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

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

ANNUAL REPORT 2014

NEW ENERGY NEW WORLD

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Zhang Tianren *(Chairman)*
Mr. Zhang Aogen
Mr. Chen Minru
Mr. Shi Borong
Mr. Zhang Kaihong
Mr. Yang Lianming (resigned on 27 March 2015)
Mr. Zhou Jianzhong (appointed on 27 March 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Tso Hsiu
Mr. Huang Dongliang
Mr. Wang Jingzhong

AUDIT COMMITTEE MEMBERS

Mr. Huang Dongliang *(Chairman)*
Mr. Wang Jingzhong
Mr. Ho Tso Hsiu

REMUNERATION COMMITTEE MEMBERS

Mr. Wang Jingzhong *(Chairman)*
Mr. Chen Minru
Mr. Huang Dongliang

NOMINATION COMMITTEE MEMBERS

Mr. Zhang Tianren *(Chairman)*
Mr. Huang Dongliang
Mr. Wang Jingzhong

COMPANY SECRETARY

Ms. Hui Wai Man Shirley

AUDITOR

Deloitte Touche Tohmatsu Certified Public Accountants
35th Floor, One Pacific Place
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LEGAL ADVISER

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5th Floor
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1 Connaught Place
Central, Hong Kong

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Kingsway Capital Limited
7/F, Tower One, Lippo Centre,
89 Queensway, Hong Kong

STATUTORY ADDRESS

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Grand Cayman
KY1-1111
Cayman Islands

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PRINCIPAL SHARE REGISTRAR

Codan Trust Company (Cayman) Limited
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KY1-1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Corporate Information

PUBLIC RELATIONS

Strategic Financial Relations (China) Limited
Suite 2402, 24/F, Admiralty Centre 1
18 Harcourt Road
Admiralty, Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 00819

COMPANY'S WEBSITE

http://www.tianneng.com.hk

Company Profile

Tianneng Power International Limited (the "Company" or "Tianneng Power") and its subsidiaries (the "Group") are engaged in the research and development, production and sale of i) motive battery products applicable to electric vehicles and ii) battery recycling business in the People's Republic of China ("China" or "PRC").

In 2014, the Company is one of the largest listed motive battery solution providers for the electric vehicle market in China;

And further, the Company becomes one of the major motive lithium battery providers in China for the first time.

Company Profile

The Group adheres to the belief of "New Energy New World" and aims to achieve the strategic goal of "to be a world leading new energy solution provider". With our development of 29 years, the Group has developed into an industrial group bringing manufacture of environmentally friendly electric vehicles motive battery as our main business and combined with research and development, production and sale of new energy such as lithium batteries, wind energy, solar energy storage battery and recycling of lead resources.

The Company's business started in 1986, and was incorporated in the Cayman Islands under the companies law of the Cayman Islands on 16 November 2004. The related business was incorporated into the Company soon after. It completed its listing on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 June 2007. As at 31 December 2014, the Group had eight production bases, which are located in (1) Changxing Headquarter, (2) Meishan Town and (3) Wushan Town of Changxing County in Zhejiang Province, (4) Suyang County in Jiangsu Province, (5) Wuhu City and (6) Jieshou City in Anhui Province, and (7) Puyang City (construction in progress) and (8) Jiyuan City in Henan Province in China respectively.

The Group has gained recognition of the international capital markets after many years of observation, and the Company has been included in constituent stocks of the China Low Carbon Index, Hong Kong Hang Seng Composite Index, Hang Seng Global Composite Index, Hang Seng Composite Industry Index Industrial Goods and Morgan Stanley Small Cap (China) Index respectively.

Note: In the "Company Profile", electric vehicles include electric bike, electric tricycle and electric car.

Company Profile – Production Base Allocation Map

SUYANG BASE

The Group's production base in Jiangsu, with products covering the Eastern China

MEISHAN BASE

The Group's establishment place

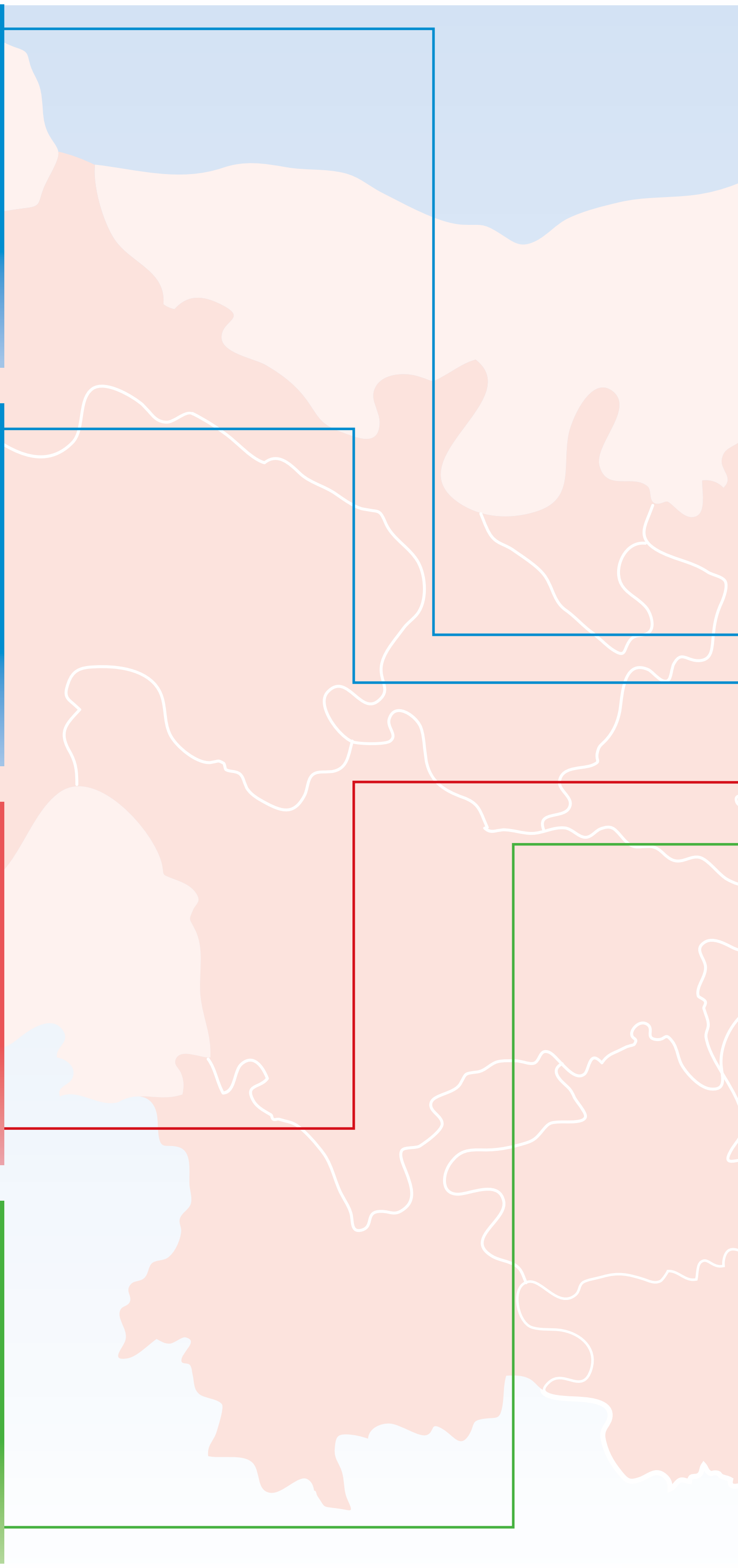
CHANQXING HEADQUARTER

The Group's administrative & R&D Centre and the production base of lithium battery

WUSHAN BASE

The Group's Circular Economy Industrial Park in Zhejiang

Company Profile – Production Base Allocation Map



PUYANG BASE

The Group's Circular Economic Development Zone in Henan, with products covering the Northern China

JIYUAN BASE

Located in a province with abundant lead resources, with products covering Central China and northwestern China

JIESHOU BASE

Products can be delivered to nearby provinces with high consumption of battery

WUHU BASE

Located in Nation-class Industrial Park and established strategic cooperation relationship with Chery New Energy

Financial Highlights

(Amount expressed in thousand of RMB except per share data)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (NOTE 1)

	Year ended 31st December				
	2014	2013	2012	2011	2010
Turnover	**14,043,731**	13,635,060	9,887,641	5,438,321	3,752,813
(Loss)/profit before taxation	**(407,102)**	141,240	912,515	829,685	428,752
Taxation	**(114,115)**	10,915	203,116	213,698	82,472
(Loss)/profit for the year	**(292,987)**	130,325	709,399	615,987	346,280
Non-controlling interest	**11,930**	(4,970)	(738)	–	–
(Loss)/profit attributable to owners of the Company	**(304,917)**	135,295	710,137	615,987	346,280
(Losses)/earnings per share (RMB/share)					
– Basic	**(0.27)**	0.12	0.65	0.57	0.32
– Diluted	**(0.27)**	0.12	0.64	0.56	0.32

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (NOTE 2)

	As at 31st December				
	2014	2013	2012	2011	2010
Total assets	**8,713,603**	7,904,226	7,445,211	4,782,851	3,084,525
Total liabilities	**5,967,963**	4,841,959	4,322,868	2,282,377	1,128,363
Net assets/Total equity	**2,745,640**	3,062,267	3,122,343	2,500,474	1,956,162

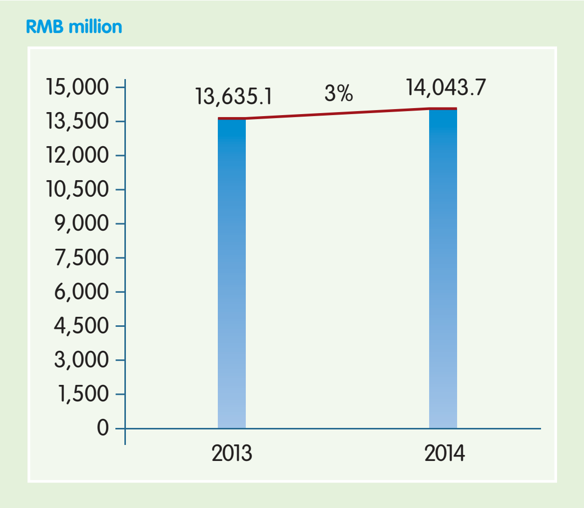
Notes:

1. The results for the years ended 31 December 2010 and 2011 are set out on page 57 of the Company's 2011 annual report. The results for the year ended 31 December 2012 and 2013 are set out on page 123 of the Company's 2013 annual report. All such information is extracted from the financial statements prepared under Hong Kong Financial Reporting Standards ("HKFRSs").

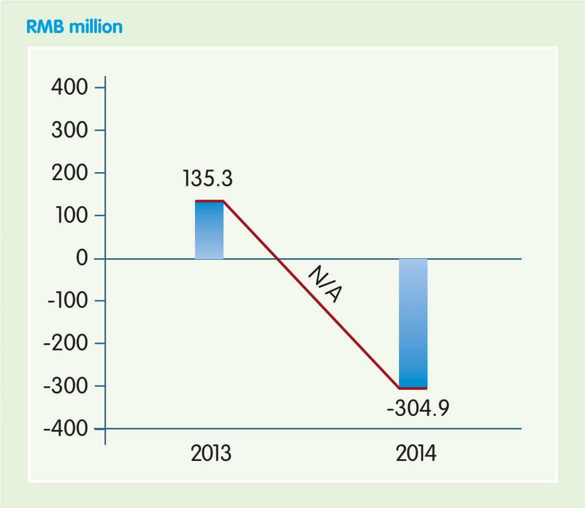
2. The consolidated statements of financial position as at 31 December 2010 and 2011 are set out on page 58 of the Company's 2011 annual report. The consolidated statements of financial position as at 31 December 2012 and 2013 are set out on page 124 of the Company's 2013 annual report. All such information is extracted from the financial statements prepared under HKFRSs.

Financial Highlights

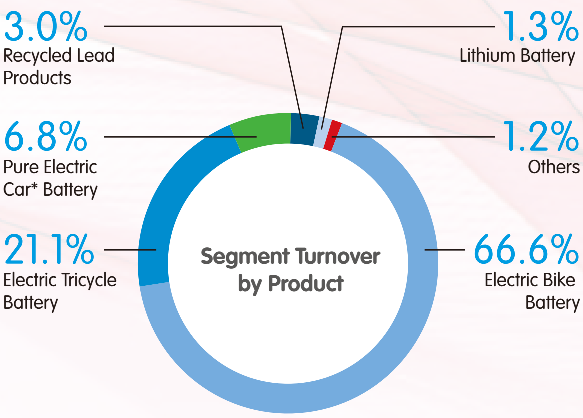
SALES TURNOVER



PROFIT ATTRIBUTABLE TO SHAREHOLDERS



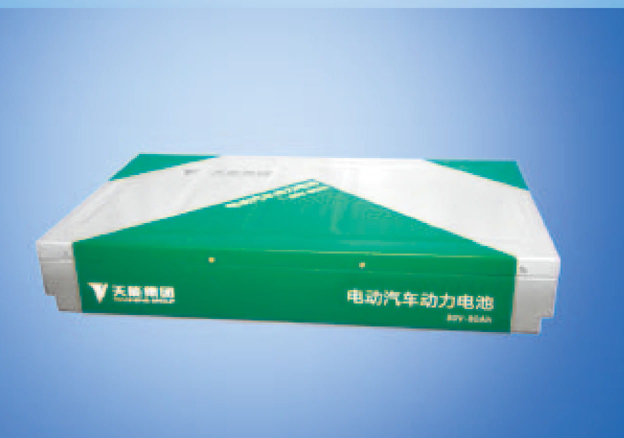
SEGMENT TURNOVER



* Electric car includes pure electric sedans, electric forklifts, electric patrol cars and special-purpose electric cars, etc.

Solid Foundation

By adhering to the macro-strategy of sustainable development, the Group achieved impressive growth in emerging industries related segments during the year, through a flexible pricing strategy and swiftly responsive measures. In respect of exploiting and securing the emerging market, and leading the industry consolidation, the Group fulfilled its desired goals.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Chairman's Statement

Chairman's Statement

Dear Shareholders,

PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND DIVIDEND FOR THE YEAR

During the year, the Group's consolidated turnover was approximately RMB14,044 million (2013: approximately RMB13,635 million), representing an increase of approximately 3.0% as compared to the previous year. The Group's loss attributable to owners of the Company was approximately RMB305 million (2013: profit of approximately RMB135 million), representing a change from profit making to loss. The Group's basic loss per share amounted to RMB0.27 (2013: earnings of RMB0.12). The Company proposes not to declare a final dividend. The proposal shall be subject to shareholders' approval at the annual general meeting to be held on 16 May 2015.

CHINA • ELECTRIC VEHICLES

With the acceleration of China's industrialization and urbanization processes, several urban and industrial clusters, mainly represented by Beijing-Tianjin-Hebei, the Yangtze River Delta and Pearl River Delta, have already emerged in China. However, China's rapid economic development in recent years, resulting in increasing threat of smog to many densely populated cities, has rung the alarm, warning about the deterioration of the living environment in China. Currently, deterioration of air quality has become the most concerned issue for the community, and arose governments at all levels great attention to this issue and will put more efforts to support environmental-friendly products. Promotion of environmental-friendly production and creating environmental community will become an upcoming major trend while the development of electric vehicles has become a core part of China's environmental protection campaign.

Unlike other countries, the development of electric vehicles in China has its unique characteristics. Since the first debut of electric bikes in China more than ten years ago, China has been developed into the world's largest market of electric bikes, with electric bike ownership of approximately 130 million units. The use of electric bikes helps to relieve the emission problem caused by the traditional fuel vehicles. Under the joint efforts of the government and the community, the current development of Chinese electric vehicles is on the right track to gradually expand to the sectors of electric tricycles and electric cars.

Motive battery industry has been identified as a key sector in the development of China's electric vehicle industry, and the accelerated expansion of lead battery enterprises has resulted in an excess production capacity of overall industry in 2014. Currently, more batteries of electric bikes are supplied from low-end market, the lack of product differentiation is becoming serious and high-end batteries are under-supply. The Group, as a benchmark company in China motive battery industry, strives to meet the expectation of our society and market.

Chairman's Statement

2014 • REFORM AND TRANSFORMATION

In the past 2014, it was a tough and challenging year in view of the prevailing unfavourable and sophisticated macro-economic conditions. Also, it was the year for the Group to transform, upgrade and stride a crucial step under the challenging environment. In face of the economic downward pressure arising from the declining growth momentum under a 'new normal' environment, the market had changed rapidly and the transformation of enterprises were underway in struggles. All these posed different challenges, but also brought a lot of opportunities, to the Group in the course of business during the year.

As the economic growth in China slows down under a 'new normal' environment, it comes to a crossroad as to whether pursue a short-term growth or a sustainable development in the medium to long run as its strategic plan. By adhering to the macro-strategy of sustainable development, the Group achieved impressive growth in emerging industries related segments during the year, through a flexible pricing strategy and swiftly responsive measures. In respect of exploiting and securing the emerging market, and leading the industry consolidation, the Group fulfilled its desired goals. Despite the loss for the year recorded unprecedentedly, with the innovative reform, transformation and upgrade of the Group, the transformation of the structure of the principal products into middle to high-end , there is a larger proportion of the Group's sales turnover coming from 3 major business segments as a whole: lithium-ion battery, electric car battery and used battery recycling, and the enhanced internal control system during 2014, the Group has laid a strong foundation for a promising and favourable development in 2015 and has well prepared for providing long-term returns to its shareholders.

The environmental remediation and consolidation of lead battery industry has come to the fourth year since its kick-off in 2011. In the midst of uplifting entry requirements of the government, the industry faced unprecedented elimination where a large number of small and medium enterprises have withdrawn from the market under the dual pressure from "policy" and "market". The number of enterprises decreased from almost 2,000 to approximately 200, with significant increase in industry concentration. The Group owned five among the 27 enterprises which has passed the inspection and industry entry inspection carried out by the Ministry of Environmental Protection and the Ministry of Industry and Information Technology of the PRC. The Group was ranked the first in the industry which gave recognition for its strength in environmental protection. The Group has adhered to its core value of "Responsibility as the soul and Innovation for win-win scenario". It completed most of the work in environmental protection and entry inspection during 2015 through the replacement of labor by machinery to enhance the level of technology and equipment, which set a new benchmark for the environmental protection in the industry.

Chairman's Statement

With the all-new production line putting into full operation this year, the production capacity of the lithium motive battery has been promoted to 1.25GWH and this segment has been therefore positioned among the top in the industry. It has been a great leap forward for the lithium motive battery segment in 2014. Moreover, the technical competence of the lithium motive battery has been improved; the technologies of ternary materials, lithium iron phosphate and manganese-based graphite lithium was among the best in China.

In the emerging business segment, from 2010 to 2014, many local governments in China have introduced relevant policies supporting the development of mini electric cars, such as Shandong Province, Jiangsu Province, Guangdong Province, Henan Province, Hebei Xingtai, Hubei Xiangyang, Hunan Loudi and Anhui Fuyang. This gives a positive signal for the development of mini electric cars that the market can accommodate different types of electric cars. More importantly, mini electric cars can be afforded by the general public and also lessen the fiscal burden of local governments for subsidizing the electric cars industry, which in turn further increase the continuous development of electric cars in China. It also conforms to the global development trend of new energy vehicles, for which some rules and administrative regulations supporting mini electric cars development have been released in United States, Japan and countries in Europe. The Group put more effort in market expansion during 2014 and cooperated with more than 100 manufacturers of mini electric cars. Batteries sales have recorded a year-on-year growth of 87%, representing a leading and solid market share in the industry.

The electric tricycles have been commonly used everywhere in the rural areas and small and medium cities. According to IPSOS Report of Electric Car Industry 2014 (the "IPSOS REPORT"), by the end of 2014, the ownership of electric tricycle has exceeded 30 million units, while the annual growth in demand for batteries of electric tricycles was 27% in 2014. The Group has timely seized the market opportunities and successively launched new battery products with long life cycle, strong dynamic power and high power competitiveness in 2014. The sales income of batteries of electric tricycles has realized continuous growth, representing a significant increase in the percentage contribution to the Group's overall income.

OUTLOOK: NEW NORMAL AND NEW DRIVERS

Facing the new normal of slowdown of growth rate of electric bike and rapid growth of electric tricycle and mini electric car, the Group captured the new drivers for development of emerging industries, with a view to realize steady growth of electric car batteries business, speed up the development of three major emerging businesses, namely lithium battery, electric car batteries and used battery recycling in the future.

Electric bike, as an energy-saving, environmental-friendly and comfortable transport mode in the 21st century, well match the governmental policy of eliminating smog and promoting environmental-friendly products and will usher in enormous development opportunities in the future. According to IPSOS report, it is estimated that lead batteries will account for more than approximately 80% market share of electric bike motive batteries in the long term (2014-2020) and continue to maintain its leading position in the market. The Group will make better use of its advantage over its huge sales network, further upgrade the electric bike batteries market by playing a leading role for its peer, market and industry in terms of technology innovation, products upgrade and new models, respectively.

Chairman's Statement

Strategically, the Group has invested in the research and development of electric car and electric bike lithium motive batteries and kicked off its mass production many years ago. The Group will continue to enhance its collaboration with the complete vehicle manufacturers, expand its sales channels in the secondary market and increase the proportion of sales and profit contribution of lithium battery of the Group, aiming to become the top market players in the motive lithium battery industry in China.

For new energy car motive battery business development, motor vehicle electrification has become an unalterable trend in China and the world. According to IPSOS report, the demand for mini electric car during 2014 to 2020 will grow at a CAGR of 38%. By 2020, it is estimated that the ownership of batteries for mini electric car will exceed 5 million units, which will become the major driver for the sales growth of lead motive batteries in mid-to-long term. After considering the national policy and conditions as well as the Group's competitive advantages, the Group will allocate more resources in the development of "mini-affordable-safe" motive battery for new energy cars by enhancing its cooperation worldwide, engaging in the formulation of industry standard, expanding downstream market and enhancing product quality.

Electric tricycles have been widely used as short-distance logistics transport as well as municipal administration and household vehicles. According to IPSOS report, it is expected that the ownership of electric tricycles in China will experience a mid-to-high speed growth in the future. By 2020, the ownership will reach approximately 100 million units. The rapid growth in electric tricycle market will boost strong demand for batteries. It is expected that, in 2020, the scale of the electric tricycle battery market will be approximate to that of the electric bike battery market, becoming another major motive batteries market in addition to electric bike. The Group will further optimize its product structure, expand its sales channel, enhance its after-sales services and strengthen its cooperation with manufacturers.

Under the guidance of the government's policy that strongly advocates circular economy, the Group will deepen its lead battery recycling strategy in full scale. The Eastern China base obtained the only available license for handling the recycle of old batteries in Zhejiang Province. This base was also rated as a pilot agent for the national circular economy standardization by Standardization Administration of the PRC and the National Development and Reform Commission. The Group will accelerate the construction of the used battery recycling plant in Northern China base. The trial production is expected to commence in 2015. Looking forward, by insisting environmental protection, enhancing its recycling and reproduction technology and reduction of production cost of batteries, the Group aims to become a new benchmark company in the lead recycling industry in China.

Chairman's Statement

In conclusion, the Group will adhere to the main principle of progress through stability and focus on quality and efficiency. It will incorporate advance technology into traditional industries and expand the scale of emerging industries. In addition, expansion of emerging industries such as electric car battery, motive lithium battery and resources recycling will be the Group's key strategic direction. With new material, new techniques, new skills and new equipment as its core tactics, the Group aim to further enhance the proportion of sales in emerging industries, the management efficiency and the added-value of its products, so as to increase the overall profitability of the Group in the future. Pursuing the belief of "New Energy New World" and strategically aiming at becoming the "Global Leading Green Energy Solution Provider", the Group will be able to achieve continuous growth by innovation with new drive under the new normal and contribute better returns to the Shareholders in the long run.

APPRECIATION

I would like to take this opportunity to express our gratitude to our employees for their contributions and hard work and to the Shareholders and business partners for their support.

Zhang Tianren
Chairman

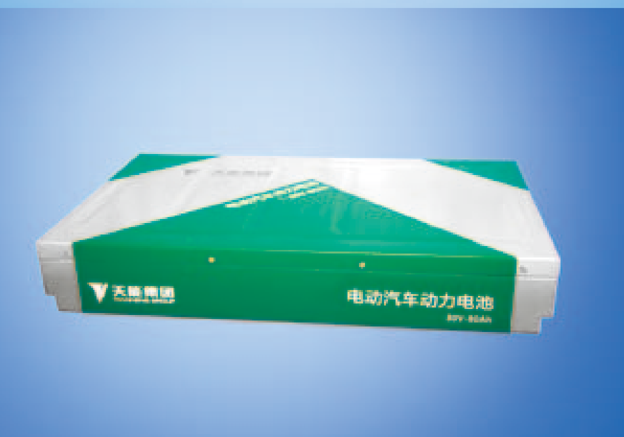
Hong Kong, 27 March 2015

Belief

"New Energy New World"

Target

"Global Leading
Green Energy Solution
Provider"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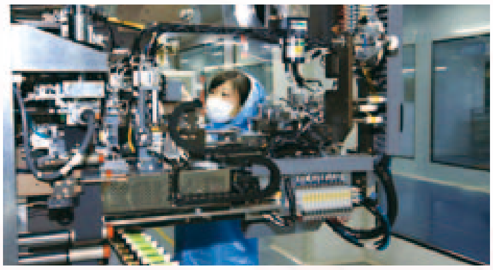
Management Discussion and Analysis

2014 • Transformation and Upgrading

Management Discussion and Analysis

REVIEW OF OPERATIONS

During the year, motive battery industry in China was full of challenges, and the Group recorded a net loss for the first time. However, this is also a rare opportunity for the firm to make a comprehensive review in order to create secure foundation in this year for further sustainable development of the Company in the vibrant new energy industry and electric vehicle industry fully supported by the Chinese government.



As a review of the operations of the year,, "transformation and upgrading" which comprises "three transformations" and "four upgradings" are the major achievements. The details are listed as below respectively:

1st transformation: accelerating transformation to motive lithium battery

After many years of research and development in motive lithium battery, the Group has already attained various technologies such as lithium iron phosphate battery, ternary materials and manganese-based graphite lithium. In this year, the Group has boosted its overall production capacity of motive lithium battery to 1.25GWH, successful placing itself among the leading providers of motive lithium battery in China, and the sales has recorded an increase of 46.2% compared to 2013. Thus, many electric vehicle manufacturers in China seek to negotiate and cooperate with us actively.

2nd transformation: further transformation into mini electric car motive battery

With continuous verification by the market on our mini electric car motive battery from initial samples to final big orders, this business segment of the Group has gained high market recognition. During this year, sales of this business amounted to RMB957 million, up by 87.2% greatly as compared with the last year and accounted for 6.8% (2013: 3.8%) of the Group's sales turnover. According to IPSOS REPORT, market share of the Group in relevant industry further increased to 55% and became the first industry brand.

3rd transformation: deepening transformation to used battery recycling industry

The Group began to develop its used battery recycling business in 2008, and now has two production bases which are located in Eastern and Northern China respectively. The recycling base in Eastern China has been put into operation for more than two years, its production has become more mature in the year, contributing a sales of RMB426 million with a substantial increase of 93.2% compared with the last year, and has been the Group's fastest-growing business segment. The construction of the recycling base in Northern China has been completed basically in this year, and is expected to gain sales contribution in 2015.

Management Discussion and Analysis

1st upgrading: upgrading of lead motive battery

After years of research and development, the Group has achieved further breakthroughs in lead motive battery in this year and developed "super lead-carbon battery" and "silicon dioxide colloid battery" respectively. Such two new batteries enjoy substantial improvement in life, energy storage and discharge, etc., and will serve as the core battery product for mini electric vehicles.

2nd upgrading: upgrading of e-commerce

During the year, the Group successfully opened an instant maintenance service network called "Xiaodianlv" and an online store "TIANNENG" on Tmall.com in order to attract new customers through O2O mode in order to cooperate with the Group's nationwide network of distributors to add value and upgrade the entire marketing system.

3rd upgrading: upgrading in environmental protection

During the year, the Group continued to improve the levels of technology and equipment to speed up the transformation of production process, thus comprehensively enhancing the level of environmental protection. In the list of approval of environmental protection audit released by the Ministry of Environmental Protection and the list of approval of industry access audit released by the Ministry of Industry and Information Technology, a total of 5 companies under the Group were among such lists, ranking No.1 in the industry. The enhancement of environmental protection capabilities of the Group has become one of the core competitiveness for its long and mid-term development.

4th upgrading: upgrading in governance disclosure of environmental community relations

After the publication of this annual report, the Group will separately publish the first report on Environmental, Social and Governance (ESG), fully describing the Company's work on environmental protection and social responsibility from corporate governance, market operations, working environment, community involvement, environmental protection and other aspects.

OPERATING RESULTS

Turnover

With the overall goal of strengthening the industry leading status, the Group's turnover increased from approximately RMB13.6 billion in 2013 to approximately RMB14 billion in 2014, representing an increase of approximately 3.0% as compared to the previous year. Except electric bike motive batteries, the Group recorded substantial growth in sales of all business sectors, details of which set out below:

Management Discussion and Analysis

In respect of the sales of electric bike motive batteries, the Group targeted at reducing the industry capacity with the price elasticity and enhancement of marketing model as its main strategy during the year. According to IPSOS REPORT, in 2014, the industry demands reduced by 9% comparing with last year. The Group's turnover from electric bike lead motive batteries was RMB9.354 billion in this year, representing a decrease of 10.0% as compared to the previous year, mainly due to decrease in price. However, our market share remained at approximately 35%, broadly similar to that in 2013, market share of the majority of other competitors was only 6% or less. The Group had a total of 1,806 secondary market exclusive distributors as at 31 December 2014, increased by 112 from 1,694 as at 31 December 2013. Secondary market sales and distribution network of the Group is covering most parts of China.

In respect of the electric tricycle motive batteries, the Group aimed at grasping the opportunity of explosive market growth and urbanization and seizing market shares, by upholding the main strategy to expand the strategic cooperation with customers, strengthen product promotion to the new market in rural towns and utilize its comprehensive distribution network of electric bikes lead motive battery. According to IPSOS REPORT, in 2014, the industry demands recorded an annual growth rate of approximately 27%. The Group's turnover from electric tricycle lead motive batteries was RMB2.959 billion in this year, representing an increase of approximately 31.5% as compared to the previous year, 4.5 percentage points higher than the industry growth.

Management Discussion and Analysis

In respect of the electric car motive batteries, in this year, the Group led industry players and government sectors related to mini electric vehicles to the accelerating development of relevant administrative measures. Meanwhile, it conducted lots of strategic cooperative research with electric vehicle manufacturers in regions where the fastest growth of the mini electric car industry in China were recorded (including Shandong, Henan and Anhui province, etc.), as well as maintained and built strategic partnership with Kandi Auto, Shifeng Group, Chery Automobile and Shandong Tangjun and other electric vehicle manufacturers. The Group's turnover from electric car motive batteries was RMB957 million in this year, representing a substantial increase of approximately 87.2% as compared to the previous year. According to IPSOS REPORT, in 2014, the Group was ranked No. 1 in the low-speed electric vehicle battery industry with a market share of 55%, significantly outperformed the other competitors..

The Group's turnover from products of used lead battery recycling was RMB426 million in this year, representing a substantial increase of 93.2% as compared to the previous year, mainly due to further improvement of production capacity utilization in Eastern China base and industry recognition for the Group's products. The used lead battery recycling has become the fastest-growing business sector in the Group.

The Group's turnover from motive lithium batteries was RMB180 million in this year, representing a substantial increase of 46.2% as compared to the previous year, mainly due to strong market demands for motive lithium battery and substantial increase in production capacity of the Group in the fourth quarter of 2014.

In respect of research and development, in order to maintain product competitiveness, the Group made extensive investment in research and development. The Group's research and development activities focused on developing clean, durable and environmental-friendly new energy battery products. The Group currently has a State-Certified Enterprise Technology Center, Postdoctoral Scientific Research Workstation and Zhejiang Academician and Expert Workstation. In 2014, the Group was recognized as Model Enterprise of Technology Innovation in the PRC by the Ministry of Industry and Information Technology of the PRC, and was granted the title of motive batteries and materials engineering technology research and development center by the Science and Technology Department of Zhejiang Province. Zhejiang Tianneng Energy Technology Co., Ltd., a subsidiary of the Group, was elected as National Torch Plan Key High and New Technology Enterprise in 2014 (國家火炬計劃重點高新技術企業), while Tianneng Battery Group Co., Ltd., another subsidiary was included in the first tranche of pilot training enterprises in Zhejiang Province, which is one of the three enterprises in this program. Meanwhile, the Group's recycling base in Eastern China was rated as Demonstration Project of Recycled Nonferrous Metal Utilization by China Non Ferrous Metals Industry Association and a pilot agent for the nation's circular economy standardization by Standardization Administration of the PRC and the National Development and Reform Commission. The application of clean production technology for industrial use in 2014 of recycling base in Northern China was also approved.

Management Discussion and Analysis

Leveraging its advanced science research platform and its strong research and development team, the Group launched three new products in 2014, namely graphite manganese lithium batteries, super lead-carbon batteries and intelligent cloud batteries. Among which, super lead-carbon batteries was rated as "National New Product", the lithium batteries with manganese have also passed the new product appraisal of Zhejiang Province and the intelligent cloud batteries have entered into strategic collaboration with the Ministry of Public Security of Zhejiang Province. At the same time, the Group has also invented a number of new products, including automotive start-and-stop batteries and lithium-ion battery with low temperature resistance features for military use. With the strong research and development capabilities, the Group is able to meet the demand for new products from different industry and different manufacturers, and take the lead in the new development of the industry with its advanced technology.

Management Discussion and Analysis

Gross Profit

The Group's gross profit and gross profit margin in 2014 were approximately RMB1.26 billion and 9.0% respectively (2013: approximately RMB1.4 billion and 10.3% respectively), representing a decrease of approximately 10.0% and 1.3 percentage point respectively. Despite the Group's effort in proportion reduction of OEM production, optimization of production management and lower unit price of "lead", thereby the unit production cost declined by approximately 5%; the unit selling price falling by 4%-9% for different lead battery products specifications, finally resulting in a decline in gross profit margin as a whole.

Other income

Other income of the Group decreased by approximately 21.4% from approximately RMB177 million in 2013 to approximately RMB140 million in 2014. The decrease was mainly attributable to the decrease in government grants.

Selling and distribution costs

Selling and distribution costs increased by approximately 57.9% from approximately RMB413 million in 2013 to approximately RMB652 million in 2014. Such increase was mainly due to the increase in transportation cost, sales commission and advertising cost.

Administrative expenses

Administrative expenses decreased by approximately 4.2% from approximately RMB367 million in 2013 to approximately RMB352 million in 2014. Such decrease was mainly due to office expenses reduction.

Management Discussion and Analysis

Finance costs

Finance costs increased by approximately 43.3% from approximately RMB144 million in 2013 to approximately RMB206 million in 2014. Such increase was mainly due to loan restructuring during the year, leading to higher proportion of long-term borrowing in total borrowing, and interest rate of long-term borrowings is higher than that of short-term borrowings. Another reason for interests increase was due to interest increase of discounting of notes receivable.

Taxation

The Group recorded enterprise income tax expenses of approximately RMB10.92 million in 2013, and tax credit of RMB114 million in 2014, mainly because the Group recorded loss before taxation during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The net cash from operating activities amounted to approximately RMB777 million in 2014 (2013: RMB938 million). Despite the annual loss brought pressure to cash flow, the Group successfully obtained additional cash flow of approximately RMB902 million by reducing the scale of inventories, reducing bills receivable, trade receivables and other receivables and expansion of the scale of bills payables, trade payables and other payables, leading to a substantial improvement to cash flow from operating activities.

Net cash used in investing activities mainly consisted of capital expenditure for the purchase of property, plant and equipment and withdrawing pledged and time bank deposits.

As at 31 December 2014, the bank balances and cash (including the pledged bank deposits) of the Group was approximately RMB1.79 billion (31 December 2013: approximately RMB1.02 billion). As at 31 December 2014, the Group obtained undrawn banks facilities of approximately RMB1.78 billion (31 December 2013: approximately RMB1.69 billion). The amount RMB1.70 billion, RMB82 million and RMB4 million of bank balances and cash (including the pledged bank deposits) are denominated in Renminbi, Hong Kong Dollars and US Dollars respectively. As the bank balances in Hong Kong Dollars could be used for the repayment of Hong Kong Dollars bank borrowings, the Company is able to control the level of currency risk.

As at 31 December 2014, the Group had no held-for-trading investments (31 December 2013: RMB3.22 million). During the year, the Group made certain related investment and recorded a profit of approximately RMB3.43 million. During the investment process, the Group fully considered the use of funds, reasonable returns, liquidity and market conditions and other factors, and effectively controlled associated risks to implementing the Group's prudent financial policies.

As at 31 December 2014, the net current liabilities of the Group were approximately RMB241 million (31 December 2013: net current assets of approximately RMB382 million). Based on the steady cash inflow from operating activities and the sufficient level of cash and bank balances, the Company believes that it will be able to meet its liabilities as and when they fall due and meet the capital required for operations. The Company is able to control the level of its liabilities and financial risks.

As at 31 December 2014, the bank borrowings and loan notes (together as "interest bearing loans") of the Group with maturity of within one year totally amounted to approximately RMB2.5 billion (31 December 2013: approximately RMB2.14 billion). The interest bearing loans of the Group with maturity of more than one year amounted to approximately RMB1.07 billion (31 December 2013: approximately RMB655 million). The amounts of RMB3.40 billion, RMB150 million and 28 million interest bearing loans are denominated in Renminbi, US Dollars and Hong Kong Dollars respectively, and carry fixed and variable interest rates ranging from 3.15% to 8.00% (2013: 3.19% to 6.77%) per annum. The Company will closely monitor the changes in interest rate and assess the interest rate risk.

Management Discussion and Analysis

The objective of the Company's financial policy is to maintain an optimal capital structure to minimize the capital cost through prudent financial management. During the period under review, the Group continued to further make use of long-term loan in order to optimize its loan structure.

FINANCIAL POSITION

Assets

As at 31 December 2014, the total assets of the Group was approximately RMB8.714 billion, representing an increase of 10.2% as compared to approximately RMB7.904 billion as at 31 December 2013. Among them, non-current assets increased by approximately 21.6% to approximately RMB4.093 billion and current assets increased by approximately 1.8% to approximately RMB4.621 billion. The major reason for the increase of non-current assets was due to the capital expenditure on production plants. The increase in current assets was mainly attributable to the increase in bank deposits.

Liabilities

As at 31 December 2014, the total liabilities of the Group was approximately RMB5.968 billion, representing an increase of approximately 23.3% from approximately RMB4.842 billion as at 31 December 2013. Among them, current liabilities increased by approximately 17.0% to approximately RMB4.862 billion, mainly due to the increase in accounts payables and short-term interests bearing loans. Non-current liabilities increased by approximately 61.5% to RMB1.106 billion, mainly due to the increase in long-term interest bearing loans.

Major financial position ratio

	2014	2013
Current ratio	**0.95**	1.09
Quick ratio	**0.63**	0.65
Interest cover (Note)	**0.10**	2.66

Note: EBITDA divided by total interest expense

Both current ratio and quick ratio decreased when compared to the beginning of the year, which were mainly due to more increase in current liabilities than current assets. The interest cover ratio decreased significantly, mainly due to the loss before taxation.

CAPITAL EXPENDITURE

The capital expenditure in 2014 was approximately RMB816 million (2013: approximately RMB865 million). A majority of expenditure was incurred on the construction of lithium batteries production plants, Changxing Wushan base, Puyang base in Henan, Suyang base in Jiangsu and Jieshou base in Anhui.

CAPITAL COMMITMENTS

The amount contracted for but not stated in the consolidated financial statements in respect of the acquisition of property, plant and equipment as at 31 December 2014 was approximately RMB685 million (31 December 2013: approximately RMB430 million).

GEARING RATIO

The Group's gearing ratio (which is based on the amount of total interest bearing loans divided by total assets multiplied by 100%) as at 31 December 2014 was approximately 41.0% (31 December 2013: approximately 35.4%).

Management Discussion and Analysis

EXPOSURE IN EXCHANGE RATE FLUCTUATION

As the Group's operations were mainly conducted in China and the majority of the sales and purchases were transacted in Renminbi, the Board is of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange rate risk, and therefore no hedging arrangements were made. However, the Group will review and monitor the relevant foreign exchange exposure from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when appropriate.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2014 (31 December 2013: nil).

PLEDGE OF ASSETS

As at 31 December 2014, the bank facilities of the Group were secured by bank deposits, bills and accounts receivables, property, plant and equipment and prepaid lease payments. The aggregate net book value of the assets pledged amounted to approximately RMB518 million (31 December 2013: RMB506 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2014, the Group employed a total of 18,268 employees (31 December 2013: 17,846 employees). Staff costs excluding directors' emoluments of the Group for the year of 2014 amounted to approximately RMB1.032 billion (2013: RMB915 million). The costs included basic salaries and benefits as well as staff benefits such as discretionary bonus, medical and insurance plans, pension scheme (including the schemes required by the governments such as pension insurance in China and mandatory pension fund in Hong Kong), unemployment insurance plans and share option scheme etc. Competitive remuneration packages were offered to employees. The Company has adopted incentive programs (including share option scheme) to encourage employee performance and a range of training programs for the development of its staff.

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held by the Group as at 31 December 2014 (31 December 2013: nil).

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal during the year.

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

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 11 May 2015 to 16 May 2015, both days inclusive, during which period no transfer of the shares of the Company will be registered. In order to qualify for attending the annual general meeting of the Company of this year, all share certificates, together with dully completed transfer forms, must be lodged with the Company's Share Registrar, Tricor Investor Services Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 8 May 2015.

Awards


1
CERTIFICATE
2
2013年度中国轻工业百强企业
3
国家技术创新示范企业
工业和信息化部
4
中国轻工业联合会科学技术进步奖
证　书
5
天能动力国际有限公司
2013年中国电动车动力电池领导品牌
Ipsos
6
2013浙江省高新技术企业百强
7
荣誉证书
再生有色金属综合利用示范工程
8
全国企业文化建设示范基地
中国企业文化研究会
二〇一四年十月

Awards

GLOBAL TOP 500 NEW ENERGY ENTERPRISES

In October 2014, the Company was honored the 2014 Global Top 500 New Energy Enterprises by the China Institute of Energy Economic Research. 1

TOP 100 CHINA LIGHT INDUSTRIAL ENTERPRISES

In June 2014, the Company was honored the Top 100 China Light Industrial Enterprises by the China National Light Industry Council. 2

MODEL ENTERPRISES OF TECHNOLOGY INNOVATION IN THE PRC

In February 2014, the Ministry of Industry and Information Technology honored the Company as the Model Enterprise of Technology Innovation in the PRC. 3

CHINA LIGHT INDUSTRY SCIENCE AND TECHNOLOGY PROGRESS AWARD

In January 2014, the Company's new nano rare earth battery industrialization was honored with the Science and Technology Progress Award by China National Light Industry Council. 4

A CHINA LEADING BRAND FOR E-BIKE MOTIVE BATTERY

In March 2014, the Company was honored a "China Leading Brand for E-Bike Motive Battery" by Ipsos. 5

TOP 100 HIGH-TECH ENTERPRISES IN ZHEJIANG PROVINCE

In January 2014, the Company was honored the Top 100 High-Tech Enterprises in Zhejiang Province by Zhejiang High-Tech Enterprise Association. 6

DEMONSTRATION PROJECT OF RECYCLED NON-FERROUS METAL UTILIZATION

In November 2014, the Company's subsidiary was honored the Demonstration Project of Recycled Non-ferrous Metal Utilization by China Nonferrous Metals Industry Association. 7

NATIONAL CORPORATE CULTURE DEMONSTRATION BASE

In October 2014, the Company was awarded the title of "National Corporate Culture Demonstration Base" by China Corporate Culture Institute. 8

Profiles of Directors and Senior Management


Dr. ZHANG Tianren


Mr. ZHANG Aogen

EXECUTIVE DIRECTORS

Dr. ZHANG Tianren (張天任), aged 52, is the chairman of our Board, president and founder of our Group. Mr. ZHANG is responsible for our overall management and formulation of our business strategies. Mr. ZHANG has had 28 years of experience in technological research and development and management of rechargeable battery industry in China. Mr. ZHANG was the factory manager of Zhejiang Changxing Storage Battery Factory during the period between 1989 and 2002, and has been the chairman and the general manager of Tianneng Battery since 2003. In April 2002, Mr. ZHANG was qualified as a senior economist and an engineer.

In addition to his key position in our Group, Mr. ZHANG has held various roles in the energy, battery and other related industries in China. Mr. ZHANG is currently a vice chairman of the Asian Photovoltaic Industry Association, first council chairman of the New Battery Industry Technology Innovation Strategic Alliance (新型電池產業技術創新戰略聯盟首任理事長), a vice council chairman of the China Energy Association, vice council chairman of China Battery Industry Association, vice council chairman of China Electrical Equipment Industry Association, vice council chairman of Chinese Cycling Association, vice president of the National Technology and Equipment Industry Association (全國工商聯科技裝備業商會副會長), the chairman of the Rechargeable Battery Industry Association in Zhejiang Province, the chairman of Zhejiang Merchants Association and the visiting professor of Zhejiang Sci-Tech University. Mr. ZHANG was elected as a member of the 12th National People's Congress in 2013. He has also been named as one of the township entrepreneurs in China (全國鄉鎮企業家) and awarded as one of the World Outstanding Chinese at 11th World Outstanding Chinese Award, 1st New Technological Merchants in Zhejiang in 2001, 2009 Outstanding Zhejiang Merchants, Top Ten Influential Persons of the PRC Electric Appliance Industry 2009, 2012 Bauhinia Cup Outstanding Entrepreneur, and the 2012 Ernst & Young Entrepreneur of the Year, 2014 Honorary Zhejiang Merchant and Distinguished Zheijiang Merchant (二零一四年光榮浙商、傑出浙商). Mr. ZHANG is the younger brother of Mr. ZHANG Aogen.

Mr. ZHANG Aogen (張敖根), aged 57, is our executive Director and vice-president and is responsible for the procurement centre and Material Trading Co., Limited and the liaison with the Group's sales management centre. Mr. ZHANG joined Zhejiang Changxing Storage Battery Factory as a deputy factory manager in 1988 and was appointed as a deputy general manager of Tianneng Battery in 2003. Mr. ZHANG attended the seminar of business management for senior president in Zhejiang University from September 2007 to December 2008. Mr. ZHANG is a senior economist and has had 28 years of management experience in sales of rechargeable battery products. Mr. ZHANG is also an elder brother of Mr. ZHANG Tianren, chairman of our Board.

Profiles of Directors and Senior Management


Mr. CHEN Minru


Mr. SHI Borong

Mr. CHEN Minru (陳敏如), aged 55, is our executive Director and Standing vice president and is responsible for our capital market and corporate culture and the liaison with the financial management centre. Mr. CHEN joined us as a deputy general manager of Tianneng Battery in February 2003. Mr. CHEN graduated from Central Party School of The Communist Party of China (中共中央黨校), majoring in economics management. He also attended the senior seminar of modern management (CFO) in Zhejiang University of Finance & Economics from April 2006 to May 2007, the seminar of business management for senior president in Zhejiang University from August 2007 to September 2008 and the senior seminar of investment and finance in Shanghai University of Finance and Economics from March 2009 to March 2010. Mr. CHEN is an qualified accountant, a senior economist and an affiliated member of the Association of International Accountants. He has 36 years of experience in corporate management and financial management. Prior to joining us, Mr. CHEN was the deputy general manager of Zhejiang Huzhou Bianshan Building Materials Group Corporation (湖州弁山建材集團公司) and Huzhou Kingsafe Group Co.,Ltd. (湖州金三發集團).

Mr. SHI Borong (史伯榮), aged 61, is our executive Director and vice-president and is fully responsible for the management of the business of our company in Anhui. Mr. SHI joined Zhejiang Changxing Storage Battery Factory in 1989 and acted as deputy factory manager of Zhejiang Changxing Storage Battery Factory in 1990 and as deputy general manager of Tianneng Battery in 2003 and appointed as the standing deputy general manager of Tianneng Battery in 2010. In September 2013, Mr. SHI was appointed as the chairman of Tianneng Battery (Anhui) Co., Ltd. Mr. SHI attended the seminar of business management for senior president in Zhejiang University from August 2007 to September 2008. Mr. SHI is a senior economist and has had 25 years of management experience in rechargeable battery enterprises.

Profiles of Directors and Senior Management


Mr. ZHANG Kaihong


Mr. ZHOU Jianzhong

Mr. ZHANG Kaihong (張開紅), aged 57, is our executive Director and vice-president and is fully responsible for the management of our Wuhu branch. Mr. ZHANG joined Zhejiang Changxing Storage Battery Factory in 1988 and acted as deputy factory manager of Zhejiang Changxing Storage Battery Factory in 1992. Mr. ZHANG was also appointed as deputy general manager of Tianneng Battery in 2003 and as general manager of Tianneng Wuhu in 2006. From February 2014, Mr. ZHANG was appointed as a vice-president of national level technology centre of Tianneng Group. Mr. ZHANG attended the seminar of business management for senior president in Zhejiang University from August 2007 to September 2008. Mr. ZHANG is a senior engineer with 28 years of experience in research and development, quality control and corporate management of rechargeable battery products.

Mr. ZHOU Jianzhong (周建中), aged 44, is our executive Director and vice president. Mr. ZHOU is in charge of the sales management centre and the new energy department. He also take charge of Zhejiang Tianneng Energy Technology Co., Ltd. (浙江天能能源科技有限公司), Meishan Base and Wushan Base. Mr. ZHOU joined the Group in 1996 and has been the head of market management section, standing deputy general manager of Tianneng Battery, standing deputy general manager of Tianneng Energy Technology, general manager of Tianneng Power Energy and general manager of Tianneng Power Supply Material. He was appointed as vice-president of the Group in 2011. Mr. ZHOU attended the seminar of business management for senior president in Zhejiang University from September 2007 to December 2008. He is a senior economist with 20 years' experience in the sales and management of rechargeable batteries and corporate management.

Profiles of Directors and Senior Management


Mr. HO Tso Hsi


Mr. HUANG Dongliang


Mr. WANG Jingzhong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HO Tso Hsiu (何祚庥), aged 87, was appointed as an independent non-executive Director in February 2007. Mr. HO graduated from Tsinghua University in 1951 with a bachelor of science degree. Mr. HO has been working as a researcher and the vice-president of Institute of Nuclear Research, Institute of High Energy Physics and Institute of Theoretical Physics of Chinese Academy of Sciences since 1956. Mr. HO has been a member of Chinese Academy of Sciences since 1980.

Mr. HUANG Dongliang (黃董良), aged 59, was appointed as an independent non-executive Director in February 2007. Mr. HUANG graduated from Zhongnan Finance University in 1988 with a bachelor degree majored in economics. Mr. HUANG obtained the qualifications of professor, senior accountant and registered tax agent in China. Mr. HUANG is a certified public accountant registered under the Chinese Institute of Certified Public Accountants. Mr. Huang is currently an independent director of Zhejiang Material Industrial Zhongda Yuantong Group Co. Ltd. and Lander Real Estate Co.,Ltd., which are listed companies on Shanghai Stock Exchange and Shenzhen Stock Exchange in China, respectively.

Mr. WANG Jingzhong (王敬忠), aged 58, was appointed as an independent non-executive Director in February 2007. Mr. WANG graduated from Huadong Polytechnic University in 1982 with a bachelor degree and obtained the qualification of senior engineer. Mr. WANG is the executive vice president and secretary general of China Battery Industry Association and also the independent non-executive director of SCUD Group Limited (Stock code: 1399), a listed company in Hong Kong.

Profiles of Directors and Senior Management


Mr. ZHAO Haimin


Mr. WANG Zhikun

SENIOR MANAGEMENT

Mr. ZHAO Haimin (趙海敏), aged 50, is the vice-president of the Group. Mr. ZHAO is responsible for our human resources. Mr. ZHAO joined us in 2004 as an assistant to our general manager and took charge of after-sales services and was appointed to manage the Department of Human Resources in 2005. He was appointed as a director of Tianneng Battery in 2006 and deputy general manager of Tianneng Battery in 2008. Mr. ZHAO graduated from Central Party School of The Communist Party of China (中共中央黨校), majoring in economics management. Later, he attended the seminar of business management for senior president in Zhejiang University from August 2007 to September 2008 and enrolled in the MBA programme in China University of Geosciences in 2009. Mr. ZHAO is a senior engineer. Prior to joining us, Mr. ZHAO was an assistant to the general manager in Huzhou KINGSAFE Group Co., Ltd. (湖州金三發集團) and was responsible for the management of sales, production and procurement.

Mr. WANG Zhikun (王志坤), aged 45, is the vice president of the Group. Mr. WANG is responsible for the management of capital market, securities investment and financial innovation. He joined the Group in 2005. He was appointed as listing office director, manager of securities investment, chief investment officer and Head of President Office. Mr WANG was promoted as our vice president in 2010. Mr. WANG obtained an MBA from SOUTHERN CALIFORNIA UNIVERSITY FOR PROFESSIONAL STUDIES in America. He attended the seminar of international financing in Fudan University (Shenzhen Party School of CPC) in 1999 and attended the seminar of business management for senior president in Zhejiang University from August 2007 to September 2008. Mr. WANG is a senior economist with 22 years of experience in investment management. Mr. WANG also acts as a chief secretary of the National Technology and Equipment Industry Association Huzhou (全國工商聯科技裝備業商會湖州分會秘書長). Prior to joining us, Mr. WANG worked in Century Securities (Shenzhen) Company Limited and Zhejiang Huaxin Home Textile Company Limited and was responsible for the investment management and corporate management.

Profiles of Directors and Senior Management

Ms. WANG Jing

Mr. LAU Siu fai (劉兆輝), aged 45, is the vice president of the Group and chief representative of the Hong Kong office. Mr. LAU is responsible for the corporate international finance, acquisition and merger, investor relations of the Group and is in charge of the Hong Kong office. He joined the Group in 2010. Prior to joining us, he held various managerial positions in three Hong Kong listed companies and an international accounting firm. Mr. LAU has more than 21 years of managerial working experience in direct investment, project management, corporate international finance and financial management. He obtained a bachelor degree in Accountancy from the City University of Hong Kong. He is also a fellow member of Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants.

Ms. HUI Wai Man, Shirley (許惠敏), aged 47, is the company secretary of the Company. Ms. HUI is responsible for the company secretarial affairs of the Group. She joined the Group in September 2009. She is a certified public accountant in Hong Kong, a fellow member of Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Secretaries and Administrators as well as a fellow of Hong Kong Institute of Chartered Secretaries. Also, she is a member of Society of Chinese Accountants and Auditors and Hong Kong Securities Institute. Ms. HUI has over 25 years of professional experience in public accounting and corporate financing.

Ms. WANG Jing (王靜), aged 51, is our financial controller. Ms. WANG is responsible for the financial management of the Group. She joined the Group in 2004 as the manager of financial department of Tianneng Battery and was appointed as our financial controller in 2009. She has more than 34 years of financial management experience. Ms. WANG graduated from Hangzhou Dianzi College in industrial accounting in July 1988 and attended the senior seminar of modern management (CFO) in Zhejiang University of Finance & Economics from June 2008 to June 2009. Prior to joining us, Ms. WANG worked in Zhejiang Leomax Cement Company Limited (浙江三獅水泥股份有限公司), Huzhou Kingsafe Group (湖州金三發集團) and Huzhou Tianheng United CPA Limited (湖州天衡聯合會計師事務所) and was responsible for the financial management and audit.

Corporate Governance Report

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 investor confidence.

CORPORATE GOVERNANCE CODE

The Company has adopted the provisions of the Corporate Governance Code (the "Code") during the period from 1 January 2014 to 31 December 2014 as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). For the year ended 31 December 2014, except for the code provision A.2.1 the Company has complied with the provisions set out in the Code. Mr. Zhang Tianren is both the Chairman and CEO of the Company who is responsible for managing the Group's business. The Board considers that vesting the roles of Chairman and CEO in the same person facilitates the execution of the Company's business strategies and maximizes the effectiveness of its operation. With the present board structure and scope of business, the Board considers that there is no imminent need to separate the roles into two individuals. However, the Board will continue to review the effectiveness of the Group's corporate governance structure to assess whether the separation of the position of the Chairman and CEO is necessary.

BOARD OF DIRECTORS

Composition

As at 31 December 2014, the Board comprised nine members. Mr. Zhang Tianren is the Chairman of the Board. The executive directors of the Company are Mr. Zhang Aogen, Mr. Chen Minru, Mr. Zhang Kaihong, Mr. Shi Borong and Mr. Yang Lianming. In compliance with Rule 3.10 of the Listing Rules, the Company had three independent non-executive directors comprising of one-third of the members of the Board, namely, Mr. Ho Tso Hsiu, Mr. Huang Dongliang and Mr. Wang Jingzhong. Mr. Huang Dongliang has appropriate professional accounting experience and expertise.

All directors of the Company (the "Directors" and each of the Directors (the "Director")) have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 32 to 34 of this annual report.

Each independent non-executive Director has pursuant to the Rule 3.13 of the Listing Rules, confirmed that he is independent of the Company and the Company also considers that they are independent.

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

FUNCTION

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

Corporate Governance Report

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

- Publication of final, interim and quarterly results (if any) of the Company;
- Dividend distribution or other distributions;
- Treasury policy, accounting policy and remuneration policy;
- Review on internal control system and risk management;
- Changes to major group corporate structure or Board composition requiring notification by announcement;
- Notifiable transaction and non-exempted connected transaction/continuing connected transaction;
- Proposed transaction requiring Shareholders' approval;
- Capital re-structuring and issue of new securities;
- Joint-venture with outside party involving capital commitment from the Group of over 5% of the relevant size test of the Company; and
- Financial assistance to Directors.

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

- Review the Company's policies and practices on corporate governance;
- Review and monitor the training and continuous professional development of directors and senior management;
- Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- Review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- Review the Company's compliance with the code and disclosure in the Corporate Governance Report.

Corporate Governance Report

The Company held seven Board meetings and one general meeting during the year ended 31 December 2014. The attendance of individual Directors at these meetings were as follows:

Name	Attendance of Board meeting in person	Attendance of general meeting in person
Executive Directors:		
Mr. Zhang Tianren	7/7	1/1
Mr. Zhang Aogen	7/7	1/1
Mr. Chen Minru	7/7	1/1
Mr. Zhang Kaihong	7/7	1/1
Mr. Shi Borong	7/7	1/1
Mr. Yang Lianming (resigned on 27 March 2015)	7/7	1/1
Independent Non-executive Directors:		
Mr. Ho Tso Hsiu	7/7	1/1
Mr. Huang Dongliang	7/7	1/1
Mr. Wang Jingzhong	7/7	1/1

The term of appointment of the non-executive directors is as follows:

Mr. Ho Tso Hsiu	11 June 2014 to 10 June 2015
Mr. Huang Dongliang	11 June 2014 to 10 June 2015
Mr. Wang Jingzhong	11 June 2014 to 10 June 2015

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

Responsibilities

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

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

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

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

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

Corporate Governance Report

Board Diversity

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. According to A.5.6 of the Code, the above board diversity policy of the Company has been approved by the Board and adopted by the Nomination Committee on 30 August, 2013.

The Nomination Committee holds meeting at least once a year to review the diversity of the Board and discussed the measurable objectives, including knowledge, appropriate professional qualifications, relevant business background and experience, skills, related management expertise and independence of directors, and give recommendation to the Board. During the year, the Nomination Committee takes the view that the measurable objectives were achieved to a large extent. It pays particular attention on the cultural and educational background, professional and technical experience, and skills of the members of Board and also reviewed the composition between executive directors and independent non-executive directors so to ensure appropriate independency inside the Board.

Directors' Training

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors have been given relevant guideline materials to ensure that they are apprised of the latest changes in the commercial, legal and regulatory requirements in relation to the Company's businesses, and to refresh their knowledge and skills on the roles, functions and duties of a listed company director.

For the period from 1 January 2014 to 31 December 2014, all Directors provided their records of training to the Company. All Directors, namely Mr. Zhang Tianren, Mr. Zhang Aogen, Mr. Chen Minru, Mr. Zhang Kaihong, Mr. Shi Borong, Mr. Yang Lianming, Mr. Ho Tso Hsiu, Mr. Huang Dongliang and Mr. Wang Jingzhong, participated in this continuous professional development mainly by reading various materials regarding directors' responsibilities, prevention of breaching listing rules and disclosure of inside information, etc.

Company Secretary's Training

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

Shareholders' Rights

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

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

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

According to Article No. 58 of the Company's Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board of the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

Enquiries from shareholders to the Board

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

The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.

Shareholders and investors are welcome to visit the Company's website and raise enquiries through our Investor Relations Department and/or our Company's PR representative (Strategic Financial Relations (China) Limited) whose contact details are available on the website.

REMUNERATION OF DIRECTORS

The Company has established a Remuneration Committee with specific terms of reference which deal clearly with its duties and responsibilities. As at 31 December 2014, the Remuneration Committee had three members, comprising Mr. Wang Jingzhong (Chairman) and Mr. Huang Dongliang (independent non-executive Directors) and Mr. Chen Minru (executive Director).

The terms of reference of the Remuneration Committee follow the guidelines set out in the Code and it is mainly responsible for making recommendations to the Board on the Company's policy for the remuneration of Directors and senior management.

Corporate Governance Report

The Remuneration Committee shall meet at least once a year. One committee meeting was held in 2014 to approve and adopt the revised terms of reference of the Remuneration Committee. The attendance of each member is set out as follows:

Name	meeting held	meeting attended in person
Mr. Wang Jingzhong	1	1
Mr. Huang Dongliang	1	1
Mr. Chen Minru	1	1

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

NOMINATION OF DIRECTORS

The Company has established a Nomination Committee with specific terms of reference which deal clearly with its duties and responsibilities. As at 31 December 2014, the Nomination Committee had three members, comprising Mr. Zhang Tianren (Chairman) (executive Director), Mr. Huang Dongliang and Mr. Wang Jingzhong (independent non-executive Directors).

The terms of reference of the Nomination Committee have been determined with reference to the Code. The Nomination Committee is responsible for identifying potential new directors and recommending to the Board for decision. A Director appointed by the Board is subject to re-election by Shareholders at the first annual general meeting after his/her appointment. Under the Company's articles of association, at each annual general meeting one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at an annual general meeting at least once every three years. Basically, the nomination procedure follows the articles of association of the Company. Potential new Directors are selected on the basis of their qualification, skills and experience which the Nomination Committee considers will make a positive contribution to the performance of the Board.

The Nomination Committee shall meet at least once a year. One committee meeting was held in 2014 to review the composition of the Board, consider the independence of the independent non-executive directors and the retirement of directors. The attendance of each member is set out as follows:

Name	meeting held	meeting attended in person
Mr. Zhang Tianren	1	1
Mr. Huang Dongliang	1	1
Mr. Wang Jingzhong	1	1

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 of the Listing Rule. Having made specific enquiry, all Directors have complied with the required standard set out in the Model Code throughout the year of 2014.

AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with the Rule 3.21 of the Listing Rules. As at 31 December 2014, the Company's Audit Committee comprised three independent non-executive Directors, namely Mr. Huang Dongliang (chairman), Mr. Ho Tso Hsiu and Mr. Wang Jingzhong.

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

A written terms of reference, which describes the authority and duties of the Audit Committee, are regularly reviewed and updated by the Board to comply with CP C.3.3. The Audit Committee held two meetings during the year ended 31 December 2014. The attendance of each member is set out as follows:

Name	**meetings held**	**meetings attended in person**
Mr. Huang Dongliang	2	2
Mr. Ho Tso Hsiu	2	2
Mr. Wang Jingzhong	2	2

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

The Audit Committee reviewed and discussed with the management and independent external auditors the Group's financial statement for the year ended 31 December 2014. The Audit Committee also received reports and met with the external independent auditors to discuss the general scope of their audit work and their assessment of Group internal controls.

Based on these reviews and discussions and the report of the external independent auditors, the Audit Committee recommended for the Board's approval of the consolidated financial statements for the six months ended 30 June 2014 and the year ended 31 December 2014, with the Auditors' Report thereon.

The Audit Committee recommended to the Board that the Shareholders be asked to re-appoint Deloitte Touche Tohmatsu ("Deloitte") as the Group's independent external auditor for the year ending 31 December 2015.

COMPLIANCE ADVISER

To better perform the responsibility set out in Listing Rule, the Company engaged Kingsway Capital Limited as its compliance adviser. The term of service is effective from 1 May 2014 to the issue date of this annual report.

Corporate Governance Report

INDEPENDENT EXTERNAL AUDITOR

The Audit Committee reviews each year a letter from the independent external auditor of the Company, Deloitte, confirming their independence, approves their appointment, discusses the scope of their audit and approves their fees.

Deloitte has provided annual statutory audit services in respect of the Company's financial statements prepared under HKFRSs for the year 2014. Deloitte has also reviewed the 2014 unaudited interim financial report of the Company, prepared under HKFRSs.

During the year ended 31 December 2014, the fee paid and payable to Deloitte in respect of audit and audit related services amounted to approximately RMB1.84 million. In respect of non-audit services, the fees paid and payable to Deloitte relating to review on interim financial report amounted to approximately (RMB0.50 million).

INTERNAL CONTROL

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

The Company engaged an international professional management consultancy firm, Baker Tilly Hong Kong Risk Assurance Limited ("Baker Tilly"), to assess and evaluate the risk and effectiveness of its system of internal controls up to 31 December 2014. The Audit Committee members, together with the senior management, have reviewed, considered and discussed all the findings and recommendations of the internal control review relating to the internal control system that operates within the Group, and the Audit Committee is satisfied that the internal control system of the Group is sound and adequate. Pursuant to the system improvement recommendations made by Baker Tilly, the Group will continue to improve its internal management and control systems.

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

The Company will conduct regular reviews of the Company's internal control system and its effectiveness to ensure the interest of the Shareholders is safeguarded.

GOING CONCERN

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

COMMUNICATION WITH SHAREHOLDERS

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

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities in preparing the financial statements. The responsibilities of the independent external auditor with respect to financial reporting are set out in the Independent Auditor's Report on page 61.

CONSTITUTIONAL DOCUMENTS

There are no significant changes in the Company's constitutional documents during the year ended 31 December 2014.

Environmental Protection and Community Relations

The Company has actively put its effort into environmental protection and vastly promoted the use of clean production to ensure the natural and harmonious development of the Company. The Company has adopted a series of environmental protection policies and utilized modern equipment to control and monitor the waste level on a regular basis. The Company also complies to the regulatory requirements on environmental protection.

In 2014, the Company continued to improve the levels of technology and equipment to speed up the transformation of production process, thus comprehensively enhancing the level of environmental protection. In the list of approval of environmental protection audit released by the Ministry of Environmental Protection and the list of approval of industry access audit released by the Ministry of Industry and Information Technology, a total of 5 companies under the Group were among such lists, ranking No.1 in the industry. The Group was also listed as a "Pilot Agent for the Standardization of Circular Economy of the PRC" by the Standardization Administration of the PRC and the National Development and Reform Commission. The full enhancement of environmental protection capabilities of the Group has become one of the core competitiveness for its long and mid-term development.

Meanwhile, the Group will publish the first report on Environmental, Social and Governance (ESG), fully describing the work on environmental protection and social responsibility from corporate governance, market operations, working environment, community involvement, environmental protection and other aspects.

Connected Transactions

CONTINUING CONNECTED TRANSACTIONS

Significant related party transactions entered into the Group for the year ended 31 December 2014 are disclosed in Note 36 to the consolidated financial statements. The said related party transactions constitute continuing connected transactions under the Listing Rules. The Board has approved and the independent non-executive Directors have reviewed and confirmed that the continuing connected transactions set out in page 48 to page 52 below have been entered into:

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

b) on normal commercial terms; and

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

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The Board engaged the auditor of the Company to perform works on the continuing connected transactions set out below in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this section in accordance with Listing Rule. The auditor has confirmed that the continuing connected transactions so disclosed:

(1) have been approved by the Board;

(2) were, in all material respects, in accordance with the pricing policies of the Group;

(3) were entered into, in all material respects, in accordance with the related agreement governing the transactions; and

(4) have not exceeded the cap.

A copy of the auditor's letter will be provided by the Company to The Stock Exchange of Hong Kong.

Details of the non-exempt continuing connected transactions are as follows:

1. *Product sales procurement agreements（產銷承包協議）with sales representatives for the primary market*

Background

The Group has engaged various sales representatives (the "Sales Representatives") for the sales of the Company's products to manufacturers of electric bikes (the "Primary Market"). For the expiry of the old procurement agreements on 31 December 2012, the Group entered into new procurement agreements (the "Procurement Agreements") with the connected sales representatives below on 4 December 2012 to renew the relevant transactions for a term of three years ending 31 December 2015.

Connected Transactions

Some of the Sales Representatives (the "Connected Sales Representatives") were associates of the Directors and hence our connected persons for the purposes of the Listing Rules. A list of the Connected Sales Representatives in relation to which the relevant Procurement Agreements in force during the year 2014 is set out below:

	Name of the Connected Sale Representatives	Name of related Directors	Relationship
1.	SHE Guoqing (佘國清)	ZHANG Tianren (張天任) ZHANG Aogen (張敖根)	Cousin's husband
2.	CHEN Qinfeng (陳勤峰)	ZHANG Tianren (張天任) ZHANG Aogen (張敖根)	Nephew
3.	ZHANG Zhiming (張志明)	ZHANG Kaihong (張開紅)	Nephew
4.	WU Fuhua (吳富華)	ZHANG Kaihong (張開紅)	Cousin
5.	DU Yueping (杜月萍)	ZHANG Aogen (張敖根)	Nephew

Reasons for the transaction

The electric bike motive battery market was not fully developed at the time Tianneng Battery commenced its business. While non-connected persons might not be very interested in the industry, the management of Tianneng Battery convinced the Connected Sales Representatives joining our business.

The Connected Sales Representatives primarily represented Tianneng Battery in negotiating sales transactions, coordinating the delivery of products, taking responsibility of the settlement of sales and at the same time receiving commission, and Tianneng Battery established direct relationship with the customers. During the course of their engagement and from their own development, these Connected Sales Representatives have established networks and business relationships with manufacturers in our Primary Market.

It is our strategy to adopt the business model of engaging Sales Representatives to develop our business and enhance the sale of our products in the Primary Market. As at 31 December 2014, there were a total 20 (2013: 20) Sales Representatives, out of which 5 (2013: 5) were Connected Sales Representatives. As these Connected Sales Representatives have been working with us, their long-standing experience in and understanding of our products, corporate culture and business development is important to us for our business development. However, we do not rely on these Connected Sales Representatives since all sales orders referred by these Connected Sales Representatives were ultimately placed by and invoices were issued to the customers directly.

Connected Transactions

Pricing basis and policy

Commission of the Connected Sales Representatives was calculated based on the difference between the Group's uniform ex-factory prices and the selling prices of the Group's products. Pursuant to the Procurement Agreements, each of the Connected Sales Representatives has agreed to guarantee the payment obligation of the customers procured by them. The pricing basis and policy was comparable to those offered to independent sales representatives of the Group.

Payment terms

Commission of the Connected Sales Representatives was computed and paid monthly in general. The payment terms were comparable to those offered to independent sales representatives of the Group.

Annual cap

The annual cap for the year 2014 in respect of the Procurement Agreements with the Connected Sales Representative was RMB30 million (2013: RMB21 million).

Actual transaction value during the year

The total commissions amount under the Procurement Agreements during the year ended 31 December 2014 was RMB5.216 million (2013: RMB4.162 million).

2. *Engagement of exclusive distributors for sales to dealers for the secondary market*

Background

We have engaged various exclusive distributors (the "Exclusive Distributors") for sale of lead-acid motive battery products to dealers or repairing shops of electric bikes which then re-sell the same as replacements in the retail market in China (the "Secondary Market"). For the expiry of the old distribution agreements in 2012, the Group entered into new distribution agreements (the "Distribution Agreements") with the connected exclusive distributors below on 4 December 2012 to allow them to purchase products from the Group at the Group's uniform ex-factory prices and then re-sell those products to customers and to provide after-sales services for a term of three years ending 31 December 2015.

Connected Transactions

Certain Exclusive Distributors are associates of our Directors and hence our connected persons for the purposes of the Listing Rules (the "Connected Exclusive Distributors"). A list of the Connected Exclusive Distributors is set out below:

	Name of the Connected Exclusive Distributors	Name of related Directors	Relationship
1.	CHEN Lingling (陳玲玲)	ZHANG Tianren (張天任) ZHANG Aogen (張敖根)	Cousin
2.	CHEN Huichi (陳會池)	YANG Lianming (楊連明)	Brother-in-law
3.	YANG Lianzhen (楊連成)	YANG Lianming (楊連明)	Brother
4.	ZHANG Kaiming (張開明)	ZHANG Kaihong (張開紅)	Cousin
5.	CHEN Chunhua (陳春華)	ZHANG Kaihong (張開紅)	Brother-in-law

Reasons for the transaction

The electric bike motive battery market was not fully developed at the time Tianneng Battery commenced its business. While non-connected persons might not be very interested in the industry, the management of Tianneng Battery convinced the Connected Exclusive Distributors joining the business.

The Connected Exclusive Distributors are primarily authorised by Tianneng Battery to sell products within a specified region. However, the demand for products in the particular region does not depend on the Connected Exclusive Distributors. During the course of their engagement and from their own development, these Connected Exclusive Distributors have established networks and business relationships with dealers and shops in our Secondary Market.

It is the Company's strategy to continue engaging Exclusive Distributors to further expand the Secondary Market of batteries for electric bikes. As at 31 December 2014, there were a total 1,806 (2013: 1,694) Exclusive Distributors, out of which 5 (2013: 7) were Connected Exclusive Distributors. As these Connected Exclusive Distributors have been working with us for long time, their long-standing experience in and understanding of our products, corporate culture and business development is important for our business development. However, we do not rely on these Connected Exclusive Distributors.

Pricing basis and policy

The Connected Exclusive Distributors purchase products from the Group at the Group's uniform ex-factory price plus uniform fixed delivery fee for reselling. The pricing basis and policy was similar with those offered to independent Exclusive Distributors of the Group.

Payment terms

Full payment was made in advance by cash or bank draft by the Connected Exclusive Distributors. Payment terms offered to the Connected Exclusive Distributors were comparable to those offered to the independent exclusive distributors of the Group.

Connected Transactions

Annual cap

The annual cap for the year 2014 in respect of the Distribution Agreements with the Connected Exclusive Distributors was RMB165 million (2013: RMB130 million).

Actual transaction value during the year

The total purchase amount under the agreements with the Connected Exclusive Distributors during the year ended 31 December 2014 was approximate RMB96.9 million (2013: RMB126.6 million).

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The Group is principally engaged in the production of motive batteries in China. The activities of principal subsidiaries are shown in note 37 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 62. The Directors propose not to declare a final dividend.

PROPERTY, PLANT AND EQUIPMENT

During the year, approximately RMB485 million and RMB348 million construction in progress were completed and transferred to buildings and plant and machinery, respectively. During the year, the Group continued to expand its manufacturing facilities. The Group acquired buildings, plant and machinery for approximately RMB208 million. Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

USE OF PROCEEDS

The Company issued 300,000,000 Shares comprising 250,000,000 newly issued Shares and 50,000,000 Shares offered for sale by some of the then Shareholders for the initial public offer in June 2007 at a price of HK$1.92 per Share. The gross proceeds received by the Company amounted to about RMB471,657,000. These proceeds were applied during the year in accordance with the proposed applications set out in the prospectus of the Company dated 29 May 2007.

On 8 October, 2009, the Company entered into a placing agreement to place 110,800,000 ordinary shares of HK$0.10 each at a placing price of HK$3.50 per share to six placees, who are independent of and not connected with the Company or any of its connected persons of the Company, in order to improve the capital structure of the Group. The placing was completed on 12 October 2009. On 16 October 2009, following completion of the placing 80,000,000 ordinary new shares of HK$3.50 per share were issued to Prime Leader Global Limited at a subscription price of HK$3.50 per price pursuant to the subscription agreement.

The gross proceeds from the subscription was HK$280.0 million (equivalent to RMB246.7 million) and the net proceeds to the Company from the Subscription was HK$272.0 million (equivalent to RMB239.7 million). The proceeds from the Subscription were used as general investment into lead recycling plant, technology upgrade at production facilities and working capital of the Company as set out in the announcement of the Company dated 8 October 2009.

The whole amount of the net proceeds was fully used up for the aforementioned purpose in the period from year 2009 to 2011.

Directors' Report

SHARE CAPITAL AND ISSUE OF SECURITIES

Details of the movement during the year in the share capital of the Company are set out in note 30 to the consolidated financial statements.

During the year, to provide the Group with additional source of fundings for its business development, Tianneng Battery Group Limited, a wholly owned subsidiary of the Company, issued two tranches of corporate bonds in an aggregate amount of RMB800 million to PRC domestic institutional investors for a term of 5 years and 6 years respectively. Further details of the issues can be referred to the announcements of the Company dated 7 March 2014, 10 March 2014, 18 September 2014 and 26 September 2014.

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

DISTRIBUTIVE RESERVES OF THE COMPANY

At 31 December 2014, the Company's reserve available for distribution amounted to approximately RMB620,502,000 (2013: RMB787,476,000). Under the Company Law (Revised) Chapter 25 of the Cayman Islands, the share premium of the Company is available for distribution or paying dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

DIRECTORS

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

Executive directors:
Mr. Zhang Tianren *(Chairman)*
Mr. Zhang Aogen
Mr. Chen Minru
Mr. Zhang Kaihong
Mr. Shi Borong
Mr. Yang Lianming (resigned on 27 March 2015)
Mr. Zhou Jianzhong (appointed on 27 March 2015)

Independent non-executive directors:
Mr. Ho Tso Hsiu
Mr. Huang Dongliang
Mr. Wang Jingzhong

The term of appointment of the non-executive directors is as follows:

Mr. Ho Tso Hsiu	11 June 2014 to 10 June 2015
Mr. Huang Dongliang	11 June 2014 to 10 June 2015
Mr. Wang Jingzhong	11 June 2014 to 10 June 2015

In accordance with Article 86 and/or Article 87 (as the case may be) of the Company's Articles of Association, Mr. Zhang Tianren, Mr. Zhang Aogen, Mr. Wang Jingzhong and Mr. Zhou Jianzhong will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

All executive directors have entered into service agreements with the Company for a period of three years commencing 11 June 2007 and will continue thereafter until terminated by either party giving not less than three months' prior written notice to the other. They are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Articles of Association. The service contracts of all the executive directors expired on 10 June 2010. Thereafter, the terms of the executive directors have been renewed for a further term of one year in each year. By mutual agreement of both parties, the term of service was renewed for a further year commencing 11 June 2014.

Other than those disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the registered maintained by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) Long positions

Ordinary shares of HK$0.1 each of the Company.

Name of director	Capacity	Number of interested shares held (note 1)	Aggregate approximate percentage of issued share capital of the Company
Zhang Tianren	Interest of a controlled corporation (note 2)	407,855,650 (L)	36.68%
	Interest of spouse (note 2)	700,000 (L)	0.06%
Zhang Aogen	Interest of a controlled corporation (note 3)	13,641,022 (L)	1.23%
Chen Minru	Interest of a controlled corporation (note 4)	5,343,152 (L)	0.48%
Zhang Kaihong	Interest of a controlled corporation (note 5)	18,884,174 (L)	1.70%
Shi Borong	Interest of a controlled corporation (note 6)	15,686,141 (L)	1.41%

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

(a) Long positions (Continued)

Name of director	Capacity	Number of interested shares held (Note 1)	Aggregate approximate percentage of issued share capital of the Company
Yang Lianming	Interest of a controlled corporation (note 7)	5,159,151 (L)	0.46%
Ho Tso Hsiu	Beneficial owner	240,000 (L)	0.02%
Huang Dongliang	Beneficial owner	240,000 (L)	0.02%
Wang Jingzhong	Beneficial owner	240,000 (L)	0.02%

Notes:

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

2. The 407,855,650 shares are held by Prime Leader Global Limited, which is wholly-owned by Mr. Zhang Tianren. The interest in 700,000 shares arises from the share options granted to Ms. Yang Yaping, spouse of Mr. Zhang Tianren.

3. The 13,641,022 shares are held by Top Benefits International Limited, which is wholly-owned by Mr. Zhang Aogen.

4. The 5,343,152 shares are held by Profit Best International Limited, which is wholly-owned by Mr. Chen Minru.

5. The 18,884,174 shares are held by Plenty Gold Holdings Limited, which is wholly-owned by Mr. Zhang Kaikong.

6. the 15,686,141 shares are held by Precise Asia Global Limited, which is wholly-owned by Mr. Shi Borong.

7. The 5,159,151 shares are held by Success Zone Limited, which is wholly-owned by Mr. Yang Lianming.

(b) Other interests and short positions

Saved for the disclosed above, on 22 November 2010, a total of 1,680,000 options were granted to the associates of directors in accordance with Company's share option scheme. The names of other grantees who are associates of directors were listed on the announcement dated 22 November 2010. On 16 June 2014, the Company has granted 58,660,000 Options to subscribe for Shares. Among the Options, 2,215,000 Options were granted to the following associates of the Directors. The names of the grantees who are associates of directors were listed on the announcement dated 16 June 2014.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group are set out in note 35 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed on page 58, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

Directors' Report

DIRECTORS' INTEREST IN COMPETITORS

As at the date of this report, within the knowledge of the directors, no director and their respective associates has any interest in a business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, 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:

Ordinary shares of HK$0.1 each of the Company.

Name of shareholder	Capacity	Number of Interested shares	Approximate percentage of issued share capital of the Company
Zhang Tianren	Interest of a controlled corporation (note 1)	407,855,650 (L)	36.68%
	Interest of spouse (note 1)	700,000 (L)	0.06%
Prime Leader Global Limited	Beneficial owner	407,855,650 (L)	36.68%
Yang Yaping	Beneficial owner (note 1)	700,000 (L)	0.06%
	Interest of spouse (note 1)	407,855,650 (L)	36.68%
Citigroup Inc.	Custodian corporation/ approved lending agent/ Interest of a controlled corporation/ Person having a security interest in shares	63,447,686 (L) 63,283,534 (P) 122,000 (S)	5.70% 5.69% 0.01%

(L): long position

(S): short position

(P): lending pool

Notes:

1. The 407,855,650 shares are held by Prime Leader Global Limited, which is wholly-owned by Mr. Zhang Tianren. The interest in 700,000 Shares arises from the shares options granted to Ms Yang Yaping, spouse of Mr. Zhang Tianren. Ms Yang Yaping, being the spouse of Mr Zhang Tianren, is deemed to be interested in the shares held by Mr Zhang Tianren.

SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by the then 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 Company's share option scheme are set out in the note 31 to the financial statements.

On 30 March 2009, a total of 36,340,000 share options were offered to the eligible participants under the Scheme. 35,310,000 share options were accepted and granted on the same day. On 22 November 2010, a total of 44,720,000 share options were offered and granted to Directors and eligible participants under the Scheme.

An Ordinary Resolution was passed at the Annual General Meeting on 16 May 2014 relating to the refreshment of scheme mandate limit of the share option scheme as set out in the supplemental notice of Annual General Meeting.

After the refreshment of the share option scheme, on 16 June 2014, a total of 58,660,000 options were offered and granted to Directors and eligible participants. The details movement of Company's share options during the period under review are as follows:

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK$)	Closing price of Company's shares immediately before the date of grant (HK$)	Weighted average closing price of Company's shares immediately before the date of exercise (HK$)	Number of option outstanding as at 1 January 2014	Number of options granted during the period	Number of options exercised during the period	Number of options cancelled during the period	Number options lapsed in accordance with the terms of the options or the share option scheme during the period	Number of options outstanding as at 31 December 2014	Approximate shareholding percentage of the underlying shares for the Options in the share capital of the Company
Ho Tso Hsiu (Independent non-executive Director)	16/6/2014	16/6/2015 to 15/06/2024	2.90	2.89	-	-	100,000	-	-	-	100,000	0.01%
Huang Dong liang (Independent non-executive Director)	16/6/2014	16/6/2015 to 15/06/2024	2.90	2.89	-	-	100,000	-	-	-	100,000	0.01%
Wang Jingzhong (Independent non-executive Director)	16/6/2014	16/6/2015 to 15/06/2024	2.90	2.89	-	-	100,000	-	-	-	100,000	0.01%
Other eligible participants	22/11/2010	22/11/2011 to 21/11/2020	3.18	3.02	-	38,530,000	-	-	-	(4,320,000)	34,210,000	3.08%
	11/06/2014	16/06/2015 to 15/06/2024	2.90	2.89	-	-	58,360,000	-	-	(1,730,000)	56,630,000	5.09%
						38,530,000	58,660,000	-	-	6,050,000	91,140,000	8.20%

Directors' Report

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

All independent non-executive directors have signed the letters of appointment with the Company for an initial period of three years commencing 11 June 2007 and will continue thereafter until terminated by either party giving not less than three months' prior written notice to the other. The letters of appointment with the Company and independent non-executive directors expired on 10 June 2010. Thereafter, the terms of the independent non-executive directors have been renewed for a further term of one year in each year. By mutual agreement of both parties, the appointment was renewed for a further year commencing 11 June 2014. They are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Articles of Association. The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company considers all of the independent non-executive directors are independent.

CONNECTED TRANSACTIONS

Details of the connected transactions entered into during the year are set out in the "Connected Transactions" section of this annual report.

EMOLUMENT POLICY

The Group's emolument policies are as follows:

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

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

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

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers were less than 9.1% of the Group's turnover. The largest customer accounted for 3.2% of the Group's total turnover. During the year, the largest supplier accounted for 6.1% of the Group's total purchase and the Group's five largest suppliers accounted for 28.4% the Group's total purchase. At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in the any of the Group's five largest suppliers or customers.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") in accordance with the requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules") for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. As at 31 December 2014, the Audit Committee comprised three independent non-executive directors, namely, Mr. Ho Tso Hsiu, Mr. Huang Dongliang and Mr. Wang Jingzhong.

The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2014.

DONATIONS

During the year ended 31 December 2014, the Group made charitable donations of approximately RMB2.3 million.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of its directors as at the latest practicable date prior to the issue of this report, at least 25% of the Company's total issued share capital are held by the public throughout the year ended 31 December 2014 as required under the Listing Rules.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Zhang Tianren
Chairman

Hong Kong
27 March 2015

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Tianneng Power International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 127, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Turnover	8	**14,043,731**	13,635,060
Cost of sales		**(12,780,351)**	(12,230,675)
Gross profit		**1,263,380**	1,404,385
Other income	9	**139,652**	177,609
Other gains and losses	10	**(72,657)**	(56,692)
Selling and distribution costs		**(651,904)**	(412,985)
Administrative expenses		**(351,517)**	(366,955)
Research and development costs		**(404,649)**	(355,307)
Other operating expenses		**(123,328)**	(104,547)
Share of loss of an associate		**–**	(428)
Finance costs	11	**(206,079)**	(143,840)
(Loss) profit before tax	12	**(407,102)**	141,240
Taxation	14	**114,115**	(10,915)
(Loss) profit and total comprehensive (expense) income for the year		**(292,987)**	130,325
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(304,917)**	135,295
Non-controlling interests		**11,930**	(4,970)
		(292,987)	130,325
(Loss) earnings per share	16		
– Basic		**RMB(0.274)**	RMB0.122
– Diluted		**RMB(0.274)**	RMB0.121

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Non-Current Assets			
Property, plant and equipment	17	3,447,318	2,893,055
Goodwill	18	499	499
Prepaid lease payments	19	199,371	233,795
Interest in an associate	20	–	592
Deferred tax assets	21	341,485	191,859
Deposit for acquisition of property, plant and equipment		103,875	45,535
		4,092,548	3,365,335
Current assets			
Inventories	22	1,550,782	1,857,045
Held-for-trading investments		–	3,216
Bills, trade and other receivables	23	1,274,190	1,656,787
Prepaid lease payments	19	5,995	6,208
Pledged bank deposits	25	164,926	73,100
Bank balances and cash	25	1,625,162	942,535
		4,621,055	4,538,891
Current liabilities			
Bills, trade and other payables	26	2,326,442	1,920,512
Amounts due to related parties	27	12,889	31,623
Taxation payable		22,711	61,912
Bank borrowings – current portion	28	2,499,604	2,142,900
		4,861,646	4,156,947
Net current/(liabilities) assets		(240,591)	381,944
Total assets less current liabilities		3,851,957	3,747,279
Non-current liabilities			
Bank borrowings – non-current portion	28	205,373	575,694
Deferred tax liabilities	21	32,772	30,512
Long-term loan notes	29	868,172	78,806
		1,106,317	685,012
		2,745,640	3,062,267

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Capital and reserves			
Share capital	30	**108,710**	108,710
Reserves		**2,565,175**	2,893,732
Attributable to the owners of the Company		**2,673,885**	3,002,442
Non-controlling interest		**71,755**	59,825
Total equity		**2,745,640**	3,062,267

The financial statements on pages 62 to 127 were approved and authorised for issue by the board of directors on 27 March 2015 and are signed on its behalf by:

Zhang Tianren
DIRECTOR

Chen Minru
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Capital reserve RMB'000 (Note b)	Share options reserves RMB'000	Non-distributable reserve RMB'000 (Note c)	Statutory surplus reserve fund RMB'000 (Note d)	Discretionary surplus reserve fund RMB'000 (Note d)	Accumulated profits (losses) RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total RMB'000
At 1 January 2013	107,696	728,982	10,000	57,010	46,554	12,460	319,074	103,692	1,667,427	3,052,895	69,448	3,122,343
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	–	135,295	135,295	(4,970)	130,325
Transfer	–	–	–	–	–	–	26,219	6,795	(33,014)	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	4,194	–	–	–	–	–	4,194	(4,653)	(459)
Issue of new shares upon exercise of share option	1,014	16,972	–	–	(5,618)	–	–	–	–	12,368	–	12,368
Dividend recognised as distribution (note 15)	–	–	–	–	–	–	–	–	(210,648)	(210,648)	–	(210,648)
Forfeiture of share options	–	–	–	–	(2,702)	–	–	–	2,702	–	–	–
Recognition of equity-settled share based payments (note 31)	–	–	–	–	8,338	–	–	–	–	8,338	–	8,338
At 31 December 2013 and 1 January 2014	108,710	745,954	10,000	61,204	46,572	12,460	345,293	110,487	1,561,762	3,002,442	59,825	3,062,267
Loss and total comprehensive expenses for the year	–	–	–	–	–	–	–	–	(304,917)	(304,917)	11,930	(292,987)
Transfer	–	–	–	–	–	–	2,136	–	(2,136)	–	–	–
Dividend recognised as distribution (note 15)	–	–	–	–	–	–	–	–	(40,909)	(40,909)	–	(40,909)
Forfeiture of share options	–	–	–	–	(7,260)	–	–	–	7,260	–	–	–
Recognition of equity-settled share based payments (note 31)	–	–	–	–	17,269	–	–	–	–	17,269	–	17,269
At 31 December 2014	108,710	745,954	10,000	61,204	56,581	12,460	347,429	110,487	1,221,060	2,673,885	71,755	2,745,640

Notes:

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

(b) The capital reserve of the Group arose in June 2003 when the substantial shareholder and Executive Director, Mr. Zhang Tianren, transferred 26.3% of his shares in Tianneng Battery Group Co., Ltd. ("Tianneng Battery Group") to the key management personnel of the Group. The Group recognised the share-based payment expenses of approximately RMB57,010,000 on 15 June 2003 which represented the difference between the fair value of those shares of approximately RMB71,388,000 and the consideration received by Mr. Zhang Tianren from the key management personnel of approximately RMB14,378,000.

The increase of RMB4,194,000 during the year ended 31 December 2013 is related to the acquisition of the remaining 30% equity interest in Anhui Zhongneng Power Supply Co., Ltd. ("Anhui Zhongneng"), and represents the difference between the consideration of RMB459,000 and the proportionate share of the carrying amount of the net assets of Anhui Zhongneng of RMB4,653,000 at the date of acquisition.

(c) The non-distributable reserve of the Group represents the difference between the consideration paid for acquisitions of additional interests in subsidiaries from non-controlling shareholders who are associates of Mr. Zhang Tianren and the non-controlling interests' share of net assets of the subsidiaries at the date of the acquisition.

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	NOTE	2014 RMB'000	2013 RMB'000
Operating activities			
(Loss) profit before tax		(407,102)	141,240
Adjustments for:			
Interest income		(13,343)	(15,556)
Interest expenses		206,079	143,840
Share of loss of an associate		–	428
Loss on disposal of an associate		334	–
Depreciation		219,773	187,721
Amortisation of prepaid lease payments		6,047	3,876
Write off/loss on disposal of property, plant and equipment		58,348	2,703
Gain on disposal of prepaid lease payments		(1,555)	–
Impairment loss on property, plant and equipment		–	38,873
Impairment loss on goodwill		–	8,216
Allowance for bad and doubtful debts		18,302	4,263
Recognition of allowance for inventories		39,974	11,170
Share option expenses		17,269	8,338
Loss on fair value change of held-for-trading investments		–	1,163
Operating cash flows before movements in working capital		144,126	536,275
Decrease in inventories		266,289	85,631
Decrease (increase) in bills, trade and other receivables		364,295	(103,408)
Increase in trade and other payables		271,865	646,238
(Decrease) increase in amounts due to related parties with trade nature		(18,734)	30,367
Decrease in held-for-trading investments		3,216	40,512
Dividend income received		–	2,102
Cash generated from operations		1,031,057	1,237,717
Interest paid		(181,875)	(196,157)
Income tax paid		(72,452)	(103,553)
Net cash from operating activities		776,730	938,007

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	NOTE	2014 RMB'000	2013 RMB'000
Investing activities			
Interest received		13,343	15,556
Proceeds from disposal of property, plant and equipment		4,896	43,293
Purchase of property, plant and equipment		(750,840)	(728,944)
Placement of pledged bank deposits		(164,926)	(73,100)
Withdrawal of pledged bank deposits		73,100	120,305
Asset-related government grants received		54,294	36,037
Decrease in other financial assets		–	4,500
Deposit for acquisition of property, plant and equipment		(65,213)	(5,989)
Withdrawal of time deposit		–	160,000
Prepaid lease payments		(2,148)	(58,430)
Proceeds on disposal of prepaid lease payment		8,293	–
Net cash outflow relating to acquisition of additional interest in a subsidiary		–	(459)
Proceeds from disposal of an associate		258	–
Net cash used in investing activities		(828,943)	(487,231)
Financing activities			
Bank borrowings raised		3,966,873	4,090,094
Loan notes raised		789,366	–
Proceeds from issue of shares		–	12,368
Repayments of bank borrowings		(3,980,490)	(3,799,296)
Repayments of loan notes		–	(400,000)
Dividends paid		(40,909)	(210,522)
Repayment of amounts due to related parties		–	(14,554)
Net cash from (used in) financing activities		734,840	(321,910)
Net increase in cash and cash equivalents		682,627	128,866
Cash and cash equivalents at the beginning of the year		942,535	813,669
Cash and cash equivalents at the end of the year, represented by bank balances and cash		1,625,162	942,535

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL

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. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporation Information" section of the annual report.

The Company is an investment holding company and its shares have been listed on The Stock Exchange of Hong Kong Limited with effect from 11 June 2007. The principal activities of its subsidiaries are set out in note 37.

The consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company.

At 31 December 2014, the Group's current liabilities exceed its current assets by RMB240,591,000. In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group. At 31 December 2014, the Group has unused bank facilities amounted to RMB1,781,474,000. Taking into account of the financial resources available to the Group, the directors of the Company are of the view that the Group has sufficient working capital for its present requirement for the next twelve months from the end of the reporting period and accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) New and revised HKFRSs adopted during the year

The Group has applied for the first time in the current year the following amendments to HKFRSs, and a new Interpretation:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

(a) New and revised HKFRSs adopted during the year (Continued)

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities (Continued)

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to Hong Kong Accounting Standard ("HKAS") 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

(a) New and revised HKFRSs adopted during the year (Continued)

HK(IFRIC) – Int 21 Levies

The Group has applied HK(IFRIC) – Int 21 Levies for the first time in the current year. HK(IFRIC) – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC) – Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

(b) New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2017.
4 Effective for annual periods beginning on or after 1 July 2014.
5 Effective for annual periods beginning on or after 1 January 2016.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

(b) New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of HKFRS 9 in the future will not have any significant impact on the Group's consolidated financial statements.

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

(b) New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

(b) New and revised HKFRSs issued but not yet effective (Continued)

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

(b) New and revised HKFRSs issued but not yet effective (Continued)

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost
- In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards.

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

(b) New and revised HKFRSs issued but not yet effective (Continued)

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Continued)

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

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

(b) New and revised HKFRSs issued but not yet effective (Continued)

Annual Improvements to HKFRSs 2010-2012 Cycle (Continued)

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

(b) New and revised HKFRSs issued but not yet effective (Continued)

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32) in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap.622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for held-for-trading investments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Interest in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purpose are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, interest in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net interest in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest in an associate (Continued)

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Retirement benefit costs and termination benefits

Payments to the Hong Kong's Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Equity-settled share-based payment transactions

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

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

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Construction in progress includes property, plant and equipment in the course of construction for production or for administrative purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Impairment loss on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Research and development expenditure

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

- the intention to complete the intangible asset and use or sell it;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development expenditure (Continued)

- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably

Provisions for the expected cost of warranty obligations under the relevant sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

The Group's held-for-trading investments are classified as financial assets at FVTPL.

A financial asset is classified as held-for-trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend earned on the financial assets and is included in other gains and losses in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 6.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including bills, trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation, or
- disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a bills, trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities including bills, trade and other payables, amounts due to related parties, loan notes and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Useful lives and residual value of property, plant and equipment

The Group's management determines the residual values, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions and may vary significantly as a result of technical innovations and keen competitions from competitors, resulting in higher depreciation charge and/or write-off or write-down of technically obsolete assets when residual value or useful lives are less than previously estimated.

At 31 December 2014, the carrying amount of property, plant and equipment amounted to approximately RMB3,447,318,000 (2013: RMB2,893,055,000), details of which are set out in note 17.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

The Group does not have a general provision policy on inventory based on aging given the nature of inventories that are not subject to frequent wear and tear and frequent technological changes. However, operational procedures have been in place to monitor this risk as majority of working capital is devoted to inventories. Procedurewise, the sales and the marketing managers review the inventory aging listing on a periodical basis to identify any aged inventories. The carrying value of the aged inventory items is then compared to the respective net realisable value in order to ascertain whether allowance is required to be made for any obsolete and slow-moving items.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Inventories (Continued)

In addition, physical count on all inventories are carried out on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified. In this regard, the directors of the Company are satisfied that this risk is minimal and adequate allowance for obsolete and slow-moving inventories has been made in the consolidated financial statements. The management estimates the net realisable value for finished goods and consumables based primarily on the latest market prices and current market conditions. The net realisable value for finished goods and consumables will be affected if the actual future market prices and market conditions are less than expected. During the year ended 31 December 2014, allowance for inventories amounted to RMB39,974,000 (2013: RMB11,170,000) was recognised, details of which are set out in note 12. As at 31 December 2014, the carrying amount of inventories is approximately RMB1,550,782,000 (2013: RMB1,857,045,000), details of which are set out in note 22.

Bills, trade and other receivables

Bills, trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In making the estimates, management considered detailed procedures have been in place to monitor this risk as a significant proportion of the Group's financial assets is devoted to trade and other receivables. In estimating whether allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful bills and trade receivables, the responsible sales personnel discuss with the relevant customers and counterparties and report on the recoverability. For the identification of doubtful other receivables, management closely monitors the settlement status and evaluate the recoverability. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the receivable's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amounts of bills, trade and other receivables are approximately RMB583,310,000 (2013: RMB628,830,000), RMB283,600,000 (2013: RMB427,566,000) and RMB132,770,000 (2013: RMB91,030,000) respectively. The cumulative doubtful debts provision as at 31 December 2014 of trade and other receivables are RMB62,637,000 (2013: RMB58,043,000) and RMB21,031,000 (2013: RMB7,323,000), respectively. Details of the balances are set out in note 23.

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. An impairment loss is recognised for the amount by which the recoverable amount of property, plant and equipment being lower than its carrying amount. As at 31 December 2014, the carrying amount of property, plant and equipment is RMB3,447,318,000 (net of accumulated impairment loss of RMB26,647,000) (2013: RMB2,893,055,000 (net of accumulated impairment loss of RMB38,873,000)). Details of movements of impairment loss recognised in profit or loss are disclosed in note 17.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Warranty

The Group provides a warranty up to fifteen months on all lead-acid motive battery products. Under the terms of warranty, the Group undertakes to repair or replace the battery free of charge in the event of any malfunctioning within the warranty period. Estimated costs related to product warranty are accrued at the time of sale and are based upon past warranty claims and unit sales history and adjusted as required to reflect actual costs incurred, as information becomes available. As at 31 December 2014, the Group recognised provision for warranty amounted to RMB229,179,000 (2013: RMB203,132,000) and details are disclosed in note 26.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of borrowings and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated profits.

At 31 December 2014, the unused bank facilities of the Group are RMB1,781,474,000 (31 December 2013: RMB1,693,000,000).

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, issue of shares, issue of loan notes, and the raising of borrowings.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,729,059**	2,104,569
Financial assets at FVTPL		
Held-for-trading investments	**–**	3,216
	–	3,216
Financial liabilities		
Amortised cost	**5,030,179**	4,074,039

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For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies

The Group's major financial instruments include bills, trade and other receivables, pledged bank deposits, bank balances and cash, held-for-trading investments, other financial assets, bills, trade and other payables, amounts due to related parties, loan notes and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the management policies remain unchanged from prior year.

Market risk

Currency risk

The Group collects all of its revenue in RMB and most of the expenditures as well as capital expenditures are also denominated in RMB. The Group's sales are denominated in RMB and the disbursements were also mainly settled in RMB, which is the functional currency of the relevant subsidiaries. The Group's exposure to foreign currency risk is arising mainly from the bank balances and bank borrowings of the Group which are denominated in foreign currencies of the relevant group entities. Except for the bank balances, held-for-trading investments, certain bank borrowings, other receivables and other payables denominated in foreign currencies of the relevant group entities, the group entities did not have any other monetary assets or liabilities denominated in foreign currencies as at the end of the reporting period. The management conducts periodic review of exposure and requirements of various currencies, and will consider hedging significant foreign currency exposures should the need arise.

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

	Assets		Liabilities	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
United States dollars ("US$")	4,363	4,435	149,916	213,392
Hong Kong dollars ("HK$")	83,169	36,855	31,190	2,969

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The analysis illustrates the impact for a 5% strengthening of RMB against the relevant currency and the numbers below indicate a decrease in profit. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

	US$ impact (i)		HK$ impact (ii)	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Increase (decrease) in post-tax profit for the year as a result of a 5% strengthening of RMB against the foreign currency	7,310	10,481	(2,598)	(1,694)

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

(ii) This is mainly attributable to the exposure to outstanding HK$ denominated bank balances of the Group at the end of the reporting period.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation pledged bank deposits, bank borrowings and loan notes (see notes 25, 28 and 29 for details of these pledged bank deposits, bank borrowings and loan notes respectively). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate borrowings (see notes 25 and 28 for details of these bank balances and borrowings, respectively). The directors of the Company monitor interest rate exposures and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments (including bank balances and borrowings) at the end of the reporting period and the stipulated changes taking place at the beginning of the financial year and held constant throughout the reporting period in the case of bank balances and borrowings.

A 10 basis point (2013: 10 basis point) increase or decrease in interest rates on variable bank balances, and a 100 basis point (2013: 100 basis point) increase or decrease in interest rates on variable-rate borrowings represent managements' assessment of the reasonably possible changes in interest rates.

If interest rates on variable-rate bank balances had been 10 basis points (2013: 10 basis points) higher and all other variables were held constant, a positive number below indicates an increase in post-tax profit.

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Increase in post-tax profit for the year	1,289	740

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For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis (Continued)

The post-tax profit for the year would be decreased by the same amount as mentioned above if interest rates on variable-rate bank balances had been 10 basis points (2013: 10 basis points) lower and all other variables were held constant.

If the interest rate on variable-rate borrowings had been 100 basis points higher and all other variables were held constant, a positive number below indicates a decrease in post-tax profit for the year.

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Decrease in post-tax profit for the year	**3,653**	4,900

The post-tax profit for the year would be increased by the same amount as mentioned above if the interest rate on variable-rate borrowings had been 100 basis points lower and all other variables were held constant.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments of an investee operating in the battery industry sector quoted in the Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. The Group mitigates its price risk by performing detailed due diligence analysis of the investment.

The Group disposed of its held-for-trading investments during the year and did not have any held-for-trading investments at 31 December 2014.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties, failure to meet their obligations in relation to the Group's principal financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

There is concentration of credit risk on pledged deposits and bank balances for the Group as at 31 December 2014 and 31 December 2013. As at 31 December 2014, balances with the four largest banks accounted for 38% (2013: 58%) of total pledged deposits and bank balances of the Group. The credit risk on liquid funds is limited because the majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

The Group's credit risk on bills and trade receivables is concentrated in the PRC. However, the exposure spreads over a large number of counterparties and customers.

Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and the flexibility through the use of bank and other borrowings. In addition, banking facilities have been put in place for contingency purposes.

The following table details the remaining contractual maturity for the Group's financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand and less than 3 months RMB'000	3 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts at 31.12.2014 RMB'000
2014						
Non-derivative financial liabilities						
Non-interest bearing	–	779,600	665,363	12,068	1,457,031	1,457,031
Fixed rate instruments	5.62%	565,064	1,676,397	917,130	3,158,591	2,998,546
Variable rate instruments	4.92%	47,209	338,038	242,315	627,562	574,602
		1,391,873	2,679,798	1,171,513	5,243,184	5,030,179

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6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	On demand and less than 3 months RMB'000	3 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts at 31.12.2013 RMB'000
2013						
Non-derivative financial liabilities						
Non-interest bearing	–	1,038,275	205,151	33,213	1,276,639	1,276,639
Fixed rate instruments	6.00%	818,434	1,187,568	99,372	2,105,374	2,031,706
Variable rate instruments	5.22%	80,726	126,373	601,888	808,987	765,694
		1,937,435	1,519,092	734,473	4,191,000	4,074,039

In addition to the amounts shown in the above table as at 31 December 2014, the Group may also be required to settle the maximum exposure to loss arising from discounted bills and endorsed bills arrangements with full recourse as detailed in note 24 in the next 6 months, amounting to RMB3,624,102,000 (2013: RMB1,196,885,000) in aggregate.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values at the end of reporting period.

Fair value measurements recognised in the consolidated statement of financial position

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (Continued)

Fair value (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

There were no held-for-trading investments at 31 December 2014 (2013: held-for-trading investments at level 1 measurements at RMB3,216,000). The details are as follows:

Financial assets	Fair value as at 31.12.2014	Fair value as at 31.12.2013	Fair value hierarchy	Basis of fair value measurement	Relationship of Significant unobservable input	Unobservable inputs to fair value
Listed equity securities classified as held-for-trading investments in the consolidated statement of financial position	nil	Listed equity securities in Hong Kong: – Manufacturing industry – RMB3,216,000	Level 1	Quoted bid prices in an active market.	N/A	N/A

7. OPERATING SEGMENTS

For the purposes of resources allocation and performance assessment, the chief operating decision makers, the Executive Directors, regularly review turnover for major products and market segments (note 8). However, the financial information provided to the Executive Directors does not contain profit or loss information of each product line or each market segment and the Executive Directors review the operating results of the Group on a consolidated basis. Therefore, the operation of the Group constitutes one single reportable segment, being the manufacture and sales of lead-acid batteries and battery related accessories.

Segment revenues and results

The financial information presented to the Executive Directors is consistent with the consolidated statement of profit or loss and other comprehensive income.

The Executive Directors consider the Group's losses for the year as the measurement of segment's results.

Entity-wide disclosures

All non-current assets and sales are located and generated in the PRC. No individual customer accounted for over 10% of the Group's total revenue for both years.

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For the year ended 31 December 2014

8. TURNOVER

	2014 RMB'000	2013 RMB'000
An analysis of turnover is as follows:		
Lead-acid motive battery products:		
Electrical Bicycle Battery	**9,353,732**	10,390,999
Electrical Tricycle Battery	**2,958,901**	2,250,829
Pure Electric Car Battery (Note)	**956,564**	511,112
Recycled lead products	**426,242**	220,607
Lithium battery products	**180,166**	123,254
Others	**168,126**	138,259
	14,043,731	13,635,060

Note: It includes battery products mainly for pure electric sedans, electric forklifts, electric patrol cars and special-purpose electric cars.

During the year, recycled lead products are added to the list of major products. The presentation of turnover by major products for the year ended 31 December 2013 has been reclassified to conform with the current presentation of major products.

9. OTHER INCOME

	2014 RMB'000	2013 RMB'000
Government grants (note)	**111,964**	146,394
Interest income	**13,343**	15,556
Others	**14,345**	15,659
	139,652	177,609

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

10. OTHER GAINS AND LOSSES

	2014 RMB'000	2013 RMB'000
Net gains (losses) on held-for-trading listed investments (note i)	3,427	(1,163)
Allowance for bad and doubtful debts	(18,302)	(4,263)
Written off/loss on disposal of property, plant and equipment (note ii)	(58,348)	(2,703)
Gains on disposal of prepaid lease payment (note iii)	1,555	–
Written off of inventories (note ii)	–	(1,837)
Impairment loss recognised in respect of property, plant and equipment (note 17)	–	(38,873)
Impairment loss recognised in respect of goodwill (note 18)	–	(8,216)
Net foreign exchange (losses) gains	(665)	363
Loss on disposal of an associate (note 20)	(334)	–
	(72,657)	(56,692)

Note:

(i) Net gains (losses) on held-for-trading listed investments included dividend income of approximately RMB143,000 (2013: RMB2,102,000), gains on disposal of approximately RMB3,284,000 (2013: RMB1,428,000) and losses arising on changes in fair value of none (2013: gains of RMB4,693,000), which were earned on these held-for-trading investments during the year ended 31 December 2014.

(ii) During the year ended 31 December 2014, the carrying amount of property, plant and equipment of approximately RMB63,244,000 (2013: RMB40,211,000) was derecognised upon disposal of property, plant and equipment with proceeds of approximately RMB4,896,000 (2013: RMB38,293,000), resulting in a loss of approximately RMB58,348,000 (2013: RMB1,918,000).

In addition, during the year ended 31 December 2013, an aggregated carrying amount of certain property, plant and equipment of approximately RMB5,785,000, net of insurance compensation of approximately RMB5,000,000, resulting in a loss of approximately RMB785,000 and inventories written off of approximately RMB1,837,000 were recorded due to fire accidents occurred in factories.

(iii) During the year ended 31 December 2014, the carrying amount of prepaid lease payment of approximately RMB6,738,000 (2013: nil) was derecognised upon disposals of prepaid lease payment with proceeds of approximately RMB8,293,000(2013: nil), resulting in a gain of approximately RMB1,555,000(2013: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

11. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest on:		
– Bank borrowings wholly repayable within five years	**166,881**	173,474
– Bank borrowings not wholly repayable within five years	**–**	277
– Effective interest on long-term loan note wholly repayable within five years	**31,095**	213
– Effective interest on long-term loan note not wholly repayable within five years	**7,649**	–
– Factorised bills receivable wholly repayable within five years	**36,364**	5,324
Total borrowing costs	**241,989**	179,288
Less: amounts capitalised	**(35,910)**	(35,448)
	206,079	143,840

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.07% (2013: 6.24%) per annum to expenditure on qualifying assets.

12. PROFIT BEFORE TAXATION

	2014 RMB'000	2013 RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments (note 13)	**3,750**	3,651
Other staff retirement benefit scheme contributions	**25,096**	41,676
Other staff costs	**989,326**	864,900
Share-based payment expense for other staff	**17,089**	8,338
Total staff costs	**1,035,261**	918,565
Recognition of allowance for inventories (included in cost of sales)	**39,974**	11,170
Amortisation of prepaid lease payments	**6,047**	3,876
Auditor's remuneration	**2,340**	2,553
Cost of inventories recognised as expense	**12,754,304**	12,070,646
Depreciation	**219,773**	187,721

Share-based payment expense of approximately RMB17,269,000 (2013: RMB8,338,000) were recognised in profit or loss during the year ended 31 December 2014 in respect of share options of the Company. Details of transactions are set out in note 31.

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For the year ended 31 December 2014

13. DIRECTORS'/CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the nine (2013: nine) directors for the year ended 31 December 2014 were as follows:

	Year ended 31 December 2014									
	Zhang Tianren RMB'000 (note 1)	Zhang Aogen RMB'000	Chen Minru RMB'000	Zhang Kaihong RMB'000	Shi Borong RMB'000	Yang Lianming RMB'000	Ho Tso Hsiu RMB'000	Huang Dongliang RMB'000	Wang Jingzhong RMB'000	Total RMB'000
Fees	–	–	–	–	–	–	200	200	200	600
Other emoluments										
Salaries and other benefits	817	469	465	493	501	210	–	–	–	2,955
Contributions to retirement benefit schemes	3	3	3	3	–	3	–	–	–	15
Share-based payment	–	–	–	–	–	–	60	60	60	180
Total emoluments	820	472	468	496	501	213	260	260	260	3,750

	Year ended 31 December 2013									
	Zhang Tianren RMB'000 (note 1)	Zhang Aogen RMB'000	Chen Minru RMB'000	Zhang Kaihong RMB'000	Shi Borong RMB'000	Yang Lianming RMB'000	Ho Tso Hsiu RMB'000	Huang Dongliang RMB'000	Wang Jingzhong RMB'000	Total RMB'000
Fees	–	–	–	–	–	–	200	200	200	600
Other emoluments										
Salaries and other benefits	806	500	501	488	488	201	–	–	–	2,984
Contributions to retirement benefit schemes	12	11	11	11	11	11	–	–	–	67
Total emoluments	818	511	512	499	499	212	200	200	200	3,651

Note 1: Mr. Zhang Tianren is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

The five highest paid individuals included three (2013: three) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining two (2013: two) highest paid individuals during the year are as follows:

	2014 RMB'000	2013 RMB'000
Basic salaries and allowances	1,297	1,285
Retirement benefits scheme contributions	24	23
Share option expense	–	249
	1,321	1,557

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For the year ended 31 December 2014

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

Their emoluments are within the following band:

	Number of employees	
	2014	2013
HK$ Nil to HK$1,000,000	**2**	2

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

14. TAXATION

The charge comprises:

	2014 RMB'000	2013 RMB'000
Hong Kong		
– Current tax	**–**	236
PRC Enterprise Income Tax ("EIT"):		
– Current tax	**58,537**	76,190
– Over provision in prior years	**(28,296)**	(3,115)
– Over provision of withholding tax on undistributed profits in 2012 (note)	**–**	(10,100)
	30,241	62,975
Deferred tax credit (note 21)	**(144,356)**	(52,296)
	(114,115)	10,915

Note: During the year ended 31 December 2013, withholding tax on undistributed profits from PRC subsidiaries provided for the year ended 31 December 2012 was reversed upon the Group's obtaining an approval issued by the relevant tax bureau in the PRC for the Group to use the non-resident's claim treatment under the Double Taxation Agreement between Hong Kong and the Mainland China in respect of Tianneng Power (Hong Kong) Limited, a subsidiary of the Company. Accordingly, a reduced withholding tax rate of 5% was applied to the amount of undistributed profits from PRC subsidiaries for the year ended 31 December 2012.

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profit for the year ended 31 December 2014.

Except as described below, provision for PRC Enterprise Income Tax is made based on the estimated taxable income for PRC taxation purposes at 25% pursuant to the Law of the PRC on Enterprise Income Tax and Implementation Regulation.

Notes to the Consolidated Financial Statements

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14. TAXATION (Continued)

Tianneng Battery Group Co., Ltd. was recognised as a High-Tech company in 2009 and 2014 respectively and the applicable tax rate is 15% from 1 January 2010 to 27 October 2017.

Tianneng Battery (Wuhu) Co., Ltd. was recognised as a High-Tech company in 2009 and 2012 respectively and the applicable tax rate is 15% from 1 January 2009 to 29 June 2015.

Zhejiang Tianneng Energy Technology Co., Ltd. was recognised as a High-Tech company in 2009 and 2012 respectively and the applicable tax rate is 15% from 1 January 2009 to 29 October 2015.

Zhejiang Tianneng Power Energy Co., Ltd. was recognised as a High-Tech company in 2014 and the applicable tax rate is 15% from 27 October 2014 to 26 October 2017.

Tianneng Battery Group (Anhui) Co., Ltd. was recognised as a High-Tech company in 2014 and the applicable tax rate is 15% from 1 January 2014 to 31 December 2016.

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

	2014		2013	
	RMB'000	%	RMB'000	%
(Loss) profit before taxation	(407,102)		141,240	
Tax at the applicable income tax rate of 25% (2013: 25%) (note)	(101,776)	25.0	35,310	25.0
Tax effect of expenses not deductible for tax purposes	10,973	(2.7)	13,459	9.5
Tax effect of tax losses not recognised	3,507	(0.9)	3,769	2.7
Tax effect of deductible temporary differences not recognised	473	(0.1)	863	0.6
Utilisation of tax losses and deductible temporary differences previously not recognised	–	–	(6,735)	(4.8)
Income tax at concessionary rates	41,442	(10.2)	(3,663)	(2.6)
Over provision in prior years	(28,296)	7.0	(3,115)	(2.2)
Tax effect of applying a reduced withholding tax rate on undistributed profits retained in prior years in PRC subsidiaries	–	–	(10,100)	(7.2)
Tax effect of additional deduction related to research and development costs and certain staff costs	(49,339)	12.1	(20,973)	(14.8)
Effect of change in tax rate	7,991	(2.0)	–	–
Withholding tax on undistributed profits of PRC subsidiaries	910	(0.2)	2,100	1.5
Taxation (credit) charge and effective tax rate for the year	(114,115)	28.0	10,915	7.7

Note: The domestic income tax rate of 25% (2013: 25%) represents the PRC Enterprise Income Tax rate of which the Group's operations are substantially based.

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15. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Recognised as distribution in the consolidated financial statements:		
2013 final dividend of HK4.62 cents (equivalent to RMB3.68 cents) (2013: 2012 final dividend of HK23.8 cents (equivalent to RMB19.19 cents)) per ordinary share	**40,909**	210,648

The directors of the Company do not propose final dividend for the year ended 31 December 2014 (2013: the directors proposed HK4.62 cents (equivalent to RMB3.68 cents) per share).

16. (LOSS) EARNINGS PER SHARE

	2014 RMB'000	2013 RMB'000
(Loss) earnings:		
(Loss) earnings for the purposes of calculating basic and diluted (loss) earnings per share – attributable to the owners of the Company	**(304,917)**	135,295
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,111,908,000**	1,108,535,726
Effect of dilutive potential ordinary shares – share options	**–**	9,967,298
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,111,908,000**	1,118,503,024

The computation of diluted loss per share for the year ended 31 December 2014 did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price during the year. Accordingly, the diluted loss per share was same as the basic loss per share for the year ended 31 December 2014.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2013	919,075	962,691	46,700	102,057	3,639	696,539	2,730,701
Additions	7,703	88,840	4,989	40,816	1,097	639,109	782,554
Transfer	96,600	201,286	196	1,112	–	(299,194)	–
Disposal/write-off	(15,208)	(52,953)	(2,359)	(2,226)	–	–	(72,746)
At 31 December 2013	1,008,170	1,199,864	49,526	141,759	4,736	1,036,454	3,440,509
Additions	5,727	202,531	4,767	20,249	–	604,006	837,280
Transfer	484,587	347,480	–	13,680	–	(845,747)	–
Disposal/write-off	(4,642)	(112,747)	(2,107)	(7,273)	–	–	(126,769)
At 31 December 2014	1,493,842	1,637,128	52,186	168,415	4,736	794,713	4,151,020
DEPRECIATION AND IMPAIRMENT							
At 1 January 2013	108,611	194,581	17,625	26,007	786	–	347,610
Provided for the year	45,675	102,062	7,144	32,507	333	–	187,721
Impairment loss recognised in profit or loss	19,426	19,447	–	–	–	–	38,873
Eliminated on disposal/write-off	(2,732)	(21,129)	(1,831)	(1,058)	–	–	(26,750)
At 31 December 2013	170,980	294,961	22,938	57,456	1,119	–	547,454
Provided for the year	55,693	121,851	7,923	33,919	387	–	219,773
Eliminated on disposal/write-off	(2,628)	(54,269)	(1,484)	(5,144)	–	–	(63,525)
At 31 December 2014	224,045	362,543	29,377	86,231	1,506	–	(703,702)
CARRYING VALUES							
At 31 December 2014	1,269,797	1,274,585	22,809	82,184	3,230	794,713	3,447,318
At 31 December 2013	837,190	904,903	26,588	84,303	3,617	1,036,454	2,893,055

The estimated useful lives of each category of property, plant and equipment are as follows:

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

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17. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2014, included in buildings held for own use are buildings with aggregate carrying amount of approximately RMB501,711,000 (2013: RMB240,727,000) whose official legal title has not been obtained.

During the year ended 31 December 2014, the Group received government grants of approximately RMB30,294,000 (2013: RMB24,700,000) in relation to certain property, plant and equipment of the Group. The Group recognised the amount as a deduction from the carrying amount of the relevant assets and will transfer this to profit or loss over the useful lives of the assets.

During the year ended 31 December 2013, the Group carried out a review of the recoverable amount of a manufacturing plant and its machinery and determined that a number of those assets were impaired due to physical damage and technical obsolescence. The review led to the recognition of an impairment loss of RMB38,873,000. The recoverable amounts of the relevant assets have been determined on the basis of their value in use.

There was no impairment made in the current year ended 31 December 2014.

18. GOODWILL

	2014 RMB'000	2013 RMB'000
Cost		
At beginning and the end of the year	**8,715**	8,715
Accumulated impairment losses		
At beginning of the year	**(8,216)**	–
Impairment losses recognised in the year	**–**	(8,216)
At the end of the year	**(8,216)**	(8,216)
Carrying amounts		
Balance at 31 December	**499**	499
Representing:		
Jiyuan Wanyang (as defined below)	**499**	499

On 31 July 2012, the Group acquired a 51% equity interest in 濟源市萬洋綠色能源有限公司 Jiyuan Wanyang Green Energy Co., Ltd. ("Jiyuan Wanyang") from an independent third party at a cash consideration of approximately RMB56,250,000, resulting in a goodwill of RMB499,000.

During the year ended 31 December 2014 and 31 December 2013, management of the Group determines that there is no impairment in relation to the goodwill arising on the acquisition of Jiyuan Wanyang.

On 31 July 2012, the Group acquired a 70% equity interest in 安徽中能電源有限公司 Anhui Zhongneng Power Supply Co., Ltd. ("Anhui Zhongneng") from independent third parties at a cash consideration of approximately RMB15,500,000, resulting in a goowill of RMB8,216,000.

During the year ended 31 December 2013, the Group recognised an impairment loss of RMB8,216,000 in relation to the goodwill arising on the acquisition of Anhui Zhongneng as a result of the unexpected poor performance of Anhui Zhongneng.

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19. PREPAID LEASE PAYMENTS

	2014 RMB'000	2013 RMB'000
Non-current	**199,371**	233,795
Current	**5,995**	6,208
	205,366	240,003

As at 31 December 2014, included in prepaid lease payments are land use rights of RMB25,139,000 (2013: RMB29,760,000) whose official land use rights have not been obtained.

The amount represents prepayment for land use rights situated in the PRC for a period within 50 years.

During the year ended 31 December 2014, the Group received government grants of approximately RMB24,000,000 (2013: RMB11,337,000) in relation to certain land leases of the Group. The Group recognised the amount as a deduction from the carrying amount of the relevant assets and will transfer this to profit or loss over the useful lives of the land leases.

20. INTEREST IN AN ASSOCIATE

	2014 RMB'000	2013 RMB'000
Cost of investment in an unlisted entity	**–**	1,800
Share of post-acquisition losses	**–**	(1,208)
	–	592

At 31 December 2013, the Group held a 30% equity interest in 金華三方新能源汽車服務有限公司 Jinhua Sanfang New Energy Automobile Services Co., Ltd ("Sanfang") and accounted for the investment as an associate. Sanfang is a limited liability company established in the PRC and is engaged principally in the rental of electric motor vehicles. In July 2014, Sanfang was liquidated and the Group recognised a loss on disposal of the associate of RMB334,000 in profit and loss.

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21. DEFERRED TAXATION

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

	Deferred income RMB'000	Withholding tax on undistributed profits RMB'000	Fair value adjustment on property, plant and equipment and prepaid lease payments arising from acquisition of subsidiaries RMB'000	Interest capitalisation RMB'000	Fair value change of held-for-trading investments RMB'000	Provision for inventories, trade and other receivables RMB'000	Accrued warranty RMB'000	Accrued expenses RMB'000	Impairment loss on property, plant and equipment RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013	41,944	-	(1,642)	(8,548)	(789)	13,607	10,009	60,682	-	-	(6,212)	109,051
(Charge)/credit to profit or loss	4,162	(2,100)	352	(8,560)	859	2,059	23,947	(6,557)	9,718	28,156	260	52,296
At 31 December 2013 and 1 January 2014	**46,106**	**(2,100)**	**(1,290)**	**(17,108)**	**70**	**15,666**	**33,956**	**54,125**	**9,718**	**28,156**	**(5,952)**	**161,347**
(Charge)/credit to profit or loss	**4,803**	**(910)**	**(101)**	**(7,448)**	**(70)**	**8,291**	**861**	**42,068**	**(3,057)**	**99,659**	**260**	**144,356**
Reversal on payment of withholding tax	**-**	**3,010**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,010**
At 31 December 2014	**50,909**	**-**	**(1,391)**	**(24,556)**	**-**	**23,957**	**34,817**	**96,193**	**6,661**	**127,815**	**(5,692)**	**308,713**

The following is the analysis of the deferred tax balance for financial report presentation purposes.

	2014 RMB'000	2013 RMB'000
Deferred tax assets	**341,485**	191,859
Deferred tax liabilities	**(32,772)**	(30,512)
	308,713	161,347

At 31 December 2014, the Group has not recognised deductible temporary differences on provision for inventories, trade and other receivables, accrued warranty and other accrued expenses of approximately RMB6,830,000 (2013: RMB4,939,000) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

At 31 December 2014, the Group had unused tax losses of approximately RMB29,102,000 (2013: RMB15,074,000) available to offset against future profits. No deferred tax assets been recognised in respect of such losses due to the unpredictability of future profit streams. Such unrecognised losses will expire at various dates up to and including 2019 (2013: 2018).

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB1,330 million (2013: RMB1,650 million) as the Group is able to control the timing of the reversal of the temporary differences and the Group has determined that this portion of profits derived from these PRC operating subsidiaries will be retained by these subsidiaries and will not be distributed in the foreseeable future. Therefore, it is probable that such differences will not reverse in the foreseeable future.

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22. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	350,898	713,113
Work-in-progress	1,187,542	1,117,117
Finished goods	12,342	26,815
	1,550,782	1,857,045

23. BILLS, TRADE AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Bills receivables	583,310	628,830
Trade receivables	346,237	485,609
Less: Allowance for bad and doubtful debts	(62,637)	(58,043)
	283,600	427,566
Other receivables	153,801	98,353
Less: Allowance for bad and doubtful debts	(21,031)	(7,323)
	132,770	91,030
Prepayments	27,941	278,007
PRC value added tax receivables	246,569	231,354
	1,274,190	1,656,787

The following is an aged analysis of bills receivables at the end of the reporting period:

	2014 RMB'000	2013 RMB'000
0 to 180 days	583,310	628,830

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For the year ended 31 December 2014

23. BILLS, TRADE AND OTHER RECEIVABLES (Continued)

The Group has a policy of allowing an average credit period of 45 days (2013: 45 days) for trade debtors. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2014 RMB'000	2013 RMB'000
0 to 45 days	231,443	280,062
46 to 90 days	29,864	105,233
91 to 180 days	12,043	16,112
181 to 365 days	10,250	26,159
	283,600	427,566

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and will define appropriate credit limits.

Management closely monitors the credit quality of trade receivables and considers trade receivables that are neither past due nor impaired to be of a good credit quality.

Other receivables are unsecured and interest-free.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB52,157,000 (2013: RMB147,504,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss.

The following is an aged analysis of trade receivables which are past due but not impaired:

	2014 RMB'000	2013 RMB'000
46 to 90 days	29,864	105,233
91 to 180 days	12,043	16,112
181 to 365 days	10,250	26,159
	52,157	147,504

Based on the historical experience of the Group, trade receivables which are past due for less than one year but not impaired are generally recoverable. The Group does not hold any collateral over these balances.

The Group has no significant concentration of credit risk on bills, trade and other receivables, with exposure spreading over a large number of counterparties and customers.

The Group has provided fully for trade and other receivables over 1 year which are expected to be not recoverable because historical experience is such that receivables that are past due beyond 1 year are generally not recoverable. Impairment for trade receivables over 45 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience and objective evidences of impairment.

23. BILLS, TRADE AND OTHER RECEIVABLES (Continued)

Movement in the allowance for doubtful debts – trade receivables

	2014 RMB'000	2013 RMB'000
1 January	58,043	55,400
Allowance for bad and doubtful debts	4,743	6,136
Reversal of bad and doubtful debts	(149)	(3,493)
31 December	62,637	58,043

Movement in the allowance for doubtful debts – other receivables

	2014 RMB'000	2013 RMB'000
1 January	7,323	5,703
Allowance for bad and doubtful debts	15,110	1,620
Reversal of bad and doubtful debts	(1,402)	–
31 December	21,031	7,323

In determining the recoverability of the trade and other receivables, the Group reassesses the credit quality of the trade and other receivables from the date credit was initially granted up to the reporting date. Based on the historical experience of the Group, the directors believe that no further allowance is required.

24. TRANSFERS OF FINANCIAL ASSETS

At 31 December 2014, the Group has discounted bills receivables to banks and transferred bills receivables to its suppliers to settle its payables through endorsing the bills to its suppliers. The Group has derecognised these bills receivables and the payables to suppliers in their entirety. In the opinion of the directors of the Company, the Group has limited exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing bank failed to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the risk of non-settlement by the issuing banks on maturity is insignificant.

As at 31 December 2014, the Group's maximum exposure to loss, which is the same as the amount payable by the Group to banks or the suppliers in respect of the discounted bills and endorsed bills, should the issuing banks fail to settle the bills on maturity, amounted to RMB266,002,000 (2013: RMB100,000,000) and RMB3,358,100,000 (2013: RMB1,096,885,000), respectively.

All the bills receivables discounted to banks or endorsed to suppliers of the Group have a maturity date of less than six months from the end of the reporting period.

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25. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits represented bank deposits pledged to banks to secure short-term banking facilities granted to the Group. The pledged deposits at 31 December 2014 carried an interest rate of 3.03% (2013: 2.80%) per annum.

Bank balances and cash comprise cash at bank that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank balances at 31 December 2014 carry interest at market rates which ranged from 0.01% to 0.35 % (2013: 0.01% to 0.35%) per annum.

At 31 December 2014, certain bank balances and cash and pledged bank deposits of approximately RMB1,703,914,000(2013: RMB941,714,000) are denominated in RMB which is not a freely convertible currency in the international market. The remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

26. BILLS, TRADE AND OTHER PAYABLES

	2014 **RMB'000**	2013 RMB'000
Trade payables	**735,522**	772,145
Bills payables	**202,114**	183,500
Other payables and accrued charges (note)	**1,388,806**	964,867
	2,326,442	1,920,512

Note:

The Group provided a warranty of up to 15 months on all lead-acid battery products. For lead-acid battery products found to be defective under the terms of the warranty, the Group undertakes to replace the battery free of charge for products returned within 8 months from the date of sale, and to repair the battery free of charge for products returned between the 9th month to the 15th month after the date of sale. A warranty expense is estimated and accrued at the time of sale and is based upon various factors including the estimated net realisable value of products replaced, estimated volume of warranty claims with reference to prior experience and number of products sold. The amount of accrued warranty is adjusted to reflect the actual costs incurred when information becomes available.

At 31 December 2014, included in the other payables and accrued charges is a warranty provision of RMB229,179,000 (2013: RMB203,132,000) which represents management's best estimate of the Group's liability within the 15-month warranty period granted on the Group's lead-acid battery products. Details of the movement in the warranty provision are set out as below:

	2014 **RMB'000**	2013 RMB'000
At 1 January	**203,132**	43,103
Provision in the year	**461,085**	537,652
Utilisation of provision	**(435,038)**	(377,623)
At 31 December	**229,179**	203,132

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26. BILLS, TRADE AND OTHER PAYABLES (Continued)

The Group normally receives credit terms of 5 days to 90 days (2013: 5 days to 90 days) from its suppliers. The following is an aged analysis of trade payables at the end of the reporting period, presented based on the invoice date:

	2014 RMB'000	2013 RMB'000
0 to 90 days	**608,114**	657,919
91 to 180 days	**85,368**	66,303
181 to 365 days	**25,137**	32,634
1 to 2 years	**13,281**	8,199
Over 2 years	**3,622**	7,090
	735,522	772,145

27. AMOUNTS DUE TO RELATED PARTIES

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

Name of related parties	2014 RMB'000	2013 RMB'000
浙江長興欣欣包裝有限公司 Zhejiang Changxing Xin Xin Packaging Co., Ltd. ("Xin Xin Packaging") (note i)	**444**	375
濟源市萬洋冶煉(集團)有限公司 Jiyuan City Wangyang Smelting (Group) Co., Ltd. ("Wanyang Group") (note ii)	**12,439**	31,242
長興金陵大酒店 Changxing Jin Ling Hotel (note iii)	**6**	6
	12,889	31,623

Note:

(i) Xin Xin Packaging is beneficially owned by Ms. Chen Pingping and Ms. She Fangli, who are the cousin and niece respectively of Mr. Zhang Tianren ("Mr. Zhang"). As at 31 December 2014, 407,855,650 shares of the Company (approximately 36.68% of the total issued shares of the Company as at 31 December 2014) are held by Prime Leader Global Limited which is incorporated in the British Virgin Island and is wholly-owned by Mr. Zhang. Mr. Zhang is also a director of the Company.

(ii) Wanyang Group is a party which holds 49% interest of Jiyuan Wanyang, a 51% owned subsidiary of the Group.

(iii) Changxing Jin Ling Hotel is controlled by Mr. Zhang.

The amounts due to Xin Xin Packaging, Wanyang Group and Changxing Jin Ling Hotel are trade nature and have no fixed repayment terms and age less than 180 days.

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28. BANK BORROWINGS

	2014 RMB'000	2013 RMB'000
Secured	615,000	658,000
Unsecured	2,089,977	2,060,594
	2,704,977	2,718,594
Carrying amounts repayable:		
Within one year	2,499,604	2,142,900
More than two years but not more than five years	205,373	550,694
More than five years	–	25,000
	2,704,373	2,718,594
Less: Amounts due within one year shown under current liabilities	(2,499,604)	(2,142,900)
Amounts shown under non-current liabilities	205,373	575,694

The bank borrowings at 31 December 2014 are denominated in RMB and carry fixed and variable interest rates ranging from 3.15% to 6.77% (2013: 3.19% to 6.77%) per annum, respectively.

Details of assets pledged by the Group at the end of the reporting period are set out in note 33.

29. LOAN NOTES

	2014 RMB'000	2013 RMB'000
Unsecured loan notes	868,172	78,806
Analysed as:		
Long-term loan notes (note)	868,172	78,806

Note:

(1) On 19 July 2012, Tianneng Battery (Wuhu) Co., Ltd. issued long-term loan notes with a principal amount of RMB80,000,000 at a discount and received proceeds of RMB78,500,000. The long-term loan notes bear interest at 7.3% per annum and are repayable on 19 July 2018.

At 31 December 2014, the amount is stated at amortised cost with the effective interest rate at 7.70% per annum.

(2) On 11 March 2014, Tianneng Battery Group Co,. Ltd. issued a long-term loan notes with principal amount of RMB400,000,000 at a discount and received proceed of RMB392,400,000. The long-term loan notes bear interest at 7.31% per annum and are repayable on 11 March 2019.

At 31 December 2014, the amount is stated at amortised cost with effective interest rate at 7.78% per annum.

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29. LOAN NOTES (Continued)

Note: (Continued)

(3) On 9 October 2014, Tianneng Battery Group Co,. Ltd. issued a long-term loan notes with principal amount of RMB400,000,000 at a discount and received proceed of RMB395,400,000. The long-term loan notes bear interest at 8% per annum and are repayable on 9 October 2020.

At 31 December 2014, the amount is stated at amortised cost with effective interest rate at 8.25% per annum.

30. SHARE CAPITAL

	Number of shares		Amount equivalent to	
	2014	2013	**2014** **RMB'000**	2013 RMB'000
Shares of the Company with nominal value of HK$0.1 each				
Authorised:				
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	**2,000,000,000**	2,000,000,000	**212,780**	212,780
Issued and fully paid:				
At beginning of year	**1,111,908,000**	1,099,348,000	**108,710**	107,696
Exercise of share options	**–**	12,560,000	**–**	1,014
At end of year	**1,111,908,000**	1,111,908,000	**108,710**	108,710

Note:

During the year ended 31 December 2013, 12,560,000 share options were exercised at a subscription price of HK1.22 per share (equivalent to approximately RMB0.985 per share), resulting in the issue of 12,560,000 ordinary shares of HK$0.1 each in the Company.

All the shares issued by the Company ranked pari passu in all respects with all shares in issue.

31. 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.

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 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.

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31. SHARE OPTION SCHEMES (Continued)

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

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

During the year ended 31 December 2014, the company granted 58,660,000 share options ("Option C") (31 December 2013: Nil) to directors and employees, details of which are set out below.

The following tables disclosed movements of the Company's options granted under the Scheme during the year ended 31 December 2014 and 2013:

Option	Name of grantee	Date of grant	Exercisable period	Exercise price HK$	Outstanding as at 1.1.2014	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31.12.2014
	Directors								
Option C	Ho Tso Hsiu	16.6.2014	16.6.2015 – 15.6.2024	HK$2.90	–	100,000	–	–	100,000
Option C	Huang Dongliang	16.6.2014	16.6.2015 – 15.6.2024	HK$2.90	–	100,000	–	–	100,000
Option C	Wang Jingzhong	16.6.2014	16.6.2015 – 15.6.2024	HK$2.90	–	100,000	–	–	100,000
	Employees								
Option C	Employees	16.6.2014	16.6.2015 – 15.6.2024	HK$2.90	–	58,360,000	–	(1,730,000)	56,630,000
Option B	Employees	22.11.2010	22.11.2011 – 21.11.2020	HK$3.18	38,530,000	–	–	(4,320,000)	34,210,000
					38,530,000	58,660,000	–	(6,050,000)	91,140,000
	Exercisable at the end of the year								34,210,000
	Weighted average exercise price				HK$3.18	HK$2.90	–	HK$2.98	HK$3.01

31. SHARE OPTION SCHEMES (Continued)

Option	Name of grantee	Date of grant	Exercisable period	Exercise price HK$	Outstanding as at 1.1.2013	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31.12.2013
	Directors								
Option A	Ho Tso Hsiu	30.3.2009	30.3.2010 – 25.2.2017	HK$1.22	140,000	–	(140,000)	–	–
Option A	Huang Dongliang	30.3.2009	30.3.2010 – 25.2.2017	HK$1.22	140,000	–	(140,000)	–	–
Option A	Wang Jingzhong	30.3.2009	30.3.2010 – 25.2.2017	HK$1.22	140,000	–	(140,000)	–	–
	Employees								
Option A	Employees	30.3.2009	30.3.2010 – 25.2.2017	HK$1.22	12,212,000	–	(12,140,000)	(72,000)	–
Option B	Employees	22.11.2010	22.11.2011 – 21.11.2020	HK$3.18	39,720,000	–	–	(1,190,000)	38,530,000
					52,352,000	–	(12,560,000)	(1,262,000)	38,530,000
	Exercisable at the end of the year								20,642,000
	Weighted average exercise price				HK$2.71	–	HK$1.22	HK$3.07	HK$3.18

At 31 December 2014, the total number of shares in respect of which options under the Scheme had been granted and remained outstanding was 91,140,000 (2013: 38,530,000), representing 8.20% (2013: 3.47%) of the shares of the Company in issue at that date.

No options were exercised during the year ended 31 December 2014. During the year ended 31 December 2013, the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$4.65 per share.

The closing price of the Company's shares on 30 March 2009, the date of grant of the Option A, was HK$1.22 (equivalent to approximately RMB1.08) and the total estimated fair value of the Option A granted on that date was HK$18,744,000 (equivalent to approximately RMB16,593,000).

The closing price of the Company's shares on 22 November 2010, the date of grant of the Option B, was HK$3.15 (equivalent to approximately RMB2.70) and the total estimated fair value of the Option B granted on that date was HK$73,820,000 (equivalent to approximately RMB63,205,000).

The closing price of the Company's shares on 16 June 2014, the date of grant of Option C, was HK$2.89 (equivalent to approximately RMB2.29) and the total estimated fair value of the Option C granted on that date was HK$70,620,000 (equivalent to approximately RMB56,065,000).

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31. SHARE OPTION SCHEMES (Continued)

The fair value of the share options was determined at the date of grant using the Binomial option pricing model (the "Binomial model") with the following inputs and based on the respective vesting period of the share options:

	Option C 16.6.2014	**Option B 22.11.2010**	**Option A 30.3.2009**
Stock price as at grant date	HK$2.89	HK$3.15	HK$1.22
Exercise price	HK$2.90	HK$3.18	HK$1.22
Expected volatility	55%	64%	64%
Expected life of options	10 years	10 years	7.9 years
Risk free rate	2.055%	2.427%	1.852%
Expected dividend yield	4.26%	2.9%	4.02%
Sub-optimal exercise factor for directors/senior management/employees	3.5/3.5/3.5	nil/2.8/2.2	2/2/1.5

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Expected volatility was determined by using the historical volatility of the Company's share prices over the previous four years. Changes in variables and assumptions may result in changes in the fair value of the options.

During the year ended 31 December 2014, the Group recognised total expenses of RMB17,269,000 (2013: RMB8,338,000) in relation to share options granted by the Company.

32. OPERATING LEASES

The Group as lessee

	Year ended 31/12/14 RMB'000	Year ended 31/12/13 RMB'000
Minimum lease payments paid for the year under operating leases for premises	**13,697**	14,986

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31/12/14 RMB'000	31/12/13 RMB'000
Within one year	**5,903**	7,414
In the second to fifth years inclusive	**9,002**	13,098
Over five years	**465**	661
	15,371	21,173

Operating lease payments represent rentals payable by the Group for certain of its properties. Leases are negotiated for terms ranging from one to seven years.

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33. 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.

	2014 RMB'000	2013 RMB'000
Bank deposits	73,100	73,100
Bills receivables	195,204	101,508
Trade receivables	50,000	266,815
Property, plant and equipment	80,863	47,577
Prepaid lease payments	119,262	17,462
	518,429	506,462

34. CAPITAL COMMITMENTS

	2014 RMB'000	2013 RMB'000
Contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	685,490	429,678

35. RETIREMENT BENEFIT SCHEMES

As stipulated by the relevant rules and regulations in the PRC, the Group contributes to the retirement benefit scheme managed by local social security bureaux in the PRC. The Group contributes a certain percentage of the basic salaries of its employees to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group operates a Mandatory Provident Fund scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustee. The Group basically contributes 5% of the relevant payroll costs to the scheme.

The total expense recognised in profit or loss of RMB25,096,000 (2013: RMB41,676,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2014, contributions of RMB1,475,000 (31 December 2013: RMB3,074,000) due in respect of the year ended 31 December 2014 (2013) had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

Notes to the Consolidated Financial Statements

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36. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following transactions with its related companies:

Name of related company	Nature of transaction	2014 RMB'000	2013 RMB'000
Changxing Jin Ling Hotel	Hotel expenses	4,771	4,647
Xin Xin Packaging	Purchase of consumables	997	996
Wanyang Group	Purchase of materials	521,556	407,250
Wanyang Group	Rental expenses	4,640	4,640

(b) Details of the remuneration of directors and other members of key management during the year are set out in note 13.

(c) Details of the balances with related parties are set out in note 27.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Place/Country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company 2014	2013	Principal activities
Tianneng International Investment Holdings Limited (Note a)	British Virgin Islands/ Hong Kong 15 November 2004	Share – US$ 1 (2013: US$1)	100%	100%	Investment holding
浙江省長興天能電源有限公司 Zhejiang Changxing Tianneng Power Supply Co., Ltd.	PRC – Limited liability company 11 March 1998	Registered capital – RMB120,000,000 (2013: RMB120,000,000)	100%	100%	Manufacture and sales of lead-acid batteries
天能電池集團有限公司 Tianneng Battery Group Co., Ltd. (previously known as 浙江天能電池有限公司 Zhejiang Tianneng Battery Co., Ltd.)	PRC – Limited liability company 13 March 2003	Registered capital – RMB615,000,000 (2013: RMB615,000,000)	100%	100%	Investment holding, research and development, manufacture and sales of lead-acid batteries and battery related accessories
浙江天能能源科技有限公司 Zhejiang Tianneng Energy Technology Co., Ltd.	PRC – Limited liability company 1 July 2004	Registered capital – RMB136,000,000 (2013: RMB136,000,000)	100%	100%	Manufacture and sales of lithium batteries

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For the year ended 31 December 2014

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place/Country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company 2014	2013	Principal activities
長興天能汽車運輸有限公司 Changxing Tianneng Vehicle Transport Co., Ltd.	PRC – Limited liability company 30 May 2005	Registered capital – RMB500,000 (2013: RMB500,000)	100%	100%	Provision of transportation service to group companies
天能電池(蕪湖)有限公司 Tianneng Battery (Wuhu) Co., Ltd.	PRC – Limited liability company 21 October 2005	Registered capital – RMB230,000,000 (2013: RMB230,000,000)	100%	100%	Manufacture and sales of lead-acid batteries
浙江天能電池(江蘇)有限公司 Zhejiang Tianneng Battery (Jiangsu) Co., Ltd.	PRC – Limited liability company 9 May 2005	Registered capital – RMB200,000,000 (2013: RMB200,000,000)	100%	100%	Manufacture and sales of lead-acid batteries
浙江天能電池(江蘇)新能源有限公司 Zhejiang Tianneng Battery (Jiangsu) New Energy Co., Ltd.	PRC – Limited liability company 8 January 2008	Registered capital – RMB120,000,000 (2013: RMB120,000,000)	100%	100%	Manufacture and sales of storage batteries
浙江天能動力能源有限公司 Zhejiang Tianneng Power Energy Co., Ltd.	PRC-Limited liability company 2 July 2009	Registered capital – RMB300,000,000 (2013: RMB300,000,000)	100%	100%	Manufacture and sale of lead-acid batteries
浙江天能電源材料有限公司 Zhejiang Tianneng Power Supply Material Co., Ltd.	PRC-Limited liability company 2 July 2009	Registered capital – RMB100,000,000 (2013: RMB100,000,000)	100%	100%	Research and development of recycled batteries
浙江天能能源科技研究院 Zhejiang Tianneng Energy Technology Research Center	PRC private non-enterprise entity 30 May 2009	Registered capital – RMB500,000 (2013: RMB500,000)	100%	100%	Research and development of storage batteries
浙江天能物資貿易有限公司 Zhejiang Tianneng Material Trading Co., Ltd.	PRC-Limited liability company 25 March 2009	Registered capital – RMB80,000,000 (2013: RMB80,000,000)	100%	100%	Sales of metal materials
天能電池集團(安徽)有限公司 Tianneng Battery Group (Anhui) Co., Ltd.	PRC-Limited liability company 4 November 2010	Registered capital – RMB100,000,000 (2013: RMB100,000,000)	100%	100%	Sales of metal materials

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37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place/Country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company 2014	2013	Principal activities
長興新天物資經營有限公司 Changxing Xintian Material Trading Co., Ltd.	PRC-Limited liability company 27 July 2009	Registered capital – RMB20,000,000 (2013: RMB20,000,000)	100%	100%	Sales of metal materials
濟源市萬洋綠色能源有限公司 Jiyuan Wanyang Green Energy Co., Ltd. ("Jiyuan Wangyang")	PRC-Limited liability company 27 October 2010	Registered capital – RMB102,160,000 (2013: RMB102,160,000)	51%	51%	Manufacture and sale of electrode plates
安徽中能電源有限公司 Anhui Zhongneng Power Supply Co., Ltd. ("Anhui Zhongneng")	PRC-Limited liability company 17 April 2008	Registered capital – RMB50,000,000 (2013: RMB50,000,000)	100%	100%	Manufacture and sale of electrode plates
浙江赫克力能源有限公司 Zhejiang Hercules Energy Co., Ltd.	PRC-Limited liability company 10 November 2009	Registered capital – RMB60,000,000 (2013: RMB60,000,000)	100%	100%	Manufacture and sales of lead-acid batteries and re-cycled batteries

Note (a): Directly held by the Company.

The above table lists the subsidiaries of the Group which, in the opinion of the Company's directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Company's directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in the PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries 2014	2013
Manufacture and sales of lead-acid batteries	PRC	4	3
Investment holding	Hong Kong	1	1
Security investment	PRC	1	–
Not yet commenced operation	PRC	1	2

During the year, the Group has non-controlling interests in one (2013: two) subsidiary, namely Jiyuan Wanyang shown under particulars of principal subsidiaries of the Company above (2013: Jiyuan Wangyang and Anhui Zhongneng). The non-controlling interest in the subsidiary is not material to the Group.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

During the year ended 31 December 2013, the Group acquired an additional 30% interest in Anhui Zhongneng, increasing its interest from 70% to 100%. The consideration of RMB459,000 was paid in cash. An amount of RMB4,653,000 (being the proportionate share of the carrying amount of the net assets of Anhui Zhongneng Power Supply Co., Ltd.) has been transferred from non-controlling interest. The difference of RMB4,194,000 between the decrease in the non-controlling interest and the consideration paid has been debited to capital reserve during the year ended 31 December 2013.

Tianneng Battery (Wuhu) Co,. Ltd. issued unlisted long-term loan note of RMB80 million in 2012.

Tianneng Battery Group Co,. Ltd. issued unlisted long-term loan note of RMB400 million in March 2014 and RMB400 million in October 2014 respectively. Details of which are set out in note 29. All other subsidiaries had not issued any debt securities at the end of the year.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Financial information of the Company at the end of the reporting period includes:

	2014 RMB'000	2013 RMB'000
ASSETS		
Property, plant and equipment	29	29
Investments in and amounts due from subsidiaries	863,653	1,141,596
Bank balances and cash	79,697	20,584
	943,379	1,162,209
LIABILITIES		
Other payables	4,955	3,256
Bank borrowings	151,631	216,195
	156,586	219,451
NET ASSETS	786,793	942,758
CAPITAL AND RESERVES		
Share capital	108,710	108,710
Share premium	745,954	745,954
Reserves	(68,871)	88,094
Total equity	785,793	942,758

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38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movement in reserves

	Share capital RMB'000	Share premium RMB'000	Share options reserve RMB'000	Accumulated profits (losses) RMB'000	Total RMB'000
At 1 January 2013	107,696	728,982	46,554	215,120	1,098,352
Profit for the year	–	–	–	34,348	34,348
Issue of new shares upon exercise of share option	1,014	16,972	(5,618)	–	12,368
Forfeiture of share options	–	–	(2,702)	2,702	–
Recognition of equity-settled share based payments	–	–	8,338	–	8,338
Dividend recognised as distribution	–	–	–	(210,648)	(210,648)
At 31 December 2013	108,710	745,954	46,572	41,522	942,758
Loss for the year	**–**	**–**	**–**	**(133,325)**	**(133,325)**
Forfeiture of share options	**–**	**–**	**(7,260)**	**7,260**	**–**
Recognition of equity-settled share based payments	**–**	**–**	**17,269**	**–**	**17,269**
Dividend recognised as distribution	**–**	**–**	**–**	**(40,909)**	**(40,909)**
At 31 December 2014	**108,710**	**745,954**	**56,581**	**(125,452)**	**785,793**

Financial Summary

	Year ended 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014 RMB'000**
RESULTS					
Turnover	3,752,813	5,438,321	9,887,641	13,635,060	**14,043,731**
Profit (loss) before taxation	428,752	829,685	912,515	141,240	**(407,102)**
Taxation	82,472	213,698	203,116	10,915	**(114,115)**
Profit (loss) for the year	346,280	615,987	709,399	130,325	**(292,987)**

	As at 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014 RMB'000**
ASSETS AND LIABILITIES					
Total assets	3,084,525	4,782,851	7,445,211	7,904,226	**8,713,603**
Total liabilities	1,128,363	2,282,377	4,322,868	4,841,959	**5,967,963**
Net assets	1,956,162	2,500,474	3,122,343	3,062,267	**2,745,640**