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)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- Revenue increased by 20.65% to RMB21,480.90 million.
- Gross profit margin increased by 0.21 percentage points to 13.85 percentage points.
- Profit attributable to shareholders was RMB858.55 million (2015: RMB610.94 million).
- A final dividend of HK25.60 cents per share is proposed.
- Basic earnings per share was approximately RMB0.76 (2015: RMB0.55).

2016 ANNUAL RESULTS

The board of directors (the "Board") of Tianneng Power International Limited (the "Company" or "Tianneng Power") hereby announces the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 together with the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	**2016** ***RMB'000***	2015 *RMB'000*
Turnover	*4*	**21,480,891**	17,804,068
Cost of sales		**(18,505,980)**	(15,376,105)
Gross profit		**2,974,911**	2,427,963
Other income		**222,065**	166,159
Other gains and losses	*5*	**(124,378)**	(45,678)
Selling and distribution costs		**(587,076)**	(598,269)
Administrative expenses		**(373,203)**	(323,856)
Research and development costs		**(696,500)**	(565,838)
Other operating expenses		**(132,766)**	(151,476)
Share of profit of an associate		**1,493**	–
Finance costs	*6*	**(139,463)**	(163,376)
Profit before taxation	*7*	**1,145,083**	745,629
Taxation	*8*	**(239,561)**	(117,832)
Profit and total comprehensive income for the year		**905,522**	627,797
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**858,546**	610,936
Non-controlling interests		**46,976**	16,861
		905,522	627,797
Earnings per share	*10*		
– Basic		**RMB 0.757**	RMB 0.548
– Diluted		**RMB 0.744**	RMB 0.544

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**3,787,843**	3,551,121
Goodwill		**499**	499
Prepaid lease payments		**162,846**	199,364
Interest in an associate		**10,493**	–
Deferred tax assets		**333,005**	329,614
Deposit for acquisition of property, plant and equipment		**66,229**	41,243
		4,360,915	4,121,841
Current assets			
Inventories		**1,884,761**	1,354,284
Held-for-trading investments		**57,645**	92,717
Bills, trade and other receivables	11	**2,687,101**	2,845,452
Amounts due from a related party		**598**	–
Prepaid lease payments		**5,621**	5,730
Derivative financial instruments		**19,422**	–
Pledged bank deposits		**1,235,675**	728,512
Bank balances and cash		**1,878,087**	1,397,555
		7,768,910	6,424,250
Current liabilities			
Bills, trade and other payables	12	**5,828,350**	4,824,706
Amounts due to related parties		**12,457**	15,815
Taxation payable		**122,692**	28,089
Bank borrowings – current portion		**1,163,692**	821,895
Obligation under finance leases – due within one year		**15,006**	–
		7,142,197	5,690,505
Net current assets		**626,713**	733,745
Total assets less current liabilities		**4,987,628**	4,855,586
Non-current liabilities			
Bank borrowings – non-current portion		**36,000**	546,818
Deferred tax liabilities		**48,395**	50,650
Obligations under finance leases – due after one year		**4,275**	–
Long-term loan notes		**792,358**	790,977
		881,028	1,388,445
		4,106,600	3,467,141

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 31 December 2016

	2016	2015
	RMB'000	*RMB'000*
Capital and reserves		
Share capital	**109,889**	111,356
Reserves	**3,821,278**	3,276,969
Attributable to the owners of the Company	**3,931,167**	3,388,325
Non-controlling interest	**175,433**	78,816
Total equity	**4,106,600**	3,467,141

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 Company is an investment holding company. The principal activities of its subsidiaries are the manufacture and sales of lead-acid batteries and battery related accessories.

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

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

Amendments to HKRSs that are mandatorily effective for the current year

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 HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to Hong Kong Accounting Standard ("HKAS") 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 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 HKFRSs and amendments to HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be 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.

- 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing/operating cash flows respectively.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB38,455,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as described above, the directors of the Company anticipated that the application of other new HKFRSs and amendments to HKFRSs in issue but not yet effective will have no material impact on the Group's consolidated financial position and performance as well as disclosures.

3. 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 motive 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.

4. TURNOVER

	2016	2015
	RMB'000	*RMB'000*
An analysis of turnover is as follows:		
Lead-acid motive battery products:		
Electrical Bicycle Battery	**12,514,981**	10,815,755
Electrical Tricycle Battery	**4,599,828**	3,913,575
Pure Electric Car Battery *(Note)*	**1,928,400**	1,750,311
Recycled lead products	**955,055**	550,132
Lithium battery products	**615,500**	555,784
Others	**867,127**	218,511
	21,480,891	17,804,068

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

5. OTHER GAINS AND LOSSES

	2016	2015
	RMB'000	*RMB'000*
Net gains (losses) on held-for-trading investments *(note i)*	**22,700**	(12,412)
Net gains on derivative financial instruments *(note ii)*	**19,422**	–
(Allowance for) reversal of bad and doubtful debts	**(71,338)**	4,832
Written off/loss on disposal of property, plant and equipment *(note iii)*	**(85,362)**	(47,045)
Impairment loss recognised in respect of property, plant and equipment	**(2,517)**	(2,965)
Net foreign exchange (losses) gains	**(7,283)**	11,912
	(124,378)	(45,678)

Note:

(i) Net gains (losses) on held-for-trading investments included dividend income of approximately RMB3,192,000 (2015: RMB436,000), gains on disposal of approximately RMB18,749,000 (2015: losses RMB19,184,000) and gains arising on changes in fair value of RMB759,000 (2015: RMB6,336,000), which were earned on these held-for-trading investments during the year ended 31 December 2016.

(ii) Net gains on derivative financial instruments represented gains arising on changes in fair value of foreign currency forward contracts.

(iii) During year ended 31 December 2016, five accidents occurred in several factories. Certain property, plant and equipment of carrying amount approximately RMB20,409,000 were damaged, which after netting off insurance compensation received of approximately RMB22,258,000, resulting in a gain of approximately RMB 1,849,000; inventories of carrying amount approximately RMB7,892,000 were also damaged, which were fully compensated by insurance compensation received of approximately RMB7,892,000, resulting in no gain or loss.

The remaining carrying amount of property, plant and equipment of approximately RMB109,248,000 (2015: RMB68,956,000) was derecognised upon disposal of property, plant and equipment with proceeds of approximately RMB22,037,000 (2015: RMB21,911,000), resulting in a loss of approximately RMB87,211,000 (2015: RMB47,045,000).

6. FINANCE COSTS

	2016 *RMB'000*	2015 *RMB'000*
Interest on:		
– Bank borrowings	**60,764**	117,087
– Effective interest on long-term loan notes	**63,473**	66,710
– Factorised bills receivables	**22,419**	3,668
– Finance lease	**374**	–
Total borrowing costs	**147,030**	187,465
Less: amounts capitalised	**(7,567)**	(24,089)
	139,463	163,376

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.57% (2015: 3.67%) per annum to expenditure on qualifying assets.

7. PROFIT FOR THE YEAR

	2016 *RMB'000*	2015 *RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**347,456**	311,418
Amortisation of prepaid lease payments	**4,506**	5,490
Total depreciation and amortisation	**351,962**	316,908
Capitalised in inventories	**(275,127)**	(246,060)
	76,835	70,848
Auditor's remuneration	**2,270**	2,200
Recognition (reversal) of allowance for inventories (included in cost of sales)	**3,292**	(11,152)
Directors' emoluments	**3,909**	4,163
Other staff retirement benefit scheme contributions	**41,394**	36,697
Other staff costs	**1,208,282**	1,098,162
Share-based payment expense for other staff	**15,111**	19,625
Total staff costs	**1,268,696**	1,158,647
Cost of inventories recognised as expense	**18,505,980**	15,232,037

Share-based payment expense of approximately RMB15,143,000 (2015: RMB19,742,000) were recognised in profit or loss during the year ended 31 December 2016 in respect of share options of the Company.

8. TAXATION

The charge comprises:

	2016	2015
	RMB'000	*RMB'000*
Hong Kong		
– Current tax	**–**	–
PRC Enterprise Income Tax ("EIT"):		
– Current tax	**203,225**	97,259
– Under (over) provision in prior years	**21,682**	(9,176)
	224,907	88,083
Deferred tax expenses	**14,654**	29,749
	239,561	117,832

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

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the year ended 31 December 2016. No provision for Hong Kong Profits Tax was made in the consolidated financial statements, as no assessable profit was generated in Hong Kong.

Pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law 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 except for Tianneng Battery Group Co., Ltd. ("Tianneng Battery"), Tianneng Battery Group (Anhui) Co., Ltd. ("Tianneng Battery Anhui"), Zhejiang Tianneng Energy Technology Co., Ltd. ("Zhejiang Tianneng Energy"), Zhejiang Tianneng Power Energy Co., Ltd. ("Zhejiang Tianneng Power") and Tianneng Battery (Wuhu) Co., Ltd. ("Tianneng Battery Wuhu"), which were recognised as High-Tech companies and enjoyed a tax rate of 15% for the years ended 31 December 2016 and 31 December 2015.

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

	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Profit before taxation	**1,145,083**		745,629	
Tax at the applicable income tax rate of 25% (2015: 25%)	**286,271**	**25.0**	186,407	25.0
Tax effect of expenses not deductible for tax purposes	**1,817**	**0.2**	8,947	1.2
Tax effect of tax losses not recognised	**3,551**	**0.3**	6,434	0.9
Tax effect of deductible temporary differences not recognised	**(324)**	**(0.1)**	(491)	(0.1)
Utilisation of tax losses previously not recognised	**(1,974)**	**(0.2)**	–	–
Income tax at concessionary rates	**(13,056)**	**(1.1)**	(1,603)	(0.2)
Under (over) provision in prior years	**21,682**	**1.9**	(9,176)	(1.2)
Tax effect of additional deduction related to research and development costs and certain staff costs	**(72,306)**	**(6.3)**	(86,986)	(11.7)
Withholding tax on undistributed profits of PRC subsidiaries	**13,900**	**1.2**	14,300	1.9
Taxation charge and effective tax rate for the year	**239,561**	**20.9**	117,832	15.8

9. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2016: 2015 final dividend of HK31.80 cents (equivalent to RMB26.67 cents) per ordinary share (2015: 2014 final dividend nil)	**304,430**	–

A final dividend of HK25.60 cents (equivalent to RMB22.90 cents) (2015: HK31.80 cents (equivalent to RMB26.67 cents)) in respect of the year ended 31 December 2016 per ordinary share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

10. EARNINGS PER SHARE

	2016	2015
	RMB'000	*RMB'000*
Earnings for the purposes of calculating basic and diluted earnings per share – attributable to the owners of the Company	**858,546**	610,936
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,133,770,145**	1,113,869,807
Effect of dilutive potential ordinary shares – share options	**20,886,482**	8,237,759
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,154,656,627**	1,122,107,566

11. BILLS, TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Bills receivables	**1,399,111**	1,727,615
Trade receivables	**885,044**	718,077
Less: Allowance for bad and doubtful debts	**(103,245)**	(51,954)
	781,799	666,123
Other receivables	**293,817**	176,631
Less: Allowance for bad and doubtful debts	**(18,733)**	(18,377)
	275,084	158,254
Prepayments	**62,679**	62,606
PRC value added tax receivables	**168,428**	230,854
	2,687,101	2,845,452

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

	2016	2015
	RMB'000	*RMB'000*
0 to 180 days	**1,337,100**	1,727,615
180 to 365 days	**62,011**	–
	1,399,111	1,727,615

No interest is charged on the trade receivables. Customers including independent third parties of batteries and battery related products are normally granted an average credit period of 45 days (2015: 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:

	2016	2015
	RMB'000	*RMB'000*
0 to 45 days	**398,107**	450,061
46 to 90 days	**216,815**	162,486
91 to 180 days	**71,718**	44,335
181 to 365 days	**95,159**	9,241
	781,799	666,123

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 balances of RMB398,107,000 (2015: RMB450,061,000) 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 RMB383,692,000 (2015: RMB216,062,000) 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:

	2016	2015
	RMB'000	*RMB'000*
46 to 90 days	**216,815**	162,486
91 to 180 days	**71,718**	44,335
181 to 365 days	**95,159**	9,241
	383,692	216,062

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

	2016	2015
	RMB'000	*RMB'000*
1 January	**51,954**	62,637
Allowance for bad and doubtful debts	**71,088**	4,279
Reversal of bad and doubtful debts	**(329)**	(6,481)
Amounts written off as uncollectible	**(19,468)**	(8,481)
31 December	**103,245**	51,954

Other receivables are unsecured and interest-free.

Movement in the allowance for doubtful debts – other receivables

	2016	2015
	RMB'000	*RMB'000*
1 January	**18,377**	21,031
Allowance for bad and doubtful debts	**775**	–
Reversal of bad and doubtful debts	**(196)**	(2,630)
Amounts written off as uncollectible	**(223)**	(24)
31 December	**18,733**	18,377

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.

12. BILLS, TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**1,769,406**	1,258,470
Bills payables	**1,402,981**	1,715,787
Other payables and accrued charges *(Note)*	**2,655,963**	1,850,449
	5,828,350	4,824,706

Note:

The Group provided a warranty of up to fifteen months on all lead-acid motive battery products. For lead-acid motive 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 eight months from the date of sale, and to repair the battery free of charge for products returned between the ninth month to the fifteenth month after the date of sale. A warranty provision is estimated and accrued at the time of sale and is based on factors including the actual warranty claims, unit sales history, the estimated replacement costs for returned products, predicted future warranty claim rate with reference to prior experiences and volumes of products sold. The amount of accrued warranty is adjusted as required to reflect the actual costs incurred when information becomes available.

At 31 December 2016, included in the other payables and accrued charges is a warranty provision of RMB468,426,000 (2015: RMB373,247,000) which represents management's best estimate of the Group's liability within the fifteen-month warranty period granted on the Group's lead-acid motive battery products. Details of the movement in the warranty provision are set out as below:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**373,247**	229,179
Provision in the year	**741,907**	675,884
Utilisation of provision	**(646,728)**	(531,816)
At 31 December	**468,426**	373,247

The Group normally receives credit terms of 5 days to 90 days (2015: 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:

	2016	2015
	RMB'000	*RMB'000*
0 to 90 days	**1,449,588**	1,117,788
91 to 180 days	**94,033**	89,598
181 to 365 days	**127,944**	30,546
1 to 2 years	**89,016**	11,551
Over 2 years	**8,825**	8,987
	1,769,406	1,258,470

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

	2016	2015
	RMB'000	*RMB'000*
0 to 180 days	**1,402,981**	1,715,787

BUSINESS REVIEW

Review of Operations

During 2016, by focusing on quality and efficiency as well as innovation and change, striving to develop towards the high-end segment of traditional industries, expanding its share in emerging industries and promoting informatization and independent operation in its management, the Group achieved a development mode of higher quality and efficiency, with very strong performance in each principal business index.

During the Reporting Period, the Group recorded a revenue of approximately RMB21,481 million (2015: approximately RMB17,804 million) and a net profit of approximately RMB906 million (2015: approximately RMB628 million), both hitting historical highs. Revenue from lithium battery for new energy vehicles was approximately RMB616 million, representing an increase of 10.74% year-on-year and accounting for 2.87% of total revenue; revenue from lead batteries for mini electric cars was approximately RMB1,928 million, representing an increase of 10.17% year-on-year and accounting for 8.98% of total revenue; revenue from lead motive batteries for electric bicycles and electric tricycles were approximately RMB12,515 million and RMB4,600 million, increasing by approximately 15.71% and 17.54% and accounting for 58.26% and 21.41% of total revenue, respectively; external revenue from used battery recycling business was approximately RMB955 million, representing an increase of 73.60% year-on-year and accounting for 4.45% of total revenue.

I. Accelerating the Pace of Transformation and Upgrade of Lead Battery Business. The lead battery business generates strong cash flow to the Group. During the year, revenue from lead batteries for electric bicycles and electric tricycles were approximately RMB17,115 million, increasing by 16.20% year-on-year. Revenue from lead batteries for mini electric cars was approximately RMB1,928 million, representing an increase of 10.17% year-on-year.

Through research and development during the year, the Group has launched various new lead battery products characterised by outstanding performance in balance, life, distance and loading capacity respectively, with its graphene battery garnering national patent of invention. New techniques, equipments and processes, such as casting and rolling, green container formation, centralised lead feeding, fully automatic and enclosed lead powder production, fully enclosed and automatic paste-mixing, mechanised cutting and brushing, mechanised sheathing and automatic casting, have been widely applied in each production base. The lead battery production line has successfully realized automatic, enclosed and negative pressure production. Meanwhile, the Group has actively implemented its recycling policy on used battery, solid waste, waste water, power and waster acid. With the implementation of allround informatisation management in the whole course of business and to all staff of the Group, combined with the development of independent operation through decreasing the percentage of OEM production capacity, the Group's production efficiency has been greatly improved, with higher product quality but lower material and energy consumption, reducing the risk of environment pollution. Besides, the addition of production facilities for industrial battery and energy storage battery has broadened the application area of lead battery.

With accelerated urbanisation and popularisation of e-commerce in China, electric bicycles and electric tricycles have become the major traffic tools of citizens in the second and third tier cities as well as farmers in China. The number of ownership of mini electric cars has increased in a stable way in Shandong, Henan, Hebei and Jiangsu province. Lead motive battery has been the first preference for electric bicycles, electric tricycles and mini electric cars owing to its resistance to low temperature, high level of safety, high costefficiency and recyclability. As forecasted in Ipsos Industry Reports, demand for battery for electric bicycles and tricycles in the PRC will be over US$10 billion by 2020.

The consolidation of lead battery industry by the government enables the Group's long term development. During the Reporting Period, only 113 enterprises conformed with the "Standardized Conditions of the Industry of Lead-Acid Batteries" (《鉛蓄電池行業規範條件》), as announced by the Ministry of Industry and Information Technology of the People's Republic of China (MIIT). In comparison with 2011, when there were 1,930 lead battery enterprises in China, techniques and equipments for lead-acid battery industry have been further improved and higher entry threshold has been imposed, leading to a more concentrated market share and further-improved order for the development of the industry. The benefits of consolidation of the industry will sustain.

II. Recycling Business Leading Domestic Development of the Industry. During the Reporting Period, external revenue from used battery recycling business of the Group was approximately RMB955 million, representing a increase of 73.60% year-on-year, accounting for 4.45% of total revenue, which greatly mitigated the risk of lead price volatility.

In December 2016, the Group's technological modification project of waste lead-acid battery recycling commenced operation, with additional capacity of 150,000 tons per annum. Another two recycling bases of the Group in Zhejiang Province and Henan Province aggregately contribute a used battery recycling capacity of 400,000 tons per annum, making the Group the largest benchmarking enterprise in waste and used lead battery recycling business in China. The Group was recognized as a "National Advanced Enterprise for Comprehensive Utilization of Resources" (全國資源綜合利用企業), "Pilot Enterprise for the National Circular Economy" (國家循環經濟試點企業) and "Key Technological Modification Project for National Industrial Revitalization" (國家產業振興重點技術改造項目) by the National Development and Reform Commission (NDRC), a "Key Promoting Project of Integration of Informatization and Industrialization for

Promoting Energy-Saving and Emission Reduction in China" (國家兩化融合促進節能減排重點推進項目) by the MIIT and a "National Science and Technology Supporting Program" (國家科技支撐計劃項目) by the Ministry of Science and Technology (MOST), with increasingly apparent economic, social and ecological benefits.

III. Lithium Battery Business Ranking Top in China. According to the "List of Top 20 Lithium Battery Enterprises 2016, China" (《2016年度中國動力鋰離子電池20強企業名單》) issued by China Industrial Association of Power Sources in February 2017, the Group's lithium battery of ternary materials ranks fourth in terms of sales volume, successfully emerging itself as a Leading enterprise in the industry in China. The Group's advantages in developing lithium battery business includes: (1) Technical edge. Leveraging on independent technical research and development and technical elites identified worldwide, the Group's lithium battery technology and product performance have been close to global-leading level. Doctor Li Wenbo, Doctor Guo Zaiping, Doctor Li chonghui and Doctor Bai Minshan, experts of the Group in lithium battery industry, have been on the expert list of the national "Thousand Talents Plan" (國家千人計劃); (2) Equipment advantage. The Group applied global-leading smart production line and process, facilitating fully-automatic production of lithium battery and ensuring product uniformity, high finished product ratio and safety. In June 2016, the Group became one of the three lithium battery enterprises on the list of "Smart Manufacturing Project 2016" (2016年智能製造綜合標準化與新模式應用項目) published by the MIIT. In July 2016, the Group became one of the six lithium battery enterprises on the "List of Key State Laboratories" (國家重點實驗室名單) approved by China National Light Industry Council; and (3) Client strength. The Group has accumulated huge client resources relying on its leading techniques, products, brands and services plus 30 years of experience in the industry. Many well-known new energy vehicle enterprises including BAIC Automotive Group, Chery Automobile Co., Kandi Electric Vehicles Group, ZOTYE Auto, Brilliance Auto Group, Holley Worldwide Holdings, and Nanjing Golden Dragon Bus Co., Ltd., have been key clients of the Group, besides over 100 mini electric vehicle clients, to which the Group have been ready to supply lithium battery.

IV. Technology Innovation Improving Core Competitiveness. The Group's R&D team comprises of 1,000 members, including academicians, experts of the national "Thousand Talents Plan" and the provincial "Thousand Experts Plan", 112 engineering experts, battery experts from the United States, Japan and Korea, and doctors. Relying on various high-end R&D platforms, including national technology centers, national recognized testing laboratories, first batch of engineering research centers, first batch of key state lithium battery laboratories, national post-doctoral research centers and national research centers for academicians and experts, the Group completed the research and development of high-nickel NCA ternary battery, 3500Mah lithium battery cell, pouch cell, light weight PACK process, smart BMS, graphene battery, H6 balance technology battery and casting and rolling techniques during the Reporting Period. To date, the Group obtained a total of 1,681 licensed patents and participated in formulating over 50 national industry standards. During the Reporting Period, the Group won "National Outstanding Patent Award" (國家優秀專利獎) and the Golden Prize of "National Invention and Innovation Award" (國家發明創新金獎), and was recognised as a "Quality Benchmarking Enterprise" (質量標杆企業) by the MIIT and "National Model Enterprise of Technical Innovation" (國家技術創新示範企業).

V. Accelerating Military-Civilian Integration. In July 2016, the State Council and relevant authorities issued "Opinions on Codevelopment of Economic Construction and Defense Construction" (《關於經濟建設和國防建設融合發展的意見》), urging the introduction of leading private enterprises to the area of scientific research and production and maintenance of military equipments, deepening military and civilian cooperation in multiple aspects and of high efficiency. In January 2017, the Chinese government established a new central commission for integrated military and civilian development (中央軍民融合發展委員會), scaling a new height of military-civilian integration. The Group has received the "Certificate of Quality Control System of Military Equipments of the People's Liberation Army" (中國人民解放軍武器裝備質量管理體系證書), "Certificate of Confidentiality in Scientific Research and Production of Military Equipments" (武器裝備科研生產保密資格證書), "Permit of Scientific Research and Production of Military Equipments" (武器裝備科研生產許可證) and "Certificate of Military Equipment Manufacturer" (裝備承制單位資格證書), satisfying the conditions of carrying on business of military projects. The Group was also elected to be the Vice President Unit of the Science and Technology and Equipment Industry Chamber of Commerce of All-China Federation of Industry & Commerce (全國工商聯科技裝備業商會副會長單位).

VI. "One Belt, One Road" Initiative Broadening New Market. During the year, the Group recorded foreign trade income of RMB132 million, representing an increase of eight times year-on-year. The Group mainly exports products to countries included in "One Belt, One Road" initiative, such as Vietnam, India, Philippines, Malaysia, Bengal, Turkey and Brazil.

Electrification of traffic tools has been a rising development trend globally. With a population of nearly 2 billion, countries in Southeast Asia including Vietnam and India have a rising demand for electric bicycles and tricycles from China. According to statistics of China Bicycle Association, in 2015, China exported 1,339,000 electric bicycles, which increased to approximately 1,500,000 in 2016, up approximately 12% year-on-year. On 13 September 2016, the Group entered into an agreement with TREE Movement (M) Sdn Bhd in Malaysia Pavilion at the 13th China-ASEAN EXPO in relation to the construction of "Smart City" and development of electric auto industry in Malaysia. Meanwhile, the Group actively cooperates with international giants such as Schneider and Eaton and supplies batteries for power plants, banks and telecommunication operators. It also provides comprehensive power solutions to international peacekeeping force.

VII. Capital Market in the Interests of the Company and Shareholders. With the completion of subscription of shares of Energy Technology by the management and the restructuring of Energy Technology into a joint-stock company during the year, the Group has established a benefit-sharing mechanism, pursuant to which the key management and technicians of the Group can work together in developing lithium battery business, thus laying a solid foundation for the sustainable growth of the Group in the future. On 18 May 2016, a resolution was passed in the annual general meeting of the Group to approve the purchase, during the Relevant Period, of no more than 10% of the number of issued shares of the Company as at the date of passing such resolution. During the year, the Group applied approximately HK$107 million in purchasing 17,222,000 shares, representing 1.51% of the total share capital of the Company. Mr. Zhou Jianzhong, an executive director of the Group, increased his shareholding by 2,050,000 shares at a consideration of approximately HK$14.15 million, showing confidence in the future development of the industry and the Company. With its excellent operation results, the Group was honoured with the "Most Growing Potential Enterprise" (最具成長性上市公司), "Best Investment Value Award for Listed Companies" (最具投資價值上市公司), and "Best Investor Relationship Management Award" (最佳投資者關係管理) respectively by the Chinese Securities Association of Hong Kong and other intermediaries during the year. It has also been included in Hang Seng Composite Index, Hang Seng Corporate Sustainability Benchmark Index, MSCI Index and Shenzhen-Hong Kong Stock Connect Programme. In the future, the Group will continue to identify target companies for merger and acquisition worldwide in implementing its development strategy of global research and development, global manufacturing and global sales.

Future Prospects and Development Strategy

In the future, the Group will continue to develop the industry-based and innovation-driven business with a focus on quality and efficiency and always adhering to the main theme of making progress while maintaining stability. Its priority is to create solutions to advanced lead battery system, high-end lithium battery system, integrated recycling economic industry chain, and energy storage battery system respectively, enabling its shift from production-oriented manufacturing to service-oriented manufacturing and from traditional enterprise to platform enterprise. It will accelerate the implementation of its "Development Strategy by 2020", and the progress of "informationisation, lean management and globalisation", and establish itself as an industry-leading international new energy group receiving social respects and to the satisfaction of its employees.

I. Solution to High-end Lithium Battery System: Making Full Preparation for Booming Market

The government of China shows strong determination in developing new energy vehicles strategically. On 22 December 2016, President Xi jinping organised the fourteenth meeting of the Central Leading Group on Financial and Economic Affairs. It stressed that the development of new energies in a faster pace and the usage of new energy traffic tools are necessary in compliance with the 13th Five-Year Plan in order to mitigate environmental pollution. On 29 December 2016, the MIIT, the Ministry of Finance, the MOST and the NDRC further issued the "Circular on Adjustment of Fiscal Subsidy Policy on Promotion and Application of New Energy Vehicles" (關於調整新能源汽車推廣應用財政補貼政策的通知), the government will procure the allocation of subsidies to enterprises which underline technologic research and development and which are of strong competitiveness in the market so as to instruct enterprises to put more efforts in the research and development of battery technology and particularly the energy density of battery. Such move will benefit the development of ternary battery with higher energy density and greatly accelerate the progress of market reshuffle in motive battery industry. The Group will firmly grasp the strategic opportunities emerged in the process of industry reshuffle and in a booming market, and be fully prepared in the aspect of technology, client and production capacity, in a bid to become a globally leading lithium battery enterprise.

In terms of technology, the Group will actively comply with domestic policies and industry trend to strengthen in-house research and development, identify global talents, make great effort to develop ternary cylindrical batteries of high specific energy density and various specifications, as well as other new battery technologies, and deliver customized cylindrical battery cell, pouch cell, prismatic hard-case battery, PACK system and BMS, and ensure the conformity, stability and high level of safety of its products. On 29 April 2016, Tianneng Lithium Battery was listed in the third batch of Catalogue for Enterprises under the "Conditions for Standardisation of the Vehicle Rechargeable Battery Industry (《汽車動力蓄電池行業規範條件》)" (a total of 25 companies for the first three batches), by the MIIT. In June 2016, a number of motive battery models of Tianneng Lithium Battery have successfully passed the mandatory inspection under the new international standard for motive batteries. All of the above have secured initial development opportunity for Tianneng with advantages in technology, standard and market entry.

In respect of client, the Group will continue to deepen its business cooperation with existing new energy vehicle manufacturers, proactively explore electric bus and electric logistics companies, while accelerating the test of lithium battery application together with mini electric vehicle manufacturers to drive the upgrade and normalised development of electric vehicles.

As for production capacity, the plant constructed by the Group in Changxing, Zhejiang Province for the production of motive (energy storage) lithium batteries for new energy vehicles commenced operation in December 2016, with an annual production capacity of 5GWh currently, which will reach 5.5GWh after full operation. According to figures released by China Industrial Association of Power Sources in February 2017, the Group's ternary lithium battery ranks top 5 in China in terms of sales volume. In the future, the Group will release its total production capacity of lithium battery in stages and in an orderly manner based on its master plan.

II. Solution to Advanced Lead Battery System: from Excess Capacity to Oligopoly, Benefits of Consolidation Gradually Emerging

Development of lead battery industry reflects the transformation and upgrading process of traditional industries. Against the backdrop of the government's strong efforts in promoting the supply-side reform, the lead battery industry have been out of the dilemma of excess production capacity in the industry firstly. Under the instruction of government and driven by market, the industry adopted various means including entry verification, equipment and technical upgrade to kick small-sized low-efficient and fragmented capacity out and encourage high-efficient capacity, which initially led to a duopoly market structure.

Industry consolidation improves profitability. Consolidation of lead battery industry carried out by the MIIT and the Ministry of Environmental Protection from 2011 improved the mandatory entry standard to the benefit of the industry's long term development, enabling the improvement of economy efficiency of large enterprises.

New equipments and processes improve production efficiency. The Group will continue to lead the industry's thorough reform in equipments and processes, research, develop and promote new equipments, new techniques and new processes, improve production efficiency and product quality, and reduce material and energy consumption.

From 2012 to 2016, revenue of the Group significantly increased from approximately RMB9,888 million to approximately RMB21,481 million, representing a CAGR of 21.41%. However, during the same period, number of employees reduced 1.69% from 18,422 to 18,110.

Lean management reduces management cost. The Group will continue to improve management efficiency through informatisation, to reduce cost through lean management, to initiate employees' passion in innovation through independent operation and to realise global research and development, global manufacturing and global sales through internationalisation.

Lead battery continues to flourish. As clearly stated in the interpretation document for "Standardized Conditions of the Industry of Lead-Acid Batteries (2015 Version)" (《鉛蓄電池行業規範條件(2015年本》) by the MIIT, lead battery product has a long history of development. Owing to its mature skill, low cost, high resistance to high and low temperature, and other significant advantages in uniformity, recyclability, safety and reliability, it has been widely applied in all kinds of areas including automobile, vessel, aviation, power, telecommunication, bank and military project. As a basic product, it plays an essential role for sustainable development of national economy and the society. Besides, lead battery has also been the most widely-used battery product with the largest market share among chemical power sources. It is not expected to be replaced by another product in a quite long period in the future. The lead battery industry will continue to play an indispensable key role in national economy. Currently, advanced lead battery is a primary power source for electric bicycle, electric tricycle and mini electric vehicle in China. Basic demand for lead battery both in primary and secondary market has been growing stably.

III. Solution to Integrated Recycling Economic Industry Chain: Aiming to be a New Engine for Green Development

In January 2017, the NDRC issued the "Catalogue of Key Products in Strategic Emerging Industries" (《戰略性新興產業重點產品目錄》) to include resource recycling industry a an emerging industry entitling to receive various tax subsidies. In December 2016, the "Conditions for Standardisation of Lead Recycling Industry" (《再生鉛行業規範條件》) issued by the MIIT imposes higher requirement on the size of production: at least 100,000 tons per annum for pretreatment project of waste lead batteries and 60,000 tons secondary lead per annum for pretreatment – smelting project respectively. Currently, the Group owns two bases for the recycling of used batteries in Eastern China and Northern China. The Eastern China recycling base owns the only license for used battery recycling in Zhejiang province with an annual design capacity of 300,000 tons, among which, 150,000-ton has been reached, another 150,000-ton will be reached after full operation in 2017. The Northern China recycling base located in Puyang, Henan Province has an annual design capacity of 100,000 tons. Besides, the Group is identifying the opportunities to construct new battery recycling bases and is planning lithium battery recycling business in other provinces. The Group believes used battery recycling business is likely to be a new key driver for future development.

MANAGEMENT ANALYSIS

Gross profit

The Group's gross profit and gross profit margin increased to approximately RMB2,975 million and approximately 13.85% respectively in 2016 from approximately RMB2,428 million and approximately 13.64% respectively in 2015, representing an increase of approximately 22.53% and 0.21 percentage points respectively as compared to the previous year. The increase was mainly attributable to the increase in income and the improvement of management.

Other income

Other income of the Group increased by approximately 33.65% from approximately RMB166 million in 2015 to approximately RMB222 million in 2016. The increase was mainly attributable to the increase in government grants income.

Selling and distribution costs

Selling and distribution costs of the Group decreased by approximately 1.87% from approximately RMB598 million in 2015 to approximately RMB587 million in 2016. The slight decrease in selling and distribution costs were mainly due to our strict control on expenses.

Administrative expenses

Administrative expenses increased by approximately 15.24% from approximately RMB324 million in 2015 to approximately RMB373 million in 2016. Such increase was mainly due to the increase in staff cost and consultancy expenses.

Finance costs

Finance costs decreased by approximately 14.64% from approximately RMB163 million in 2015 to approximately RMB139 million in 2016, which was mainly due to deduction of total borrowings and decrease in borrowing rate during the year.

Taxation

Income tax expenses of the Group increased by approximately 103.31% from approximately RMB118 million in 2015 to approximately RMB240 million in 2016, which was mainly due to the increase in profit during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The net cash from operating activities for the year of 2016 was approximately RMB2,089 million (2015: RMB2,010 million). In this year, the Group had better profit and strengthened management of account receivables and account payables so as to enable the overall cash flow of operating activities to maintain in a good level.

As at 31 December 2016, the bank balances and cash (including pledged bank deposits) of the Group was approximately RMB3,114 million (31 December 2015: approximately RMB2,126 million). As at 31 December 2016, the Group obtained undrawn banks facilities of approximately RMB3,016 million (31 December 2015: approximately RMB2,531 million). The bank balances and cash (including pledged bank deposits) approximately of RMB2,927 million, RMB171 million and RMB15.65 million were denominated in Renminbi, Hong Kong Dollars and US Dollars respectively. As the bank balances in Hong Kong Dollars and US Dollars collectively accounted for approximately 5.98% of the total balances, the Group's relevant exchange risk is low.

As at 31 December 2016, the Group's held-for-trading investments were approximately RMB58 million (31 December 2015:RMB93 million). 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 2016, the net current assets of the Group were approximately RMB627 million (31 December 2015: net current assets of approximately RMB734 million). The decrease was primarily attributable to improvement of the operating capacity by the Company and increase in account payables and advances. 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 2016, the bank borrowings, finance leases and loan notes (together as "interest bearing loans") of the Group with maturity of within one year totally amounted to approximately RMB1,179 million (31 December 2015: approximately RMB822 million). The interest bearing loans of the Group with maturity of more than one year amounted to approximately RMB833 million (31 December 2015: RMB1,338 million). The interest bearing loans of RMB1,401 million carried fixed and variable interest rates ranging from 3.65% to 8.00% (2015: 3.94% to 8.00%) per annum. The interest bearing loans amounting to HK$436 million carried a fixed interest rate ranging from 1.47% to 1.49% (2015: 1.64%). 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 2016, the total assets of the Group were approximately RMB12,130 million, representing an increase of 15.02% as compared to approximately RMB10,546 million as at 31 December 2015. Among them, non-current assets increased by approximately 5.80% to approximately RMB4,361 million and current assets increased by approximately 20.93% to approximately RMB7,769 million. The major reason for the increase of non-current assets was due to the capital expenditure on production plants (mainly lithium batteries project and recycling project). The increase in current assets was mainly attributable to the increase in inventories, bank deposits and pledged bank deposits.

Liabilities

As at 31 December 2016, the total liabilities of the Group were approximately RMB8,023 million, representing an increase of approximately 13.34% as compared to approximately RMB7,079 million as at 31 December 2015. Among them, current liabilities increased by approximately 25.51% to approximately RMB7,142 million, mainly due to the increase in account payables/advances. Non-current liabilities decreased by approximately 36.55% to approximately RMB881 million, mainly due to the decrease in long-term interest bearing loans.

CAPITAL EXPENDITURE

The capital expenditure in 2016 was approximately RMB716 million (2015: approximately RMB487 million). A majority of expenditure was incurred on the construction of lithium batteries production project, Wushang base in Changxing, Puyang base in Henan and Shuyang base in Jiangsu.

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 2016 was approximately RMB241 million (31 December 2015: approximately RMB322 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 2016 was approximately 16.58% (31 December 2015: approximately 20.48%).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

As the Group's operations were mainly conducted in China and the majority of businesses were transacted in Renminbi, and the Group entered into foreign currency forward contracts in 2016 for the bank borrowings of HK$436 million to reduce exposure to foreign currency, the Board is of the view that the Company's operating cash flow and liquidity are not subject to significant foreign exchange rate risk.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2016 (31 December 2015: Nil).

PLEDGE OF ASSETS

As at 31 December 2016, 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 RMB2,169 million (31 December 2015: RMB2,092 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed a total of 18,110 employees (31 December 2015: 18,127 employees). Staff costs excluding directors' emoluments of the Group for the year of 2016 amounted to approximately RMB1,265 million (2015: RMB1,154 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.

SIGNIFICANT INVESTMENTS HELD

Save as the held-for trading investments of approximately RMB58 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 2016 (31 December 2015: Nil). During the year under review, the Group recorded a gain of approximately RMB22,700,000 (2015: a loss of approximately RMB12,400,000) 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

During the year, the Company repurchased a total of 17,222,000 Shares of HK$0.10 each in the capital of its own shares on the Stock Exchange, details of which are as follows:

Month of repurchase	**Number of shares repurchased**	**Highest price paid per Share** *(HK$)*	**Lowest price paid per Share** *(HK$)*	**Approximate aggregate consideration** *(HK$'000) (include relevant expenses)*
April 2016	6,334,000	6.36	6.11	39,920
May 2016	6,976,000	6.20	5.92	42,492
June 2016	1,966,000	5.28	4.68	9,833
December 2016	1,946,000	7.50	7.31	14,527
	17,222,000			106,772

The issued share capital of the Company was reduced by the par value of the repurchased Shares which had been cancelled on 16 May 2016, 31 May 2016, 30 June 2016 and 28 December 2016. 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 18 May 2016.

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 and earnings per Share.

As at 31 December 2016, two tranches of corporate bonds in an aggregate amount of RMB800 million (2015: 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 12 May 2017 to Thursday, 18 May 2017, 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 Thursday, 11 May 2017.

Further, the register of members of the Company will be closed from Thursday, 1 June 2017 to Monday, 5 June 2017 (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 Wednesday, 31 May 2017.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. As at 31 December 2016, 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 2016.

CORPORATE GOVERNANCE CODE

The Company has adopted the provisions of the Corporate Governance Code (the "Code") during the period from 1 January 2016 to 31 December 2016 as contained in Appendix 14 to the Listing Rules. For the year ended 31 December 2016, except for the code provision A.2.1, the Company has complied with the provisions set out in the Code. Dr. Zhang Tianren is both the Chairman and CEO of the Company who is responsible for managing the Group's business. The Board considers that vesting the roles of Chairman and CEO in the same person facilitates the execution of the Company's business strategies and maximizes the effectiveness of its operation. With the present board structure and scope of business, the Board considers that there is no imminent need to separate the roles into two individuals. However, the Board will continue to review the effectiveness of the Group's corporate governance structure to assess whether the separation of the position of the Chairman and CEO is necessary.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

COMPLIANCE WITH THE MODEL CODE OF LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year 2016.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held at Conference Room, 3/F, Tianneng Group Building, Huaxi Industrial Function Zone, Changxing County, Zhejiang Province, the PRC on Thursday, 18 May 2017 at 2:00 p.m.. Notice of annual general meeting will be published on the Company's website at www.tianneng.com.hk and the website of the Stock Exchange at www.hkex.com.hk and despatched to the shareholders of the Company as soon as practicable.

PUBLICATION

The annual report containing all the information as required by Appendix 16 of the Listing Rules will be published on the Company's website at www.tianneng.com.hk and the website of the Stock Exchange at www.hkex.com.hk as soon as practicable.

GENERAL INFORMATION

As at the date of this announcement, the executive Directors are Dr. Zhang Tianren, Mr. Zhang Aogen, Mr. Chen Minru, Mr. Zhang Kaihong, Mr. Shi Borong and Mr. Zhou Jianzhong; the independent non-executive Directors are Mr. Guo Konghui, Mr. Huang Dongliang and Mr. Wu Feng.

This announcement will be published on the website of the Company at www.tianneng.com.hk and the website of the Stock Exchange at www.hkex.com.hk.

By Order of the Board
ZHANG Tianren
Chairman

Hong Kong, 24 March 2017

As at the date of this announcement, the executive directors of the Company are Dr. ZHANG Tianren, Mr. ZHANG Aogen, Mr. CHEN Minru, Mr. ZHANG Kaihong, Mr. SHI Borong and Mr. ZHOU Jianzhong; the independent non-executive directors of the Company are Mr. GUO Konghui, Mr. HUANG Dongliang and Mr. WU Feng.