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

2015 ANNUAL REPORT

NEW SUMMIT

30TH ANNIVERSARY

CONTENTS

Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guo Konghui (appointed with effect from 6 June 2015)
Mr. Huang Dongliang
Mr. Wu Feng (appointed with effect from 6 June 2015)
Mr. Ho Tso Hsiu (resigned with effect from 6 June 2015)
Mr. Wang Jingzhong
(resigned with effect from 6 June 2015)

AUDIT COMMITTEE MEMBERS

Mr. Huang Dongliang *(Chairman)*
Mr. Wu Feng (appointed with effect from 6 June 2015)
Mr. Guo Konghui (appointed with effect from 6 June 2015)
Mr. Wang Jingzhong
(resigned with effect from 6 June 2015)
Mr. Ho Tso Hsiu (resigned with effect from 6 June 2015)

REMUNERATION COMMITTEE MEMBERS

Mr. Wu Feng *(Chairman)*
(appointed with effect from 6 June 2015)
Mr. Chen Minru
Mr. Huang Dongliang
Mr. Wang Jingzhong
(resigned with effect from 6 June 2015)

NOMINATION COMMITTEE MEMBERS

Mr. Zhang Tianren *(Chairman)*
Mr. Huang Dongliang
Mr. Wu Feng (appointed with effect from 6 June 2015)
Mr. Wang Jingzhong
(resigned with effect from 6 June 2015)

COMPANY SECRETARY

Ms. Hui Wai Man Shirley

AUDITOR

Deloitte Touche Tohmatsu Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISER

Gallant Y.T. Ho & Co.
5th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

COMPLIANCE ADVISER

Convoy Capital Hong Kong Limited
Rooms 1406-12, 14/F
Nan Fung Tower
88 Connaught Road Central
Hong Kong

STATUTORY ADDRESS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

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

The Group engages in five major businesses in China, including:

1. New energy vehicle lithium battery
2. Mini electric car motive battery
3. Electric tricycle motive battery
4. Electric bike motive battery
5. Old battery recycling business

The Group is the most influential motive battery solution provider in the electric vehicle market in China and a well-known motive lithium battery provider in China.

Company Profile

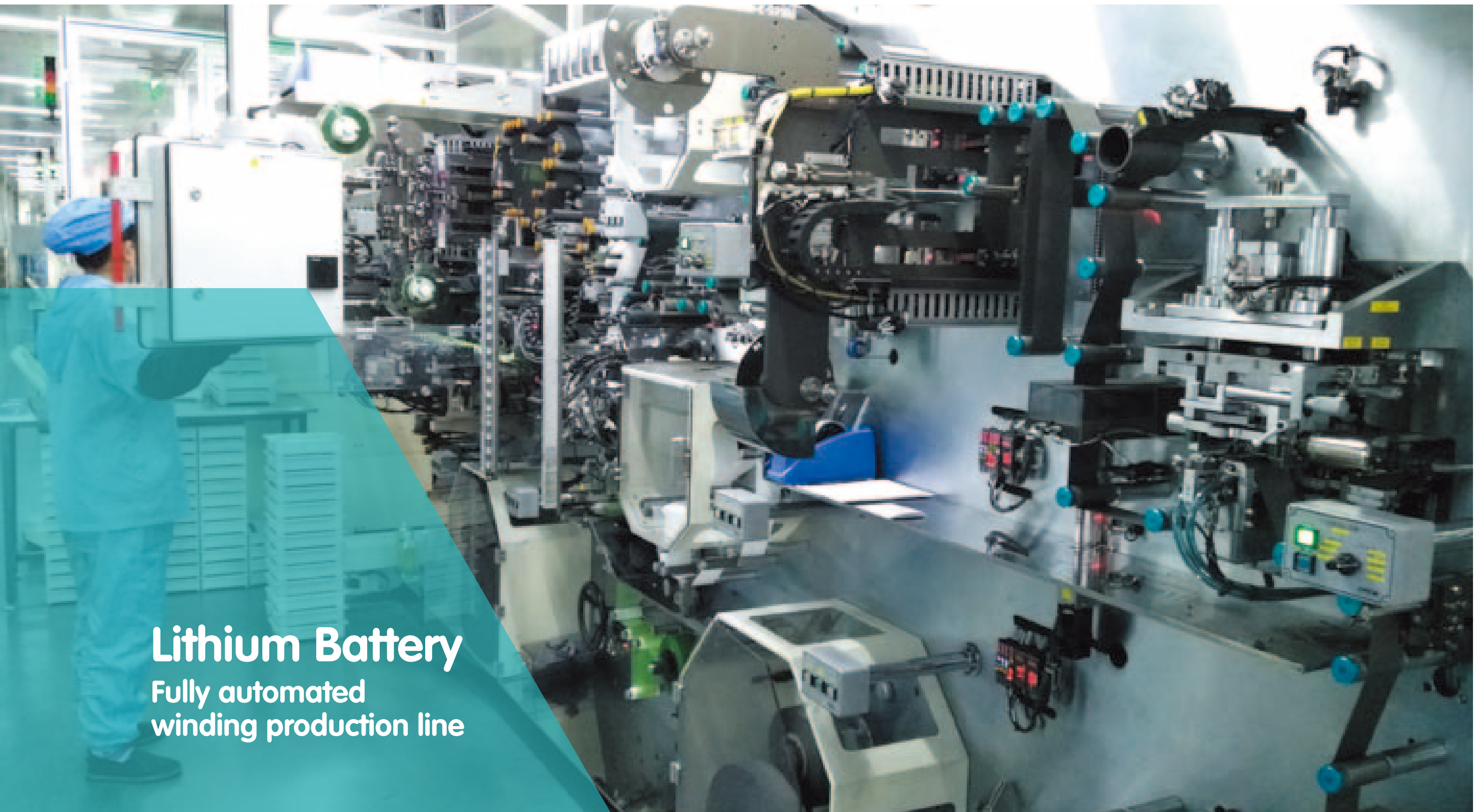
Tianneng Power International Limited ("the Company" or "Tianneng Power" and its subsidiaries, "the Group") adheres to the belief of "New Energy New World" in the People's Republic of China (the "PRC") and aims at achieving the goal of becoming "a world leading new energy solution provider". After 30 years of development, the Group has developed into a new energy high-tech company engaging in businesses such as motive batteries for electric vehicles, wind energy and solar energy storage batteries as well as recycling of resources.

The Company's business started in 1986, and it completed its listing on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2007. As of 31 December 2015, the Group had eight production bases in four provinces of the PRC, which were located at (1) Changxing Headquarter, (2) Meishan Town and (3) Heping 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 and (8) Jiyuan City in Henan Province respectively.

After years of research and observation, the international capital market recognized the results of the Group. The Company has been included as the constituent stocks of the China Low Carbon Index, Hong Kong Hang Seng Composite Index, Hang Seng Global Composite Index, Hang Seng Corporate Sustainability Index and Morgan Stanley Small Cap (China) Index respectively.

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

Company Profile – Lithium Battery Production Base



Lithium Battery
Fully automated winding production line

18650 Lithium Battery
Fully automated assembly production line

Lithium Battery
Fully automated coating production line

Lithium Battery
Charging workshop

Financial Highlights

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (NOTE 1)

	Year ended 31st December				
	2015	2014	2013	2012	2011
Turnover	**17,804,068**	14,043,731	13,635,060	9,887,641	5,438,321
(Loss)/profit before taxation	**745,629**	(407,102)	141,240	912,515	829,685
Taxation	**(117,832)**	114,115	(10,915)	(203,116)	(213,698)
(Loss)/profit for the year	**627,797**	(292,987)	130,325	709,399	615,987
Non-controlling interest	**16,861**	11,930	(4,970)	(738)	–
(Loss)/profit attributable to owners of the Company	**610,936**	(304,917)	135,295	710,137	615,987
(Losses)/earnings per share (RMB/share)					
– Basic	**0.55**	(0.27)	0.12	0.65	0.57
– Diluted	**0.54**	(0.27)	0.12	0.64	0.56

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (NOTE 2)

	As at 31st December				
	2015	2014	2013	2012	2011
Total assets	**10,546,091**	8,713,603	7,904,226	7,445,211	4,782,851
Total liabilities	**7,078,950**	5,967,963	4,841,959	4,322,868	2,282,377
Net assets/Total equity	**3,467,141**	2,745,640	3,062,267	3,122,343	2,500,474

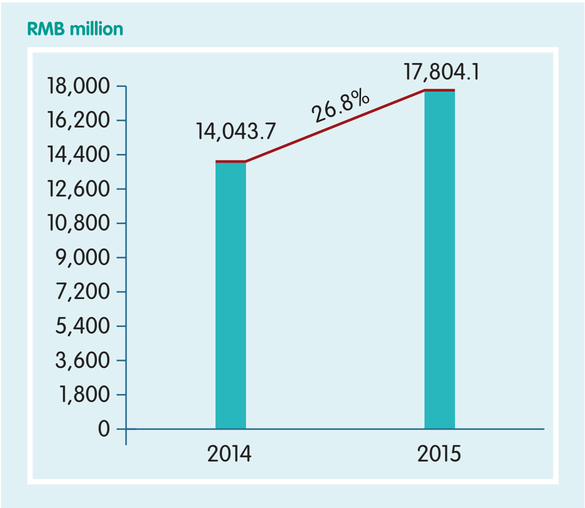
Notes:

1. The results for the years ended 31 December 2011 and 2012 are set out on page 58 of the Company's 2012 annual report. The results for the years ended 31 December 2013 and 2014 are set out on page 62 of the Company's 2014 annual report. All such information is extracted from the financial statements prepared under Hong Kong Financial Reporting Standards ("HKFRSs").

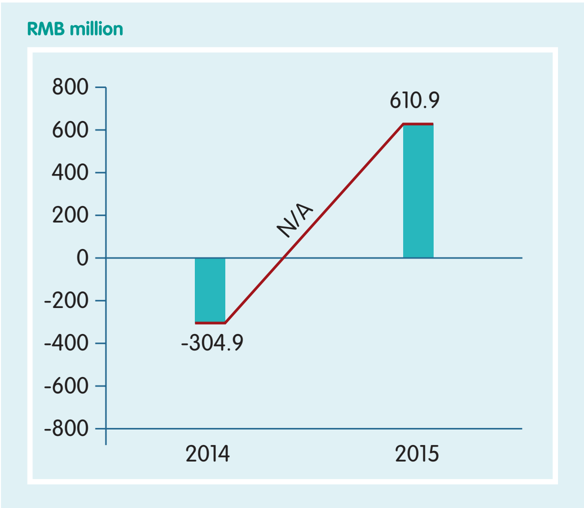
2. The consolidated statements of financial position as at 31 December 2011 and 2012 are set out on page 59 of the Company's 2012 annual report. The consolidated statements of financial position as at 31 December 2013 and 2014 are set out on page 63 of the Company's 2014 annual report. All such information is extracted from the financial statements prepared under HKFRSs.

Financial Highlights

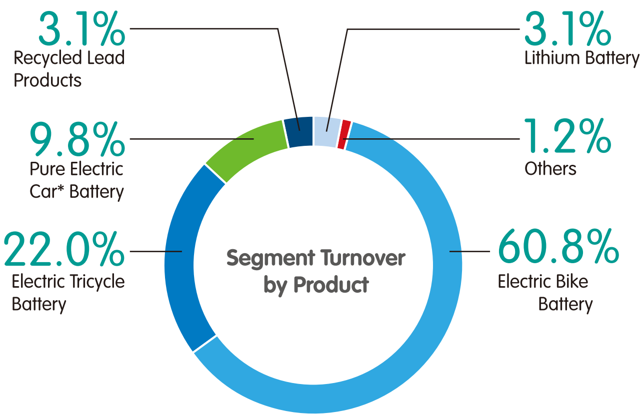
SALES TURNOVER



PROFIT ATTRIBUTABLE TO SHAREHOLDERS



SEGMENT TURNOVER



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

Mini Public
New Energy Car

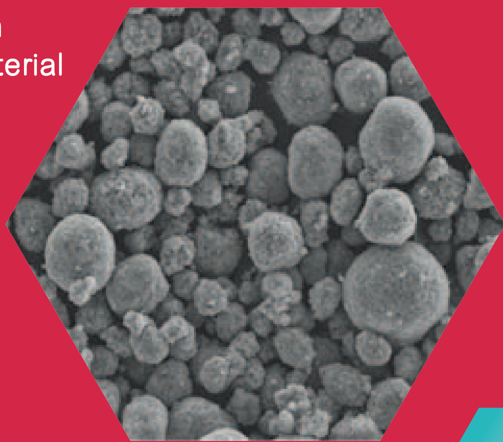
BMS

Solid

Foundation

By adhering to the macro-strategy of sustainable development with a focus on quality and efficiency as well as change and innovation, the Group strived to develop towards the high-end segment of traditional industries during the year. The benefits of post industry consolidation could be taken together with the industry peer. A sufficient cash flow became an effective shield for the Group. The successful expansion of the Group's share in emerging industries and quick transformation and upgrade in new energy car industry resulted in the Group's explosive growth power.

Lithium
Battery Material



Lithium Battery Pack

Lithium Battery Cell

Chairman's Statement

Dear shareholders,

PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND DIVIDEND DURING THE YEAR

During the year, the Group's consolidated turnover was approximately RMB17,804 million (2014: approximately RMB14,044 million), representing an increase of approximately 26.8% as compared to the previous year. The profit attributable to owners of the Group was approximately RMB611 million (2014: net loss of approximately RMB305 million). The Group's basic earning per share was approximately RMB0.55 (2014: loss of RMB0.27). The Company proposes to declare a cash dividend of HK31.80 cents (2014: Nil) per ordinary share of the Company (the "Shares") held by the shareholders of the Company (the "Shareholders"). The proposal shall be subject to the approval by the Shareholders at the annual general meeting ("AGM") to be held on 18 May 2016.

CHINA – "13TH FIVE-YEAR PLAN" GREEN DEVELOPMENT BRINGS IN A NEW PERIOD OF STRATEGIC OPPORTUNITIES

The Chinese economy is entering into the "new normal" phase and is picking up its pace in industrial transformation and upgrade with strategic emerging industries as the key growth drivers. China adhered to the principle of green development in its "13th Five-Year Plan" and once again listed the acceleration of the development of new energy vehicle industry as its national policy. Hence, the industrial chain of new energy vehicle in the PRC is about to enter into a new period of strategic opportunities. According to the statistics published by the Ministry of Industry and Information Technology of the PRC, China sold 330,000 units of new energy vehicles in 2015, which was 3.4 times that of the previous year and outperformed the United States to become the world's largest new energy vehicles market. Besides, according to the statistics published by Shandong Association of Automobile Manufacturers, 347,000 units of mini electric cars were manufactured in Shandong province in 2015, representing an increase of 53.7% as compared to that of the previous year with its production volume, recording an increase of over 50% for three consecutive years. It is expected that, by 2020, the ownership of new energy vehicles and mini electric cars in China will both surpass 5 million units, which will lead to the continuous and strong growth of lithium motive batteries and lead motive batteries.

After thirty years of development, the Group has developed better comprehensive strength and competitive edges in terms of management, technology and branding. It has also built up a team of core staff members with excellent quality, fine work style and strong implementation capability, which is critical for adapting to the "new normal" phase of the economy and the new requirements of reform as well as winning new market competitions.

The Group's overall development strategy under the "13th Five-Year Plan" is to firmly establish the concepts of innovative, synergistic, green, open and shared development by taking "Made in China Plan 2025" as its guidance and focusing on quality and efficiency. It will also adhere to the main theme of deepening integration of industrialization and informatization and focus on the adjustment and optimization of industrial structure. The Group will structure to safeguard its reform on innovation of system and mechanism and support talent cultivation to further switch its operating model and adjust its structure, thereby comprehensively enhancing its profitability, the level of management, technology, well-being index and brand image, with a view to becoming a world-class new energy solution provider with sustainable growth in every aspect.

2015 • GROWTH AMIDST ADVERSITY

2015 was the last year of China's development under the "12th Five-Year Plan". The Group closely adhered to the main theme of making progress while maintaining stability and focusing on quality and efficiency as well as change and innovation, striving to develop towards the high-end segment of traditional industries and expanding its share in emerging industries. As such, it has achieved an annual sales income of approximately RMB17,804 million and net profit of approximately RMB628 million.

In 2015, the Group became a constituent stock of the Hang Seng Corporate Sustainability Index and received a number of awards, such as Pilot Enterprises of the Standardization of National Circular Economy, Enterprise of Comprehensive Utilization of National Resources, Advanced Enterprises with National Intellectual Property, the first batch of Pilot Enterprises of Product Ecological Design in China, National Industry Leader of Electronic Information, Equipment Contractor of the Chinese People's Liberation Army, and Technology Advancement Award (1st Prize) by China Light Industry Council. It has newly established two key high-tech enterprises with national support (a total of eight enterprises) and continued to maintain a leading position in the industry in terms of economic, social and ecological efficiencies, which has laid a solid foundation for the second take-off of Tianneng's dream.

In 2015, the Group comprehensively deepened its reform of internal marketization mechanism and vigorously promoted the development and upgrade of independent operation entity. It implemented a pilot reform of performance-based security by phases, under which it has established a profit-oriented management mode, rationalized the mechanism to break down its business objectives, and established a pass-through mechanism of market and operation pressure so that the Group became a platform where every employee could give full play of their creativity, which will in turn fully stimulate employees' passion for innovation and entrepreneurship. The Group also comprehensively implemented lean management by focusing on the improvement of quality, reduction of costs and increase of efficiency, which has effectively lowered its manufacturing costs. Meanwhile, it actively embraced the era of "Internet+" and adopted innovative marketing and business mode, thereby achieving the integration of online and offline (i.e. e-commerce and physical stores) and enhancing the potential of the Company's development in the future.

In 2015, the Group continued to accelerate the development of lithium motive batteries for new energy vehicles, constantly strengthened and consolidated its strengths in terms of R&D, production, sales, after-sale services and brand promotion, and continued to improve the power competitiveness, consistency and stability of its lithium batteries. The Group also reinforced its strategic partnerships with new energy vehicle companies including Kandi, Zotye, Holley, Chery, BAIC Motor, Lifan, Dearcar, etc. It had successively introduced 13 leading technical personnel and senior management from abroad, among which 4 personnel were included in the national "Thousand Talents Plan", the provincial "Thousand Talents Plan" and the "211 Talent Program", and formed a high precision and hi-tech R&D team; meanwhile, its new energy lithium motive batteries and system innovation team has also received the title of "Zhejiang Leading Innovation Entrepreneurial Team". The Group has significantly optimized and restructured the board of directors by adding Mr. Zhou Jianzhong as executive director, and Mr. Guo Konghui and Professor Wu Feng as independent directors, respectively. Mr. Zhou Jianzhong is in charge of batteries for new energy vehicles. Mr. Guo Konghui is the initiator of China EV100 and an academician of Chinese Academy of Engineering. Professor Wu Feng is a world expert of lithium batteries and an academician of International Eurasian Academy of Sciences. The addition of these directors has demonstrated the Company's firm determination to aggressively expand the industry chain of motive batteries for new energy vehicles.

The Group continued to consolidate its position in the lead battery industry in 2015, and actively enhanced self-discipline and standardized management of the industry with the government, associations, and peer enterprises, so as to jointly maintain the order in the industry. Due to the mature technologies, high safety, high recycling rate, wide applicable temperature bandwidth, and good combination and consistency of lead batteries, over 90% of electric bikes, electric tricycles and mini electric cars are using new lead motive batteries, providing a promising prospect for future development of lead batteries. The Group actively utilized the advanced technologies, including container information, energy-saving charging with container formation, grid seine, intelligentization and informatization, to accelerate the development of super batteries, lead-carbon batteries and other new products, technologies and skills, optimize production processes, improve production efficiency, reduce energy consumption and improve efficiency.

In 2015, the Group accelerated the implementation of the development strategy of "One Belt, One Road", established the Department of Foreign Trade Business, strengthened the cultivation of talents for foreign trade and expanded its sales outlets in Southeast Asia, Central Asia and Europe.

The Group continued to enhance its brand image in 2015. It shaped a new brand image for Tianneng through various ways, such as the invitation of Jerry Li Chen as its image spokesperson, advertising along high-speed rail, sponsorship to Xiangyue (《鄉約》), renewal of advertisement at stores' entrance, promotional activities via distribution channels, etc. In particular, the Group focused on young consumer groups and launched brand promotional activities by combining major festivals, events and programs and making full use of the Internet and "We Media" such as official website, WeChat and Weibo to further enhance the recognition, reputation, reliability and influence of Tianneng's brand. The Group also won a number of awards, including National Enterprise Culture Achievements in Scientific Research 1st Prize and National Enterprise Modern Management Innovation 1st Prize; while Tianneng Employee Dynamic Art Group was awarded Gold Award of Zhejiang Provincial Dance Competition. The Group has issued Corporate Social Responsibility Report for two consecutive years and it was elected as Vice Chairman Unit of Zhejiang Provincial Association for the Advancement of Social Responsibility.

2016-2020 • SCALING NEW HEIGHTS

2016 is the first year of China's "13th Five-Year Plan" and a critical year for the transformation and upgrade of the battery industry, which is also the 30th anniversary of the establishment of the Group.

The overall plan of the Group in the next five years is as follows: to adhere to the main theme of "Three Stabilities", clarify the main direction of "Four Trends", practically implement "Five Harmonies" and achieve "Six New Goals". In other words, the Group will adhere to the main theme of "making progress, change and improvement while maintaining stability" by focusing on quality and efficiency as well as innovation drivers, and taking the deepening of reform as its driving force. It will work around the main directions of upgrade of traditional industries, increase of production volume of emerging industries, socialization of circulative industries and implementation of new type of business. It will also strive for harmonious development of various business segments, harmonious control of quality and cost, harmonious utilization of markets and resources at home and abroad, harmonious promotion of online and offline services, and harmonious planning of integration of industry and finance. Through the above, it will then be able to achieve new growth of management efficiency, new breakthrough of technical R&D, new change of systems and mechanisms, new improvement of level of management, new development of the "One Belt, One Road" strategy, and new image of brand culture. Moreover, it will accelerate its development towards an international new energy group with leading position in the industry, respect from the community and employee satisfaction, thereby ensuring a good start of the "13th Five-Year Plan", and presenting its excellent performance as a gift to the 30th anniversary of the establishment of the Group.

I am confident that, driven by the concept of "New Energy New World", the Group will continue to aim to become "a world leading new energy solution provider" and adapt to "new normal" phase, integrate new strengths, make new achievements and bring better returns to its Shareholders.

APPRECIATION

I would like to take this opportunity to extend my sincere gratitude to all the employees of the Group for their contribution and hard work and to the Shareholders and business partners for their full support.

Zhang Tianren
Chairman

Hong Kong, 18 March 2016

Mini Public
New Energy Car

BMS

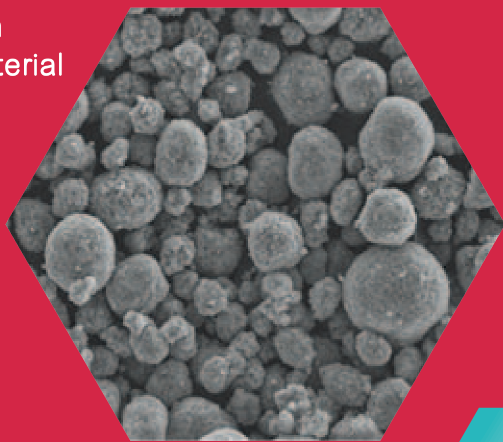
Mission

"New Energy New World"

Vision

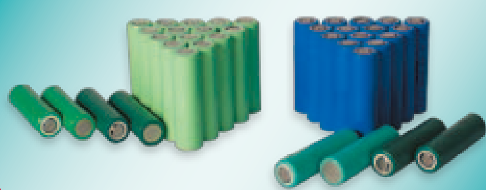
"World Leading New Energy
Solution Provider"

Lithium
Battery Material



Lithium Battery Pack

Lithium Battery Cell



REVIEW OF OPERATIONS

The Group established a profit-oriented business model this year which no longer simply pursued speed and increment, but focused on the improvement of quality and efficiency, and long-term sustainable development so as to adjust the development pace without weakening its advantages and to achieve increase of production volume and better quality.

The Group achieved a turnover of approximately RMB17,804 million (2014: RMB14,044 million), net profit of approximately RMB628 million (2014: net loss of RMB293 million) and operating cash flow of approximately RMB2,010 million (2014: RMB777 million).

Emerging Industries • Substantial Increase of the Percentage of Sales

The Group underwent successful transition to new energy vehicle industry. Its sales of new energy vehicle lithium batteries and mini electric car batteries substantially increased to RMB556 million and RMB1,750 million respectively (2014: RMB180 million and RMB957 million), accounting for 3.1% and 9.8% of the Group's total sales (2014: 1.3% and 6.8%). Old battery recycling business achieved a sales amount of RMB1,253 million, in which RMB550 million representing external sales. This business started to speed up its profit contribution to the Group.

Traditional Industries • Benefits of Industry Consolidation Gradually Emerged

The lead battery industry consolidation that commenced in 2011 will soon come to an end. Our country has set higher entry threshold for the lead battery industry, so the environment of the industry continues to improve. Firstly, production capacity is gradually under control. Secondly, the demand to integrate primary markets and secondary markets remains strong. Thirdly, the industry is beginning to restore its order. All of the abovementioned factors are conducive to enhancing the Group's status in the industry and its bargaining power. At present, 80% of the production capacity of the Group has been included into the "PASS" list of industry standard conditions of the Ministry of Environmental Protection and the Ministry of Industry and Information Technology, ranking the top of the industry.

OPERATING RESULTS

Turnover

The Group's turnover increased from approximately RMB14.0 billion in 2014 to approximately RMB17.8 billion in 2015, representing an increase of approximately 26.8% as compared to the previous year, details of which are set out below.

Lithium motive battery for new energy vehicles: The Group achieved sales of lithium batteries of approximately RMB556 million (2014: RMB180 million), up by approximately 209% year-on-year. The batteries were mainly applied in the products of over 10 new energy vehicle enterprises like Kandi, Zotye, Chery, Holley, BAIC Motor, Lifan, Dearcar, and so on. According to the statistics published by the Ministry of Industry and Information Technology of the PRC, China sold 330,000 units of new energy vehicles in 2015, which was approximately 3.4 times that of the previous year and outperformed the United States to become the world's largest new energy vehicles market.

In January 2016, Tianneng Power became the strategic cooperation supplier of Beijing Dearcar Technology Co., Ltd. to supply lithium batteries for its new energy vehicles. Beijing Dearcar is a new energy vehicle enterprise jointly established by Zotye Auto, a new energy vehicle enterprise, LeTV, an Internet giant, and Dianzhuang, an operator of charging service. Beijing Dearcar is mainly involved in the R&D, manufacture and sales of new energy vehicles to build an ecological lifestyle with smart and interlinking electric cars.

The Group builds up its global competitive strength from various aspects including technological research and development, product quality, customer group, after-sales service, brand image, etc. It has been identified as the "Benchmarking Enterprise of the Application of the Intellectual Property Rights of Industrial Enterprises" by the Ministry of Industry and Information Technology of the PRC and "Pilot Enterprise of the Operation of National Patents" by State

Intellectual Property Office of the PRC, and obtained a total of 1519 national patents. The Group received the "Award of Excellence for Electric Vehicle Technologies" from the electric vehicle branch of Society of Automotive Engineers of China two years in a row in both 2014 and 2015. The R&D team of the industrial chain of lithium battery of the Group comprises of 350 experts, including academicians, experts of the national "Thousand Talents Plan" and the provincial "Thousand Experts Plan", 112 engineering experts and doctors, among which, the new energy motive lithium battery system innovation team was elected as the "2015 Zhejiang Leading Innovation Entrepreneurial Team" (2015年浙江省領軍型創新創業團隊). The team was mainly responsible for the R&D of key materials, battery cell, packing and battery management systems for lithium batteries. At present, the Group is equipped with the bulk production capacity of lithium battery materials, lithium iron phosphate batteries, ternary lithium batteries, manganese-based graphite lithium batteries, intelligent cloud batteries and battery management systems. It is expected the production capacity of lithium batteries will expand up to 2.25GWH. Academician Wu Feng, an independent non-executive Director of the Group, has been elected as the Chairman of the 9th International Conference on Advanced Lithium Batteries for Automobile Applications (ABAA9), a lithium battery conference to be held in Huzhou City, Zhejiang Province in October 2016. In 2015, the Group's R&D expenditure was approximately RMB566 million (2014: RMB405 million), accounting for approximately 3.2% (2014: 2.9%) of sales.

The Group established Zhejiang Tianneng Energy Technology Co., Ltd. (referred to as "Tianneng Energy") in 2004, which is mainly involved in the R&D, production, and sales of lithium motive batteries and has operated for 12 years to date. On 29 December 2015, the Stock Exchange officially approved the spin-off of Tianneng Energy for it to be listed in the New Third Board of the PRC, which would significantly enhance the shareholder value, financing capabilities in the capital market, and brand influence of Tianneng Power. For further details, please refer to the Company's announcements respectively made on 23 November 2015, 29 December 2015, 18 January 2016 and 28 January 2016.

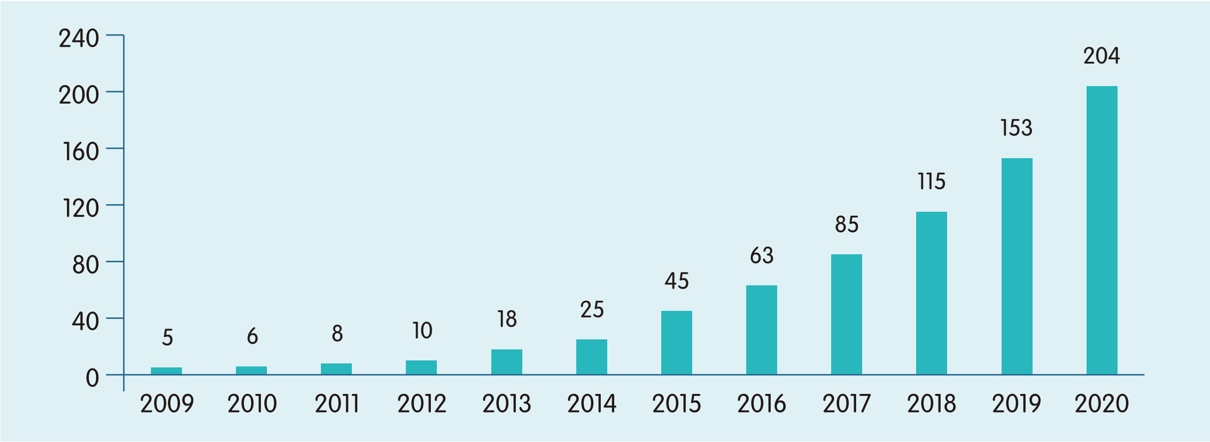
The motive batteries for mini electric cars: The Group achieved a sales of approximately RMB1,750 million (2014: RMB957 million), representing a year-on-year growth of approximately 82.9%. According to the market report issued by Ipsos, the market share of the Group soared to 58% in the Chinese mini electric car battery industry in 2015. The top ten enterprises of the industry, including Yogomo, Shifeng, T-KING, Dojo, Lichi, Dayang, Lifan, Baoya, Senyuan, Zhongtong and other major mini electric car manufacturers, mainly use Tianneng batteries, applying the same on city mini buses, private cars, logistic vehicles, etc. Currently, certain cities in Shandong, Fujian, Sichuan, Henan and other provinces in China have successively launched incentive policies to support the development of mini electric cars. The industry of mini electric cars in China has been developing in controversy. At the annual forum of China EV100 held in Diaoyutai State Guesthouse on 23 January 2016, Chen Qingtai, the CPPCC member and the President of China EV100, stated clearly that, as long as users wished to buy vehicles, enterprises would be willing to manufacture the products, which was a real and reasonable demand. Local governments could first set technical and quality standards of vehicles and clarify the right of roads and include the standards in local traffic management so as to enable a healthy development track for the standards. When the appropriate time comes, the standards can be included in the scope of state administration. If the policies are implemented properly, low-speed electric cars will soon become a huge market with millions of vehicles and thus a key area to boost urban and rural economy and promote economic growth, thereby making huge contributions to society.

In July 2015, China Mini Electric Vehicle Standardization Technical Committee (中國微型電動汽車標準化技術委員會) was established in Beijing, which has officially kick-started the formulation of standards for mini electric vehicles in China. Some rules and administrative regulations encouraging the use of mini electric cars have been released in the United States, Japan and EU countries.

In December 2015, the Group solely organised "The National Top 10 Mini EV Award" and the attending guests commonly recognized that the mini electric car market in China will take off soon. According to the statistics published by Shandong Association of Automobile Manufacturers, 347,000 units of mini electric cars were manufactured in Shandong in 2015, representing an increase of approximately 53.7% as compared to the previous year and the production volume of Shandong recorded an increase of over 50% for three consecutive years. Shandong province has also proposed the target plan to produce 1 million units of mini electric cars every year by 2020. According to Ipsos Industry Reports, by 2020, the ownership of mini electric cars in China will be over 6 million units.

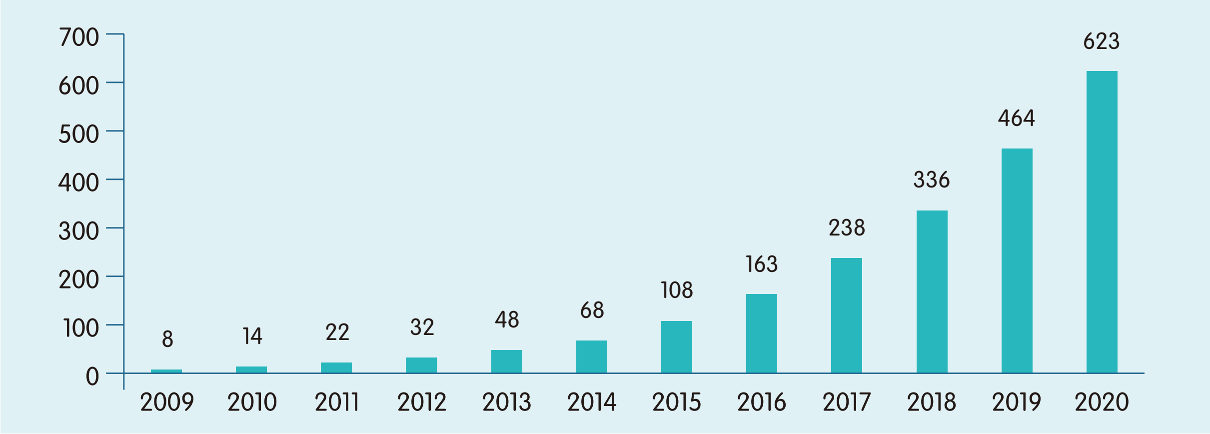
According to the estimation by Ipsos Business Consulting, by 2020, the demands for mini electric cars in China will reach 2.04 million units. The compound annual growth rate from 2015 to 2020 can reach 35% hopefully.

The market demand for mini electric cars in China from 2009 to 2020 (ten thousand units):



Source: Ipsos Business Consulting

The number of ownership of mini electric cars in China from 2009 to 2020 (ten thousand units):



Source: Ipsos Business Consulting

The picture shows joining hands of the heavyweights celebration – The top 10 mini electric car enterprises across China established close cooperation with Tianneng Power, the largest battery company. Mr. Zhang Tianren, the Chairman of the Board of Tianneng Power presenting awards to the responsible persons of the top 10 mini electric car enterprises, including Yogomo, Shifeng, T-KING, Dojo, Lichi, Dayang, Lifan, Baoya, Senyuan, and Zhongtong.

Motive batteries for electric tricycles: The Group achieved sales of approximately RMB3,914 million (2014: RMB2,959 million), up by approximately 32.3% year-on-year. Electric tricycles have both the functions of transportation and loading, and are extensively welcomed in rural areas and second and third-tier cities. The booming express delivery industry basically relies on electric tricycles to deliver the packages for the final one kilometer. On 26 October 2015, the State Council of the PRC issued and printed the Several Opinions on Promoting the Development of Express Delivery Industry (《關於促進快遞業發展的若干意見》) (hereinafter referred to as the "Opinions"). According to the Opinions, by 2020, China will basically realize the following goals: express delivery services in each county and each village can receive packages. The annual business volume of express delivery industry shall reach 50 billion pieces. The national standards for the electric tricycles specifically used for express delivery industry and the regulations on production, use, and management thereof shall be issued and implemented. The rapid development of express delivery industry in the PRC and the acceleration of urbanization will definitely drive the explosive growth of the electric tricycle market. According to Ipsos Industry Report, 15 million units of electric tricycles were sold in China in 2015, up by approximately 30% as compared to the previous year. By 2020, the ownership of electric tricycles in China will reach nearly 100 million units.

Motive batteries for electric bikes: The Group achieved sales of approximately RMB10,816 million (2014: RMB9,354 million), up by approximately 15.6% year-on-year. The Group continued to strengthen its leading position in the industry of motive batteries for electric bikes and actively enhanced industrial self-discipline and standardized management with government, associations, and peer enterprises to jointly maintain the order in the industry. The Group actively utilized advanced technologies like container formation, energy-saving charging with container formation, grid seine, intelligentization and informatization, to accelerate the development of super batteries, lead-carbon batteries, and other new products, technologies and skills, optimize production processes, improve production efficiency, reduce energy consumption, and improve efficiency.

Resources recycling: Under the guidance of the national policies that strongly advocate circular economy and accelerate the construction of ecological civilization, the Group had comprehensively deepened its old battery recycling strategy and had achieved promising performance during the year. The capacity of lead battery recycling of the Group jumped by 88% from 80,000 tons in 2014 to 150,000 tons in 2015, among which, external sales had substantially increased by 29% to approximately RMB550 million, which was the fast growing business segment of the Group and is expected to become an important growth driver for the Group's future development. Currently, the Group boasts two lead battery recycling bases in Eastern China and Northern China and started to plan and prepare the lithium battery recycling model. The Eastern China recycling base located in Changxing, Zhejiang has obtained the only available license for handling old and waste battery recycling in Zhejiang province with a capacity to process 150,000 tons of waste batteries every year. The Northern China recycling base located in Puyang, Henan had started trial production in 2015 with an annual capacity of processing 100,000 tons old batteries. The base in Eastern China was included as the "First Key Promoting Project of Integration of Informatization and Industrialization of Promoting Energy-Saving and Emission Reduction, 1st Batch of Recycled Nonferrous Metal Industry Engineering Research Center, 3rd Batch of Key Technological Modification Project for National Industrial Revitalization, Consolidated Demonstration Project of National Recycled Nonferrous Metal, and Pilot Agent for the National Circular Economy Standardization, by the Chinese government.

Sustainable development: The Group became a constituent stock of the Hang Seng Corporate Sustainability Index during the year, which proved the Group's high level of performance in the aspects of environmental protection, social responsibility and corporate governance.

In 2015, the benefits of consolidation of the lead battery industry began to emerge. The Group achieved an operating cash flow of RMB2.01 billion with an increase of 158% as compared with that in 2014. The net debt ratio had fell sharply from 70.9% in 2014 to 22.0% in 2015. After the remediation of lead-related enterprises since 2011 in China, techniques and equipment have been further improved and higher entry threshold has been imposed while market share has become more concentrated. The environment for the development of the industry continued to improve. Firstly, production capacity was gradually under control. Secondly, the demand to integrate primary markets and secondary markets remained strong. Thirdly, the industry is beginning to restore its order. In 2015, the Group, under the leadership of the governments at various levels and industry associations, accelerated its transformation, upgrade, and technological research and development and worked together with peer enterprises to jointly maintain the healthy development of the industry and share the benefits of industry integration.

According to the Ministry of Environmental Protection and the Ministry of Industry and Information Technology, as of February 2016, only 39 lead battery enterprises in China were included in the "PASS" list of Standardized Conditions of the Industry of Lead Batteries, among which 6 enterprises of the Group were included, accounting for about 80% of the capacity of the Group. At the end of 2011, there were 1,930 lead battery enterprises in China. According to the report of Advanced Lead Acid Battery Consortium which headquartered in London, due to the strengths of lead battery such as low temperature resistance, high safety, high cost efficiency, and recyclability, it is expected that by 2020, lead battery will still hold 59% of the market share of the world's secondary rechargeable battery and continue to maintain its top position among various types of batteries. It will mainly be used in the fields of fuel vehicles, hybrid vehicles, electric cars, electric tricycles, electric bikes, ships, communications, electricity etc., and there will still be huge demand in the market. Following the end of the remediation of lead battery industry in China, the industry will maintain its high entry threshold, and the Group will grasp the opportunities for industry development in the future.

Gross profit

The Group's gross profit and gross profit margin in 2015 were approximately RMB2.43 billion and approximately 13.6 percentage points respectively (2014: approximately RMB1.26 billion and approximately 9.0 percentage points respectively), representing an increase of approximately 92.2% and 4.6 percentage points respectively as compared to the previous year.

Other income

Other income of the Group increased by approximately 18.6% from approximately RMB140 million in 2014 to approximately RMB166 million in 2015. The increase was mainly attributable to the increase in interest income.

Selling and distribution costs

Selling and distribution costs of the Group decreased by approximately 8.3% from approximately RMB652 million in 2014 to approximately RMB598 million in 2015. Such savings in costs was mainly due to the decrease in transportation cost and advertising cost.

Administrative expenses

Administrative expenses decreased by approximately 8.0% from approximately RMB352 million in 2014 to approximately RMB324 million in 2015. Such decrease was mainly due to staff cost, entertainment expenses and transportation fee reduction.

Finance costs

Finance costs decreased by approximately 20.9% from approximately RMB206 million in 2014 to approximately RMB163 million in 2015, which was mainly due to deduction of total loan scale during the year.

Taxation

The Group recorded tax credit of approximately RMB114 million in 2014, and enterprise income tax expenses of approximately RMB118 million in 2015, mainly because the Group turned loss into profit during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The net cash from operating activities for the year of 2015 was about RMB2.01 billion (2014: RMB777 million). In this year, a working capital pool was formed through the synchronous increase of bills receivable and bills payable, capitalisation of accelerated realisation of bills receivable and prolonged payments of bills payable. Meanwhile, the Group had better profit and reduced inventory so as to have a significant increase of the overall cash flow of 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 2015, the bank balances and cash (including the pledged bank deposits) of the Group was approximately RMB2.13 billion (31 December 2014: approximately RMB1.79 billion). As at 31 December 2015, the Group obtained undrawn banks facilities of approximately RMB2.53 billion (31 December 2014: approximately RMB1.78 billion). The bank balances and cash (including the pledged bank deposits) of RMB2.01 billion, RMB110 million and RMB1.98 million are denominated in Renminbi, Hong Kong Dollars and US Dollars respectively. As the bank balances in Hong Kong Dollars and US Dollars collectively accounted for only approximately 5.3% of the total balances, the Group's relevant exchange risk is low.

As at 31 December 2015, the Group's held-for-trading investments were approximately RMB93 million (31 December 2014: nil). During the investment process, the Group fully considered the use of funds, reasonable returns, liquidity and market conditions and other factors, and prioritised the control of associated risks to implement the Group's prudent financial policies.

As at 31 December 2015, the net current assets of the Group were approximately RMB734 million (31 December 2014: net current liabilities of approximately RMB241 million). Based on the growing business scale 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 requirement for operations. The Company is able to control the level of its liabilities and financial risks.

As at 31 December 2015, the bank borrowings and loan notes (together as "interest bearing loans") of the Group with maturity of within one year totally amounted to approximately RMB822 million (31 December 2014: approximately RMB2.5 billion). The interest bearing loans of the Group with maturity of more than one year amounted to approximately RMB1.34 billion (31 December 2014: RMB1.07 billion). The interest bearing loans of RMB1.97 billion carried fixed and variable interest rates ranging from 3.94% to 8.00% (2014: 3.15% to 8.00%) per annum. The interest bearing loans amounting to HK$188 million carried a fixed interest rate of 1.64% per annum (2014: nil). The Company will closely monitor the changes in interest rate and assess the interest rate risk.

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

FINANCIAL POSITION

Assets

As at 31 December 2015, the total assets of the Group were approximately RMB10,546 million, representing an increase of 21.0% as compared to approximately RMB8,714 million as at 31 December 2014. Among them, non-current assets increased by approximately 0.7% to approximately RMB4,122 million and current assets increased by approximately 39.0% to approximately RMB6,424 million. The major reason for the increase of non-current assets was due to the capital expenditure on production plants (mainly lithium batteries plants and recycling plants). The increase in current assets was mainly attributable to the increase in bills receivable and pledged bank deposits.

Liabilities

As at 31 December 2015, the total liabilities of the Group were approximately RMB7,079 million, representing an increase of approximately 18.6% as compared to approximately RMB5,968 million as at 31 December 2014. Among them, current liabilities increased by approximately 17.1% to approximately RMB5,691 million, mainly due to the increase in bills payable. Non-current liabilities increased by approximately 25.5% to approximately RMB1,388 million, mainly due to the increase in long-term interest bearing loans.

ANALYSIS BY KEY FINANCIAL KPIs

Profitability:

	2015	2014
Return on equity ("ROE")	**18.1%**	N/A
Gross profit margin ("GM")	**13.6%**	9.0%
Net profit margin ("NM")	**3.5%**	N/A

The GM increased by 4.6 percentage points from 9.00% in 2014 to 13.6% in 2015, the main reason was that the higher gross margin business segments including lithium motive battery and the pure electric car battery which accounted for a higher percentage of the overall sales turnover helped to push up the GM in 2015. On the other hand, the unit production cost of the main products reduced by about 12.0%. The driving forces include the reduction of OEM production proportion, optimization of production management and lower market price of "lead".

As the Group successfully turned into net profit in 2015 from net loss in 2014, resulting in positive indices for both ROE and NM in 2015 ("N/A" in 2014).

Liquidity:

	2015	2014
Current ratio	**1.13**	0.95
Quick ratio	**0.89**	0.63

Both the ratios above for 2015 improved when comparing with those of 2014, mainly due to current assets increased at a greater extent as compared to that of the liabilities.

Operating Cycle:

	2015	2014
Inventory turnover day	**34**	49
Account receivables turnover day	**11**	11
Account payables turnover day	**24**	22
Bills and account receivables turnover day	**35**	27
Bills and account payables turnover day	**46**	27

The inventory turnover day increased by 15 days to 34 days in 2015 due to the 14% reduction in inventories and the 20.3% increase of cost of goods sold in 2015 respectively. Account receivables turnover day for both 2014 and 2015 were both 11 days. Account payables turnover day for 2015 increased by 2 days, mainly due to the increase of account payables. Bills and account receivables and payables turnover days increased by 8 days and 19 days respectively, resulting from the respective increase of 196% and 748% for the amounts of account receivables and payables at the end of 2015 comparing with those at the end of 2014.

Capital:

	2015	2014
Net debt tatio	**22.0%**	70.9%
Interest coverage ratio (Note)	**6.55**	0.10

Note: EBITDA divided by total interest expenses

As the interest bearing debt ("Debt") and the cash and bank balances as at 31 December 2015 were RMB2.16 billion and RMB1.40 billion respectively, thus the net Debt was RMB760 million. The net debt ratio had a substantial reduction from 70.9% to 22.0%. The establishment of working capital reserve effectively built up bills payable to replace the Debt and cut down the Debt by RMB 1.41 billion from RMB 3.57 billion as at the end of 2014 to RMB 2.16 billion as at the end of 2015.

The interest coverage ratio improved significantly, mainly due to turning to net profit in 2015 from net loss in 2014 and the reduction of interest expenses arising from scaling down of the Debt.

Return of Shareholders:

	2015	2014
Earning (loss) per share ("EPS")	**RMB 0.548**	RMB(0.274)
Dividend payout ratio ("DPR")	**30% (Note)**	N/A

Note: the index is derived from the dividend to be proposed by the Company's board of directors for 2015, which is subject to approval at the annual general meeting.

The EPS changed from negative in 2014 to positive in 2015 because of turning to net profit in 2015 from net loss in 2014. The same reason also applied to the DPR. 30% DPR policy was consistently adopted since 2007.

CAPITAL EXPENDITURE

The capital expenditure in 2015 was approximately RMB487 million (2014: approximately RMB837 million). A majority of expenditure was incurred on the construction of lithium batteries production plants, Heping base in Changxing, Puyang base in Henan, Shuyang 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 2015 was approximately RMB322 million (31 December 2014: approximately RMB685 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 2015 was approximately 20.5% (31 December 2014: approximately 41.0%).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

As the Group's operations were mainly conducted in China and the majority of businesses were transacted in Renminbi, the Board is of the view that the Company 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 rate risk 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 2015 (31 December 2014: nil).

PLEDGE OF ASSETS

As at 31 December 2015, the bank facilities of the Group were secured by bank deposits, bills receivables, property, plant and equipment and prepaid lease payments. The aggregate net book value of the assets pledged amounted to approximately RMB2.092 billion (31 December 2014: RMB518 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2015, the Group employed a total of 18,127 employees (31 December 2014: 18,268 employees). Staff costs excluding directors' emoluments of the Group for the year of 2015 amounted to approximately RMB1,154 million (2014: RMB1,032 million). The costs included basic salaries and benefits as well as staff benefits such as discretionary bonus, medical and insurance plans, pension scheme (including the schemes under the statutory requirement of the government such as pension insurance in China and mandatory provident fund in Hong Kong), unemployment insurance plans and share option scheme etc. Competitive remuneration packages were offered to employees. The Company has adopted incentive programs (including share option scheme) to encourage employee performance and provided a range of training programs for the development of its staff.

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

SIGNIFICANT INVESTMENTS HELD

Save as the held-for-trading investments of approximately RMB93 million which comprised of equity securities listing in Hong Kong and Mainland China, there were no other significant investments held by the Group as at 31 December 2015 (31 December 2014: Nil). During the year under review, the Group recorded a net loss of approximately RMB12.4 million (2014: net gain of approximately RMB3.4 million) for held-for-trading investments as the capital market was under fluctuation. Such investment's future prospect remains uncertain under the fluctuating capital market.

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal during the year.

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

Please refer to the paragraphs headed "Share capital and issue of securities" as set out in the "Directors' Report" section of this annual report for the purchase, sales and redemption of the Company's shares in this year.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Please refer to note 4 to 6 to the consolidated financial statements for other risks and uncertainties.

POST BALANCE SHEET EVENT

As disclosed in the Company's announcement dated 18 January 2016, Zhejiang Tianneng Energy Technology Co. Ltd., the Company's then wholly-owned subsidiary, ("Tianneng Energy"), as the issuer, entered into a subscription agreement with Tianneng Battery Group Co., Ltd. (an indirect wholly-owned subsidiary of the Company ("Tianneng Battery"), Zhejiang Changxing Tianneng Power Supply Co., Ltd. (an indirect wholly-owned subsidiary of the Company) ("Tianneng Power Supply"), 長興天昊投資管理合夥企業 (Changxing Tianhao Investment Management Partnership Enterprise*) (the "Partnership A"),長興天澤投資管理合夥企業 (Changxing Tianze Investment Management Partnership Enterprise*) (the "Partnership B") and 長興天順投資管理合夥企業 (Changxing Tianshun Investment Management Partnership Enterprise*) (the "Partnership C") on 18 January 2016 in respect of the subscription of an aggregate of 40% of the enlarged equity interests in Tianneng Energy for an aggregate consideration of RMB114,240,000. On 28 January 2016, the Company received the relevant written regulatory approval for the subscription contemplated under the above subscription agreement (which approval dated 27 January 2016). Upon completion of the subscription which took place on 27 January 2016, Tianneng Energy is indirectly held as to approximately 60% by the Company (through Tianneng Battery as to 54% and Tianneng Power Supply as to 6%), approximately 36% by Partnership A and Partnership B, and approximately 4% by Partnership C. Tianneng Energy remains a subsidiary of the Company under the Listing Rules and its account will continue to be consolidated in the accounts of the Company. Please refer the announcements of the Company dated 18 January 2016 and 28 January 2016 for further information.

FUTURE DEVELOPMENT

For the Group's future plans and development, please refer to the "2016 – 2020 Scaling new heights" section in Chairman's statement.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group strives to maintain good communication with our stakeholders. The participation of stakeholders may facilitate the sustainable development of the Company in various aspects, such as market operation, working environment, community participation and environmental protection. The Company holds a general meeting every year, so as to enhance the Company's communications with its shareholders. In appreciation of the support of our shareholders, the Company has consistently implemented a 30% dividend policy.

The Group always follows its contractual commitment and carries out its operation with integrity in a thoroughgoing manner. "Integrity" has been well incorporated into the Company's brand culture, which serves as one of its code of conduct for operation and management. The Group emphasizes that the commitments to our stakeholders, including our customers, employees, working partners, the government and the community, should be strictly implemented and no dishonest acts such as dishonest advisement, dishonest statement or dishonest news would be allowed, in pursuit of establishing itself as a down-to-earth and honest company which acts in good faith.

The Group insisted on fair competition and continued to step up our efforts in the development of a multi-parties system. The Group also made strenuous efforts in anti-corruption to eliminate all commercial bribery and corruption activities. In 2015, the Group formulated various documents to further optimize its discipline inspection and supervision system, including Provisional Regulations on Discipline Inspection and Supervision by the Audit and Supervision Center of Tianneng Group (《天能集團審計監察中心紀檢監察工作暫行規定》), Administrative Measures for Honest Business Practice of Sensitive Positions of Tianneng Group (《天能集團敏感崗位廉潔從業管理辦法》) and Incentive Measures for Whistle-blowing of Violations of Discipline or Regulation (《關於舉報違紀、違規的獎勵辦法》).

The Group adhered to the principle of "Quality First, Customer Foremost". Through "Six Caring Systems (六大關愛體系)" and "Five Cs Service Standards (五心服務標準)", the Group worked diligently to improve our customer service system, enhance customer service quality and establish long term cooperation relationship with a number of clients. The Group also worked hard to protect consumers' interests and continued to increase their level of satisfaction. The Group attached great importance to maintain close communication with consumers through measures such as actively establish a communication platform for consumers, regularly conduct consumer research and study and launch consumer satisfaction survey, so that it may closely monitor the demand and expectation of consumers and, on such basis, enhance the market adaptability of its products. In 2015, in terms of regions and channels, the Group has held a total of 37 conferences targeting our distributors and a total of 293 (for distributors in various regions) other events, including Tianneng and Huiyuan brand press conferences, new product launch events and customer appreciation meetings.

The Group actively explored effective ways to manage the supply chain and made a dedicated effort in establishing an evaluation system for responsible supplier. The system will act as an initiative to educate the suppliers a scientific concept of social responsibility and sustainable development, which will help promoting the mutual development of the suppliers and the Group in aspects such as concept, strategy, model and management.

The Group advocated a production concept of "Safety First as Life is Priceless" and continued to develop an integrated management system comprising of the Environmental Management System (EMS) and the Occupation Health Safety Management System (OH&SMS), namely Environment, Health and Safety management system (i.e. EHS integrated management system). The Group is always committed to its harmonious development with the environment. The Group developed a ground-breaking and highly effective EHS integrated management system in its management practices. The system can classify and breakdown our EHS goals and thus promote the transformation of production model from extensive growth to intensive growth, thereby developing recycle economy and achieving green ecological civilisation development.

Besides, the Group adheres to the principle of fair recruitment and respects and treats its employees from different background fairly without any gender or racial discrimination, with a view to create a win-win working environment. The Group also respects and upholds the convention and labor standard for international staff and prohibits any form of child labour. In order to protect against occupational diseases, the Group has developed healthy profiles for all staff members, and provided health check to staff once a year. In terms of systems, the Group has sound Occupation Health Safety Management System in place and has obtained OHSAS18000 system certification. The Group actively promoted its "Five Cs Projects (五心工程)", namely "Comfort Project (安心工程)", "Confidence Project (放心工程)", "Caring Project (貼心工程)", "Compassionate Project (暖心工程)" and "Cooperative Project (連心工程)", showing its care for both spiritual and physical wellbeing and person growth of the staff, which will help our staff to become real "Tianneng-er" who would feel happy and proud of his/her job.

The Group is committed to fulfilling its corporate social responsibility as a support to economic and social development in the region. It mainly focuses on three areas, namely: 1. Volunteering services; 2. Educational support; and 3. Alleviating the poor and underprivileged to move on to the future. The Group will actively and thoroughly implement the five new major development concepts of "innovation, coordinated and green development, opening up and inclusiveness" proposed by the party and the government and push forward the development of "Two beauties of Zhejiang (兩美浙江)", which will in turn contribute to the development of "A Beautiful County (美麗中國)" and "A Wealthy Country (富強中國)". The Group will also uphold our core value of "Responsibility as the soul and Innovation for win-win scenario (責任為魂，創新共贏)" by putting in its all-out efforts to capture the opportunities under the current circumstances and comprehensively building up our soft strengths, which encompasses five key elements, namely "Development of the Party, Nurture of Culture, Brand Building, Accountability and Performance". On the other hand, the Group will do our utmost in pursuit of providing the best products and services, developing extraordinary business and creating the highest value as our earnest reward to all of its customers, staff and working partners, thereby building better lives for all with our joint efforts.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 12 May 2016 to Wednesday, 18 May 2016, 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 duly completed transfer forms, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 11 May 2016.

Further, the register of members of the Company will be closed from Wednesday, 1 June 2016 to Friday, 3 June 2016 (both days inclusive). In order to establish entitlements to the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 31 May 2016.

EXECUTIVE DIRECTORS

Dr. ZHANG Tianren
(張天任)

Aged 53, 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 30 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 addition to his key position in our Group, Mr. ZHANG has held various roles in the new energy, battery and other related industries in China. Mr. ZHANG is currently 1) a vice chairman of the Asian Photovoltaic Industry Association, 2) 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), 3) vice council chairman of the China Energy Association, 4) vice council chairman of China Industrial Association of Power Sources, 5) vice council chairman of China Battery Industry Association, 6) vice council chairman of China Electrical Equipment Industry Association, 7) member of China EV100, 8) 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) and 9) the visiting professor of Zhejiang Sci-Tech University.

Mr. ZHANG was elected as 1) a member of the 12th National People's Congress in 2013 and awarded as 2) one of the World Outstanding Chinese at 11th World Outstanding Chinese Award, 3) 1st New Technological Merchants in Zhejiang, 4) 2009 Outstanding Zhejiang Merchants, 5) Top Ten Influential Persons of the PRC Electric Appliance Industry 2009, 6) 2012 Bauhinia Cup Outstanding Entrepreneur, 7) the 2012 Ernst & Young Entrepreneur of the Year, 8) 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 is the sole shareholder and sole director of Prime Leader Global Limited (the controlling Shareholder of the Company).

Mr. ZHANG Aogen
(張敖根)

Aged 58, 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 29 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.

Mr. CHEN Minru
(陳敏如)

Aged 56, 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 a qualified accountant, a senior economist and an affiliated member of the Association of International Accountants. He has 37 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 62, is our executive Director and vice-president and is fully responsible for the business of the production base of our Group in Jieshou. Mr. SHI joined Zhejiang Changxing Storage Battery Factory in 1989 and was promoted as deputy factory manager of Zhejiang Changxing Storage Battery Factory in 1990. He acted as deputy general manager of Tianneng Battery in 2003 and was appointed as the standing deputy general manager of Tianneng Battery in 2010. In September 2013, Mr. SHI was appointed as the chairman of Tianneng Battery (Anhui) Co., Ltd. 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 26 years of management experience in rechargeable battery enterprises.

Mr. ZHANG Kaihong
(張開紅)

Aged 58, 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 29 years of experience in research and development, quality control and corporate management of rechargeable battery products.

Mr. ZHOU Jianzhong
(周建中)

Aged 45, is our executive Director and vice president. Mr. ZHOU is in charge of the sales management centre and also takes charge of Tianneng Battery Group Co., Ltd. and Zhejiang Tianneng Power Energy Co., Ltd. Mr. ZHOU joined the Group in 1996 and has been the head of market management section and 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 21 years of experience in the sales and management of rechargeable batteries and corporate management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. GUO Konghui (郭孔輝)

Aged 81, was appointed as an independent non-executive Director in June 2015. Mr. GUO graduated from Jilin University in 1956 with a bachelor degree of science. Mr. GUO is currently the honorary dean, professor and tutor of PHD students of the College of Automotive Engineering of Jilin University. Mr. GUO led a number of fundamental scientific research projects of Chinese automobile industry and the development and production of the new FAW automobiles. Mr. GUO is reputed as a pioneering scholar in the field of automobile who has introduced the system dynamics and the random vibration theory to the research of automobile vibration and loading, a major founder of mechanics of automobile tyre in China and a major pioneer and leader in the field of pursuing steadiness and smoothness of Chinese automobile operations. Mr. GUO was elected as one of the first batch of academician of Chinese Academy of Engineering in 1994. Mr. GUO is currently an independent director of Hualing Xingma Automobile (Group) Co., Ltd. and Zhejiang Shibao Company Limited, which are listed companies on Shanghai Stock Exchange and Shenzhen Stock Exchange in China, respectively.

Mr. WU Feng (吳鋒)

Aged 65, was appointed as an independent non-executive Director in June 2015. Mr. WU graduated from Taiyuan Institute of Technology (太原工學院) in 1981 with a master degree of engineering. In 2014, Mr. WU was awarded an honorary doctorate degree by the University of Massachusetts Boston in America. Mr. WU is currently the professor, tutor of PHD students and the chief professor of the energy and environmental materials discipline of Beijing Institute of Technology and the academician of the International Eurasian Academy of Sciences. Mr. WU takes the lead in the field of new secondary battery and related energy resources in China. He took charge of and undertook multiple important and key national researches and special projects. Mr. WU was appointed as the "Chief Scientist of the Special Project of New Secondary Battery of National (973) Key Basic Research Program" by the Ministry of Science and Technology of the PRC for three times in a row. Mr. WU is currently an independent director of Sichuan Tianqi Lithium Industries Inc. and BST Power (Shenzhen) Limited, which are listed companies on Shenzhen Stock Exchange and the National Equities Exchange and Quotations, respectively.

Mr. HUANG Dongliang (黃董良)

Aged 60, 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 Medicine Co., Ltd. (浙江醫藥股份有限公司) and Lander Sports Development Co., Ltd. (萊茵達體育發展股份有限公司), which are listed companies on Shanghai Stock Exchange and Shenzhen Stock Exchange in China, respectively.

SENIOR MANAGEMENT

Mr. ZHAO Haimin
(趙海敏)

Aged 51, is the vice-president of the Group. Mr. ZHAO is responsible for managing the research centre as well as the quality of technology and informationalization of the Group. Mr. ZHAO joined us in 2004 as an assistant to the general manager and deputy general manager, etc. of Tianneng Battery Company. Mr. ZHAO was responsible for after-sale services, human resources and sales management of the Group, during which he organized and implemented the first tracking system of laser printing for quality and after-sale informationalization and the introduction of overseas high-end talents under the national "Thousand Talents Program" (國家千人) in respect of the field of new energy. Mr. ZHAO graduated from Bengbu Industrial Technology Institute (蚌埠工業技術學校), majoring in textile. Later, he attended a vocational school and a university for corporate management and was enrolled in the MBA programme in China University of Geosciences in 2009. Mr. ZHAO is a senior engineer. He has extensive knowledge in non-woven fabrics and battery separators. Prior to joining us, Mr. ZHAO was an assistant to the general manager in Huzhou KINGSAFE Group Co., Ltd. (湖州金三發集團) and was responsible for the management of technology, production and sales.

Mr. WANG Zhikun
(王志坤)

Aged 46, is the vice-president of the Group and a director of Tianneng Innovative Investment Management Co., Ltd (天能創新投資管理公司). Mr. WANG is responsible for the capital market, securities investment and combination of industrial and financial institutions of the Group. He joined the Group in 2005. He was appointed as listing office director, manager of securities investment, chief investment officer, Head of President Office and a member of the investment decision committee. Mr. WANG was promoted as our vice-president in 2010. Mr. WANG is a senior economist with 23 years of experience in investment management who holds a bachelor degree of engineering, a master degree of business administration and the qualification of secretary to the board of directors of Shanghai Stock Exchange. Mr. WANG also acts as the chief secretary of Huzhou Technical Equipment Industry Association (湖州市科技裝備商會) and committee member of Huzhou Senior Economist Appraisal Committee (湖州市高級經濟師評審委員會). 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.

Mr. LAU Siu fai (劉兆輝)

Aged 46, 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 22 years of managerial working experience in private equity, 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 fellow member of Hong Kong Institute of Certified Public Accountants.

Ms. HUI Wai Man, Shirley (許惠敏)

Aged 48, 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 member 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 26 years of professional experience in public accounting and corporate financing.

Ms. WANG Jing (王靜)

Aged 52, 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 35 years of financial management experience. Ms. WANG graduated from Hangzhou Institute of Electrical Engineering in Industrial Accounting in July 1988 and attended the advanced seminar of modern management (CFO) in Zhejiang Institute of Finance & Economics from June 2008 to June 2009. Prior to joining us, Ms. WANG worked in Zhejiang Leomax Cement Company Limited (浙江三獅水泥股份有限公司), Huzhou Kingsafe Group (湖州金三發集團) and Huzhou Tianheng United CPA Firm (湖州天衡聯合會計師事務所) and was responsible for the financial management and audit.

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 2015 to 31 December 2015 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 2015, 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 2015, 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. Zhou Jianzhong. 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. Guo Konghui, Mr. Huang Dongliang and Mr. Wu Feng. Mr. Huang Dongliang has appropriate professional accounting experience and expertise.

All directors of the Company (the "Directors" and each of the Directors a "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 35 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 sufficient autonomy by the Board to handle the daily ordinary course of administration and management, when the Board delegates aspects of its management and administration functions to 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.

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

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

– Dividend distribution or other distributions;

– Treasury policy, accounting policy and remuneration policy;

– Review on internal control system and risk management;

– Changes to major 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 follows:

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

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

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

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

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

The Company held nine Board meetings and one general meeting during the year ended 31 December 2015. 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	9/9	1/1
Mr. Zhang Aogen	7/9	1/1
Mr. Chen Minru	9/9	1/1
Mr. Zhang Kaihong	7/9	1/1
Mr. Shi Borong	7/9	1/1
Mr. Zhou Jianzhong (appointed with effect from 27 March 2015)	6/8	1/1
Mr. Yang Lianming (resigned with effect from 27 March 2015)	0/0 (note)	0/0 (note)
Independent Non-executive Directors:		
Mr. Ho Tso Hsiu (resigned with effect from 6 June 2015)	4/5	1/1
Mr. Huang Dongliang	8/9	1/1
Mr. Wang Jingzhong (resigned with effect from 6 June 2015)	4/5	1/1
Mr. Guo Konghui (appointed with effect from 6 June 2015)	3/4	0/0 (note)
Mr. Wu Feng (appointed with effect from 6 June 2015)	4/4	0/0 (note)

Note: No meeting(s) were held during the relevant period of appointment.

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

Mr. Ho Tso Hsiu (resigned with effect from 6 June 2015)	11 June 2014 to 10 June 2015
Mr. Huang Dongliang	11 June 2015 to 10 June 2016
Mr. Wang Jingzhong (resigned with effect from 6 June 2015)	11 June 2014 to 10 June 2015
Mr. Guo Konghui (appointed with effect from 6 June 2015)	6 June 2015 to 5 June 2016
Mr. Wu Feng (appointed with effect from 6 June 2015)	6 June 2015 to 5 June 2016

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.

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 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 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 Provision 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 discusses 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 took 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 within the Board.

Directors' Training

Pursuant to Provision A.6.5 of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors have been given relevant 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 2015 to 31 December 2015, 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. Zhou Jianzhong, Mr. Guo Konghui, Mr. Huang Dongliang and Mr. Wu Feng, 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 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 she took 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 Secretary of the Board 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 of the Company in Hong Kong marked with the attention of the Company Secretary. The requisitionists must state in their request(s) the objects of the extraordinary general meeting to be convened, and such request must be signed by all the requisitionists. Upon receipt, the Company will verify the requisitionists' particulars and if the request is in order, the Company will convene the extraordinary general meeting in accordance with its 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 2015, the Remuneration Committee had three members, comprising Mr. Wu Feng (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.

The Remuneration Committee shall meet at least once a year. Two committee meetings were held in 2015 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 (resigned with effect from 6 June 2015)	2	1
Mr. Huang Dongliang	2	2
Mr. Chen Minru	2	2
Mr. Wu Feng (appointed with effect from 6 June 2015)	0(note)	0

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 2015, the Nomination Committee had three members, comprising Mr. Zhang Tianren (Chairman) (executive Director), Mr. Huang Dongliang and Mr. Wu Feng (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. Two committee meetings were held in 2015 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	2	2
Mr. Huang Dongliang	2	2
Mr. Wang Jingzhong (resigned with effect from 6 June 2015)	2	1
Mr. Wu Feng (appointed with effect from 6 June 2015)	0(note)	0

Note: No meeting(s) were held between 6 June 2015 to 31 December 2015.

REMUNERATION OF THE SENIOR MANAGEMENT

The remuneration of the senior management of our Group for the year ended 31 December 2015 falls within the following band:

	Number of individuals
Nil to RMB1,000,000	5

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 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 2015.

AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with the Rule 3.21 of the Listing Rules. As at 31 December 2015, the Company's Audit Committee comprised three independent non-executive Directors, namely Mr. Huang Dongliang (chairman), Mr. Guo Konghui and Mr. Wu Feng.

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

The written terms of reference, which describes the authority and duties of the Audit Committee, are regularly reviewed and was updated by the Board to comply with Provision C.3.3 of the Code in 2015. The Audit Committee held two meetings during the year ended 31 December 2015. 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 (resigned with effect from 6 June 2015)	1	1
Mr. Wang Jingzhong (resigned with effect from 6 June 2015)	1	1
Mr. Guo Konghui (appointed with effect from 6 June 2015)	1	0
Mr. Wu Feng (appointed with effect from 6 June 2015)	1	1

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 statements 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. With effect from 1 January 2016, the Audit Committee will also oversee the Group's risk management system.

The Audit Committee reviewed and discussed with the management and independent external auditors the Group's financial statements for the year ended 31 December 2015. 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 2015 and the year ended 31 December 2015, 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 2016.

COMPLIANCE ADVISER

To better perform the responsibility set out in Listing Rule, the Company engaged Convoy Capital Hong Kong Limited as its compliance adviser. The term of service is effective from 17 July 2015 to the issue date of this annual 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 2015. Deloitte has also reviewed the 2015 unaudited interim financial report of the Company, prepared under HKFRSs.

During the year ended 31 December 2015, the fee paid and payable to Deloitte in respect of audit and audit related services amounted to approximately RMB1.7 million. In respect of non-audit services, the fees paid and payable to Deloitte relating to review on interim financial report amounted to approximately RMB0.5 million.

INTERNAL CONTROL AND RISK MANAGEMENT

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 2015. 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.

Going forward, the Company will conduct regular reviews of the Company's internal control and risk management systems and their 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 63.

CONSTITUTIONAL DOCUMENTS

There are no significant changes in the Company's constitutional documents during the year ended 31 December 2015.

Environmental Protection and Community Relations

The picture shows Tianneng Employee Dynamic Art Group winning the Gold Award
Zhejiang Provincial Dance Competition

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 with the regulatory requirements on environmental protection.

In 2015, 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. Regarding the list of approval of environmental protection inspection released by the Ministry of Environmental Protection and the list of approval of industry access inspection released by the Ministry of Industry and Information Technology, a total of 6 companies under the Group were among such lists, ranking the top 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.

In 2015, to the best knowledge of the Directors, the Group complied with the relevant laws, rules and regulations that have a significant impact on the Group.

Meanwhile, the Group will publish the Environmental, Social and Governance Report (ESG Report), 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.

CONTINUING CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group for the year ended 31 December 2015 are disclosed in Note 35 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 them, 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 required to be disclosed by the Group in this section in accordance with Listing Rules. 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 Hong Kong Stock Exchange.

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, Zhejiang Changxing Tianneng Power Supply Co., Ltd. ("Tianneng Power Supply"), a wholly-owned subsidiary of the Company, entered into new procurement agreements (the "Procurement Agreements") with certain connected sales representatives on 4 December 2012 to renew the relevant transactions for a term of three years ended 31 December 2015.

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 were in force during the year 2015 is set out below:

	Name of the Connected Sale Representatives	Name of related Directors	Relationship
1.	CHEN Qinfeng (陳勤峰)	ZHANG Tianren (張天任) ZHANG Aogen (張敖根)	Nephew
2.	ZHANG Zhiming (張志明)	ZHANG Kaihong (張開紅)	Nephew
3.	WU Fuhua (吳富華)	ZHANG Kaihong (張開紅)	Cousin
4.	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 Group commenced its business. While non-connected persons might not be very interested in the industry, the management of Tianneng Battery Group convinced the Connected Sales Representatives joining our business.

The Connected Sales Representatives primarily represented Tianneng Battery Group 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 Group 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 2015, there were a total of 20 (2014: 20) Sales Representatives, out of which 4 (2014: 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 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.

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 2015 in respect of the new Procurement Agreements with the Connected Sales Representative was RMB42 million (2014: RMB30 million).

Actual transaction value during the year

The total commissions amount under the Procurement Agreements during the year ended 31 December 2015 was RMB3.537 million (2014: RMB5.216 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, Tianneng Power Supply entered into new distribution agreements (the "Distribution Agreements") with certain connected exclusive distributors 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 ended 31 December 2015.

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 in relation to which the relevant Distribution Agreements were in force during the year 2015 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) (resigned with effect from 27 March 2015)	Brother-in-law
3.	YANG Lianzhen (楊連成)	YANG Lianming (楊連明) (resigned with effect from 27 March 2015)	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
6.	CHEN Jianzhong (陳建忠)	ZHOU Jianzhong (周建中)	Spouse brother

Reasons for the transaction

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

The Connected Exclusive Distributors are primarily authorised by Tianneng Battery Group 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 2015, there were a total of 1,760 (2014: 1,806) Exclusive Distributors, out of which 6 (2014: 5) were Connected Exclusive Distributors. As these Connected Exclusive Distributors have been working with us for a 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 strategy

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 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.

Annual cap

The annual cap for the year 2015 in respect of the Distribution Agreements with the Connected Exclusive Distributors was RMB185 million (2014: RMB165 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 2015 was approximately RMB86.57 million (2014: RMB96.9 million).

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2015.

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 36 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 64. The Directors propose to declare a final dividend of HK31.80 cents per Share (2014: Nil).

PROPERTY, PLANT AND EQUIPMENT

During the year, approximately RMB364 million and RMB347 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 RMB170 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.

BUSINESS REVIEW

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

SHARE CAPITAL AND ISSUE OF SECURITIES

During the year, the Company repurchased a total of 4,500,000 Shares of HK$0.10 each in the capital of its own shares on the Stock Exchange, details of which are as follows:

Date of repurchase	Number of Shares repurchased	Highest price paid per Share (HK$)	Lowest price paid per Share (HK$)	Approximate aggregate consideration (HK$) (exclude relevant expenses)
8 July 2015	3,300,000	2.75	2.45	8,800,680
21 July 2015	1,200,000	3.80	3.64	4,494,400
	4,500,000			13,295,080

The issued share capital of the Company was reduced by the par value of the repurchased Shares which had been cancelled on 29 July 2015. The repurchases of Shares were effected by the Directors pursuant to the general mandate to repurchase Shares which was duly approved by the Shareholders at the annual general meeting of the Company held on 16 May 2015.

The repurchases were made for the benefit of the Company and the Shareholders as a whole with a view to enhancing the net assets value per share of the Company/earnings per Share.

During the year, 31,450,000 Shares were issued pursuant to the exercise of share options at a subscription price of HK$3.18 per Share and 4,910,500 Shares were issued pursuant to the exercise of share options at a subscription price of HK$2.90 per Share pursuant to the share option scheme adopted by the Company on 26 February 2007, which resulting in 36,360,500 shares were issued in total.

Details of the movement during the year in the share capital of the Company are set out in note 29 to the consolidated financial statements.

As at 31 December 2015, two tranches of corporate bonds in an aggregate amount of RMB800 million (2014: RMB800 million) issued by Tianneng Battery Group Co., Ltd., a wholly-owned subsidiary of the Company, to PRC domestic institutional investors for a term of 5 years and 6 years respectively remained outstanding. 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.

Except as disclosed above, 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

As at 31 December 2015, the Company's reserve available for distribution amounted to approximately RMB927 million (2014: RMB 621 million). Under the Company Law (Revised) Chapter 25 of the Cayman Islands, the share premium of the Company is available for distribution or paying dividends to 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 with effect from 27 March 2015)
Mr. Zhou Jianzhong (appointed with effect from 27 March 2015)

Independent non-executive directors:
Mr. Ho Tso Hsiu (resigned with effect from 6 June 2015)
Mr. Huang Dongliang
Mr. Wang Jingzhong (resigned with effect from 6 June 2015)
Mr. Guo Konghui (appointed with effect from 6 June 2015)
Mr. Wu Feng (appointed with effect from 6 June 2015)

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

Mr. Ho Tso Hsiu (resigned with effect from 6 June 2015)	11 June 2014 to 10 June 2015
Mr. Huang Dongliang	11 June 2015 to 10 June 2016
Mr. Wang Jingzhong (resigned with effect from 6 June 2015)	11 June 2014 to 10 June 2015
Mr. Guo Konghui (appointed with effect from 6 June 2015)	6 June 2015 to 5 June 2016
Mr. Wu Feng (appointed with effect from 6 June 2015)	6 June 2015 to 5 June 2016

In accordance with Article 86 and/or Article 87 (as the case may be) of the Company's articles of association, Mr. Shi Borong, Mr. Zhang Kaihong, Mr. Wu Feng, Mr. Guo Konghui and Mr. Chen Minru will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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 2015.

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

PERMITTED INDEMNITY

The Company has taken out appropriate insurance 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.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests and the short positions of the directors and the chief executive of the Company in the shares, underlying shares and the debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the registered maintained by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers 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)	410,355,650 (L)	35.88%
	Interest of spouse (note 2)	438,000 (L)	0.04%
Zhang Aogen	Interest of a controlled corporation (note 3)	13,641,022 (L)	1.19%
Chen Minru	Interest of a controlled corporation (note 4)	5,343,152 (L)	0.47%
Zhang Kaihong	Interest of a controlled corporation (note 5)	18,884,174 (L)	1.65%
Shi Borong	Interest of a controlled corporation (note 6)	15,686,141 (L)	1.37%
Zhou Jianzhong	Interest of a controlled corporation (note 7)	312,815 (L)	0.03%
Huang Dongliang	Beneficial owner (note 8)	240,000 (L)	0.02%

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

(a) Long positions (Continued)

Notes:

1. The letters "L" and "S" denote long position and short position in the shares of the Company respectively.

2. The 410,355,650 shares are held by Prime Leader Global Limited, which is wholly-owned by Mr. Zhang Tianren. 258,000 shares are held by Ms. Yang Yaping and the interest in the remaining 180,000 shares arises from the share options granted to Ms. Yang Yaping, spouse of 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 312,815 shares are held by Centre Wealth Limited, which is wholly-owned by Mr. Zhou Jianzhong and was appointed on 27 March 2015.

8. Among which the interest in 90,000 shares arises from the share options granted to Mr. Huang Dongliang.

(b) Other interests and short positions

Save 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 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 34 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed on page 60, at no time during the year was the Company, its parent company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

DIRECTORS' INTEREST IN COMPETITORS

As at the date of this report, within the knowledge of the directors, no director 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 transaction, arrangement or contract of significance, to which the Company, or its subsidiaries was a party and in which a Director or any entity in connection with the Directors 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 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following persons, other than a Director or chief executive of the Company, had notified the Company of relevant interests and short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO in the issued share capital of the Company:

Ordinary shares of HK$0.1 each of the Company:

Name of shareholder	Capacity	Number of Interested shares	Approximate percentage of issued share capital of the Company
Zhang Tianren	Interest of a controlled corporation (note 1)	410,355,650 (L)	35.88%
	Interest of spouse (note 1)	438,000 (L)	0.04%
Prime Leader Global Limited	Beneficial owner	410,355,650 (L)	35.88%
Yang Yaping	Beneficial owner (note 1)	438,000 (L)	0.04%
	Interest of spouse (note 1)	410,355,650 (L)	35.88%
UBS Group AG	Person having a security interest in shares	54,456,000(L)	4.76%
	Interest of controlled corporation(s)	13,994,573(L) (note 2)	1.22%
		13,224,800(S) (note 3)	1.16%
UBS AG	Beneficial owner	3,746,808 (L) (note 4)	0.33%
		3,573,000 (S) (note 5)	0.31%
	Person having a security interest in shares	82,254,000 (L) (note 4)	7.19%
	Interest of a controlled corporation	3,457 (L) (note 4)	0.0003%
		3,457 (S) (note 5)	0.0003%
Morgan Stanley	Interest of controlled corporation(s)	46,442,737 (L) (note 6)	4.06%
		34,855,864 (S) (note 6)	3.05%

(L): long position
(S): short position

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

1. The 410,355,650 Shares are held by Prime Leader Global Limited, which is wholly-owned by Mr. Zhang Tianren. 258,000 Shares are held by Ms. Yang Yaping and the interest in the remaining 180,000 Shares arises from the share options granted to Ms Yang Yaping, spouse of 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.

2. According to the corporate substantial shareholder notice of UBS Group AG filed for the relevant event dated 21 December 2015 as shown on the website of the Stock Exchange, UBS AG, UBS Asset Management Trust Company, UBS Fund Management (Switzerland) AG and UBS Securities LLC are directly interested in 8,771,773 Shares, 30,000 Shares, 14,000 Shares and 5,178,800 Shares respectively. Since they are all controlled by UBS Group AG, UBS Group AG is deemed to be interested in 13,994,573 Shares for the purpose of the SFO. Pursuant to the same notice, UBS Group AG is interested in 41,824 Shares and 2,502,000 Shares through the holding of certain listed physically-settled equity derivatives and unlisted cash-settled equity derivatives respectively.

3. According to the corporate substantial shareholder notice of UBS Group AG filed for the relevant event dated 21 December 2015 as shown on the website of the Stock Exchange, UBS AG and UBS Securities LLC directly hold a short position in 8,046,000 Shares and 5,178,800 Shares respectively. Since they are all controlled by UBS Group AG, UBS Group AG is deemed to hold a short position in 13,224,800 Shares for the purpose of the SFO. Pursuant to the same notice, UBS Group AG is deemed to hold a short position in 5,596,000 Shares through the holding of certain unlisted cash-settled equity derivatives.

4. According to the corporate substantial shareholder notice of UBS AG filed for the relevant event dated 31 August 2015 as shown on the website of the Stock Exchange, UBS Securities LLC is directly interested in 3,457 Shares. Since UBS Securities LLC is controlled by UBS AG, UBS AG is deemed to be interested in 3,457 Shares for the purpose of the SFO. Pursuant to the same notice, UBS AG is interested in 1,059 Shares through the holding of certain listed physically-settled equity derivatives.

5. According to the corporate substantial shareholder notice of UBS AG filed for the relevant event dated 31 August 2015 as shown on the website of the Stock Exchange, UBS Securities LLC directly hold a short position in 3,457 Shares. Since UBS Securities LLC is controlled by UBS AG, UBS AG is deemed to hold a short position in 3,457 Shares for the purpose of the SFO. Pursuant to the same notice, UBS AG is deemed to hold a short position in 2,524,000 Shares through the holding of certain unlisted cash-settled equity derivatives.

6. According to the corporate substantial shareholder notice of Morgan Stanley filed for the relevant event dated 19 November 2015 as shown on the website of the Stock Exchange, Morgan Stanley is interested in 3,712,000 Shares and is holding a short position in 13,038,000 Shares through the holding of certain unlisted cash-settled equity derivatives.

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 to 111,190,800 Shares as set out in the supplemental notice of Annual General Meeting, representing approximately 9.72% of the total issued share capital of the Company as at the date of this annual report.

The Scheme shall be valid and effective till 25 February 2017.

SHARE OPTIONS (Continued)

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 2015	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 2015	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	-	10,000	-	-	90,000	0.01%
Huang Dongliang (Independent non-executive Director)	16/6/2014	16/6/2015 to 15/06/2024	2.90	2.89	-	100,000	-	10,000	-	-	90,000	0.01%
Wang Jingzhong (Independent non-executive Director)	16/6/2014	16/6/2015 to 15/06/2024	2.90	2.89	-	100,000	-	10,000	-	-	90,000	0.01%
Other eligible participants	22/11/2010	22/11/2011 to 21/11/2020	3.18	3.02	-	34,210,000	-	(31,450,000)	-	(2,080,000)	680,000	0.06%
	11/06/2014	16/06/2015 to 15/06/2024	2.90	2.89	-	56,630,000	-	(4,880,500)	-	(6,000,000)	45,749,500	4.00%
						91,140,000	-	(36,360,500)	-	(8,080,000)	46,699,500	4.08%

For the year ended 31 December 2015, 31,450,000 Shares were issued pursuant to the exercise of share options at a subscription price of HK$3.18 per Share and 4,910,500 Shares were issued pursuant to the exercise of share options at a subscription price of HK$2.90 per Share. The Company received a total consideration amounted to approximately HK$114 million as a result of the above exercise of share options.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Tso Hsiu (resigned on 6 June 2015), Mr. Huang Dongliang and Mr. Wang Jianzhong (resigned on 6 June 2015) 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 2015. Mr. Guo Konghui (appointed on 6 June 2015) and Mr. Wu Feng (appointed on 6 June 2015) have signed the letters of appointment with the Company for an initial period of one year commencing 6 June 2015 to 5 June 2016. 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 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, options of 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 8.04% of the Group's turnover. The largest customer accounted for 2.30% of the Group's total turnover. During the year, the largest supplier accounted for 5.86% of the Group's total purchase and the Group's five largest suppliers accounted for 23.32% 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.

ENVIRONMENTAL PROTECTION

Details of the Company's environmental policy and performance are set out in the Environmental Protection and Community Relations" section of this annual report and the separate ESG report to be published by Group.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. As at 31 December 2015, the Audit Committee comprised three independent non-executive Directors, namely, Mr. Guo Konghui, Mr. Huang Dongliang and Mr. Wu Feng.

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 2015.

DONATIONS

During the year ended 31 December 2015, the Group made charitable donations of approximately RMB1.9 million (2014: 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 2015 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

Chen Minru
Director

Hong Kong
18 March 2016

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 64 to 121, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	NOTE	**2015 RMB'000**	2014 RMB'000
Turnover	8	**17,804,068**	14,043,731
Cost of sales		**(15,376,105)**	(12,780,351)
Gross profit		**2,427,963**	1,263,380
Other income	9	**166,159**	139,652
Other gains and losses	10	**(45,678)**	(72,657)
Selling and distribution costs		**(598,269)**	(651,904)
Administrative expenses		**(323,856)**	(351,517)
Research and development costs		**(565,838)**	(404,649)
Other operating expenses		**(151,476)**	(123,328)
Finance costs	11	**(163,376)**	(206,079)
Profit (loss) before taxation	12	**745,629**	(407,102)
Taxation	14	**(117,832)**	114,115
Profit (loss) and total comprehensive income (expense) for the year		**627,797**	(292,987)
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**610,936**	(304,917)
Non-controlling interests		**16,861**	11,930
		627,797	(292,987)
Earnings (loss) per share	16		
– Basic		**RMB0.548**	RMB(0.274)
– Diluted		**RMB0.544**	RMB(0.274)

Consolidated Statement of Financial Position

At 31 December 2015

	NOTE	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	17	**3,551,121**	3,447,318
Goodwill		**499**	499
Prepaid lease payments	18	**199,364**	199,371
Deferred tax assets	19	**329,614**	341,485
Deposit for acquisition of property, plant and equipment		**41,243**	103,875
		4,121,841	4,092,548
Current assets			
Inventories	20	**1,354,284**	1,550,782
Held-for-trading investments	21	**92,717**	–
Bills, trade and other receivables	22	**2,845,452**	1,274,190
Prepaid lease payments	18	**5,730**	5,995
Pledged bank deposits	24	**728,512**	164,926
Bank balances and cash	24	**1,397,555**	1,625,162
		6,424,250	4,621,055
Current liabilities			
Bills, trade and other payables	25	**4,824,706**	2,326,442
Amounts due to related parties	26	**15,815**	12,889
Taxation payable		**28,089**	22,711
Bank borrowings - current portion	27	**821,895**	2,499,604
		5,690,505	4,861,646
Net current assets (liabilities)		**733,745**	(240,591)
Total assets less current liabilities		**4,855,586**	3,851,957
Non-current liabilities			
Bank borrowings - non-current portion	27	**546,818**	205,373
Deferred tax liabilities	19	**50,650**	32,772
Long-term loan notes	28	**790,977**	868,172
		1,388,445	1,106,317
		3,467,141	2,745,640

	NOTE	2015 RMB'000	2014 RMB'000
Capital and reserves			
Share capital	29	**111,356**	108,710
Reserves		**3,276,969**	2,565,175
Attributable to the owners of the Company		**3,388,325**	2,673,885
Non-controlling interest		**78,816**	71,755
Total equity		**3,467,141**	2,745,640

The consolidated financial statements on pages 64 to 121 were approved and authorised for issue by the board of directors on 18 March 2016 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 2015

	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 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 30)	–	–	–	–	17,269	–	–	–	–	17,269	–	17,269
At 31 December 2014 and 1 January 2015	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
Loss and total comprehensive expenses for the year	–	–	–	–	–	–	–	–	610,936	610,936	16,861	627,797
Transfer	–	–	–	–	–	–	47,778	17,725	(65,503)	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(9,800)	(9,800)
Issue of new shares upon exercise of share option	3,001	136,503	–	–	(45,214)	–	–	–	–	94,290	–	94,290
Forfeiture of share options	–	–	–	–	(8,668)	–	–	–	8,668	–	–	–
Recognition of equity-settled share based payments (note 30)	–	–	–	–	19,742	–	–	–	–	19,742	–	19,742
Repurchase of ordinary shares (note 29)	(355)	(10,173)	–	–	–	–	–	–	–	(10,528)	–	(10,528)
At 31 December 2015	111,356	872,284	10,000	61,204	22,441	12,460	395,207	128,212	1,775,161	3,388,325	78,816	3,467,141

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 2015

	2015 RMB'000	2014 RMB'000
Operating activities		
Profit (loss) before taxation	**745,629**	(407,102)
Adjustments for:		
Interest income	**(39,960)**	(13,343)
Interest expenses	**163,376**	206,079
Loss on disposal of an associate	**–**	334
Depreciation	**311,418**	219,773
Amortisation of prepaid lease payments	**5,490**	6,047
Write-off/loss on disposal of property, plant and equipment	**47,045**	58,348
Gain on disposal of prepaid lease payments	**–**	(1,555)
Impairment loss on property, plant and equipment	**2,965**	–
(Reversal) recognition of allowance for bad and doubtful debts	**(4,832)**	18,302
(Reversal) recognition of allowance for inventories	**(11,152)**	39,974
Share option expenses	**19,742**	17,269
Gain on fair value change of held-for-trading investments	**(6,336)**	–
Operating cash flows before movements in working capital	**1,233,385**	144,126
Decrease in inventories	**207,650**	266,289
(Increase) decrease in bills, trade and other receivables	**(1,566,430)**	364,295
Increase in bills, trade and other payables	**2,459,977**	271,865
Increase (decrease) in amounts due to related parties with trade nature	**2,926**	(18,734)
(Increase) decrease in held-for-trading investments	**(86,381)**	3,216
Cash generated from operations	**2,251,127**	1,031,057
Interest paid	**(158,650)**	(181,875)
Income tax paid	**(82,705)**	(72,452)
Net cash from operating activities	**2,009,772**	776,730
Investing activities		
Interest received	**39,960**	13,343
Proceeds from disposal of property, plant and equipment	**21,911**	4,896
Purchase of property, plant and equipment	**(422,090)**	(750,840)
Placement of pledged bank deposits	**(728,512)**	(164,926)
Withdrawal of pledged bank deposits	**164,926**	73,100
Asset-related government grants received	**49,974**	54,294
Deposit for acquisition of property, plant and equipment	**(16,028)**	(65,213)
Prepaid lease payments	**(5,218)**	(2,148)
Proceeds on disposal of prepaid lease payment	**–**	8,293
Proceeds from disposal of an associate	**–**	258
Net cash used in investing activities	**(895,077)**	(828,943)
Financing activities		
Bank borrowings raised	**2,390,646**	3,966,873
Loan notes raised	**–**	789,366
Proceeds from issue of shares - option exercise	**94,290**	–
Repayments of bank borrowings	**(3,726,910)**	(3,980,490)
Repayments of loan notes	**(80,000)**	–
Dividends paid	**–**	(40,909)
Dividends paid to non-controlling interest	**(9,800)**	–
Payment on repurchase of shares	**(10,528)**	–
Net cash (used in) from financing activities	**(1,342,302)**	734,840
Net (decrease) increase in cash and cash equivalents	**(227,607)**	682,627
Cash and cash equivalents at the beginning of the year	**1,625,162**	942,535
Cash and cash equivalents at the end of the year, represented by bank balances and cash	**1,397,555**	1,625,162

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 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") with effect from 11 June 2007. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporation Information" section of the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 36.

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

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

Adoption of revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010-2012 Cycle*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011-2013 Cycle*

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

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[1]
HKFRS 16	Leases[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[4]

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 2019
4 Effective for annual periods beginning on or after 1 January 2016
5 Effective for annual periods beginning on or after a date to be determined

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

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)

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

HKFRS 15 Revenue from Contracts with Customers

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.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

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

HKFRS 16 Leases (Continued)

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors of the Company will assess the impact of the application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detailed review.

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

The amendments to HKAS 16 *Property*, Plant and Equipment prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 Intangible Assets 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 prepaid lease payments 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.

The directors of the Company do not anticipate that the application of other new and revised HKFRSs will have a material effect on the Group's financial position and performance as well as disclosure.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. 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. ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for held-for-trading investments that are measured at fair values at the end of each reporting period, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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, with the corresponding gain or loss being recognised in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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.

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).

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 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.

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.

The Group as leasee

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.

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.

Leasehold land is derecognised upon disposal. Any gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the leasehold land and is recognised in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants (Continued)

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.

Retirement benefit costs

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

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30 to the Group's consolidation financial statements.

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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Properties in the course of construction for production or for administrative purposes are carried at cost, less any recognised impairment loss, cost includes professional fee and for qualifying assets, borrowing cost capitalised in accordance with the Group's accounting policy, such properties are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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;
- 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 (legal or constructive) as a result of a past event, 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.

The amount recognised as a provisions is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. 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.

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

Financial assets are classified into the following specified categories, 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 debt instrument 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 debt instrument, 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, of which interest income is included in net gains and losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as 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
- on initial recognition, 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 gains or losses arising from remeasurement recognised directly in profit or loss. 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 considered to be 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 of the loans and receivables 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 bills, 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 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.

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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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.

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.

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.

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.

As at 31 December 2015, the carrying amount of inventories is approximately RMB1,354,284,000 (2014: RMB1,550,782,000), details of which are set out in note 20.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 2015, the carrying amounts of bills, trade and other receivables are approximately RMB1,727,615,000 (2014: RMB583,310,000), RMB666,123,000 (2014: RMB283,600,000) and RMB158,254,000 (2014: RMB132,770,000) respectively. The cumulative doubtful debts provision as at 31 December 2015 of trade and other receivables are RMB51,954,000 (2014: RMB62,637,000) and RMB18,377,000 (2014: RMB21,031,000), respectively. Details of the balances are set out in note 22.

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 2015, the Group recognised provision for warranty amounted to RMB373,247,000 (2014: RMB229,179,000) and details are disclosed in note 25.

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 net debts, which includes bank borrowings and long-term loan notes as disclosed in note 27 and 28, net of bank deposits and cash, and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated profits.

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

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**4,678,059**	2,729,059
Financial assets at FVTPL		
Held-for-trading investments	**92,717**	–
Financial liabilities		
Amortised cost	**5,765,161**	5,030,179

Financial risk management objectives and policies

The Group's major financial instruments include held-for-trading investments, bills, trade and other receivables, pledged bank deposits, bank balances and cash, 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.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

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

	Assets		Liabilities	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
United States dollars ("US$")	**2,039**	4,363	**–**	149,916
Hong Kong dollars ("HK$")	**117,936**	83,169	**2,996**	31,190

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% (2014: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2014: 5%) is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2014: 5%) change in foreign currency rates. The analysis illustrates the impact for a 5% (2014: 5%) strengthening of RMB against the relevant currency and the numbers below indicate a decrease in profit. For a 5% (2014: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit.

	US$ impact (i)		HK$ impact (ii)	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Increase (decrease) in post-tax profit for the year as a result of a 5% strengthening of RMB against the foreign currency	**(87)**	7,310	**(9,491)**	(2,598)

(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.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation pledged bank deposits, bank balances, bank borrowings and loan notes (see notes 24, 27 and 28 for details of these pledged bank deposits, bank balances, 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 24 and 27 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 (2014: 10 basis point) increase or decrease in interest rates on variable-rate bank balances, and a 100 basis point (2014: 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 (2014: 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	
	2015 **RMB'000**	2014 RMB'000
Increase in post-tax profit for the year	**1,111**	1,289

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 (2014: 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	
	2015 **RMB'000**	2014 RMB'000
Decrease in post-tax profit for the year	**1,594**	3,653

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.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments of an investee operating in the battery industry sector quoted on the Hong Kong 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.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 10% in current year as a result of the volatile financial market.

If the prices of the respective equity instruments had been 10% (2014: nil) higher/lower, post-tax profit for the year ended 31 December 2015 would increase/decrease by approximately RMB536,000 (2014: nil) as a result of the changes in fair value of held-for-trading investments.

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.

There is concentration of credit risk on pledged bank deposits and bank balances for the Group as at 31 December 2015 and 31 December 2014. As at 31 December 2015, balances with the four largest banks accounted for 49% (2014: 38%) of total pledged bank 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.

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 31.12.2015 RMB'000
2015						
Non-derivative financial liabilities						
Non-interest bearing	–	2,018,358	1,321,062	266,051	3,605,471	3,605,471
Fixed rate instruments	4.17%	212,521	670,066	1,337,239	2,219,826	1,963,772
Variable rate instruments	6.74%	4,981	43,369	185,053	233,403	195,918
		2,235,860	2,034,497	1,788,343	6,058,700	5,765,161

	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

In addition to the amounts shown in the above table as at 31 December 2015, 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 23 in the next 6 months, amounting to RMB3,015,298,000 (2014: RMB3,624,102,000) 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.

6. FINANCIAL INSTRUMENTS (Continued)

Fair value (Continued)

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).

The held-for-trading investments with carrying amount of RMB92,717,000 (2014: nil) were level 1 measurement at 31 December 2015. The details are as follows:

Financial assets	Fair value as at		Fair value hierarchy	Basis of fair value measurement	Relationship of Significant unobservable input	Unobservable inputs to fair value
	31.12.2015	31.12.2014				
Listed equity securities classified as held-for-trading investments in the consolidated statement of financial position	Listed equity securities in Hong Kong: – Manufacturing Industry – RMB74,888,000 Listed equity securities in Mainland China: – Manufacturing Industry – RMB17,829,000	nil	Level 1	Quoted bid prices in an active market.	N/A	N/A

7. OPERATING SEGMENTS

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors, the chief operating decision maker (the "CODM"), in order to allocate resources to the segments and to assess their performance. However, the financial information provided to the CODM does not contain profit or loss information of each product line or each market segment and the CODM review the operating results of the 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 CODM is consistent with the consolidated statement of profit or loss and other comprehensive income.

The CODM consider the Group's profit 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.

8. TURNOVER

	2015 **RMB'000**	2014 RMB'000
An analysis of turnover is as follows:		
Lead-acid motive battery products:		
Electrical Bicycle Battery	**10,815,755**	9,353,732
Electrical Tricycle Battery	**3,913,575**	2,958,901
Pure Electric Car Battery (Note)	**1,750,311**	956,564
Recycled lead products	**550,132**	426,242
Lithium battery products	**555,784**	180,166
Others	**218,511**	168,126
	17,804,068	14,043,731

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

9. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Government grants (note)	**105,582**	111,964
Interest income	**39,960**	13,343
Others	**20,617**	14,345
	166,159	139,652

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.

10. OTHER GAINS AND LOSSES

	2015 RMB'000	2014 RMB'000
Net (losses) gains on held-for-trading investments (note 1)	**(12,412)**	3,427
Reversal of (allowance for) bad and doubtful debts	**4,832**	(18,302)
Write off/loss on disposal of property, plant and equipment (note 2)	**(47,045)**	(58,348)
Gains on disposal of prepaid lease payment (note 3)	**–**	1,555
Impairment loss recognised in respect of property, plant and equipment (note 17)	**(2,965)**	–
Net foreign exchange gains (losses)	**11,912**	(655)
Loss on disposal of an associate (note 4)	**–**	(334)
	(45,678)	(72,657)

Note:

1. Net (losses) gains on held-for-trading investments included dividend income of approximately RMB436,000 (2014: RMB143,000), losses on disposal of approximately RMB19,184,000(2014: gains RMB3,284,000) and gains arising on changes in fair value of RMB6,336,000 (2014: nil), which were earned on these held-for-trading investments during the year ended 31 December 2015.

2. During the year ended 31 December 2015, the carrying amount of property, plant and equipment of approximately RMB68,956,000 (2014: RMB63,244,000) was derecognised upon disposal of property, plant and equipment with proceeds of approximately RMB21,911,000 (2014: RMB4,896,000), resulting in a loss of approximately RMB47,045,000 (2014: RMB58,348,000).

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

4. On previous year, 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 or loss.

11. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on:		
– Bank borrowings wholly repayable within five years	**117,087**	166,881
– Effective interest on long-term loan note wholly repayable within five years	**66,710**	31,095
– Effective interest on long-term loan note not wholly repayable within five years	**–**	7,649
– Factorised bills receivable wholly repayable within five years	**3,668**	36,364
Total borrowing costs	**187,465**	241,989
Less: amounts capitalised	**(24,089)**	(35,910)
	163,376	206,079

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.67% (2014: 6.07%) per annum to expenditure on qualifying assets.

12. PROFIT (LOSS) BEFORE TAXATION

	2015 RMB'000	2014 RMB'000
Profit (loss) before taxation has been arrived at after charging (crediting):		
Directors' emoluments (note 13)	**4,163**	3,750
Other staff retirement benefit scheme contributions	**36,697**	25,096
Other staff costs	**1,098,162**	989,326
Share-based payment expense for other staff	**19,625**	17,089
Total staff costs	**1,158,647**	1,035,261
(Reversal) recognition of allowance for inventories (included in cost of sales)	**(11,152)**	39,974
Amortisation of prepaid lease payments	**5,490**	6,047
Auditor's remuneration	**2,200**	2,340
Cost of inventories recognised as expense	**15,232,037**	12,754,304
Depreciation	**311,418**	219,773

Share-based payment expense of approximately RMB19,742,000 (2014: RMB17,269,000) were recognised in profit or loss during the year ended 31 December 2015 in respect of share options of the Company. Details of transactions are set out in note 30.

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

The emoluments paid or payable to each of the twelve (2014: nine) directors for the year ended 31 December 2015 were as follows:

For the year ended 31 December 2015:

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Share-based payment RMB'000	Total RMB'000
Executive directors (note 1)					
Zhang Tianren (note 2)	–	809	30	–	839
Zhang Aogen	–	537	10	–	547
Chen Minru	–	554	10	–	564
Zhang Kaihong	–	473	10	–	483
Shi Borong	–	539	–	–	539
Yang Lianming (note 3)	–	51	3	–	54
Zhou Jianzhong (note 3)	–	414	6	–	420
Subtotal	–	3,377	69	–	3,446
Independent non-executive directors (note 1)					
Ho Tso Hsiu (note 4)	83	–	–	39	122
Huang Dongliang	200	–	–	39	239
Wang Jingzhong (note 4)	83	–	–	39	122
Guo Konghui (note 4)	117	–	–	–	117
Wufeng (note 4)	117	–	–	–	117
Subtotal	600	–	–	117	717
Total	600	3,377	69	117	4,163

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

For the year ended 31 December 2014:

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Share-based payment RMB'000	Total RMB'000
Executive directors (note 1)					
Zhang Tianren (note 2)	–	817	3	–	820
Zhang Aogen	–	469	3	–	472
Chen Minru	–	465	3	–	468
Zhang Kaihong	–	493	3	–	496
Shi Borong	–	501	–	–	501
Yang Lianming	–	210	3	–	213
Subtotal	–	2,995	15	–	2,970
Independent non-executive directors (note 1)					
Ho Tso Hsiu	200	–	–	60	260
Huang Dongliang	200	–	–	60	260
Wang Jingzhong	200	–	–	60	260
Subtotal	600	–	–	180	780
Total	600	2,995	15	180	3,750

Note:

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

2. 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.

3. With effect from 27 March 2015, Mr. Yang Lianming has resigned as an executive director; Mr. Zhou Jianzhong has been appointed as an executive director.

4. With effect from 6 June 2015, Mr. Ho Tso Hsiu has resigned as an independent non-executive director and a member of the audit committee; Mr. Wang Jingzhong has resigned as an independent non-executive director, a member of the audit committee, a member of the nomination committee and the chairman of the remuneration committee; Mr. Guo Konghui has been appointed as an independent non-executive director and a member of the audit committee; and Mr. Wu Feng has been appointed as an independent non-executive director, a member of the audit committee, a member of the nomination committee and the chairman of the remuneration committee.

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

The five highest paid individuals included one (2014: three) directors of the Company, details of whose emolument is set out above. The emoluments of the remaining four (2014: two) highest paid individual during the year are as follows:

	2015 RMB'000	2014 RMB'000
Basic salaries and allowances	**2,648**	1,297
Retirement benefits scheme contributions	**41**	24
Share option expense	**376**	–
	3,065	1,321

The emoluments are within the following band:

	Number of employees	
	2015 RMB'000	2014 RMB'000
HK$ Nil to HK$1,000,000	**3**	2
HK$ 1,000,001 to HK$ 1,500,000	**1**	–
	4	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:

	2015 RMB'000	2014 RMB'000
Hong Kong		
– Current tax	**–**	–
PRC Enterprise Income Tax ("EIT"):		
– Current tax	**97,259**	58,537
– Over provision in prior years	**(9,176)**	(28,296)
	88,083	30,241
Deferred tax expenses (credit) (note 19)	**29,749**	(144,356)
	117,832	(114,115)

14. TAXATION (Continued)

The Company was incorporated in the Cayman Islands and is exempted from income tax.

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profit for the year ended 31 December 2015. No provision for Hong Kong Profits Tax was made in the consolidated financial statements, as no assessable profit was generated in Hong Kong.

Except as described below, pursuant to the Enterprise Income Tax Law and Implementation Regulations of the PRC (the "New PRC Tax Law") which became effective on 1 January 2008, the applicable tax rate of PRC subsidiaries is 25% during the two years.

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 2012 and 2015 respectively and the applicable tax rate is 15% from 30 June 2012 to 14 October 2018.

Zhejiang Tianneng Energy Technology Co., Ltd. was recognised as a High-Tech company in 2012 and 2015 respectively and the applicable tax rate is 15% from 1 January 2013 to 16 September 2018.

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 profit (loss) before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2015		2014	
	RMB'000	%	RMB'000	%
Profit (loss) before taxation	**745,629**		(407,102)	
Tax at the applicable income tax rate of 25% (2014: 25%)	**186,407**	**25.0**	(101,776)	25.0
Tax effect of expenses not deductible for tax purposes	**8,947**	**1.2**	10,973	(2.7)
Tax effect of tax losses not recognised	**6,434**	**0.9**	3,507	(0.9)
Tax effect of deductible temporary differences not recognised	**(491)**	**(0.1)**	473	(0.1)
Income tax at concessionary rates	**(1,603)**	**(0.2)**	41,442	(10.2)
Over provision in prior years	**(9,176)**	**(1.2)**	(28,296)	7.0
Tax effect of additional deduction related to research and development costs and certain staff costs	**(86,986)**	**(11.7)**	(49,339)	(12.1)
Effect of change in tax rate	**–**	**–**	7,991	(2.0)
Withholding tax on undistributed profits of PRC subsidiaries	**14,300**	**1.9**	910	(0.2)
Taxation charge and effective tax rate for the year	**117,832**	**15.8**	(114,115)	28.0

15. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Dividends recognized as distribution during the year:		
2015: 2014 final dividend nil		
(2014: 2013 final dividend of HK4.62 cents		
(equivalent to RMB3.68 cents)) per ordinary share	–	40,909

A final dividend of HK31.80 cents (equivalent to RMB26.67 cents) (2014: nil) in respect of the year ended 31 December 2015 per ordinary share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

16. EARNINGS (LOSS) PER SHARE

	2015 RMB'000	2014 RMB'000
Earnings (loss) for the purposes of calculating basic and diluted earnings (loss) per share		
– attributable to the owners of the Company	610,936	(304,917)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,113,869,807	1,111,908,000
Effect of dilutive potential ordinary shares - share options	8,237,759	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,122,107,566	1,111,908,000

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	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2014	1,012,906	1,199,864	49,526	141,759	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	1,498,578	1,637,128	52,186	168,415	794,713	4,151,020
Additions	108,739	61,246	3,703	10,685	302,769	487,142
Transfer	364,398	346,646	–	7,252	(718,296)	–
Disposal/write-off	(1,236)	(109,708)	(4,300)	(3,253)	–	(118,497)
At 31 December 2015	1,970,479	1,935,312	51,589	183,099	379,186	4,519,665
DEPRECIATION AND IMPAIRMENT						
At 1 January 2014	172,099	294,961	22,938	57,456	–	547,454
Provided for the year	56,080	121,851	7,923	33,919	–	219,773
Eliminated on disposal/write-off	(2,628)	(54,269)	(1,484)	(5,144)	–	(63,525)
At 31 December 2014	225,551	362,543	29,377	86,231	–	703,702
Provided for the year	94,743	172,665	8,049	35,961	–	311,418
Impairment loss recognised in profit or loss	–	2,960	–	5	–	2,965
Eliminated on disposal/write-off	(1,050)	(43,638)	(3,156)	(1,697)	–	(49,541)
At 31 December 2015	319,244	494,530	34,270	120,500	–	968,544
CARRYING VALUES						
At 31 December 2015	1,651,235	1,440,782	17,319	62,599	379,186	3,551,121
At 31 December 2014	1,273,027	1,274,585	22,809	82,184	794,713	3,447,318

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

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2015, included in buildings held for own use are buildings with aggregate carrying amount of approximately RMB765,835,000 (2014: RMB501,711,000) whose property certificates are in the process of obtaining.

During the year ended 31 December 2015, the Group received government grants of approximately RMB49,973,700 (2014: RMB30,294,000) 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 2015, 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 RMB2,965,000 (2014: nil) which has been recognised in profit and loss. The recoverable amounts of the relevant assets have been determined on the basis of their value in use.

18. PREPAID LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Non-current	**199,364**	199,371
Current	**5,730**	5,995
	205,094	205,366

As at 31 December 2015, included in prepaid lease payments are land use rights of RMB8,375,000 (2014: RMB25,139,000) whose land use rights certificates are in process of obtaining.

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

During the year ended 31 December 2015, no government grant was received by the Group (2014: RMB24,000,000 was received and recognised as a deduction from the carrying amount of the relevant assets and will lower the amortisation over the useful lives of the land leases).

19. 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 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 and 1 January 2015	50,909	-	(1,391)	(24,556)	-	23,957	34,817	96,193	6,661	127,815	(5,692)	308,713
(Charge)/credit to profit or loss	3,487	(14,300)	(102)	(4,474)	43	3,001	22,547	134,469	(415)	(53,267)	262	(29,749)
At 31 December 2015	54,396	(14,300)	(1,493)	(29,030)	43	26,958	57,364	109,662	6,246	74,548	(5,430)	278,964

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

	2015 RMB'000	2014 RMB'000
Deferred tax assets	**329,614**	341,485
Deferred tax liabilities	**(50,650)**	(32,772)
	278,964	308,713

19. DEFERRED TAXATION (Continued)

At 31 December 2015, the Group had unused tax losses of approximately RMB25,735,000 (2014: RMB29,102,000) 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 2020 (2014: 2019).

Under the EIT Law, starting from 1 January 2008, 10% withholding income tax is imposed on dividends declared in respect of profits earned in year 2008 onwards and distributed to foreign investors for companies established in the PRC. For investors incorporated in Hong Kong, a preferential rate of 5% will be applied where appropriate. Other than the PRC withholding income tax provided in respect of undistributed profits of PRC subsidiaries as above, no deferred taxation has been provided for the remaining retained profits of approximately RMB1,670 million as at 31 December 2015 (2014: RMB1,330 million), which was derived from the PRC subsidiaries since 1 January 2008 as the Group has set aside such sum for non-distributable purpose, and is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

20. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	267,645	350,898
Work-in-progress	778,212	1,187,542
Finished goods	308,427	12,342
	1,354,284	1,550,782

21. HELD-FOR-TRADING INVESTMENTS

At 31 December 2015, the investments represent equity securities amounted to RMB74,888,000 listed in Hong Kong and RMB17,829,000 listed in Mainland China. Fair values are determined with reference to quoted market bid prices.

22. BILLS, TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Bills receivables	**1,727,615**	583,310
Trade receivables	**718,077**	346,237
Less: Allowance for bad and doubtful debts	**(51,954)**	(62,637)
	666,123	283,600
Other receivables	**176,631**	153,801
Less: Allowance for bad and doubtful debts	**(18,377)**	(21,031)
	158,254	132,770
Prepayments	**62,606**	27,941
PRC value added tax receivables	**230,854**	246,569
	2,845,452	1,274,190

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

	2015 RMB'000	2014 RMB'000
0 to 180 days	**1,727,615**	583,310

No interest is charged on the trade receivables. Customers including independent third parties of batteries and battery related products at normally granted an average credit period of 45 days (2014: 45 days). 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:

	2015 RMB'000	2014 RMB'000
0 to 45 days	**450,061**	231,443
46 to 90 days	**162,486**	29,864
91 to 180 days	**44,335**	12,043
181 to 365 days	**9,241**	10,250
	666,123	283,600

22. BILLS, TRADE AND OTHER RECEIVABLES (Continued)

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

The trade receivable balance of RMB450,061,000 (2014: RMB231,443,000) are neither past due nor impaired at the end of the reporting period for which the Group has not provided for impairment loss since they have no default history and of good credit quality.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB216,062,000 (2014: RMB52,157,000) 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:

	2015 RMB'000	2014 RMB'000
46 to 90 days	162,486	29,864
91 to 180 days	44,335	12,043
181 to 365 days	9,241	10,250
	216,062	52,157

Management closely monitors any change in the credit quality of trade receivables. Based on the historical experience of the Group and the assessment of the management, 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.

Movement in the allowance for doubtful debts - trade receivables

	2015 RMB'000	2014 RMB'000
1 January	62,637	58,043
Allowance for bad and doubtful debts	4,279	4,743
Reversal of bad and doubtful debts	(6,481)	(149)
Amounts written off as uncollectible	(8,481)	–
31 December	51,954	62,637

Other receivables are unsecured and interest-free.

22. BILLS, TRADE AND OTHER RECEIVABLES (Continued)

Movement in the allowance for doubtful debts - other receivables

	2015 RMB'000	2014 RMB'000
1 January	21,031	7,323
Allowance for bad and doubtful debts	–	15,110
Reversal of bad and doubtful debts	(2,630)	(1,402)
Amounts written off as uncollectible	(24)	–
31 December	18,377	21,031

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.

23. TRANSFERS OF FINANCIAL ASSETS

At 31 December 2015, 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 2015, 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 nil (2014: RMB266,002,000) and RMB3,015,298,000 (2014: RMB3,358,100,000), 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.

24. 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 2015 carried an interest rate which ranged from 2.95% to 5.1% (2014: 3.03%) per annum.

Bank balances carry interest at market rates which ranged from 0.01% to 0.35% (2014: 0.01% to 0.35%) per annum.

25. BILLS, TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**1,258,470**	735,522
Bills payables	**1,715,787**	202,114
Other payables and accrued charges (note)	**1,850,449**	1,388,806
	4,824,706	2,326,442

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 provision 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 2015, included in the other payables and accrued charges is a warranty provision of RMB373,247,000 (2014: RMB229,179,000) 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:

	2015 RMB'000	2014 RMB'000
At 1 January	**229,179**	203,132
Provision in the year	**675,884**	461,085
Utilisation of provision	**(531,816)**	(435,038)
At 31 December	**373,247**	229,179

The Group normally receives credit terms of 5 days to 90 days (2014: 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:

	2015 RMB'000	2014 RMB'000
0 to 90 days	**1,117,788**	608,114
91 to 180 days	**89,598**	85,368
181 to 365 days	**30,546**	25,137
1 to 2 years	**11,551**	13,281
Over 2 years	**8,987**	3,622
	1,258,470	735,522

26. AMOUNTS DUE TO RELATED PARTIES

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

Name of related parties	2015 RMB'000	2014 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 1)	400	444
濟源市萬洋冶煉(集團)有限公司 Jiyuan City Wangyang Smelting (Group) Co., Ltd. ("Wanyang Group") (note 2)	15,415	12,439
長興金陵大酒店 Changxing Jin Ling Hotel (note 3)	–	6
	15,815	12,889

Note:

1. 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 2015, 410,355,650 shares of the Company (approximately 35.88% of the total issued shares of the Company as at 31 December 2015) 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.

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

3. 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.

27. BANK BORROWINGS

	2015 RMB'000	2014 RMB'000
Secured	550,795	615,000
Unsecured	817,918	2,089,977
	1,368,713	2,704,977
Carrying amounts repayable:		
Within one year	821,895	2,499,604
More than two years but not more than five years	546,818	205,373
	1,368,713	2,704,373
Less: Amounts due within one year shown under current liabilities	(821,895)	(2,499,604)
Amounts shown under non-current liabilities	546,818	205,373

27. BANK BORROWINGS (Continued)

At 31 December 2015, the bank borrowings of RMB1,180,713,000 carry fixed and variable interest rates ranging from 3.94% to 6.90% (2014: 3.15% to 6.77%) per annum, and the bank borrowings of HKD188,000,000 carry a fixed interest rate of 1.64% per annum (2014: nil).

Details of assets pledged by the Group at the end of the reporting period are set out in note 32.

28. LOAN NOTES

	2015 **RMB'000**	2014 RMB'000
Guaranteed loan notes	**790,977**	868,172
Analysed as:		
Long-term loan notes (note)	**790,977**	868,172

Note:

(1) On 19 July 2012, Tianneng Battery (Wuhu) Co., Ltd. ("Tianneng Wuhu") 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 fully repaid on 23 July 2015.

(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 2015, the amount is stated at amortised cost with effective interest rate at 7.78% (2014: 7.78%) per annum.

(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 2015, the amount is stated at amortised cost with effective interest rate at 8.25% (2014: 8.25%) per annum.

29. SHARE CAPITAL

	Number of shares		Amount equivalent to	
	2015	2014	**2015**	2014
			RMB'000	RMB'000
Shares of the Company with nominal value of HK$0.1 each				
Authorised:				
At 1 January 2014, 31 December 2014, and 31 December 2015	**2,000,000,000**	2,000,000,000	**212,780**	212,780
Issued and fully paid:				
At beginning of year	**1,111,908,000**	1,111,908,000	**108,710**	108,710
Repurchase and cancellation of shares	**(4,500,000)**	–	**(355)**	–
Exercise of share options	**36,360,500**	–	**3,001**	–
At end of year	**1,143,768,500**	1,111,908,000	**111,356**	108,710

Note:

During the year ended 31 December 2015, 31,450,000 and 4,910,500 share options were exercised at a subscription price of HK$3.18 and HK$2.90 per share (equivalent to approximately RMB2.624 and RMB2.393 per share) respectively, resulting in the issue of aggregately 36,360,500 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.

During the year ended 31 December 2015, the Company repurchased its own shares through the Hong Kong Stock Exchange as follow:

Month of repurchase	No. of ordinary shares of HK$0.10 each of the Company	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$'000
For the year ended 31 December 2015				
8 July 2015	3,300,000	2.75	2.45	8,801
21 July 2015	1,200,000	3.80	3.64	4,494
	4,500,000			13,295

During the year, the nominal value of approximately HK$450,000 (2014: nil) (equivalent to approximately RMB355,000 (2014: nil)) of the shares, and the premium paid and the related costs incurred for the repurchase of approximately HK$12,845,000 (2014: nil) (equivalent to approximately RMB10,173,000 (2014: nil)) were charged against share premium account of the Company.

During the year ended 31 December 2015, a total of 4,500,000 shares were repurchased and cancelled.

30. 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 Hong Kong Stock Exchange, i.e. a total of 100,000,000 shares (the "Option Limit"). Pursuant to an annual general meeting held on 16 May 2014, the Option Limit has been refreshed to 10% of the shares in issue on the date of the annual general meeting, i.e. a total of 111,190,800 shares.

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

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

No share option is granted during the year ended 31 December 2015, (31 December 2014: 58,660,000 share option) ("Option C") to directors and employees.

The following tables disclosed movements of the Company's options granted under the Scheme during the year ended 31 December 2015 and 2014:

Option	Name of grantee	Date of grant	Exercisable period	Exercise price HK$	Outstanding as at 1.1.2015	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31.12.2015
	Directors								
Option C	Huang Dongliang	16.6.2014	16.6.2015 - 15.6.2024	HK$2.90	100,000	-	(10,000)	-	90,000
Option C	Ho Tso Hsiu (note)	16.6.2014	16.6.2015 - 15.6.2024	HK$2.90	100,000	-	(10,000)	-	90,000
Option C	Wang Jingzhong (note)	16.6.2014	16.6.2015 - 15.6.2024	HK$2.90	100,000	-	(10,000)	-	90,000
	Employees								
Option C	Employees	16.6.2014	16.6.2015 - 15.6.2024	HK$2.90	56,630,000	-	(4,880,500)	(6,000,000)	45,749,500
Option B	Employees	22.11.2010	22.11.2011 - 21.11.2020	HK$3.18	34,210,000	-	(31,450,000)	(2,080,000)	680,000
					91,140,000	-	(36,360,500)	(8,080,000)	46,699,500
	Exercisable at the end of the year								680,000
	Weighted average exercise price				HK$3.01	-	HK$3.14	HK$2.97	HK$2.90

30. SHARE OPTION SCHEMES (Continued)

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	Huang Dongliang	16.6.2014	16.6.2015 - 15.6.2024	HK$2.90	–	100,000	–	–	100,000
Option C	Ho Tso Hsiu (note)	16.6.2014	16.6.2015 - 15.6.2024	HK$2.90	–	100,000	–	–	100,000
Option C	Wang Jingzhong (note)	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

Note: With effect from 6 June 2015, Mr. Ho Tso Hsiu has resigned as an independent non-executive director and a member of the audit committee; Mr. Wang Jingzhong has resigned as an independent non-executive director, a member of the audit committee, a member of the nomination committee and the chairman of the remuneration committee.

At 31 December 2015, the total number of shares in respect of which options under the Scheme had been granted and remained outstanding was 46,699,500 (2014: 91,140,000), representing 4.08% (2014: 8.20%) of the shares of the Company in issue at that date.

During the year ended 31 December 2015, the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$6.49 per share. No options were exercised during the year ended 31 December 2014.

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).

30. 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
Stock price as at grant date	HK$2.89	HK$3.15
Exercise price	HK$2.90	HK$3.18
Expected volatility	55%	64%
Expected life of options	10 years	10 years
Risk free rate	2.055%	2.427%
Expected dividend yield	4.26%	2.9%
Sub-optimal exercise factor for directors/ senior management/employees	3.5/3.5/3.5	nil/2.8/2.2

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 2015, the Group recognised total expenses of RMB19,742,000 (2014: RMB17,269,000) in relation to share options granted by the Company.

31. OPERATING LEASES

The Group as lessee

	Year ended 31/12/15 RMB'000	Year ended 31/12/14 RMB'000
Minimum lease payments paid for the year under operating leases for premises	13,407	13,697

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:

	31/12/15 RMB'000	31/12/14 RMB'000
Within one year	8,238	5,903
In the second to fifth years inclusive	14,108	9,002
Over five years	8,902	465
	31,248	15,371

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.

32. 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.

	2015 RMB'000	2014 RMB'000
Bank deposits	728,512	73,100
Bills receivables	1,170,148	195,204
Trade receivables	–	50,000
Property, plant and equipment	74,302	80,863
Prepaid lease payments	118,732	119,262
	2,091,694	518,429

33. CAPITAL COMMITMENTS

	2015 RMB'000	2014 RMB'000
Contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	321,923	685,490

34. RETIREMENT BENEFIT SCHEMES

The Group's full-time employees in the PRC are covered by a government-sponsored defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC Government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plan at an average rate of 20% of employees' salaries, which are charged as an expense when the employees have rendered services entitling them to the contributions and the contributions are due.

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.

As at 31 December 2015, contributions of RMB2,928,000 (31 December 2014: RMB1,475,000) due in respect of the year had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

35. RELATED PARTY TRANSACTIONS

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

Name of related company	Nature of transaction	2015 RMB'000	2014 RMB'000
Changxing Jin Ling Hotel	Hotel expenses	2,617	4,771
Xin Xin Packaging	Purchase of consumables	1,443	997
Wanyang Group	Purchase of materials	763,901	521,556
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 26.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at 31 December 2015 and 2014 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 2015	2014	Principal activities
Tianneng International Investment Holdings Limited (Note 1)	British Virgin Islands/ Hong Kong 15 November 2004	Share - US$ 1 (2014: US$1)	100%	100%	Investment holding
浙江省長興天能電源有限公司 Zhejiang Changxing Tianneng Power Supply Co., Ltd.	PRC - Limited liability company 11 March 1998	Registered capital – RMB108,000,000 (2014: 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 (2014: 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. (Note 2)	PRC - Limited liability company 1 July 2004	Registered capital – RMB136,000,000 (2014: RMB136,000,000)	100%	100%	Manufacture and sales of lithium batteries

36. 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 2015	2014	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 – RMB450,000 (2014: 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 (2014: 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 (2014: 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 (2014: 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 (2014: 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 (2014: RMB100,000,000)	100%	100%	Research and development of recycled 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 (2014: 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 (2014: RMB100,000,000)	100%	100%	Sales of metal materials
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 (2014: 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 (2014: RMB102,160,000)	51%	51%	Manufacture and sale of lead-acid batteries

36. 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 2015	2014	Principal activities
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 (2014: 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 (2014: RMB60,000,000)	100%	100%	Manufacture and sales of lead-acid batteries and re-cycled batteries

Note:

1. Directly held by the Company.

2. As set out in the Company's announcement dated 23 November 2015, the Group is currently considering and exploring the possibility of a possible spin-off and quotation of the shares of Zhejiang Tianneng Energy Technology Co., Ltd. (浙江天能能源科技有限公司) ("Tianneng Energy"), on the National Equities Exchange and Quotations System ("NEEQ") (全國中小企業股份轉讓系統), commonly known as the New Third Board (新三板), in the PRC ("the NEEQ Quotation"). As at the date of the report, no application has been made to NEEQ for the NEEQ quotation.

   Subsequent to the end of the reporting period, a subscription agreement was entered into on 18 January 2016, pursuant to which a group comprising, among others, Mr. Zhang Tianren, directors, management and employees of the Group (the "Management Group") agreed to subscribe 40% of the enlarged total equity interest in Tianneng Energy at a total consideration of RMB114,240,000. The Group's interest in Tianneng Energy is accordingly reduced from 100% to 60% upon the completion of the subscription by the Management Group. Details of the subscription by the Management Group are set out in the Company's announcement dated 18 January 2016.

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. All of these subsidiaries are indirectly wholly-owned and a majority of them operate in the PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of wholly-owned subsidiaries 2015	2014
Manufacture and sales of lead-acid batteries	PRC	4	4
Batteries recycling	PRC	1	–
Investment holding	Hong Kong	1	1
Security investment	PRC	1	1
Not yet commenced operation	PRC	–	1

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

During the year, the Group has non-controlling interests in one (2014: one) subsidiary, namely Jiyuan Wanyang shown under particulars of principal subsidiaries of the Company above (2014: Jiyuan Wangyang). The non-controlling interest in the subsidiary is not material to the Group.

Tianneng Battery (Wuhu) Co,. Ltd issued unlisted long-term loan note of RMB80 million in July 2012 and redeemed all of the long-term loan note in July 2015.

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 28. All other subsidiaries had not issued any debt securities at the end of the year.

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

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

	2015 RMB'000	2014 RMB'000
ASSETS		
Property, plant and equipment	**22**	29
Investments in and amounts due from subsidiaries	**1,055,820**	863,653
Bank balances and cash	**108,849**	79,697
	1,164,691	943,379
LIABILITIES		
Other payables	**103,441**	5,955
Bank borrowings	**–**	151,631
	103,441	157,586
NET ASSETS	**1,061,250**	785,793
CAPITAL AND RESERVES		
Share capital	**111,356**	108,710
Share premium	**872,284**	745,954
Reserves	**77,610**	(68,871)
Total equity	**1,061,250**	785,793

37. STATEMENT OF FINANCIAL POSITION AND RESERVES 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 2014	108,710	745,954	46,572	41,522	942,758
Profits (losses) 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
Profits for the year	–	–	–	171,953	171,953
Issue of new shares upon exercise of share option	3,001	136,503	(45,214)	–	94,290
Repurchase and cancellation of shares	(355)	(10,173)	–	–	(10,528)
Forfeiture of share options	–	–	(8,668)	8,668	–
Recognition of equity-settled share based payments	–	–	19,742	–	19,742
At 31 December 2015	111,356	872,284	22,441	55,169	1,061,250

Financial Summary

	Year ended 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
RESULTS					
Turnover	5,438,321	9,887,641	13,635,060	14,043,731	**17,804,068**
Profit (loss) before taxation	829,685	912,515	141,240	(407,102)	**745,629**
Taxation	213,698	203,116	10,915	(114,115)	**117,832**
Profit (loss) for the year	615,987	709,399	130,325	(292,987)	**627,797**

	As at 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
ASSETS AND LIABILITIES					
Total assets	4,782,851	7,445,211	7,904,226	8,713,603	**10,546,091**
Total liabilities	2,282,377	4,322,868	4,841,959	5,967,963	**7,078,950**
Net assets	2,500,474	3,122,343	3,062,267	2,745,640	**3,467,141**