep engagement, Tianneng has been pushing for more application scenarios for energy storage. For instance, Tianneng was involved in the 10 KV Energy Storage Power Station in Zhicheng of Changxing and the Project of 0.4 KV Energy Storage Power Station in Da Mai Yuan Village, Huiping Township of Quzhou amongst the first four projects on grid-side energy storage power stations in Zhejiang province. The former is the first grid-side lead-carbon energy storage power station in China in cooperation with the State Grid. Lead batteries have an impactful role to play in new energy storage, for their safety and reliability, low unit energy cost and system cost, high recycling rate and good adaptability to temperature changes. Overseas, Tianneng also managed to develop a number of demonstration projects on energy storage, such as the off-grid photovoltaic energy storage project in Africa (非洲光伏儲能離網項目), to promote the green development of the industry.



The high-performance lead-carbon battery energy storage project

(3) **Special electric vehicle batteries**

Special electric vehicle batteries are mainly used in freight equipment such as electric forklifts, electric stackers and electric lift trucks as well as engineering machinery such as excavators. Such batteries are also used in other special electric vehicles such as electric tour buses, electric cleaning vehicles, electric patrol vehicles and golf carts.

Tianneng has a complete series of special electric vehicle batteries that can provide various industrial scenarios with assurance in safe and reliable green energy. Deeply rooted in forklift batteries for years, Tianneng has been engaging itself in research and development with a stream of technological innovation achievements. The Company has obtained such core patents as An Enclosed Battery Formation Process for Tubular Lead-Acid Batteries, and has been well-received amongst mainstream enterprises from home and abroad, such as Hangcha Group Co., Ltd. (杭叉集團), Anhui Heli Co., Ltd. (安徽合力), KION Baoli (Jiangsu) Forklift Co., Ltd. (凱傲寶驪), Linde Group (林德) and Ding Li Machinery Co., Ltd (鼎力), with products sold to a number of overseas countries. Tianneng has become the second largest domestic brand in the field of forklift batteries. During the reporting period, the sales volume of batteries for special electric vehicles amounted to approximately 0.61 million pieces, representing a year-on-year increase of approximately 86.06%.

II. **New energy batteries**

The Company's new energy battery business comprises mainly lithium-ion batteries, and the production and R&D of next-generation battery products such as fuel cells. The application fields of our new energy battery business are principally divided into two categories: motive field and non-motive field. The application fields for the motive category include two-wheeled and three-wheeled electric vehicles, passenger electric vehicles, commercial electric vehicles and special electric vehicles, while the application fields for the non-motive category include consumer electronic products and energy storage.





MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the sales of the Group's new energy battery business amounted to approximately 0.72 GWh, representing an increase of approximately 16.90% year-on-year, and an operating revenue of approximately RMB424 million was recorded, which represented an increase of approximately 5.19% year-on-year. As a major strategic segment of the Group, new energy batteries, together with high-end eco-friendly batteries, form the Dual Drive Strategy of the Group.

(1) **Li-ion battery**

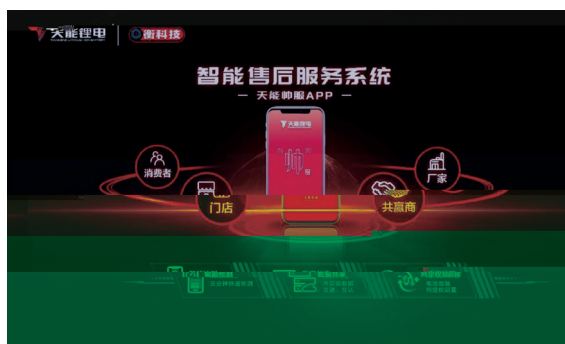
In November 2019, Tianneng formed a joint venture, Tianneng SAFT

MANAGEMENT DISCUSSION AND ANALYSIS

Since the establishment of Tianneng SAFT, the integration of resources between Tianneng and the French company has been progressing steadily, with the production capacity development project taking place smoothly. Both parties have been actively developing new products to meet the needs of emerging markets and overseas markets, such as the super manganese iron lithium battery (超能锰铁锂电池) under the self-developed Balance Tech series. High in both energy density and safety performance, the lithium-ion battery products represent an all-round upgrade in four respects, namely materials, battery cells, PACK and BMS. Meanwhile, for the purpose of the ongoing safety and maintenance of its after-sales efforts, Tianneng SAFT has independently developed its smart battery testing APP named Tianneng SAFT Service (天能帅服). Users can have instant access to the status and score of their batteries in every aspect, and to assess the use of their lithium batteries.



Tianneng's self-developed super manganese iron lithium (LMFP) batteries and super lithium iron phosphate (sLFP) batteries



Tianneng's self-developed smart battery testing APP named Tianneng SAFT Service (天能帅服)

MANAGEMENT DISCUSSION AND ANALYSIS

Tianneng features a multidimensional product lines in new energy batteries. The Company's lithium-ion battery products apply to battery electric vehicles and hybrid ones. The Group has forged strategic cooperation with new energy vehicle manufacturers such as Haiquan (海全), Honri (鴻日) and Lichi (麗馳), supplying lithium-ion motive batteries to them. As regards smart energy storage, the Group's lithium-ion energy storage batteries are mainly used in communications base stations, user-side peak-load shifting, off-grid power stations, microgrids and UPS, with an independently developed energy storage cabinet system. In addition, Tianneng has rolled out a number of portable power stations dedicated to personal users, which cater to outdoor electricity access as well as various scenarios at work and in daily life that require emergency power supply. As regards consumable lithium batteries, Tianneng has its products extensively used in perambulators, toys, electric instruments and electronic media, which are attributable to their superb functionality and quality.



Lithium-ion motive battery for new energy vehicles



Lithium-ion portable power station catering to outdoor electricity access as well as various scenarios that require emergency power supply

(2) *Fuel cell*

Since 2017, Tianneng has been engaged in the research and development of multiple key materials and stacks on fuel cells. To fast-track the industrialisation of its fuel cell technology, the Group established Zhejiang Tianneng Hydrogen Energy Technology Co., Ltd. (浙江天能氢能科技有限公司) in February 2021.

Capable of providing a variety of stack solutions, Tianneng has its products covering air-cooling, graphite and metal stacks, which are small, medium and large in power. Its products are also used in such fields as drones, two-wheeled bicycles, standby power, sightseeing vehicles, buses, heavy-duty trucks and logistics vehicles. Tianneng can offer personalised solutions to fuel cell systems based on specific application scenarios.

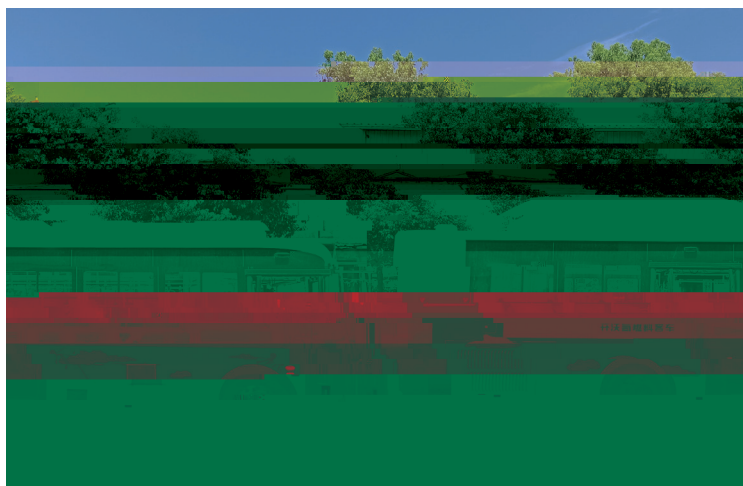
Tianneng has built an R&D team that comprises academician-level advisors, experts under national talent introduction schemes and seasoned industry specialists. Furnished with well-equipped specialised laboratories, the Company has undertaken merit-based projects commissioned under the provincial key R&D scheme of Zhejiang province in 2020, and engaged in the preparation of relevant industry standards as a member of the National Industry Standard Committee (國家行業標準委員會). Tianneng has achieved multiple breakthroughs in catalyst, membrane electrode, metal plate, graphite bearing and simulation design. The Company successively launched alcohol-hydrogen generators, hydrogen-powered motorcycles and a range of 500W-110kW fuel cell systems, and finished developing samples for metal-plate stacks with a rated power of 120kW and a peak power of 130kW.

Owing to its leading practice in the production and application of hydrogen fuel cells, Tianneng obtained the 2021 Outstanding Contribution Award for Domestic Products of Chinese Hydrogen Power Industry Chain (2021年度中國氫電產業鏈國產化優秀貢獻獎) at GGII Hydrogen Power Industry Summit (高工氫電產業峰會) in April 2021. This has been another honour for Tianneng after the Fuel Cell Product of the Year Award received at the 2020 China Industry Summit Forum for Hydrogen Power and Fuel Cell Vehicles (中國氫能與燃料電池汽車產業高峰論壇).



MANAGEMENT DISCUSSION AND ANALYSIS

The Company has expedited the market-oriented application of its fuel cells this year. During the China North International Bicycle & E-Bike Exhibition in March 2021, Tianneng reached a strategic cooperation agreement with Yadea Group on hydrogen-powered electric bicycles, pursuant to which both parties will jointly work on hydrogen fuel cells research, formally launch hydrogen-powered electric bicycles and make joint efforts to promote the commercialisation of such bicycles. In April 2021, the high-performance TNFC-TP2020 hydro-cooling stacks independently developed by Tianneng started to fit into the FCV six-seat tour buses, and commenced demonstration operation in Jiaxing, the leading city of China's fuel cell vehicle demonstration application city cluster. In June 2021, MIIT announced the list of the 345th batch of Road Vehicle Manufacturers and Products, which included Nanjing Jinlong NJL6106 Fuel-cell Urban Passenger Buses installed with Tianneng T60-C Hydrogen Fuel Cell System. This represents that the hydrogen fuel cell system of Tianneng has managed to enter the application field of fuel cell vehicles. The Company is also working proactively to negotiate on in-depth cooperation with manufacturers in other fields such as special motive and passenger vehicles.



An urban passenger bus installed with Tianneng's hydrogen fuel cell battery system

III. Renewable new materials

In terms of the renewable new materials segment, the Company, based on the Extended Producer Responsibility Scheme(生產者責任延伸制度) has developed the recycling business of used lead battery and lithium-ion battery apart from the main business, forming a closed-loop for the full life cycle of batteries; in tandem with that, the Company is also actively exploring other green recycling businesses including solid waste and hazardous waste disposal. The Company is one of the first enterprises in the industry to enter the renewable new materials industry. After over ten years of technology accumulation and scientific operations, this business segment has become one of the three major businesses of the Company, with an important position in its future development plan. During the reporting period, the Group recorded an operating revenue of approximately RMB1,244 million in its renewable new materials business, representing a year-on-year increase of approximately 213.01%.

In recent years, the Chinese government has paid extra attention to developing its circular economy and has successively drafted or issued such laws and regulations as the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Notice of the General Office of the State Council on Issuing the Implementation Plan for Extended Producer Responsibility (《國務院辦公廳關於印發生產者責任延伸制度推行方案的通知》) and the Interim Measures for the Management of the Recycling and Utilisation of Lead Batteries (Draft for Comments) (《鉛蓄電池回收利用管理暫行辦法》徵求意見稿), with a view to setting out detailed provisions on the recycling and disposal processes of used batteries, establishing an Extended Producer Responsibility scheme for products such as lead batteries and vehicle motive batteries, and executing a target accountability system for lead battery recovery. The objective is for China to recover over 70% of its lead batteries by the end of 2025. At present, under its law, China strictly prohibits entities without licences or not in compliance with the requirements of the licences from engaging in operations regarding the collection, storage, utilisation and disposal of hazardous wastes.





MANAGEMENT DISCUSSION AND ANALYSIS

At the Two Sessions in 2021, Peak CO₂ Emissions and Achieve Carbon Neutrality was included in the government work report. In July 2021, the National Development and Reform Commission issued the 14th Five-Year Plan for the Development of Circular Economy, setting out overarching objectives and a roadmap for developing circular economy in China during the 14th Five-Year period. Recycling of used motive batteries and lifetime management of automobiles have been listed into the six key actions under the 14th Five-Year Plan for the Development of Circular Economy. Going forward, the recycling industry will receive growing support for its sound and orderly development, with outdated and substandard capacity to phase out.

By far, Tianneng has built three internationally advanced industrial parks for circular economy, and has obtained the qualifications for launching pilot recycling projects in 15 provinces where used battery resources are relatively concentrated. The Company can process 700,000 tons of used lead batteries each year and reach a metal recovery rate of more than 99% for used batteries, a 99% recovery rate for plastics and a 100% recovery rate for residual acids. In terms of channels, the Company has worked closely with local recycling networks and launched the Recycling Cloud (回收雲), the largest platform for recycling used batteries nationwide, and Tianneng has gradually developed an After Sales Plus service model.

Meanwhile, the Company is one of the 27 enterprises that meet the Industry Standards and Conditions for the Comprehensive Utilisation of Waste Power Batteries for New Energy Vehicles (《**新能源汽車廢舊動力電池綜合利用行業規範條件**》) by MIIT, and has deployed a capacity of 7,000 tons for the disposal of lithium-ion batteries. With regard to the technology for recycling lithium batteries, Tianneng has applied for 23 relevant patents, and led or participated in establishing 36 national standards. In June 2021, the Joint Innovation Laboratory for the Disassembly and Resource Utilisation of Retired Lithium-ion Batteries (退役鋰離子電池拆解與資源化利用聯合創新實驗室) of Tianneng was included in the list of the second batch of recognised joint innovation laboratories under the China Technology Innovation Strategic Alliance for Resources Recycling Industry (CIAR) (中國再生資源產業技術創新戰略聯盟).

The Group will continue to exert effort in the recyclable new materials industry, build the recycling system for LFP batteries in due course, extend upstream and downstream within the industrial chain, and amplify its influence in segments such as carbon and modified plastic, thus steadily progressing towards the goal of setting up large circular industry clusters.

IV. Opening Up Industry Chain, Driving Global Development and Developing New Growth Drivers

During the first half of the year, the Company proceeded with its digital upgrade and built green manufacturing plants. Tianneng's Smart Factories for High-Performance Motive Batteries and High-Performance Materials for New Energy Batteries have successfully been included in the list of digital workshops and smart factories of Zhejiang province in 2020 released by the Economy and Information Technology Department of Zhejiang province.

The Company has established the Tianchang Supply Chain (天暢供應鏈) as a subsidiary to provide resources in the supply chain. Meanwhile, the Company made efforts to build a platform for smart supply chain services and to offer clients with integrated service solutions to supply chains that cover a range of functions, such as trading, information and logistics. In 2021, the Tianchang Supply Chain added a shipping module named Smart Shipping (船小智), indicating that Tianneng completed a new round of digital system upgrade for its multimodal transport system that integrated road, railway and water transport.

Aside from that, Tianneng has set up its subsidiary for manufacturing intelligent equipment. This has realised its independent R&D, manufacturing, assembly and sales of precision equipment, ramped up the precision and quality of moulds and their manufacturing components during battery production, and achieved the precision manufacturing in battery production.

In the trading of new energy materials, our business focuses on the raw materials of non-ferrous metals such as lead, zinc and nickel, as we further grasp market information, boost the Company's market clout and actively build an Integrated Service Platform for Non-ferrous Metal (有色金屬綜合服務平台), in an effort to become an impactful service provider of non-ferrous metal system integration in the industry.

For overseas business, the Group has fully investigated the market potential in regions such as Southeast Asia, South Asia, Europe, Middle East and Africa, and has established sales networks in Vietnam, India, Africa and other countries and regions to develop the overseas clientele. At the same time, the Company will continue to strengthen its cooperation with scientific research platforms overseas to further explore new markets and spaces.





MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The Company will continue to steadily widen the application fields of lead batteries, expand segments such as start-stop and smart energy storage on the basis of consolidating its leading position in lead motive batteries, and strive to develop its business in China and overseas. Regarding the technology, Tianneng will speed up the R&D and industrialisation of the technology of high-energy lead batteries, such as lead-carbon batteries and pure lead batteries, and gradually develop into a global leader in lead batteries, a pioneer in advanced high-energy lead batteries and a maker of international standards.

The Company will continue to vigorously develop lithium-ion batteries business and strengthen its presence. The Company will continue to enhance its production capacity through the High-Energy Motive Lithium-Ion Battery and PACK Project. With advantages such as its established brand and channels in the international market, the Company will capture the lithium-ion motive battery market for light electric vehicles with its mature technology and operating system, and gradually advance its development in application fields such as new energy vehicles, smart energy storage and standby batteries. Meanwhile, the Company will actively facilitate the R&D in fields of new battery technology such as fuel cells. It will also accelerate the industrialisation of projects for fuel cells, including Fuel Cell Metal Plate Reactors (燃料電池金屬板電堆) and Development of High-Power Graphite Plate Reactors for Commercial Vehicles (商用車用大功率石墨板電堆的開發).

The Company will adhere to the concept of green, low carbon and circular development and integrate the recycling of lead batteries and lithium-ion batteries with the disposal and resource utilisation of solid wastes from urban life, industry and rural areas, sparing no effort to build a green sustainable system for the new materials industry.

2021 is the first year under the Eighth Five-Year Plan of Tianneng. The Company will centre on the sustainable development strategy of New Materials, New Structures, New Technologies and New Sectors and follow the strategic directions of Intelligence, Globalisation and Platform-Building. Tianneng will strive to realise diversified capital utilisation to support its business development, fully promote reforms in driving forces, enhance quality and efficiency, and cultivate brand new momentum, so as to lay a solid foundation for its new round of high-quality and sustainable development.

FINANCIAL REVIEW

Turnover

The Group's turnover for the reporting period was approximately RMB36,276 million, representing an increase of approximately 60.27% as compared with the same period last year.

Gross profit

The gross profit for the reporting period was approximately RMB1,934 million, representing a decrease of approximately 8.57% as compared with the same period last year. It was mainly attributable to an increase in sales volume and a decrease in the battery's gross profit margin. The gross profit margin for the reporting period was approximately 5.33%, representing a drop of approximately 4.01 percentage points as compared with the same period last year, of which the gross profit margin of the manufacturing industry was approximately 11.63%, representing a decrease of approximately 4.66 percentage points as compared with the same period last year. It was mainly attributable to the increase in prices of raw materials as compared with the same period last year.

Other income

The Group's other income for the reporting period was approximately RMB492 million (for the six months ended 30 June 2020: approximately RMB334 million), representing an increase of approximately 47.05% as compared with the same period last year. It was mainly attributable to the increase in government grants. Interest income for the reporting period was approximately RMB82 million (for the six months ended 30 June 2020: approximately RMB53 million), representing an increase of approximately 54.61% as compared with the same period last year. The increase was mainly attributable to optimised fund allocation and increase in interest income from deposit.

Selling and distribution costs

Selling and distribution costs increased from approximately RMB378 million in the same period last year to approximately RMB409 million for the reporting period, which was mainly attributable to the increase in travel expenses and commission.

Administrative expenses

Administrative expenses increased from approximately RMB353 million in the same period last year to approximately RMB441 million for the reporting period, which was mainly attributable to the increase in salaries.





MANAGEMENT DISCUSSION AND ANALYSIS

Research and development costs

R&D costs increased from approximately RMB533 million in the same period last year to approximately RMB616 million for the reporting period, which was mainly attributable to the increase in the number of R&D projects and optimization of the R&D team.

Finance costs

Finance costs increased from approximately RMB106 million in the same period last year to approximately RMB118 million for the reporting period, which was mainly due to the increase in loan size.

Operating activities cash flow

The net cash generated from operating activities of the Group changed from approximately RMB1,924 million in the same period last year to the net cash used in operating activities of approximately RMB2,201 million for the reporting period. It was mainly attributable to the increase in inventory and accounts receivable.

As at 30 June 2021, the equity attributable to the owners of the Company amounted to approximately RMB12.374 billion (31 December 2020: approximately RMB8,746 million). The Group's capital structure is the equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

As at 30 June 2021, the Group had total assets of approximately RMB33.359 billion, increasing by approximately 43.79% as compared with approximately RMB23.200 billion as at 31 December 2020, including total current assets of approximately RMB24.996 billion and total non-current assets of approximately RMB8,364 million, increasing by approximately 59.47% and 11.13%, respectively. The increase in the current assets was mainly due to the increase in the inventory, accounts receivable and bank deposits. The increase in the non-current assets was mainly due to the increase in deposits for the acquisition of property, plant and equipment.

As at 30 June 2021, the total liabilities of the Group were approximately RMB18.761 billion, increasing by approximately 36.53% as compared with approximately RMB13.741 billion as at 31 December 2020, including total current liabilities of approximately RMB16.842 billion and total non-current liabilities of approximately RMB1,919 million, increasing by approximately 35.47% and 46.59%, respectively. The increase in the current liabilities was mainly due to the increase in bank notes and short-term loans held by the Group. The increase in the non-current liabilities was mainly due to the increase in long-term loans.



MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2021, the cash and bank balances of the Group (including pledged bank deposits and bank deposits) were approximately RMB10.027 billion (31 December 2020: approximately RMB5,759 million), of which approximately RMB285 million and approximately RMB9 million are denominated in US dollars and Hong Kong Dollars, respectively. As at 30 June 2021, the interest bearing borrowings and loan notes (together as “**interest bearing loans**”) of the Group with maturity of within one year amounted to approximately RMB4,725 million (31 December 2020: approximately RMB919 million). The interest bearing loans with maturity of more than one year amounted to approximately RMB1,322 million (31 December 2020: approximately RMB719 million). The interest bearing loans of approximately RMB6,047 million was denominated in Renminbi. The loans denominated in RMB had fixed interest rates ranging from approximately 2.23% to 6.5% (2020: approximately 2.23% to 8%) per annum. In conclusion, the borrowings of the Group as at 30 June 2021 remained at a healthy and controllable level. With unutilized credit facilities of approximately RMB5,185 million, the Group will take a cautious stance and maximize the interests of the shareholders and the Company by striking a balance between borrowings and funding utilization. Moreover, with continuously improving the fund structure as our financial objective in the long run, the Group will optimize its loan structure with further use of long term loans.

Pledge of assets

As at 30 June 2021, the bank facilities and bank borrowings of the Group were secured by its bank deposits, bills receivables, property, plant and equipment, and land use rights. The aggregate net book value of the assets pledged amounted to approximately RMB4,146 million (31 December 2020: approximately RMB2,784 million).

Gearing ratio

As at 30 June 2021, the Group's gearing ratio, defined as the percentage of the sum of current and non-current portions of interest bearing loans against the total assets, was approximately 18.13% (31 December 2020: approximately 7.06%).

Exposure to exchange rate fluctuations

As the Group's operations were mainly conducted in China and the majority of its businesses were transacted in Renminbi, the board of directors (the “**Directors**”) of the Company (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 30 June 2021 (31 December 2020: Nil).





MANAGEMENT DISCUSSION AND ANALYSIS

Capital commitments

The amount contracted for but not stated in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment as at 30 June 2021 was approximately RMB1,455 million (31 December 2020: approximately RMB1,338 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed a total of 25,099 employees (30 June 2020: 23,523). Staff cost of the Group for the reporting period was approximately RMB1,146 million (for the six months ended 30 June 2020: approximately RMB998 million). The cost included basic salaries and staff benefits such as discretionary bonus, medical and insurance plans, pension scheme, unemployment insurance plan, etc. Competitive remuneration packages were offered to employees by the Group. The Company has adopted incentive programs to encourage employees' performance and a range of training programs for the development of its staff.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the reporting period (for the six months ended 30 June 2020: Nil).

SIGNIFICANT INVESTMENTS HELD

Save for the investments in equity securities listed in Hong Kong and the PRC, unlisted equity securities in the PRC and the structured bank deposits, there were no other significant investments held by the Group as at 30 June 2021. Such investment refers to its increased holdings of those excellent companies in the industry, reflecting its confidence in the prospect of the industry and the increase in corporate interest.

Financial assets at fair value through profit or loss

As at 30 June 2021, 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 30 June 2021:





CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance. The Board believes that good corporate governance practices are increasingly important for maintaining and promoting investors' confidence. The Company has adopted and complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the reporting period, except for the code provision A.2.1 of the CG Code. Dr. Zhang Tianren is both the chairman ("**Chairman**") and Chief Executive Officer ("**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



**INDEPENDENT REVIEW REPORT
TO THE BOARD OF DIRECTORS OF
TIANNENG POWER INTERNATIONAL LIMITED**
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 35 to 74 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion 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.





REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Sze Lin Tang

Audit Engagement Director

Practising Certificate Number P03614

Hong Kong, 27 August 2021





INTERIM FINANCIAL INFORMATION



INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2021

	Notes	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Other comprehensive (expense) income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value changes of equity investment at fair value through other comprehensive income		(64,770)	60,954
		(64,770)	60,954
<i>Items that may be reclassified to profit or loss:</i>			
Fair value change of debt instruments measured at fair value through other comprehensive income		(786)	(4,130)
Income tax relating to items that may be reclassified subsequently		(129)	—
		(915)	(4,130)
Total comprehensive income for the period		677,637	916,962

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2021

	Notes	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Profit for the period attributable to:			
Owners of the Company		660,863	836,756
Non-controlling interests		82,459	23,382
		743,322	860,138
Total comprehensive income for the period attributable to:			
Owners of the Company		595,178	893,580
Non-controlling interests		82,459	23,382
		677,637	916,962
Earnings per share	11		
– Basic (RMB cents)		58.68	74.27
– Diluted (RMB cents)		57.24	72.84

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	12	5,684,253	5,455,025
Goodwill		23,305	23,305
Right-of-use assets		875,243	793,956
Interest in an associate		23,101	20,670
Equity investments at fair value through other comprehensive income ("FVTOCI")		262,330	327,101
Deferred tax assets		530,205	459,597
Deposit paid for acquisition of property, plant and equipment		563,809	244,377
Loan receivables		387,648	188,808
Long-term receivable		13,627	13,098
		8,363,521	7,525,937
Current assets			
Inventories	13	6,329,171	4,485,900
Properties for sale under development		642,796	389,696
Trade and other receivables	14	3,600,694	2,349,281
Loan receivables		77,224	34,825
Amounts due from related parties	18	1,918	13,475
Debt instruments at fair value through other comprehensive income ("FVTOCI")	15	2,022,980	2,069,365
Financial assets at fair value through profit or loss ("FVTPL")	16	2,294,107	572,591
Pledged bank deposit		1,758,728	1,303,060
Bank balances and cash		8,267,957	4,456,305
		24,995,575	15,674,498

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2021

	Notes	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Current liabilities			
Bills, trade and other payables	17	7,756,247	7,356,002
Amounts due to related parties	18	258,557	142,308
Taxation payables		355,699	403,788
Borrowings – current portion	19	4,725,168	919,123
Deferred government grants		32,876	38,699
Lease liabilities		7,217	8,689
Provision		653,092	622,309
Contract liabilities		3,053,227	2,941,370
		16,842,083	12,432,288
Net current assets		8,153,492	3,242,210
TOTAL ASSETS LESS CURRENT LIABILITIES		16,517,013	10,768,147
Non-current liabilities			
Borrowings – non-current portion	19	1,321,966	718,917
Deferred government grants		509,919	509,833
Lease liabilities		16,092	16,274
Deferred tax liabilities		70,624	



INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2021

	Notes	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Capital and reserves			
Share capital	20	109,850	109,850
Reserves		12,263,854	8,636,310
Equity attributable to owners of the Company		12,373,704	8,746,160
Non-controlling interests		2,224,708	713,129
TOTAL EQUITY		14,598,412	9,459,289

The condensed consolidated financial statements on pages 35 to 74 were approved and authorised for issue by the board of directors on 27 August 2021 and are signed on its behalf by:

Zhang Tianren
Director

Zhang Aogen
Director

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital RMB'000	Share premium RMB'000	Special reserves RMB'000	Capital reserves RMB'000	Share options reserve RMB'000	Investment revaluation reserve RMB'000	Other fair value through other comprehensive income reserve RMB'000	Statutory surplus reserves fund RMB'000	Discretionary surplus reserve fund RMB'000	Accumulated profits RMB'000	Sub-total RMB'000		
At 1 January 2020 (audited)	109,995	783,403	10,000	251,558	39,893	(133,620)	(4,223)	885,700	143,212	4,578,776	6,664,604	621,912	7,286,516
Profit for the period (unaudited)	-	-	-	-	-	-	-	-	-	836,756	836,756	23,382	860,138
Other comprehensive (expense) income for the period (unaudited)	-	-	-	-	-	60,954	(4,130)	-	-	-	56,824	-	56,824
Total comprehensive (expense) income for the period (unaudited)	-	-	-	-	-	60,954	(4,130)	-	-	836,756	893,580	23,382	916,962
Capital injection from non-controlling shareholder (unaudited)	-	-	-	-	-	-	-	-	-	-	-	67,000	67,000
Equity transaction (unaudited)	-	-	-	567	-	-	-	-	-	-	567	(2,009)	(1,442)
Payment of dividend (unaudited)	-	-	-	-	-	-	-	-	-	(404,261)	(404,261)	-	(404,261)
Dividend paid to non-controlling interests (unaudited)	-	-	-	-	-	-	-	-	-	-	-	(8,580)	(8,580)
Share repurchase (unaudited)	(55)	(4,836)	-	-	-	-	-	-	-	-	(4,891)	-	(4,891)
Forfeiture of share options (unaudited)	-	-	-	-	(1,021)	-	-	-	-	1,021	-	-	-
Recognition of equity-settled share-based payment (unaudited)	-	-	-	-	-	-	-	-	-	-	-	6,520	6,520
At 30 June 2020 (unaudited)	109,850	778,567	10,000	252,125	38,872	(72,666)	(8,353)	885,700	143,212	5,012,292	7,149,599	708,225	7,857,824

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital RMB'000	Share premium RMB'000	Special reserves RMB'000	Capital reserves RMB'000	Share options reserve RMB'000	Investment revaluation reserve RMB'000	Other fair value through other comprehensive income reserve RMB'000	Statutory surplus reserves fund RMB'000	Discretionary surplus reserve fund RMB'000	Accumulated profits RMB'000	Sub-total RMB'000		
At 1 January 2021 (audited)	109,850	778,567	10,000	251,558	36,984	(112,107)	(12,181)	1,012,920	143,212	6,527,357	8,746,160	713,129	9,459,289
Profit for the period (unaudited)	-	-	-	-	-	-	-	-	-	660,863	660,863	82,459	743,322
Other comprehensive (expense) income for the period (unaudited)	-	-	-	-	-	(64,770)	(915)	-	-	-	(65,685)	-	(65,685)
Total comprehensive (expense) income for the period (unaudited)	-	-	-	-	-	(64,770)	(915)	-	-	660,863	595,178	82,459	677,637
Capital injection from non-controlling shareholder (unaudited)	-	-	-	-	-	-	-	-	-	-	-	178,500	178,500
Equity transaction (unaudited) (note)	-	-	-	3,407,043	-	-	-	-	-	-	3,407,043	1,322,690	4,729,733
Dividend (unaudited)	-	-	-	-	-	-	-	-	-	(374,810)	(374,810)	-	(374,810)
Dividend paid to non-controlling interests (unaudited)	-	-	-	-	-	-	-	-	-	-	-	(78,540)	(78,540)
Recognition of equity-settled share-based payment (unaudited)	-	-	-	-	-	-	-	-	-	-	-	6,603	6,603
Forfeiture of equity-settled share-based payment (unaudited)	-	-	-	-	-	-	-	-	-	133	133	(133)	-
At 30 June 2021 (unaudited)	109,850	778,567	10,000	3,658,601	36,984	(176,877)	(13,096)	1,012,920	143,212	6,813,543	12,373,704	2,224,708	14,598,412

Note: On 18 January 2021, 天能電池集團股份有限公司 (Tianneng Battery Group Co., Ltd.)* ("**Spin-off Company**") listed on the Sci-Tech Board ("**A Share Offering**"). The controlling interest of the Company in the Spin-off Company was reduced from approximately 98.33% to approximately 86.53%.

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Net cash (used in) generated from operating activities	(2,200,538)	1,923,664
Cash flows from investing activities		
Interest received	92,783	50,316
Investment in an associate	(3,000)	(20,000)
Proceeds on disposal of property, plant and equipment	8,986	136,085
Purchase of property, plant and equipment	(452,274)	(646,738)
Purchases of equity instruments at FVTOCI	–	(21,351)
Payment for derivative financial instruments	(490,939)	38,218
Proceeds for derivative financial instruments	512,854	(51,536)
Decrease (Increase) of pledged bank deposit	(455,668)	206,064
Increase of structured bank deposit	(1,732,500)	(506,157)
Asset-related government grants received	15,346	13,893
Deposit for acquisition of property, plant and equipment	(399,358)	(163,966)
Acquisition of right-of-use assets	(92,698)	(13,101)
Proceeds on disposal of right-of-use assets	–	9,373
Advance to independent third parties for loan receivables	(307,528)	(231,530)
Receipt of repayment for loan receivables	81,409	13,810
Net cash used in investing activities	(3,222,587)	(1,186,620)

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2021

	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Cash flows from financing activities		
New borrowings raised	5,267,789	4,090,915
Repayment of borrowings	(860,057)	(3,000,922)
Dividend paid	–	(281,872)
Dividend paid to non-controlling interests	(78,540)	(8,580)
Capital contribution from a non-controlling shareholder	178,500	67,000
Equity transaction with non-controlling shareholders	4,729,733	(1,442)
Repayment of lease liabilities	(2,648)	(5,142)
Share repurchase	–	(4,891)
Net cash generated from financing activities	9,234,777	855,066
Net increase in cash and cash equivalents	3,811,652	1,592,110
Cash and cash equivalents at the beginning of the period	4,456,305	4,154,191
Cash and cash equivalents at the end of the period	8,267,957	5,746,301
Analysis of cash and cash equivalents		
Bank and cash balances	8,267,957	5,746,301





INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

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 Company and its subsidiaries are collectively referred to as the “**Group**”.

The Group’s condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2020 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2020.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current period and prior years.



2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the condensed consolidated financial statements of the Group.

3. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.



INTERIM FINANCIAL INFORMATION

3. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Disclosures of level in fair value hierarchy at 30 June 2021:

	Fair value measurements using			Total RMB'000 (unaudited)
	Level 1: RMB'000 (unaudited)	Level 2: RMB'000 (unaudited)	Level 3: RMB'000 (unaudited)	
Recurring fair value measurements:				
Assets:				
Equity investments at FVTOCI	240,778	-	-	240,778
Debt instruments at FVTOCI	-	2,022,980	-	2,022,980
Financial assets at FVTPL	76,303	2,204	2,215,600	2,294,107
Total recurring fair value measurements	317,081	2,025,184	2,215,600	4,557,865

Disclosures of level in fair value hierarchy at 31 December 2020:

	Fair value measurements using			Total RMB'000 (audited)
	Level 1: RMB'000 (audited)	Level 2: RMB'000 (audited)	Level 3: RMB'000 (audited)	
Recurring fair value measurements:				
Assets:				
Equity investments at FVTOCI	305,549	-	-	305,549
Debt instruments at FVTOCI	-	2,069,365	-	2,069,365
Financial assets at FVTPL	87,806	1,685	483,100	572,591
Total recurring fair value measurements	393,355	2,071,050	483,100	2,947,505

INTERIM FINANCIAL INFORMATION

3. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Reconciliation of assets measured at fair value based on level 3:

Financial assets at FVTPL	
	RMB'000
At 1 January 2020 (audited)	804,600
Addition	9,439,420
Settlement	(9,815,134)
Fair value gain recognised in profit or loss (#)	54,214
At 31 December 2020 (audited) and 1 January 2021	483,100
Addition	6,592,830
Settlement	(4,887,621)
Fair value gain recognised in profit or loss (@)	27,291
At 30 June 2021 (unaudited)	2,215,600
(@) Include gains or losses for assets held at 30 June 2021 (unaudited)	—
(#) Include gains or losses for assets held at 31 December 2020 (audited)	—

There were no transfers among level 1, level 2 and level 3 during the period/year.

INTERIM FINANCIAL INFORMATION

3. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

Level 2 fair value measurements

Description	Valuation technique/inputs	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Debt instruments at FVTOCI	Discounted cash flow method	2,022,980	2,069,365
Commodity derivative contracts (assets)	Reference to the quoted bid prices of similar standardised commodity derivative contracts	2,204	1,685

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Structured bank deposits at FVTPL	Discounted cash flow method	Estimated return	3.0%-3.85%	increase	2,215,600	483,100

INTERIM FINANCIAL INFORMATION

4. REVENUE

Revenue represents the amounts received and receivable for goods sold excluding value added taxes, less returns and allowances and services provided by the Group to outside customers during the period.

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Sales of batteries and battery related accessories		
Lead-acid battery products		
Electrical bicycle (tricycle) battery (note i)	11,992,853	10,633,396
Micro electric vehicle battery	677,487	764,163
Special-purpose battery (note ii)	448,685	243,334
Renewable resources product	1,243,582	397,298
Lithium battery products	423,792	402,880
Others	1,318,815	540,383
Trading of new energy materials	20,170,919	9,653,515
	36,276,133	22,634,969

Note:

- i) It includes battery products mainly for electrical bicycle and electrical tricycle.
- ii) It includes battery products mainly for tubular battery, lead-acid start-stop battery, energy storage battery and standby battery.

INTERIM FINANCIAL INFORMATION

4. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers:

For the six months ended 30 June 2021	Sales of batteries and battery related accessories RMB'000 (unaudited)	Trading of new energy materials RMB'000 (unaudited)	Total RMB'000 (unaudited)
Geographical markets			
PRC	16,023,479	20,170,919	36,194,398
Others	81,735	–	81,735
	16,105,214	20,170,919	36,276,133

For the six months ended 30 June 2020	Sales of batteries and battery related accessories RMB'000 (unaudited)	Trading of new energy materials RMB'000 (unaudited)	Total RMB'000 (unaudited)
Geographical markets			
PRC	12,922,544	9,653,515	22,576,059
Others	58,910	–	58,910
	12,981,454	9,653,515	22,634,969

For the six months ended 30 June 2021 and 2020, all revenues were recognised at a point in time.

4. REVENUE (CONTINUED)

Sales of batteries and battery related accessories

The Group sells lead-acid battery products, recycled lead products, lithium battery products and other products to the wholesale market. Fixed price contracts are entered into between the Group and customers. The expected duration of the contracts are less than one year. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location for most of the customers. For the remaining, control of the goods has transferred when the goods have been loaded into shipper's trucks (delivery). Following delivery, the wholesaler 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. For sales to distributors, they are normally required to make full prepayment before goods delivery. The normal credit term for customers other than distributors is normally 45 days upon delivery.

Sales-related warranties associated with lead-acid battery products and lithium 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 Provisions, Contingent Liabilities and Contingent Assets consistent with its previous accounting treatment.

Trading of new energy materials

The Group recognises revenue from trading of new energy materials when the control of new energy materials has transferred, being when customers collect the new energy materials at the warehouse. 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. Fixed price contracts are entered into between the Group and customers. The expected duration of the contracts are less than one year.



INTERIM FINANCIAL INFORMATION

5. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating and reportable segments for the period:

Segment revenue and results

For the six months ended 30 June 2021

	Sales of batteries and battery related accessories RMB'000 (unaudited)	Trading of new energy materials RMB'000 (unaudited)	Total RMB'000 (unaudited)
Reportable segment revenue derived from the group's external customer	16,105,214	20,170,919	36,276,133
Inter-segment sales	14,905	326,259	341,164
Reportable segment revenue	16,120,119	20,497,178	36,617,297
Segment profit	722,828	17,563	740,391
Other gains and losses			8,845
Corporate administrative expenses			(5,167)
Finance costs			(747)
Profit for the period			743,322

INTERIM FINANCIAL INFORMATION

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the six months ended 30 June 2020

	Sales of batteries and battery related accessories RMB'000 (unaudited)	Trading of new energy materials RMB'000 (unaudited)	Total RMB'000 (unaudited)
Reportable segment revenue derived from the group's external customer	12,981,454	9,653,515	22,634,969
Inter-segment sales	–	1,938,804	1,938,804
Reportable segment revenue	12,981,454	11,592,319	24,573,773
Segment profit	856,668	1,904	858,572
Other gains and losses			6,553
Corporate administrative expenses			(4,987)
Profit for the period			860,138

INTERIM FINANCIAL INFORMATION

5. SEGMENT INFORMATION (CONTINUED)

Other segment information

For the six months ended 30 June 2021	Sales of batteries and battery related accessories RMB'000 (unaudited)	Trading of new energy materials RMB'000 (unaudited)	Unallocated RMB'000 (unaudited)	Total RMB'000 (unaudited)
Depreciation of property, plant and equipment	283,142	5	–	283,147
Amortisation of right-of-use assets	12,333	–	–	12,333
Loss on disposal/written off of property, plant and equipment	10,839	–	–	10,839

For the six months ended 30 June 2020	Sales of batteries and battery related accessories RMB'000 (unaudited)	Trading of new energy materials RMB'000 (unaudited)	Unallocated RMB'000 (unaudited)	Total RMB'000 (unaudited)
Depreciation of property, plant and equipment	248,307	73	–	248,380
Amortisation of right-of-use assets	10,652	–	–	10,652
Loss on disposal/written off of property, plant and equipment	8,668	–	–	8,668
Write-down of inventories	1,126	–	–	1,126

INTERIM FINANCIAL INFORMATION

6. OTHER INCOME

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Government grants (note)	347,078	294,528
Dividend income	–	50
Others	144,483	39,696
	491,561	334,274

Note: The government grants mainly represent unconditional subsidies from the relevant development zone administrative committees and the local governments of the PRC 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.

7. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Net gains (losses) on financial assets at FVTPL		
– structured bank deposits	15,247	15,107
– wealth management product	12,044	3,566
– held-for-trading investments (note i)	(11,503)	15,776
– commodity derivative contracts (note ii)	22,433	(14,518)
Loss on disposal/write off of property,		

INTERIM FINANCIAL INFORMATION

7. OTHER GAINS AND LOSSES (CONTINUED)

Notes:

- i) Net gains (losses) on held-for-trading investments represented gains (losses) arising on changes in fair value of equity securities.
- ii) Net gains (losses) on derivative financial instruments represented gains (losses) arising on changes in fair value of commodity derivative contracts.

8. TAXATION

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Hong Kong Profits Tax:		
– Current tax	–	–
PRC Enterprise Income Tax (“EIT”):		
– Current tax	278,902	221,321
Deferred tax	(63,956)	29,765
	214,946	251,086

The income tax expense of the Group is recognised based on the PRC EIT rate of 25% (six months ended 30 June 2020: 25%). Certain subsidiaries of the Group were recognised as High-Tech companies and enjoyed a tax rate of 15% during the both periods.

INTERIM FINANCIAL INFORMATION

9. PROFIT FOR THE PERIOD

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

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Write-down of inventories (included in cost of sales)	–	1,126
Depreciation of property, plant and equipment	283,147	248,380
Amortisation of right-of-use assets	12,333	10,652
Directors' remuneration	1,662	1,487

Share-based payments expense of approximately RMB6,603,000 (six months ended 30 June 2020: 6,520,000) was recognised in profit or loss during the six months ended 30 June 2021 in respect of restricted shares of a subsidiary of the Group granted in the current period. Details of transactions are set out in note 21.

10. DIVIDENDS

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Dividends recognised as distribution during the year:		
1.1.2021 to 30.6.2021: 2020 final dividend of HK40.00 cents (equivalent to RMB33.28 cents) per ordinary share (1.1.2020 to 30.6.2020: 2019 final dividend of HK\$39.00 cents (equivalent to RMB35.04 cents))	374,810	404,261

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 and 30 June 2020.

INTERIM FINANCIAL INFORMATION

11. EARNINGS PER SHARE

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Earnings for the purposes of calculating basic and diluted earnings per share – Profit for the year attributable to the owners of the Company	660,863	836,756
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,126,124,500	1,126,627,269
Effect of dilutive potential ordinary shares – share options	28,445,165	22,202,044
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,154,569,665	1,148,829,313

INTERIM FINANCIAL INFORMATION

12. PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately RMB99,919,000, RMB393,206,000 and RMB39,075,000 (six months ended 30 June 2020: RMB84,156,000, RMB485,269,000 and RMB48,191,000) on additions of machinery and manufacturing plant, construction in progress and others in the PRC respectively. The carrying amount of property, plant and equipment of approximately RMB19,825,000 (six months ended 30 June 2020: RMB144,951,000) was derecognised upon disposals of property, plant and equipment with proceeds of approximately RMB8,986,000 (six months ended 30 June 2020: RMB136,085,000), resulting in a loss of approximately RMB10,839,000 (six months ended 30 June 2020: RMB8,668,000).

13. INVENTORIES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Raw materials	1,544,585	1,139,174
Work in progress	4,172,127	2,846,635
Finished goods	612,459	500,091
	6,329,171	4,485,900

14. TRADE

15. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As part of the Group's cash flow management, the Group will discount some of the bills to financial institutions and endorse some of them to suppliers before the bills are due for payment, and derecognise the bills discounted and endorsed on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Thus, the bills receivables held by the Group are managed within a business model whose objective is both to collect the contractual cash flows and to sell. Therefore, these bills receivables were subsequently classified as debt instruments at FVTOCI upon adoption of HKFRS 9.

The following is an aged analysis of debt instruments at FVTOCI, net of fair value remeasurement under the requirement of HKFRS 9, at the end of the reporting period:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
0 to 180 days	1,905,089	2,010,928
181 to 365 days	117,891	58,437
	2,022,980	2,069,365

The debt instruments at FVTOCI are all issued by 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 period/year end.

INTERIM FINANCIAL INFORMATION

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Financial assets mandatorily measured at FVTPL:		
Structured bank deposits	1,866,000	20,000
Wealth management product	349,600	463,100
Equity securities listed in PRC	32,118	34,365
Equity securities listed in Hong Kong	44,185	53,441
Commodity derivative contracts	2,204	1,685
	2,294,107	572,591

17. BILLS, TRADE AND OTHER PAYABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade payables	2,793,696	2,538,199
Bills payables	2,849,038	2,426,921
Other payables and accrued charges	2,113,513	2,390,882
	7,756,247	7,356,002



INTERIM FINANCIAL INFORMATION

17. BILLS, TRADE AND OTHER PAYABLES (CONTINUED)

The following is an aged analysis of trade payables at the end of the reporting





INTERIM FINANCIAL INFORMATION

18. AMOUNTS DUE FROM (TO) RELATED PARTIES (CONTINUED)

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Name of related parties		
Changtong Technology	119	138
Wanyang Group	1,799	13,337
	1,918	13,475

Notes:

- i) Changtong Technology is beneficially owned by Ms. Zhang Mei'e who are the sister of Mr. Zhang Tianren ("**Mr. Zhang**") and her spouse, Mr. Ni Danqing.
- ii) **遠鴻機械** is beneficially owned by Ms. Zhang Kaihong's son.
- iii) Wanyang Group is a party which holds 49% interest of Jiyuan Wanyang Green Energy Co., Ltd., a 51% owned subsidiary of the Company.
- vi) Xin Xin Packaging is beneficially owned by Ms. Chen Pingping and Ms. She Fangli, who are the cousin and niece respectively of Mr. Zhang.

The amounts due to/from Changtong Technology, **遠鴻機械**, Wanyang Group and Xin Xin Packaging are trade nature and have no fixed repayment terms.

INTERIM FINANCIAL INFORMATION

19. BORROWINGS

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Bank borrowings	5,888,151	1,455,842
Other borrowings	158,983	182,198
	6,047,134	1,638,040
Secured	1,747,368	125,907
Unsecured	4,299,766	1,512,133
	6,047,134	1,638,040
Carrying amount are repayable, based on scheduled repayment dates set out in the loan agreements, as follows:		
Within one year	4,725,168	919,123
Within a period of more than one year but not exceeding two years	606,375	317,169
Within a period of more than two years but not exceeding five years	700,231	386,161
Over five years	15,360	15,587
	6,047,134	1,638,040
Less: Amount due and repayable within one year shown under current liabilities	(4,725,168)	(919,123)
Amount shown under non-current liabilities	1,321,966	718,917

Details of assets pledged by the Group at the end of the reporting period are set out in note 23.

20. SHARE CAPITAL

	Number of shares	Amount equivalent to RMB'000
Authorised:		
Shares of the Company with nominal value of HK\$0.1 each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	2,000,000,000	212,780
Issued and fully paid:		
At 1 January 2020 (audited)	1,126,726,500	109,905
Repurchase and cancellation of shares (audited)	(602,000)	(55)
At 31 December 2020 (audited), 1 January 2021 (unaudited) and 30 June 2021 (unaudited)	1,126,124,500	109,850

On 1 June 2020, the Company repurchased 602,000 shares and on 30 June 2020 cancelled 602,000 shares of its own shares through purchases on the Stock Exchange. The total amount paid to acquire the shares was approximately HK\$5,300,000 (equivalent to RMB4,891,000) and has been deducted from the share capital and share premium account.

21. SHARE OPTION SCHEMES

The Company has a share option 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, options 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.





INTERIM FINANCIAL INFORMATION

21. SHARE OPTION SCHEMES (CONTINUED)

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	From the date of grant to the first anniversary of the date of grant
Additional 20% of the options	From the date of grant to the second anniversary of the date of grant
Additional 30% of the options	From the date of grant to the third anniversary of the date of grant
Additional 40% of the options	From the date of grant to the fourth anniversary of the date of grant

No share option was granted during the six months ended 30 June 2021 and 2020.

INTERIM FINANCIAL INFORMATION

21. SHARE OPTION SCHEMES (CONTINUED)

The following tables disclosed movements of the Company's options granted under the Scheme during the six months ended 30 June 2021 and 2020:

Option	Name of grantee	Date of grant	Exercisable period	Exercise price	Outstanding as at 1.1.2021 (unaudited)	Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding as at 30.6.2021 (unaudited)
Directors									
Option C	Huang Dongliang	16.6.2014	16.6.2016 – 15.6.2024	HK\$2.9	20,000	–	–	–	20,000
Option C	Huang Dongliang	16.6.2014	16.6.2017 – 15.6.2024	HK\$2.9	30,000	–	–	–	30,000
Option C	Huang Dongliang	16.6.2014	16.6.2018 – 15.6.2024	HK\$2.9	40,000	–	–	–	40,000
Employees									
Option C	Employees	16.6.2014	16.6.2015 – 15.6.2024	HK\$2.9	157,500	–	–	–	157,500
Option C	Employees	16.6.2014	16.6.2016 – 15.6.2024	HK\$2.9	7,814,000	–	–	(83,000)	7,731,000
Option C	Employees	16.6.2014	16.6.2017 – 15.6.2024	HK\$2.9	11,721,000	–	–	(124,500)	11,596,500
Option C	Employees	16.6.2014	16.6.2018 – 15.6.2024	HK\$2.9	15,628,000	–	–	(166,000)	15,462,000
					35,410,500	–	–	(373,500)	35,037,000
Exercisable at the end of the period									35,037,000
Weighted average exercise price					HK\$2.9				HK\$2.9

INTERIM FINANCIAL INFORMATION

21. SHARE OPTION SCHEMES (CONTINUED)

Option	Name of grantee	Date of grant	Exercisable period	Exercise price	Outstanding as at 1.1.2020 (unaudited)	Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding as at 30.6.2020 (unaudited)
Directors									
Option C	Huang Dongliang	16.6.2014	16.6.2016 – 15.6.2024	HK\$2.9	20,000	–	–	–	20,000
Option C	Huang Dongliang	16.6.2014	16.6.2017 – 15.6.2024	HK\$2.9	30,000	–	–	–	30,000
Option C	Huang Dongliang	16.6.2014	16.6.2018 – 15.6.2024	HK\$2.9	40,000	–	–	–	40,000
Employees									
Option C	Employees	16.6.2014	16.6.2015 – 15.6.2024	HK\$2.9	157,500	–	–	–	157,500
Option C	Employees	16.6.2014	16.6.2016 – 15.6.2024	HK\$2.9	8,202,000	–	–	(235,000)	7,967,000
Option C	Employees	16.6.2014	16.6.2017 – 15.6.2024	HK\$2.9	12,303,000	–	–	(352,500)	11,950,500
Option C	Employees	16.6.2014	16.6.2018 – 15.6.2024	HK\$2.9	16,404,000	–	–	(470,000)	15,934,000
Option B	Employees	22.11.2010	22.11.2011 – 21.11.2020	HK\$3.18	68,000	–	–	–	68,000
Option B	Employees	22.11.2010	22.11.2012 – 21.11.2020	HK\$3.18	136,000	–	–	–	136,000
Option B	Employees	22.11.2010	22.11.2013 – 21.11.2020	HK\$3.18	204,000	–	–	–	204,000
Option B	Employees	22.11.2010	22.11.2014 – 21.11.2020	HK\$3.18	272,000	–	–	–	272,000
					37,836,500	–	–	(1,057,500)	36,779,000
Exercisable at the end of the period									36,779,000
Weighted average exercise price					HK\$2.9			HK\$2.9	HK\$2.9

21. SHARE OPTION SCHEMES (CONTINUED)

At 30 June 2021, the total number of shares in respect of which options under the Scheme had been granted and remained outstanding was 35,037,000 (at 30 June 2020: 36,779,000), representing 3.11% (at 30 June 2020: 3.27%) of the shares



21. SHARE OPTION SCHEMES (CONTINUED)

Share award scheme of a subsidiary of the Company

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

According to the Share Award Scheme, 41,200,000 shares of Tianneng Battery 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 Employee and for the purpose of facilitating the purchasing, holding and selling of shares of Tianneng Battery for the benefit of the Selected Employee. The 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 Battery in A-share market (the **"Qualified IPO"**).

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 Employee.

If the Qualified IPO does not incur by 31 December 2022, the Selected Employee have the right to ask Tianneng Commercial to repurchase back the awarded shares at a share price of RMB7.69 plus interest at 8% per annum. If the Selected Employee resigned, 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.

The fair values of restricted shares granted to the Selected Employee amounted to approximately RMB178,767,000. For the six months ended 30 June 2021, an expense of approximately RMB6,603,000 (for the six months ended 30 June 2020: RMB6,520,000) was recognised by the Group in relation to restricted shares granted by Tianneng Battery under the Share Award Scheme.

INTERIM FINANCIAL INFORMATION

21. SHARE OPTION SCHEMES (CONTINUED)

As at 30 June 2021, financial liabilities of approximately RMB119,258,000 (31 December 2020: RMB116,952,000) was recognised according to the repurchase consideration to be paid under Share Award Scheme if the granted shares become unvested.

22. CAPITAL COMMITMENTS

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Property, plant and equipment – Contracted but not provided for	1,454,771	1,337,707

23. 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.

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Bank deposits	1,758,728	1,303,060
Financial assets at FVTPL		
– Structured bank deposits	206,000	69,600
Debt instruments at FVTOCI	1,419,075	1,294,686
Property, plant and equipment	762,134	116,342
	4,145,937	2,783,688

INTERIM FINANCIAL INFORMATION

24. RELATED PARTY TRANSACTIONS

Related party transactions

During the six months ended 30 June 2021 and 2020, the Group had the following transactions with its related companies:

		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Changtong Technology	Purchase of materials	228,607	–
Changtong Technology	Sales of materials	452	–
遠鴻機械	Purchase of materials	350	–
Changxing Jin Ling Hotel (note i)	Hotel expenses	449	457
Xin Xin Packaging	Purchase of consumables	1,180	105
Wanyang Group	Purchase of materials	507,229	1,596,429
Wanyang Group	Sales of materials	55,648	17,582
Wanyang Group	Rental paid	941	–

Note:

- (i) Changxing Jin Ling Hotel (長興金陵大酒店) is controlled by Mr. Zhang.

25. CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (31 December 2020: nil).

26. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 27 August 2021.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2021, apart from the details as follows, the Directors and chief executive of the Company do not have any other interests and short positions in the shares, underlying shares and 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 Hong Kong Stock Exchange pursuant to the Model Code.

Ordinary shares of HK\$0.1 each of the Company

Name	Capacity	Number of 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)	410,355,650 (L)	36.44%
	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 410,355,650 shares of the Company were held by Prime Leader Global Limited, which was wholly-owned by Dr. Zhang Tianren. The interest in 438,000 shares arises from the share options granted to Ms. Yang Yaping, spouse of Dr. Zhang Tianren.





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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 30 June 2021.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders, 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 or debentures 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:

OTHER INFORMATION

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 4)
Zhang Tianren	Interest of a controlled corporation (Note 2)	410,355,650 (L)	36.44%
	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)	410,355,650 (L)	36.44%
Prime Leader Global Limited	Beneficial owner (Note 2)	410,355,650 (L)	36.44%
UBS Group AG	Interest of controlled corporations (Note 3)	59,948,175 (L) 58,686,707 (S)	5.32% 5.21%

Notes:

1. The letters "L" and "S" denote long position and short position in the shares of the Company, respectively.
2. The 410,355,650 shares were held by Prime Leader Global Limited, which was wholly-owned by Dr. Zhang Tianren. The interest in 438,000 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.



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3. Pursuant to Part XV of the SFO, as at 30 June 2021, UBS Group AG is deemed or taken to be interested in 59,948,175 shares (long position, of which 53,894,000 shares are unlisted derivatives to be settled by cash) and is holding a short position in 58,686,707 shares of the Company. The details of the shareholding interests of the subsidiaries directly controlled by UBS Group AG are set out below:

Name of controlled subsidiary	Number of share
UBS AG	59,438,176 (L) 47,351,490 (S)
UBS Asset Management Trust Company	30,000 (L)
UBS Securities LLC	11,325,218 (S)
UBS Fund Management (Switzerland) AG	258,000 (L)
UBS Switzerland AG	19,999 (L) 9,999 (S)
UBS Asset Management Switzerland AG	202,000 (L)

4. Shareholding percentage is based on 1,126,124,500 issued shares of the Company as at 30 June 2021.

SHARE OPTIONS

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed by the shareholders on 26 February 2007 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. Details of the Scheme are set out in the Note 21 to the financial statements. An ordinary resolution was passed at the annual general meeting of the Company held on 16 May 2014 (the "**Annual General Meeting**") relating to the refreshment of scheme mandate limit of the Scheme as set out in the supplemental notice of the Annual General Meeting. The Scheme expired on 10 June 2017.





OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Directors' information since the date of the 2020 Annual Report are set out below:

- (i) Mr. Wu Feng has resigned as an independent non-executive director, the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Company with effect from 30 June 2021; and
- (ii) Mr. Xia Yongyao has been appointed as an independent non-executive director, the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Company with effect from 30 June 2021.

By order of the Board

Zhang Tianren

Chairman

Hong Kong, 27 August 2021