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

00819.HK

(Incorporated in the Cayman Islands with limited liability)

2019
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

Executive Directors

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

Independent Non-Executive Directors

Mr. Huang Dongliang
Mr. Wu Feng
Mr. Zhang Yong

Audit Committee Members

Mr. Huang Dongliang *(Chairman)*
Mr. Wu Feng
Mr. Zhang Yong

Remuneration Committee Members

Mr. Wu Feng *(Chairman)*
Mr. Huang Dongliang
Mr. Zhang Aogen

Nomination Committee Members

Dr. Zhang Tianren *(Chairman)*
Mr. Huang Dongliang
Mr. Wu Feng

Company Secretary

Ms. Hui Wai Man Shirley

Auditor

Deloitte Touche Tohmatsu Certified Public Accountants
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(resigned with effect from 18 December 2019)

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(appointed with effect from 24 December 2019)

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Cayman Islands

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Hong Kong

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Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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Hong Kong

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18 Harcourt Road,
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Hong Kong

Listing Information

The Stock Exchange of Hong Kong Limited
(the "Hong Kong Stock Exchange")
Stock Code: 00819

Company's Website

http://www.tianneng.com.hk

COMPANY PROFILE

Tianneng Power International Limited ("the Company" or "Tianneng Power") and its subsidiaries ("the Group") is a leading enterprise in the industry of new energy power battery in China, founded in 1986. In 2007, Tianneng Power was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the "First mainland enterprise of power battery". After more than 30 years of development, it has become a large high-tech energy group focusing on the manufacturing and provision of services of environmentally friendly power batteries for electric vehicles, while offering integrated power storage ancillary services, and integrating the R&D, production and sale of lithium batteries for new energy vehicles, start-and-stop batteries for vehicles and wind power and solar power storage batteries; the recycling and cyclic utilization of waste batteries; the construction of smart micro-grids in cities; as well as the building of green and smart industrial parks.

"Responsibility, Innovation, Striving and Sharing" are the core values of Tianneng Power, and these core values focus on striving for value, enhancing responsibilities, persistently driving for innovation, constantly generating motivation, boosting core competitiveness, consistently achieving high-quality development, creating values for customers and providing a platform for employees, with the aims to create returns to our shareholders and to give back to our community through concrete actions.

FINANCIAL HIGHLIGHTS

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

Consolidated Statement of Comprehensive Income (Note 1)

	2019	2018	2017	2016	2015
Revenue	**40,613,555**	34,750,848	26,903,901	21,480,891	17,804,068
Profit/(Loss) before taxation	**2,126,041**	1,530,650	1,407,588	1,145,083	745,629
Taxation	**(400,091)**	(295,474)	(227,356)	(239,561)	(117,832)
Profit/(Loss) for the year	**1,725,950**	1,235,176	1,180,232	905,522	627,797
Non-controlling interests	**44,123**	46,898	1,863	46,976	16,861
Profit/(Loss) attributable to the owners of the Company	**1,681,827**	1,188,278	1,178,369	858,546	610,936
Earnings/(Loss) per share (RMB/share)					
– Basic	**1.49**	1.05	1.05	0.76	0.55
– Diluted	**1.47**	1.03	1.02	0.74	0.54

Consolidated Statement of Financial Position (Note 2)

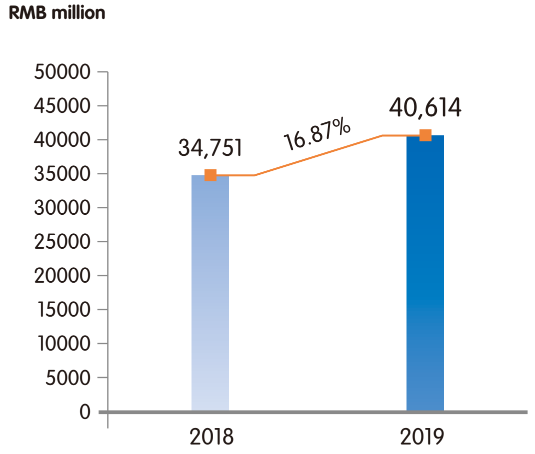
	2019	2018	2017	2016	2015
Total assets	**19,130,327**	16,856,292	13,981,698	12,129,825	10,546,091
Total liabilities	**11,843,811**	11,467,094	8,918,212	8,023,225	7,078,950
Net assets/Total equity	**7,286,516**	5,389,198	5,063,486	4,106,600	3,467,141

Notes:

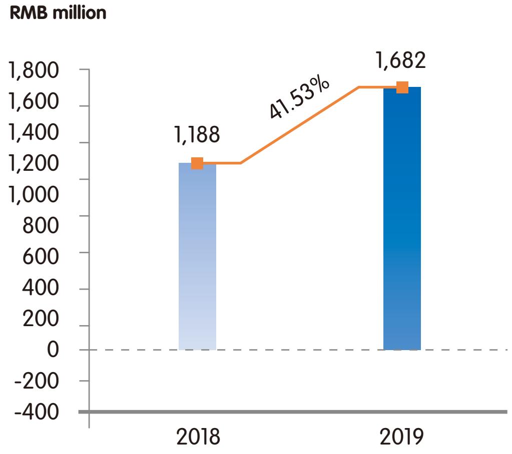
1. The results for the years ended 31 December 2015 and 2016 are set out on page 61 of the Annual Report 2016 of the Company. The results for the years ended 31 December 2016 and 2017 are set out on page 61 of the Annual Report 2017 of the Company. The results for the years ended 31 December 2019 and 2018 are set out on page 56 of the Annual Report 2019 of the Company. All such information is extracted from the financial statements prepared under Hong Kong Financial Reporting Standards ("HKFRSs").

2. The consolidated statement of financial position as at 31 December 2015 and 2016 are set out on page 62 of the Annual Report 2016 of the Company. The consolidated statement of financial position as at 31 December 2016 and 2017 are set out on page 62 of the Annual Report 2017 of the Company. The consolidated statement of financial position as at 31 December 2019 and 2018 are set out on page 57 of the Annual Report 2019 of the Company. All such information is extracted from the financial statements prepared under HKFRSs.

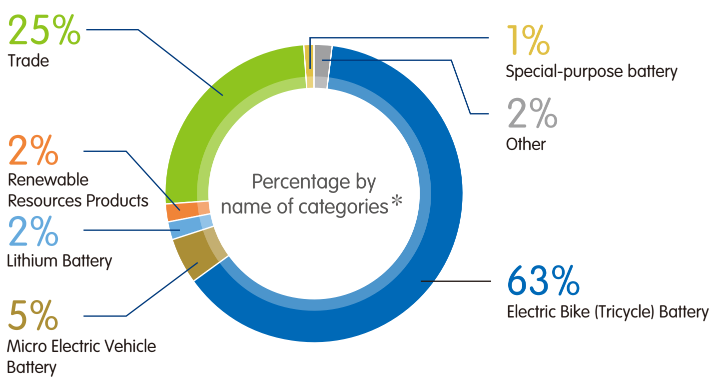
SALES TURNOVER



PROFIT ATTRIBUTABLE TO SHAREHOLDERS



SEGMENT TURNOVER



* Special purpose battery includes battery products mainly for tubular battery, lead-acid starter battery, energy storage battery and standby battery.

Emphasis on Innovative Reform; Usher into Higher Quality Development

Dear shareholders:

Facing the fluctuant economic situation and the internal demands for high-quality development in 2019, Tianneng Power International Limited ("Tianneng" or the "Company" and together with its subsidiaries, the "Group"), while basing on the general principle of "moderate innovation, steady progress and higher efficiency", has achieved all annual goals and innovative reform. On account of the concerted efforts by all our staff, the Group's operating revenue and profit tax have reached a record high, and it has maintained a solid growth momentum for five consecutive years. The Group has earned an increasing market recognition and influence, as well as further consolidated its leading position in the industry, and its comprehensive strengths have reached a new horizon.

Profit Attributable to Shareholders and Dividend during the Year

During the year, the Group's consolidated turnover was approximately RMB40,614 million, representing an increase of 16.87% as compared to that of the previous year. Profit attributable to owners of the Group was approximately RMB1,682 million, representing an increase of 41.53% as compared to that of the previous year. The Group's basic earnings per share was approximately RMB1.49. The Company proposes to declare a cash dividend of HK39 cents 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 to be held on 22 May 2020.

2019: Actively Seeking for Business Opportunities while Making Steady Progress

Despite confronting a complex and difficult economic landscape, the industry is still under a crucial period full of strategic opportunities, where there are sufficient resilience and capacity for growth. During the reporting period, the Group further defined its developmental blueprint, and made steady progress in fostering industrial upgrade, enhancing quality management, strengthening innovative capacity and accelerating global expansion. The Group has adequately prepared itself for rapid sustainable development ahead.

Dedicating to value of innovation; Fostering core competitiveness. We firmly believe in the value of innovation, thus we put much effort in refinement and upgrade in platform-building, scientific researches and talent cultivation. During the reporting period, the Group set up branch research institute for new energy, state enterprise technology center, Zhejiang Province Industrial Design Center (浙江省工業設計中心) and Anhui Province Workstations of Postdoctoral Scientific Researchers (安徽省博士後科研工作站), among a handful of other innovative platforms. The Group embarked on top-notch technological breakthrough in developing core formula, core crafts and core materials. As such, our product performance and quality, as well as production have further boosted. Meanwhile, the Group enlisted industry spearhead leaders selected and cultivated middle to senior management personnel, strengthened the construction of talent echelon. With all these endeavors, the Group was able to instill excellent personnel for its sustainable growth ahead.

Promoting lean management; striving for improvement in both quality and efficiency. Over the past year, we based on quality and efficiency enhancement. We were able to continuously enhance corporate management standards through applying scientific management approaches such as lean management, production flow re-structuring, and digital engineering. During the reporting period, the Group has constantly improved the production standard and achieved noticeable upgrade in efficiency and effectiveness through its active exploration and application of the internet, cloud computing, big data, the Internet of Things, artificial intelligence, among other up-to-date information technology. At the same time, the Group achieved real-time alarm control of key nodes and important data via an overall optimization on business flow and digitalized operation of supply chain. The Group was endowed with a series of comprehensive and sound process mechanism that forms the prime pillar for the Group's standardized, orderly and efficient operational management.

Keen on green development and continues to boost growth momentum. The Group actively responds to the state's strategic initiatives that include developing new emerging industries and building a resource-conservative society. The Group thoroughly applies the green concept in the entire industry chain and focuses on controlling and minimizing the environmental impact attributable to each stage of its production. The Group is not simply confined to building state-class green factories throughout the production process, we also greatly reduce the strenuous pressure on society resulted from lead ore mining and waste battery disposal by introducing recycling measures. Based on our own initiative, we promote green development in the industry chain. Meanwhile, the Group actively assumes its producer's responsibility, along with its other complementary obligations, playing its role as the pioneer who invests in the building of several circular economy industrial parks, and introduces the world's most advanced fully automated facilities, technologies and craftmanship. We build a green cycle industry chain integrating "recycling-smelting-reproduction" all the way in the lead storage battery industry, whereby, we have materialized the implementation of ecological quality management to our products' full-life cycle.

Accelerating the pace of global presence, and deployment into new markets. During the reporting period, the Company's products not only sustained a leading position in the domestic market, but also earned a higher brand recognition in the international market leading to rapid global presence, allowing the Group access to emerging new markets. On 6 November 2019, at the event of China International Import Expo,a wholly-owned subsidiary, under Tianneng Group, in Lithium batteries, was pleased to sign a co-operative development agreement with Saft, an advanced-technology battery provider based in France, in the joint witness of the Chinese President Xi Jinping and French President Emmanuel Macron. The conclusion of such agreement served as a milestone that testified the Group's globalized operation in terms of markets, technology, talent, capital, brand, research and development and production.

2020: Making Steady Progress with Diversified Operations

2020 marks the concluding year for China's initiative to build a moderately well-off society, and also ushers the Group into a new era of step-up innovative development. We will adhere to the general tone of "stable and progressive", while remaining resolute. We endeavour speed up the process of applying of artificial intelligence, globalization and platform-building, the helps promote the creation of full-fledge industry chain operation. Moreover, we endeavour to seek after diversified fund raising channels to cope with our future development needs for sufficient funding. Apart from making steady progress in our major business of green batteries, we will also actively venture into new fields such as high-performance batteries, circular economy industries, start-stop batteries for motor vehicles, energy storage system, self-developed new materials and global businesses. We intend to accelerate the building of a landscape with multi-pillar business and diversified development. As such, we strive to achieve a higher horizon in development and promising results.

I am duly convinced that the Group can leap forward and thrive a leading clean energy company worldwide, leveraging on its comparative advantages, such as core technology, production framework, market channels, brands and talent think-tank, the Group has earned in the green battery industry. The Group strives to bring long-term valuable returns to the Shareholders, continues to enhance the well-being of all the employees, and will not hesitate to shoulder responsibility for the sustainable development of society. We will always remember our original inspirations that we start with, and we will remain resolute in pressing forward. We resolve to make every effort to become the most respected first-tier new-energy corporate worldwide.

Appreciation

I would like to take this opportunity to extend my sincere gratitude to every employee of the Group for their hard work and to the Shareholders and business partners for their unwavering support.

Zhang Tianren
Chairman
Hong Kong, 27 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Tianneng has three major businesses, namely the research and development (R&D), production, sales and service of: (1) high-end eco-friendly batteries; (2) new energy batteries; (3) green renewable materials.

Operation Review

In 2019, a crucial year for active global market presence, Tianneng was blessed with opportunities. During the year, amid the complex and severe industrial landscape and the internal demands for high-quality development, the Group, while based on the fundamental directives of "moderate innovation, steady progress, and reasonable efficiency", we adhered to our green developmental philosophy. The Group relied on reform and innovation and steadily applied strategic initiatives. We undertook comprehensive lean management approach, through our continuous effort to refine our industrial supply framework. We strike to progress steadily for a worldwide presence, along with materializing an overall quality and sustainable growth and development.

During the reporting period, the Group realised sales revenue of approximately RMB40,614 million, representing an increase of 16.87% year-on-year; and net profit of approximately RMB1,726 million, representing an increase of 39.73%, year-on-year.

According to the "List of Top 100 Battery Enterprises in China for 2018" (《2018年度中國電池行業百強企業名單》) issued by the China Industrial Association of Power Sources in July 2019, Tianneng continued to rank first among the top 100 enterprises in the China's battery industry.

On 14 December, as "2019 China Energy (Group) 500" (jointly compiled and elected by China Energy News Agency and Centre for China Energy Economics Research) was officially released, Tianneng was re-elected and ranked 30 among the top 500 in the list, due to the Group's remarkable achievements in the sector of new energy. Tianneng's rapid and consolidated progress was approved by the government authorities at all levels. In 2019, the Company was honoured the "single champion demonstration enterprise" within the manufacturing category, the national quality benchmarking enterprise, a quality development leader in Zhejiang province, and elected as the educational enterprise for first batch of "Eagle Action", an innovative leading enterprise in Zhejiang province and other honours, all approved by the Ministry of Industry and Information Technology.

(I) High-end eco-friendly batteries

High-end eco-friendly batteries are one of the Group's major businesses, providing the Group with a solid cash flow. During the reporting period, sales revenue of high-end eco-friendly batteries was approximately RMB28.220 billion.

Tianneng adheres to the concept of green development promoted by technological innovation, and has launched a green battery product series based on "lead batteries plus lithium batteries". Regarding the lead battery segment, our products are distinguished with product and technology innovations. The Company has successfully applied on a large scale of the sealed maintenance-free lead batteries to the power sector for light electric vehicles. Besides providing our nationals at large with low-carbon, environmental-friendly, economical and practical means for travelling, the Company has extended the developmental capacity of the lead battery industry, which, in turn, bears significant impact for the smooth promotion of the "electricity for gasoline" within the green energy framework.

The Company follows the research and development strategy of "new materials, new structures, new technologies, new sectors", to improve the energy density of lead batteries, to enhance the working life of lead batteries and the performance of lead batteries under application scenarios such as low temperature. With all such measures, the Group has launched an independent and comprehensive core technology system, and firmly grasped the initiative for innovative development.

1. Batteries for electric bicycle and electric tricycle

Today, low-carbon travelling, energy-saving and environmental protection have become the common pursuit among users. Electric bicycles have evolved into one of the mainstream modes of transportation on account of their environmental-friendly, economy, labor-saving, load endurance, long-range travelling and other characteristics. Due to the popularization of new trends such as takeaway and express delivery, the commercial application of electric bicycles and electric tricycles have been further expanding. On account of the continuous development of China's economy, the continuous improvement in consumption levels, popularization of energy-saving and environmental protection awareness, and the rolling out of energy conservation and emission reduction initiatives. We also believe a sustainable growth for the electric vehicles in local markets.

(1) Short-distance cross-over delivery service

Along with the continuous increasing awareness among residents on green consumption and the sophisticated development of "Internet plus" service business model across the country, various on-site services have become the mainstream of new consumption norm, and as such, both the takeaway industry and express delivery industry have flourished. The takeaway industry and the express delivery industry are highly dependent on using two-wheeled and three-wheeled electric bicycles as modes of traffic, and the vital means of traffic for these two industries are electric bicycles and electric tricycles.

(2) Shared electric bicycles

Electric bicycle is an important mobility tool under the concept of low-carbon life. Since 2018 onwards, shared electric bicycles have become the main trend backed by the inflow of capital funding and we are all ushered into an era of travelling reform. A large number of emerging sharing platform companies have sprung up in the Chinese market in an attempt to meet the needs of consumers with Chinese characteristics. Since shared electric bicycle market has reached the stage of full-swing development, the demand for electric bicycles has gained new growth.

(3) Consumption upgrade

With the increasing sophisticated development in the electric bicycle market, the overall trend for consumption upgrade in the electric bicycle industry has become evident. Based on consumers' orientation, quality electric bicycle manufacturers invest lavishly in product research and development. They incline to promote product differentiation, enhance the touch of technology, the element of fashion, which all significantly promote the functionality and product variety of electric bicycles. The market landscape since consumption upgrade has provided the sufficient fundamentals for the upgrade and further development of the electric bicycle industry, and an emerging overall trend of growth is expected in the electric bicycle industry in the future.

(4) New national standards

The national standards for the "Safety Technical Specifications for Electric Bicycles" (hereinafter referred to as the "new national standard") were formally approved and implemented on 15 April 2019 by the China Administration of Market Supervision and Standardization Administration of China. The successful rolling out of the new national standard has brought forth great significance to the steady growth within the industry, and has also enabled a standardised market order, improved product safety performance, and promoted the survival of the fittest in the market.

2. Mini electric vehicle batteries

Mini electric vehicles are low-speed four-wheelers driven by electric power. They are small and affordable, and are usually adopted for short-distance travel.

Against the backdrop of diversified transportation landscape and the increase in nationals' consumption level, mini electric vehicles best serve as a convenient, low-carbon and environmentally friendly national transport means. Moreover, it has gradually become a mainstream way, 1 plus 1, in rural areas and urban travel mode, which is gasoline-fueled vehicle plus mini electric vehicle. With the issuance of relevant national policies, mini electric vehicles are incorporated into the category of new energy vehicle for the first time, which has reflected the fact that governments at all levels have begun to concern with the development of mini electric vehicles. The legal status of mini electric vehicles is expected to be eventually defined. As the national standards applied to mini electric vehicles, this will bring along a new growth momentum in the mini electric vehicle market. Power battery, served as the power source for electric vehicles, is definitely the core component to enable the consolidated development in the electric vehicle industry. Again, power battery is related to several aspects, such as the quality, life endurance and cruising range of electric vehicles, and it is also the most crucial factor that determine the overall core competitiveness of electric vehicle manufacturing operators. Tianneng continues to maintain market leading position and technological comparative strength in the mini vehicle batteries' sector.

3. Other high-end eco-friendly batteries

(1) Traction batteries

Traction batteries serve as a DC power source for forklifts, tractors, trucks, underground mine locomotives and other facilities. As such, the batteries are widely used in airports, stations, ferries' ports, agrarian markets ,industrial mining fields and corporate warehouses. At the same time, served as DC power source for clean and pollution-free logistic vehicles, traction batteries have been widely adopted in public transportation network, sports, leisure and entertainment sectors. Today, the traction batteries produced by the Group carry the specific design strictly in accordance with European standards. The batteries' operating life and safety performance indicators are better than national standards. The Group has concluded strategic partnerships with domestic and overseas quality enterprises such as Hangcha group, Heding Jidian (和鼎機電), Baoli Chacha (寶驪叉車), and Anhui Heli Co., and therefore, has climbed to be the second largest domestic brand in the field of forklift battery. The Group will pay more attention in aftersales market expansion, and continue to introduce new elements into its business model with the aim to increase market share.

(2) Start-stop batteries

From the perspective of usage, starting batteries of vehicles, served as consumables, have plenty of capacity for development in the replacement market as they need to be replaced every two to three years. Additionally, domestic vehicle manufacturers are swayed by the national energy conservation and emission reduction policies, and due to which, we expect the loaded utilisation rate of the new vehicle start-stop system will increase significantly in the coming years, and the market capacity for start-stop batteries is both pressing and promising. Currently, the assembly rate for vehicle start-stop battery in China remains at a relatively low level and is lied within an early developmental phase. Therefore, the products are expected to reach for a rapid developmental phase in the future. The Group will continue to scale-up investment on the production facilities for vehicle start-stop batteries, delve into international technical collaborative efforts, opt for the advantage of priority-entry into the second-tier markets, to enable a gradual rise in market position.

Apart from the fact that the Group owns strong brand, marketing capacity, service capacity, and industrial leading comparative strength, we also have access to plenty of recovery channels for waste and used vehicles batteries, through which the Group join hands with other start-stop battery manufacturers to achieve a win-win situation in the replacement market. During the reporting period, the Group saw rapid development in its vehicle battery business, facilitated with world-class automated production line and advanced production technology and adopted industry-leading facilities and management philosophy. The Group established strategic cooperation with various start-stop battery manufacturers in the sector, while based on which, we integrated resources to form a united front. We intend to expand our sales team so as to plough further into the start-stop battery market. Eventually, the Group expects to earn a respected brand in start-stop battery market.

(3) Smart energy

Tianneng has a comprehensive series of energy storage solutions that serve to provide reliable green energy protection. The Group provides effective backup power protection for global communication network, electricity, railways, ships, radio and television broadcast, UPS, consumer products, and other sectors.

The Group regards the peak and frequency modulation and base station energy storage as the primary targeted markets in China, though it is still actively exploring overseas markets. The Group adopts a variety of world-leading technologies such as lead-carbon batteries and lithium-ion batteries to meet the diverse needs of customers and at the same time provides smart micro-grid energy systems and composite energy storage systems, and other solutions.

The Group's energy storage battery technology has climbed to the leading position in domestic markets. The system solution provided by the Group can be bi-directionally converted into the public power grid for electrical power storage. When connected to the main network, our solutions are featured with peak-load shifting, frequency modulation, and independent power supply, and other functions that meet the end-users' requirements for distributed power access, quality power supply, reliable power supply, and security.

(II) New energy batteries

During the reporting period, the Group's operating revenue in new energy battery business recorded approximately RMB627 million.

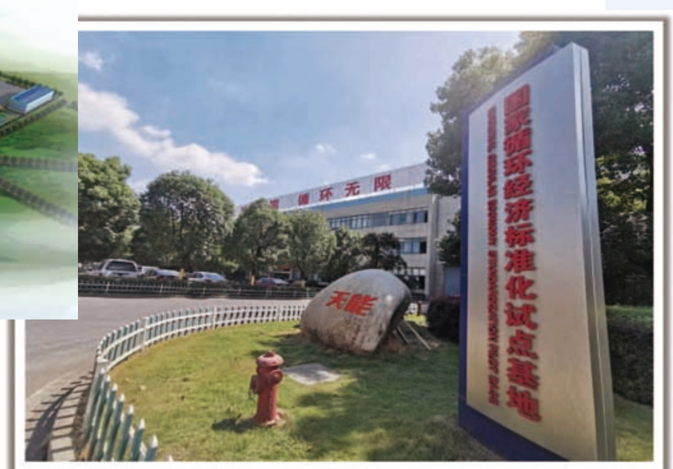
The Company actively invests in the research, development and industrialization of lithium battery technology. We adopt the multi-wheel driven technical paths that includes mainstream ternary lithium iron phosphate, cylindrical and soft-pack battery, and has acquired a variety of high-performance positive electrode materials and high-safety diaphragm seals application technologies. By means of a comprehensive upgrade of technical framework, we are able to effectively improve the energy density, charging and discharging rates and recycling lifespan of lithium battery products. In November 2019, in the witness of the leaders of China and France, the Company signed a cooperation agreement with SAFT, a subsidiary under the France-based Total group, one of the world's top 500 enterprises. Pursuant to the agreement, both contract parties agree to merge their respective comparative strength to achieve synergic development in technology, manufacturing and marketing, among other aspects, and will develop manufacture and sell advanced lithium battery products in markets of China and worldwide.

For new energy batteries, the Group is resolute to continue to improve the capacity utilization rate, and in accordance with the actual proceeding of state policies, market supply and demand dynamics to roll out measures on modification and refinement. Along with the intensive collaborative efforts with advanced new energy companies overseas, the Group will continue to commit to the development and production and services of high-energy lithium batteries, as well as the research, development and production of electric vehicle batteries, and energy storage with the ultimate aim to further enhance the Group's market position in the field of new energy.

(III) Green renewable materials

Environmental issues have always been the focal points of interests to an alarming number of global economies, and environmental conservation measures have constantly evolved in tandem with development of society and technology advancement. To promote the green develop in China, as well as to cultivate ecological civilization are regarded as one of the crucial steps towards "sustainable development". Facing the backdrop of state initiatives and emerging market opportunities, the Group participated to formulate of the national standard, "Standard system for circular economy of Industrial Enterprises and Parks (工業企業和園區循環經濟標準體系) and "Industrial standard for regulating the recycling of waste batteries" (廢蓄電池回收規範行業標準). The Group also served as the representative, on behalf of manufacturing enterprises, actively sought for and obtain state support in terms of policies and other resource. The Group was honourably elected by the National Development and Reform Commission as "Enterprise in resource comprehensive utilization " and "Standardised pilot enterprise in national circular economy", and enlisted as "Key projects intended for energy conservation and emissions reduction ", and selected into the "First Batch of Green Manufacturing System Demonstration Facility", "Green supply chain demonstration enterprise " by the Ministry of Industry and Information Technology.

The Group always advocates harmonious development that will create minimum impact on the environment, and applies the concept of eco-system conservation to the whole life cycle of product design and disposal. The Group strives to build a circular industry chain that incorporates"recycle, smelt and reproduce" in the chained production. We also aim to upgrade corporate status to become a exemplary demonstration base for eco-friendly, low-carbon and recycling ventures. The Group actively implements the concept of sustainable development, with the adoption of the state-of-the-art furnace technology and the harmless treatment of waste batteries, and becomes the benchmark enterprise in the industry. We follow a two-wheel developmental blueprint, in line with the internal resource of the Group and the needs of society. The Group further expands its recycling channels, try to achieve production, sales, aftersale and service" and "scrap metal recycling, smelting and reproduction", an all-inclusive supply chain for batteries. The Group will continue to strengthen th power of the recycling sector, steadily source for more categories of renewable materials that carry market values, while we will also expand into the upstream and downstream products within the industry chain and further extend into related derivative product markets.



(IV) Strategic blueprint for global presence, market share expansion

In response to national initiative,"The Belt and Road", the Group's products have launched in the international markets and covered a worldwide sales network. Our products are mainly sold to South Asia, Southeast Asia, West Asia, Europe, Africa and other regions and countries. We are bestowed with boosted momentum for market penetration overseas.

(1) International trade

Regarding the high-end eco-friendly battery sector, the Group focuses on the developing countries underdeveloped area and to help the infrastructure construction in the respective countries and regions. For new energy batteries, part of our products have earned international accreditations and have successively entered high-end consumer markets in developed countries, including Europe and Australia. Leveraging on industry top-notch technology and excellent products, the Group primarily targets on entering into the international markets such as Southeast Asia and Europe, particularly the densely populated South and Southeast Asian countries. The overall trend for electrification development of transportation has become a proven reality. Today, the electric bicycle industry has already entered its preliminary developmental phase. We expect within the next five to ten years, the respective industry will usher into a golden phase of development and growth.

(2) Globalised network for research and development, worldwide manufacturing chain, recycling across the globe

The Group actively explores for co-operations with scientific research platforms overseas to hire technical experts from China, the United States, South Korea, Japan and other countries, that will enable us to foster core technological advantages for the entire industrial chain. At the same time, the Group actively seeks mergers and acquisitions opportunities for upstream and downstream products, conducts research on sites' selection, and founds research and development centers and production bases overseas in due time. We aim to gradually implement local production, recycling, and smelting, with global supply chain network.

(V) Boosted by capital funding

On 30 December 2019, the Company has secured the "Notice of Acceptance of Tianneng Battery Group Co., Ltd.'s Initial Public Offering and Listing on the Science and Technology Board" issued by the Shanghai Stock Exchange and the "Tianneng Battery Group Co., Ltd.'s initial public offering and listing on the Science and Technology Board (Declaration Draft for Prospectus)" was published on the Shanghai Stock Exchange website. Meanwhile, the announcement of "Updates on the Proposed Spin-off and Separate Listing of the batteries business by way of Proposed A Shares Listing of the Spin-off Company on the Shanghai Stock Exchange" was disclosed by the Company on the Hong Kong Stock Exchange's website.

Prospects

Backed by the twin opportunities of industrial consumption upgrade and thorough environmental protection governance, the Group will continue to consolidate and enhance the comparative edges of its major business of green energy, accelerate the development pace in areas such as the integration of technology and materials of new emerging industries, speed up the pace for green manufacturing and industrial park. The Group aims to evolve into a demonstration base through restructuring upgrade and platform-based corporate building. We expect to press forward towards the mid-to-high-end products and expand our market share to cover the overseas markets. As such, we poise to create the most favorable competitive edges for the Group to join into the most competitive international markets. Meanwhile, we initiate breakthroughs in the green recycling industry, new energy batteries, vehicle start-stop batteries, self-developed high-performance new materials, along with speeding up the application of various technology application on big data, Internet of Things and Artificial Intelligence (AI) that all enable us to boost our productive capacity. We also actively seek to enhance our business portfolio, product efficiency via adopting technological innovation and business model, the twin-engine strategic initiative. We will continue in our pursuit of green energy development, better living environment, as well as working tirelessly that we, Tianneng will climb to be the most respected first-tier new energy enterprise across the globe.

Management Analysis

Gross profit

The Group's gross profit increased by approximately 15.99% to approximately RMB4,688 million in 2019 from RMB4,042 million in 2018, which was attributable to the increase in sales volume and the rise in gross profit margin of batteries. The overall gross profit margin decreased by 0.09 percentage points to 11.54% from 11.63% in 2018. Among which, gross profit margin of manufacturing segment was 15.39%, representing an increase of 2.70 percentage points when compared with 2018, but as the gross profit margin of the newly-added trading segment in 2019 was relatively low, thus resulting in a decrease in the overall gross profit margin.

Other income

Other income of the Group increased by approximately 3.76% from approximately RMB356 million in 2018 to approximately RMB369 million in 2019. The increase was mainly attributable to the increase in dividend from stock and other sales activities. Interest income increases from approximately 31 million in 2018 to approximately 93 million in 2019. The increase is mainly attributable to optimised fund allocation and increase in interest income from deposit.

Selling and distribution costs

Selling and distribution costs of the Group increased by approximately 0.76% from approximately RMB890 million in 2018 to approximately RMB897 million in 2019. The slight increase in selling and distribution costs was mainly due to the increase in transportation expenses.

Administrative expenses

Administrative expenses increased by approximately 11.74% from approximately RMB593 million in 2018 to approximately RMB663 million in 2019. Such increase was mainly due to the increase in staff cost and consultancy expenses.

Finance costs

Finance costs increased by approximately 34.55% from approximately RMB190 million in 2018 to approximately RMB255 million in 2019, which was mainly due to the increase in total borrowings during the year.

Taxation

Tax charges of the Group increased by approximately 35.41% from approximately RMB295 million in 2018 to approximately RMB400 million in 2019, 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 2019 was approximately RMB1,739 million (2018: RMB2,077 million). In this year, the Group had better profit and strengthened management of account receivables and account payables enabling the overall cash flow of operating activities to maintain at a good level.

As at 31 December 2019, the bank balances and cash (including pledged bank deposits) of the Group was approximately RMB5,446 million (31 December 2018: approximately RMB4,902 million). As at 31 December 2019, the Group obtained undrawn banks facilities of approximately RMB6,500 million (31 December 2018: approximately RMB3,333 million). The bank balances and cash (including pledged bank deposits) approximately of RMB5,368 million, RMB44.57 million, RMB32.54 million and RMB0.01 million were denominated in Renminbi, Hong Kong Dollars, US Dollars and Euros respectively. As the bank balances in Hong Kong Dollars, US Dollars and Euros collectively accounted for approximately 1.42% of the total balances, the Group's relevant exchange risk is low.

As at 31 December 2019, the net current assets of the Group were approximately RMB1,693 million (31 December 2018: net current assets of approximately RMB659 million). The increase was primarily attributable to the increase in inventories, prepayments and bank deposits of the Company, the Company is able to control the level of its liabilities and financial risks.

As at 31 December 2019, the interest bearing borrowings, finance leases and loan notes (together as "interest bearing loans") of the Group with maturity of within one year totally amounted to approximately RMB1,659 million (31 December 2018: approximately RMB2,235 million). The interest bearing loans of the Group with maturity of more than one year amounted to approximately RMB253 million (31 December 2018: RMB467 million). The interest bearing loans of RMB1,912 million carried fixed and variable interest rates ranging from 4.08% to 8.00% (2018: 3.99% to 8.00%) per annum. 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 2019, the total assets of the Group were approximately RMB19,130 million, representing an increase of 13.49% as compared to approximately RMB16,856 million as at 31 December 2018. Among them, non-current assets increased by approximately 12.78% to approximately RMB6,365 million and current assets increased by approximately 13.85% to approximately RMB12,765 million. The major reason for the increase of non-current assets was due to the capital expenditure on production plants and equipment upgrading. The increase in current assets was mainly attributable to the increase in inventories and bank deposits.

Liabilities

As at 31 December 2019, the total liabilities of the Group were approximately RMB11,844 million, representing an increase of approximately 3.29% as compared to approximately RMB11,467 million as at 31 December 2018. Among them, non-current liabilities decreased by approximately 15.58% to approximately RMB771 million, mainly due to the decrease in long-term interest bearing borrowings and long-term loan notes; current liabilities increased by approximately 4.92% to approximately RMB11,072 million, mainly due to the increase in bills payables and contract liabilities.

Analysis by Key Financial KPIs

Profitability:

	2019	2018
Return on equity	**23.69%**	22.92%
Gross profit margin	**11.54%**	11.63%
– Trading of new energy materials	**-0.22%**	0.12%
– Sales of batteries and battery related accessories	**15.39%**	12.69%
Net profit margin	**4.25%**	3.55%

The overall gross profit margin in 2019 decreased compared to 2018 due to the newly-added trading business. Not considering the trading business, the gross profit margin increased by 2.70 percentage point to 15.39% in 2019 compared to 2018.

Liquidity:

	2019	2018
Current ratio	**1.15**	1.06
Quick ratio	**0.82**	0.78

Both the ratios above in 2019 slightly increased when compared with those in 2018, mainly due to a higher increase of current assets as compared to that of the current liabilities.

Operating Cycle:

	2019	2018
Inventory turnover days	**34**	30
Account receivables turnover days	**8**	10
Account payables turnover days	**21**	27
Bills and account receivables turnover days	**18**	21
Bills and account payables turnover days	**45**	46

The inventory turnover days increased by 4 day to 34 days in 2019 due to the enhancement of capacity in 2019. Account receivables turnover days decreased by 2 days from 2018 to 8 days in 2019 due to improved management of account receivables in 2019. Account payables turnover days for 2019 decreased by 6 days to 21 days mainly due to the decrease in account payables. Bills and account receivables turnover days decreased by 3 days due to the decrease in account receivables. Bills and account payables turnover days were basically the same as last year.

Capital:

	2019	2018
Net debt ratio	**-30.77%**	-20.99%
Interest coverage ratio (Note)	**11.22%**	11.24%

Note: EBITDA divided by total interest expenses

As the interest bearing debt ("Debt") and the cash and bank balances as at 31 December 2019 were RMB1,912 million and RMB4,154 million respectively, the net debt was RMB-2,242 million. The net debt ratio decreased from -20.99% to -30.77%. There was adequate total capital during the year.

The interest coverage ratio was basically the same as last year, and the ability to make interest payments remained strong.

Return of Shareholders:

	2019	2018
Earning per share (Basic)	**1.49**	1.05
Dividend per share (HK cent/share)	**39 (Note)**	38

Note: representing the dividend proposed by the Company's board of directors for 2019, which is subject to approval at the annual general meeting.

Capital Expenditure

The capital expenditure in 2019 was approximately RMB1,118 million (2018: approximately RMB654 million). A majority of expenditure was incurred on the construction of Guizhou base, upgrade of production facilities and construction investment in the recycling segments.

Capital Commitments

The amount contracted for but not stated in the consolidated financial statements in respect of the acquisition of property, plant and equipment as at 31 December 2019 was approximately RMB852 million (31 December 2018: approximately RMB338 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 2019 was approximately 9.99% (31 December 2018: approximately 16.03%).

Exposure to Exchange Rate Fluctuation

As the Group's operations were mainly conducted in China and the majority of businesses were transacted in Renminbi, the Group has set up policy to strike a balance between uncertainty and the risk of opportunity loss due to the growing significance of its exposures to fluctuations in foreign currencies. Foreign currency forward contracts can be used to eliminate the currency exposures. During the year, the Group has entered into certain foreign currency forward contracts and closely monitored the movement of foreign currency rate. 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 2019 (31 December 2018: Nil).

Pledge of Assets

As at 31 December 2019, 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 RMB2,891 million (31 December 2018: RMB2,898 million).

Employee and Remuneration Policies

As at 31 December 2019, the Group employed a total of 21,676 employees (31 December 2018: 20,508 employees). Staff costs excluding directors' emoluments of the Group for the year of 2019 amounted to approximately RMB1,950 million (2018: RMB1,645 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 disclosures in Note 23 and Note 29 to the Consolidated Financial Statements, there were no other significant investments held by the Group as at 31 December 2019. Such investment refers to its increased holdings of those excellent companies in the industry, reflecting its confidence in the prospect of the industry and the increase in corporate interest.

Material Acquisition and Disposal

The Group has no material acquisition and disposal as at 31 December 2019.

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, 5, 6, 29, 43 and 45 to the consolidated financial statements for other risks and uncertainties.

Future Development

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

Closure of Register of Members

The register of members of the Company will be closed from Monday, 18 May 2020 to Friday, 22 May 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 15 May 2020.

Further, the register of members of the Company will be closed from Friday, 29 May 2020 to Tuesday, 2 June 2020 (both days inclusive), during which period no transfer of the shares of the Company will be registered. In order to establish entitlements to the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 28 May 2020. Subject to the approval of the shareholders at the AGM of the Company to be held on 22 May 2020, the proposed final dividend is expected to be paid on or before Monday, 29 June 2020.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. ZHANG Tianren
張天任博士

Aged 57, is the chairman (the "Chairman") of the board of directors (the "Board"), president and founder of our Group. Dr. ZHANG is responsible for our overall management and formulation of our business strategies. Dr. ZHANG graduated from Zhejiang University with a master degree of management, and was an honorary doctorate of the International American University (美國加州國際大學) and a visiting professor of the Zhejiang Sci-tech University. Dr. ZHANG has 34 years of experience in technological research and development and management of rechargeable battery industry in China. Dr. ZHANG was the factory manager of Zhejiang Changxing Storage Battery Factory during the period between 1989 and 2002, and has been the chairman and the general manager of Tianneng Battery since 2003.

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

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

Mr. ZHANG Aogen
張敖根先生

Aged 62, is our executive Director and vice-president and is responsible for our foreign trade and overseas investment functions. 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 2001. 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 experience in sales management, procurement management as well as trade and investment. Mr. ZHANG is also an elder brother of Dr. ZHANG Tianren, chairman of our Board.

Mr. SHI Borong
史伯榮先生

Aged 66, is our executive Director and vice president. Mr. SHI joined Zhejiang Changxing Storage Battery Factory in 1989 and was promoted as deputy factory manager of Zhejiang Changxing Storage Battery Factory in 1990. He acted as deputy general manager of Tianneng Battery in 2003 and was appointed as the standing deputy general manager of Tianneng Battery in 2010. In September 2013, Mr. SHI was appointed as the chairman of Tianneng Battery (Anhui) Co., Ltd. and Anhui Zhongneng Power Supply Co., Ltd. Mr. SHI attended the seminar of business management for senior president in Zhejiang University from August 2007 to September 2008. Mr. SHI is a senior economist and has 30 years of management experience in rechargeable battery enterprises.

Mr. ZHANG Kaihong
張開紅先生

Aged 62, is our executive Director, vice president and the chief expert of technical center. 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 the Group. Mr. ZHANG attended the seminar of business management for senior president in Zhejiang University from August 2007 to September 2008. Mr. ZHANG is a senior engineer with 33 years of experience in research and development, quality control and corporate management of rechargeable battery products.

Mr. ZHOU Jianzhong
周建中先生

Aged 49, is our executive Director and vice president. Mr. ZHOU is responsible for promoting the development of strategic and emerging industries of our Group as well as assisting the president in operations and management. Mr. ZHOU joined the Group in 1996 and has been the head of market management section of Tianneng Battery, standing deputy general manager of Tianneng Power Supply, 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, and attended the training program for general managers in China Europe International Business School from July 2017 to March 2018. He is a senior economist with 25 years of experience in the sales and management of rechargeable batteries and corporate management.

Independent Non-Executive Directors

Mr. WU Feng
吳鋒先生

Aged 69, 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, the academician of Chinese Academy of Engineering, the academician of the International Eurasian Academy of Sciences and vice council chairman of China Battery Industry Association. 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 was an independent director of Shenzhen Senior Technology Material Co., Ltd., which is a listed company on Shenzhen Stock Exchange in China, until his resignation in October 2018. Mr. WU was an independent director of EVE Energy Co., Ltd. which is a listed company on Shenzhen Stock Exchange in China, until his resignation in October 2019.

Mr. HUANG Dongliang
黃董良先生

Aged 64, 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) which is a listed company on Shanghai Stock Exchange. Mr. HUANG was an independent director of Lander Sports Development Co., Ltd. (萊茵達體育發展股份有限公司), which is a listed company on Shenzhen Stock Exchange in China, until his retirement in May 2018.

Mr. ZHANG Yong
張湧先生

Aged 44, was appointed as an independent non-executive Director in August 2018. Mr. ZHANG graduated from Fudan University, majoring in international finance and obtained a doctoral degree in economics. Mr. ZHANG is currently a researcher of the Comprehensive Research Institute of Shanghai Free Trade Zone of Fudan University (復旦大學上海自貿區綜合研究院), a part time professor of Nanjing University, a part time tutor for postgraduate students of Shanghai University of Finance and Economics and a visiting professor of Shanghai Lixin University of Accounting and Finance (上海立信會計金融學院).

Senior Management

Mr. ZHAO Haimin
趙海敏先生

Aged 55, is the vice-president of the Group. Mr. ZHAO is responsible for managing the research centre as well as the information technology commission of the Group. Mr. ZHAO joined us in 2004 as an assistant to the general manager and deputy general manager, etc. of Tianneng Battery Company. Mr. ZHAO was responsible for aftersale services, human resources and sales management of the Group, during which he organized and implemented the first tracking system of laser printing for quality and aftersale informationalization and the introduction of overseas high-end talents under the national "Thousand Talents Program" (國家千人) in respect of the field of new energy. Mr. ZHAO graduated from Bengbu Industrial Technology Institute (蚌埠工業技術學校), majoring in textile. Later, he attended a vocational school and a university for corporate management and was enrolled in the MBA programme in China University of Geosciences in 2009. Mr. ZHAO is a professorate senior engineer. He has extensive knowledge in non-woven fabrics and battery separators. Prior to joining us, Mr. ZHAO was an assistant to the general manager in Huzhou KINGSAFE Group Co., Ltd. (湖州金三發集團) and was responsible for the management of technology, production and sales.

Ms. WANG Jing
王靜女士

Aged 56, 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 39 years of financial management experience. Ms. WANG graduated from Hangzhou Institute of Electrical Engineering in Industrial Accounting in July 1988 and attended the advanced seminar of modern management (CFO) in Zhejiang Institute of Finance & Economics from June 2008 to June 2009. Prior to joining us, Ms. WANG worked in Zhejiang Leomax Cement Company Limited (浙江三獅水泥股份有限公司), Huzhou Kingsafe Group (湖州金三發集團) and Huzhou Tianheng United CPA Firm (湖州天衡聯合會計師事務所) and was responsible for the financial management and audit.

Ms. HUI Wai Man, Shirley
許惠敏女士

Aged 52, is the company secretary of the Company (the "Company Secretary"). Ms. HUI is responsible for the company secretarial affairs of the Group. She joined the Group in September 2009. She is a certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Secretaries and Administrators as well as a fellow member of the Hong Kong Institute of Chartered Secretaries. Also, she is a member of the Society of Chinese Accountants and Managements and the Hong Kong Securities Institute. Ms. HUI has over 30 years of professional experience in public accounting and corporate financing.

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

Corporate Governance Code

The Company has adopted the provisions of the Corporate Governance Code (the "Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") during the period from 1 January 2019 to 31 December 2019. For the year ended 31 December 2019, 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.

Board of Directors

Composition

As at 31 December 2019, the Board comprised eight members. Dr. Zhang Tianren is an executive Director, the Chairman and CEO of the Company. The executive Directors of the Company are Mr. Zhang Aogen, 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 one-third of the members of the Board, namely, Mr. Huang Dongliang, Mr. Wu Feng and Mr. Zhang Yong. Mr. Huang Dongliang has appropriate professional accounting experience and expertise.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 26 to 28 of this annual report.

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

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

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 corporate structure of the Group or Board composition requiring notification by announcement;
- Notifiable transaction and non-exempted connected transaction/continuing connected transaction;
- Proposed transaction requiring Shareholders' approval;
- Capital re-structuring and issue of new securities;
- Joint-venture with outside party involving capital commitment from the Group of over 5% of the relevant size test of the Company; and
- Financial assistance to the 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 five Board meetings and two general meetings during the year ended 31 December 2019. The attendance of individual Directors at these meetings was as follows:

Name	Attendance of Board meeting in person	Attendance of general meeting in person
Executive Directors		
Dr. Zhang Tianren	4/5	2/2
Mr. Zhang Aogen	4/5	2/2
Mr. Zhang Kaihong	5/5	2/2
Mr. Shi Borong	5/5	1/2
Mr. Zhou Jianzhong	5/5	2/2
Independent Non-executive Directors:		
Mr. Huang Dongliang	5/5	2/2
Mr. Wu Feng	4/5	1/2
Mr. Zhang Yong	5/5	1/2

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

Mr. Huang Dongliang	11 June 2019 to 10 June 2020
Mr. Wu Feng	6 June 2019 to 5 June 2020
Mr. Zhang Yong	8 August 2018 to 7 August 2021

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

Responsibilities

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

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

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

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

- ensuring 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 of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, 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 Rule 13.92 of the Listing Rules, the above Board diversity policy of the Company has been approved by the Board and adopted by the Nomination Committee on 30 August 2013 and amended with effect from 1 January 2019 in compliance with the Listing Rules.

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

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 2019 to 31 December 2019, all Directors provided their records of training to the Company. All Directors, namely Dr. Zhang Tianren, Mr. Zhang Aogen, Mr. Zhang Kaihong, Mr. Shi Borong, Mr. Zhou Jianzhong, Mr. Huang Dongliang, Mr. Wu Feng and Mr. Zhang Yong, participated in continuous professional development mainly by reading various materials regarding directors' responsibilities, prevention of breaching the Listing Rules and disclosure of inside information, etc.

Company Secretary's Training

Pursuant to Rule 3.29 of the Listing Rules, the Company Secretary must take no less than 15 hours of relevant professional training in each financial year. The Company Secretary provided her training records to the Company indicating that she had taken more than 15 hours of relevant professional development by means of attending in-house briefings and seminars and reading relevant 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 the Shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation. The chairman of the Board should attend the annual general 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 public relations representative (Porda Havas International Finance Communications (Group) Holdings Company Limited) whose contact details are available on the website.

Remuneration Committee

The Company has established a remuneration committee (the "Remuneration Committee") with specific terms of reference which deal clearly with its duties and responsibilities. As at 31 December 2019, the Remuneration Committee had three members, comprising Mr. Wu Feng (Chairman and independent non-executive Director), Mr. Huang Dongliang (independent non-executive Director) and Mr. Zhang Aogen (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. One committee meeting was held in 2019 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. Huang Dongliang	1	1
Mr. Wu Feng	1	1
Mr. Zhang Aogen	1	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 for approval. The Proposal was approved by the Board.

Nomination Committee

The Company has established the Nomination Committee with specific terms of reference which deal clearly with its duties and responsibilities. As at 31 December 2019, the Nomination Committee had three members, comprising Dr. Zhang Tianren (the Chairman and an executive Director), Mr. Huang Dongliang (independent non-executive Director) and Mr. Wu Feng (independent non-executive Director).

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 the 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.

Appointment and Re-election of Directors

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

Selection criteria

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

Nomination procedures

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

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

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

According to code provision A.4.2 of the CG Code of the Listing Rules, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Potential new Directors are selected on the basis of their qualification, skills and experience which the Nomination Committee considers will make a positive contribution to the performance of the Board.

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

a. Reputation for integrity;

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

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

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

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

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

The Nomination Committee shall meet at least once a year. One committee meeting was held in 2019 to review the composition of the Board, consider the independence of the independent non-executive Directors and the retirement of Directors. The attendance of each member is set out as follows:

Name	Meeting held	Meeting attended in person
Dr. Zhang Tianren	1	1
Mr. Huang Dongliang	1	1
Mr. Wu Feng	1	1

Remuneration of the Senior Management and Directors

The remuneration of the senior management of our Group for the year ended 31 December 2019 falls within the following band:

	Number of People
Nil to RMB1,000,000	4

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2019.

Audit Committee

The Company has established an audit committee (the "Audit Committee") in compliance with Rule 3.21 of the Listing Rules. As at 31 December 2019, the Company's Audit Committee comprised three independent non-executive Directors, namely Mr. Huang Dongliang (chairman), Mr. Wu Feng and Mr. Zhang Yong.

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

The written terms of reference, which describe the authority and duties of the Audit Committee, are regularly reviewed and were updated by the Board to comply with provision C.3.3 of the Code in 2019. The Audit Committee held three meetings during the year ended 31 December 2019. The attendance of each member is set out as follows:

Name	Meeting held	Meeting attended in person
Mr. Huang Dongliang	3	3
Mr. Wu Feng	3	2
Mr. Zhang Yong	3	3

The Audit Committee oversees the financial reporting process. In this process, the management of the Company is responsible for the preparation of the Group's financial statements including the selection of suitable accounting policies. Independent external auditors are responsible for auditing and attesting to the Group's financial statements and evaluating the Group's system of internal controls. The Audit Committee oversees the respective works of the management and the independent external auditors to monitor the processes and safeguards employed by them. The Audit Committee reports to the Board on its findings after each of its meeting. With effect from 1 January 2019, the Audit Committee oversees the Group's risk management system.

The Audit Committee reviewed and discussed the Group's financial statements for the year ended 31 December 2019 with the management and independent external auditors. 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 the Group's internal controls.

Based on these reviews, 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 2019 and the year ended 31 December 2019, with the Auditors' Report thereon.

The Audit Committee recommended to the Board that the Shareholders be asked to re-appoint ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA"), which was appointed by the Board on 24 December 2019, as the Group's independent external auditor for the year ending 31 December 2020.

Independent External Auditor

Deloitte Touche Tohmatsu ("Deloitte") has resigned as the auditor of the Group with effect from 18 December 2019 after taking into account, among other factors, the level of audit fees, the professional risk associated with the audit and its available internal resources in light of current work flows for the Company's financial year ending 31 December 2019.

The Board, with the recommendation from the Audit Committee, has resolved to appoint ZHONGHUI ANDA as the new auditor of the Group with effect from 24 December 2019 to fill the casual vacancy following the resignation of Deloitte and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

Deloitte has confirmed in its letter of resignation dated 18 December 2019 that there were no matters connected to its resignation as the auditor of the Group that need to be brought to the attention of holders of the Company's securities or the Company's creditors. In addition, there were no circumstances connected with its resignation that Deloitte considers should be brought to the attention of members or creditors of the Company's subsidiaries established in Hong Kong.

The Board and the Audit Committee confirmed that there was no disagreement or dispute between the Company and Deloitte except for the 2019 annual audit fee and that there were no unresolved issues concerning the change of the auditor. The Board and the Audit Committee also confirmed that there were no other matters or circumstances connected to the change of the Group's auditor that need to be brought to the attention of holders of the Company's securities or the Company's creditors.

The Audit Committee reviews a letter from the independent external auditor of the Company, ZHONGHUI ANDA, confirming its independence, approves its appointment, discusses the scope of its audit and approves its fees.

ZHONGHUI ANDA has provided annual statutory audit services in respect of the Company's financial statements prepared under Hong Kong Financial Reporting Standards ("HKFRSs") for the year ended 31 December 2019. Deloitte has reviewed the 2019 unaudited interim financial report of the Company, prepared under HKFRSs.

During the year ended 31 December 2019, the fee paid and payable to ZHONGHUI ANDA in respect of audit and audit related services amounted to approximately RMB1,500,000. In respect of non-audit services, the fees paid and payable to Deloitte relating to review on interim financial report amounted to approximately RMB630,000.

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

Internal Control and Risk Management

The Board is responsible for maintaining an adequate system of internal controls 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, BT Corporate Governance Limited ("BTCG"), to assess and evaluate the risk and effectiveness of its system of internal controls up to 31 December 2019. 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 BTCG, the Group will continue to improve its internal management and control systems.

The Board has also conducted an annual review on the effectiveness of the accounting and financial reporting function of the Company and takes the view that the Company possesses adequate resources and its staffs 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 that the interest of the Shareholders is safeguarded.

Going Concern

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

Communication with Shareholders

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

Directors' Responsibility in Preparing the Financial Statements

The Directors acknowledge that it is their responsibilities to prepare the financial statements. The responsibilities of the independent external auditor with respect to financial reporting are set out in the Independent Auditor's Report on page 53 to page 55.

Constitutional Documents

There are no significant changes in the Company's constitutional documents during the year ended 31 December 2019.

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2019.

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 50 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 56. The Directors propose to declare a final dividend of HK39 cents per Share (2018: HK38.00 cents).

Property, Plant and Equipment

During the year, approximately RMB236 million and RMB216 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 RMB999 million. Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

Business Review

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

Share Capital and Issue of Securities

Details of the movement during the year in the share capital of the Company are set out in note 39 to the consolidated financial statements.

As at 31 December 2019, two tranches of corporate bonds in an aggregate amount of RMB400 million (2018: RMB780 million) issued by Tianneng Battery Group Co., Ltd., a wholly-owned subsidiary of the Company, to the domestic institutional investors in China for a term of 6 years remained outstanding with date of maturity on 29 September 2020. Further details of the issues can be referred to the announcements of the Company dated 7 March 2014, 10 March 2014, 18 September 2014 and 26 September 2014.

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

Distributive Reserves of the Company

As at 31 December 2019, the Company's reserve available for distribution amounted to approximately RMB780 million (2018: RMB780 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:
Dr. Zhang Tianren *(Chairman)*
Mr. Zhang Aogen
Mr. Zhang Kaihong
Mr. Shi Borong
Mr. Zhou Jianzhong

Independent non-executive directors:
Mr. Huang Dongliang
Mr. Wu Feng
Mr. Zhang Yong

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

Mr. Huang Dongliang	11 June 2019 to 10 June 2020
Mr. Wu Feng	6 June 2019 to 5 June 2020
Mr. Zhang Yong	8 August 2018 to 7 August 2021

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

Directors' Service Contracts

All of the executive Directors and independent non-executive Directors of the Company have entered into services contracts or a letter of appointment with the Company respectively. The term of appointment of Dr. Zhang Tianren, Mr. Zhang Aogen, Mr. Zhang Kaihong, Mr. Shi Borong and Mr. Huang Dongliang, is 3 years from 11 June 2007; the term of appointment of Mr. Zhou Jianzhong is 3 years from 27 March 2015; the term of appointment of Mr. Wu Feng, is 1 year from 6 June 2015; the term of appointment of Mr. Zhang Yong is 3 years from 8 August 2018. The term of appointment of each Director is renewable by mutual agreement of both parties unless terminated by not less than three months' prior notice in writing served by either party. All Directors are subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years in accordance with Article No. 87 of the Company's articles of association.

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

Permitted Indemnity

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

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

As at 31 December 2019, the interests and the short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and the debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

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

(a) Long positions

Ordinary Shares of HK$0.1 each of the Company:

Name of Director	Capacity	Number of interested Shares held (note 1)	Aggregate approximate percentage of issued share capital of the Company (note 7)
Zhang Tianren	Interest of a controlled corporation (note 2)	410,355,650 (L)	36.42%
	Interest of spouse (note 2)	438,000 (L)	0.04%
Zhang Aogen	Interest of a controlled corporation (note 3)	13,641,022 (L)	1.21%
Zhang Kaihong	Interest of a controlled corporation (note 4)	18,884,174 (L)	1.68%
Shi Borong	Interest of a controlled corporation (note 5)	15,686,141 (L)	1.39%
Zhou Jianzhong	Interest of a controlled corporation (note 6)	2,362,815 (L)	0.21%
Huang Dongliang	Beneficial owner	240,000 (L)	0.02%

Notes:

1. The letters "L" and "S" denote long position and short position in the Shares of the Company respectively.
2. The 410,355,650 Shares of the Company were held by Prime Leader Global Limited, which was wholly-owned by Dr. Zhang Tianren. The interest in 438,000 Shares arises from the share options granted to Ms. Yang Yaping, spouse of Dr. Zhang Tianren.
3. The 13,641,022 Shares of the Company were held by Top Benefits International Limited, which was wholly-owned by Mr. Zhang Aogen.
4. The 18,884,174 Shares of the Company were held by Plenty Gold Holdings Limited, which was wholly-owned by Mr. Zhang Kaihong.
5. The 15,686,141 Shares of the Company were held by Precise Asia Global Limited, which was wholly-owned by Mr. Shi Borong.
6. The 2,362,815 Shares of the Company were held by Centre Wealth Limited, which was wholly-owned by Mr. Zhou Jianzhong.
7. Shareholding percentage is based on 1,126,726,500 issued shares of the Company as at 31 December 2019.

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

(b) Other interests and short positions

Save as disclosed above, on 22 November 2010, a total of 1,680,000 options were granted to the associates of the Directors in accordance with Company's share option scheme adopted pursuant to a resolution passed by the then Shareholders on 26 February 2007 (the "Scheme"). The names of other grantees who are associates of the Directors were listed in 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 the Directors were listed in the announcement dated 16 June 2014.

Retirement Benefits Scheme

Details of the retirement benefits scheme of the Group are set out in note 45 to the consolidated financial statements.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed on page 49, at no time during the year was the Company, its parent company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or any of their spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

Directors' Interest in Competitors

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

Directors' Interests in Contracts of Significance

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

Substantial Shareholders

As at 31 December 2019, 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 Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO in the issued share capital of the Company:

Ordinary Shares of HK$0.1 each of the Company:

Name of Shareholder	**Capacity**	**Number of Shares held** (Note 1)	**Approximate percentage of issued share capital of the Company** (Note 5)
Zhang Tianren	Interest of a controlled corporation (Note 2)	410,355,650 (L)	36.42%
	Interest of spouse (Note 2)	438,000(L)	0.04%
Yang Yaping	Beneficial owner (Note 2)	438,000 (L)	0.04%
	Interest of spouse (Note 2)	410,355,650 (L)	36.42%
Prime Leader Global Limited	Beneficial owner	410,355,650 (L)	36.42%
UBS Group AG	Person having security interest in Shares	1,210,391(L)	0.11%
	Interest of a controlled Corporation (Note 4)	55,559,788(L)	4.93%
		54,510,138(S)	4.84%
Morgan Stanley	Interest of a controlled corporation (Note 3)	56,126,235(L)	4.98%
		47,678,217(S)	4.23%

Notes:

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

2. The 410,355,650 Shares were held by Prime Leader Global Limited, which was wholly-owned by Dr. Zhang Tianren. The interest in 438,000 Shares arises from the share options granted to Ms. Yang Yaping, spouse of Dr. Zhang Tianren. Ms. Yang Yaping, being the spouse of Dr. Zhang Tianren, is deemed to be interested in the Shares held by Dr. Zhang Tianren.

Interests of Substantial Shareholders (Continued)

Notes: (Continued)

3. Pursuant to Part XV of the SFO, as at 31 December 2019, Morgan Stanley is deemed or taken to be interested in 56,126,235 Shares (long position) and is holding a short position in 47,678,217 Shares of the Company. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by Morgan Stanley are set out below:

Name of controlled subsidiary	Number of Shares
Morgan Stanley Capital Management, LLC	56,126,235 (L) 47,678,217 (S)
Morgan Stanley Domestic Holdings, Inc.	56,126,235 (L) 47,678,217 (S)
Morgan Stanley International Incorporated	52,775,352 (L) 24,607,717 (S)
Morgan Stanley International Incorporated	52,775,352 (L) 24,607,717 (S)
MSDW Investment Holdings (US) LLC	52,775,352 (L) 24,607,717 (S)
Morgan Stanley International Holdings Inc.	52,775,352 (L) 24,607,717 (S)
Morgan Stanley International Holdings Inc.	52,775,352 (L) 24,607,717 (S)
Morgan Stanley International Holdings Inc.	52,775,352 (L) 24,607,717 (S)
Morgan Stanley International Holdings Inc.	52,775,352 (L) 24,607,717 (S)
Morgan Stanley International Limited	52,775,352 (L) 24,607,717 (S)
Morgan Stanley Group (Europe)	52,775,352 (L) 24,607,717 (S)
Morgan Stanley Bramley Investments Limited	52,775,352 (L) 24,607,717 (S)
Morgan Stanley UK Group	52,775,352 (L) 24,607,717 (S)
Morgan Stanley UK Group	52,775,352 (L) 24,607,717 (S)
Morgan Stanley Investments (UK)	52,775,352 (L) 24,607,717 (S)
Morgan Stanley & Co. International plc	52,775,352 (L) 24,607,717 (S)
Morgan Stanley & Co. LLC	2,450,883 (L) 19,759,000 (S)
Morgan Stanley Capital Services LLC	900,000 (L) 3,311,500 (S)

4. Pursuant to Part XV of the SFC, as at 31 December 2019, UBS Group AG is deemed or taken to be interest in 56,770,179 Shares (long position) and is holding a short position in 54,510,138 Shares of the Company. The details of the shareholding interests of the subsidiaries directly and indirectly controlled by UBS Group AG are set out below:-

Name of controlled subsidiary	Number of Shares
UBS AG	51,485,788 (L) 50,510,138(S)
UBS Asset Management Trust Company	30,000(L)
UBS Fund Management (Switzerland) AG	44,000(L)
UBS Securities LLC	4,000,000(L) 4,000,000(S)

5. Shareholding percentage is based on 1,126,726,500 issued shares of the Company as at 31 December 2019.

Share Options

The Scheme was adopted pursuant to a resolution passed by the Shareholders on 26 February 2007 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. Details of the Scheme are set out in Note 41 to the financial statements. An ordinary resolution was passed at the annual general meeting of the Company held on 16 May 2014 (the "2014 AGM") relating to the refreshment of scheme mandate limit of the Scheme as set out in the supplemental notice of the 2014 AGM. The Scheme expired on 10 June 2017.

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

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK$)	Closing price of Company's Shares immediately before the date of grant (HK$)	Weighted average closing price of Company's Shares immediately before the date of exercise (HK$)	Number of option outstanding as at 1 January 2019	Number of options granted during the period	Number of options exercised during the period	Number of options cancelled during the period	Number of options lapsed in accordance with the terms of the options or the Scheme during the period	Number of options outstanding as at 31 December 2019	Approximate shareholding percentage of the underlying Shares for the options in the share capital of the Company
Huang Dongliang (Independent non-executive Director)	16/6/2014	16/6/2015 to 15/6/2024	2.90	2.89	–	90,000	–	–	–	–	90,000	0.01%
Other eligible participants	22/11/2010	22/11/2011 to 21/11/2020	3.18	3.02	–	680,000	–	–	–	–	680,000	0.06%
	16/6/2014	16/6/2015 to 15/6/2024	2.90	2.89	–	38,884,500	–	–	–	(1,818,000)	37,066,500	3.29%
						39,654,500	–	–	–	(1,818,000)	37,836,500	3.36%

On 18 May 2018, the Company by ordinary resolution approved the adoption of a new share option scheme with terms in line with the provisions of Chapter 17 of the Listing Rules. No options have yet been granted under such new share option scheme.

Independent Non-Executive Directors

Mr. Huang Dongliang has signed a letter of appointment with the Company for an initial period of three years commencing 11 June 2007 and will continue thereafter until terminated by either party giving not less than three months' prior written notice to the other. The 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. 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. Mr. Zhang Yong (appointed on 8 August 2018) has signed the letter of appointment with the Company for an initial period of three years commencing 8 August 2018. By mutual agreement of both parties, the appointment was renewed for a further year commencing 6 June 2017. 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

During the year, the Group has not entered into any other significant connected transaction or continuing connected transaction which should be disclosed pursuant to the requirement under the Listing Rules. The Directors confirmed that the Company has complied with the applicable requirements under Chapter 14A of the Listing Rules with regard to the related party transactions set out in note 47 to the consolidated financial statements which were also connected transactions or continuing connected transactions.

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 to the relevant Directors or employees under their remuneration package; and

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

Dividend Policy

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

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

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

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

   (i) the earnings Per share of the Company;

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

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

   (iv) the market sentiment and circumstances.

Pre-Emptive Rights

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

Major Customers and Suppliers

During the year, the aggregate sales attributable to the Group's five largest customers were less than 9.24% of the Group's turnover. The largest customer accounted for 4.06% of the Group's total turnover. During the year, the Group's five largest suppliers accounted for 19.18% of the Group's total purchase and the largest supplier accounted for 5.91% of the Group's total purchase. At no time during the year did a Director, an associate of a Director or a Shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

Corporate Governance

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

Environmental Protection

Details of the Company's environmental policy and performance are published in the separate Environmental, Social and Governance Report which will be available at the Company's website and the website of the Hong Kong Stock Exchange not later than 3 months after the publication of this annual report.

Audit Committee

The Audit Committee was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. As at 31 December 2019, the Audit Committee comprised three independent non-executive Directors, namely, Mr. Huang Dongliang, Mr. Wu Feng and Mr. Zhang Yong.

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 2019.

Donations

During the year ended 31 December 2019, the Group made charitable donations of approximately RMB1.9240 million (2018: RMB2.8437 million).

Sufficiency of Public Float

From information publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, at least 25% of the Company's total issued share capital is held by the public throughout the year ended 31 December 2019 as required under the Listing Rules.

Auditor

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

On behalf of the Board

Zhang Aogen
Director

Hong Kong, 27 March 2020

中汇
ZHONGHUI

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

Opinion

We have audited the consolidated financial statements of Tianneng Power International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 123, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

1. Provision

Refer to Note 35 to the consolidated financial statements

The Group tested the estimation for provision. This estimation is significant to our audit because the balance of provision of RMB650,728,000 as at 31 December 2019 is material to the consolidated financial statements. In addition, the Group's estimation involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Understanding and assessing reasonableness of the methodology adopted by management by comparing with the historical estimates against actual warranty claims, our knowledge in the Group and the industry practices;
- Challenging the key assumptions on the estimated replacement cost and repair cost for returned products and predicted future warranty claim rate made by management; and
- Checking mathematic accuracy of calculation provided by management.

We consider that the Group's estimation for provision is supported by the available evidence.

2. Inventories

Refer to Note 25 to the consolidated financial statements

The Group tested the amount of inventory for impairment. This impairment test is significant to our audit because the balance of inventory of RMB3,740,219,000 as at 31 December 2019 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on ordering and holding of inventory;
- Evaluating the Group's impairment assessment;
- Assessing the marketability of the inventory;
- Assessing the ageing of the inventory;
- Assessing the net realisable values of the inventory; and
- Checking subsequent sales and usage of the inventory.

We consider that the Group's impairment test for inventory is supported by the available evidence.

Other Information

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

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

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

Responsibilities of Directors for the Consolidated Financial Statements

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

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

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:
http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/
This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614
Hong Kong, 27 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Restated)
Revenue	8	**40,613,555**	34,750,848
Cost of sales		**(35,925,798)**	(30,709,295)
Gross profit		**4,687,757**	4,041,553
Interest revenue		**93,091**	31,454
Other income	10	**369,165**	355,771
Other gains and losses	11	**(6,311)**	(49,692)
Impairment losses, net of reversal	12	**(32,546)**	(23,007)
Selling and distribution costs		**(896,684)**	(889,947)
Administrative expenses		**(662,969)**	(593,309)
Research and development costs		**(1,153,860)**	(1,114,293)
Other expenses		**(16,313)**	(41,459)
Share of (loss) profit of an associate		**(254)**	3,126
Finance costs	13	**(255,035)**	(189,547)
Profit before taxation		**2,126,041**	1,530,650
Taxation	14	**(400,091)**	(295,474)
Profit for the year	15	**1,725,950**	1,235,176
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Fair value changes of equity investment at fair value through other comprehensive income		**(13,321)**	(137,116)
Income tax relating to items that will not be reclassified subsequently		**–**	2,775
		(13,321)	(134,341)
Items that may be reclassified to profit or loss:			
Fair value change of debt instruments measured at fair value through other comprehensive income		**(1,184)**	5,785
Income tax relating to items that may be reclassified subsequently		**264**	(1,446)
		(920)	4,339
Total comprehensive income for the year		**1,711,709**	1,105,174
Profit for the year attributable to:			
Owners of the Company		**1,681,827**	1,188,278
Non-controlling interests		**44,123**	46,898
		1,725,950	1,235,176
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,667,761**	1,058,261
Non-controlling interests		**43,948**	46,913
		1,711,709	1,105,174
Earnings per share	18		
– Basic (RMB)		**1.49**	1.05
– Diluted (RMB)		**1.47**	1.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Restated)	1 January 2018 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	19	**4,783,297**	4,294,944	4,193,098
Goodwill		**499**	499	499
Right of use assets	20	**593,720**	–	–
Prepaid lease payments	21	**–**	510,081	443,116
Interest in an associate	22	**1,446**	–	15,574
Equity investments at fair value through other comprehensive income	23	**284,036**	297,357	226,000
Deferred tax assets	24	**451,754**	378,433	377,886
Deposit paid for acquisition of property, plant and equipment		**238,360**	162,631	63,896
Long-term receivable		**12,103**	–	–
		6,365,215	5,643,945	5,320,069
Current assets				
Inventories	25	**3,740,219**	2,972,563	2,293,494
Bills, trade and other receivables	26	**1,513,995**	1,246,238	1,149,974
Amounts due from related parties	32	**3,709**	8,901	17,096
Prepaid lease payments	21	**–**	12,296	12,296
Debt instruments at fair value through other comprehensive income	27	**1,207,570**	969,300	1,175,800
Financial assets at fair value through profit or loss	29	**854,102**	1,100,849	–
Pledged bank deposit	30	**1,291,326**	1,068,449	727,562
Bank balances and cash	30	**4,154,191**	3,833,751	3,872,392
		12,765,112	11,212,347	9,248,614
Current liabilities				
Bills, trade and other payables	31	**6,746,172**	5,752,416	4,828,976
Amounts due to related parties	32	**20,024**	25,550	62,142
Derivative financial instruments		**104**	–	7,561
Taxation payables		**205,778**	234,561	156,271
Borrowings – current portion	33	**1,260,415**	1,856,650	1,324,561
Long-term loan notes – due within one year	37	**398,853**	378,588	–
Deferred government grants	34	**33,859**	26,773	22,421
Obligations under finance leases – due within one year		**–**	–	4,275
Lease liabilities	38	**7,076**	–	–
Provision	35	**650,728**	631,454	568,156
Contract liabilities	36	**1,749,311**	1,647,223	1,547,950
		11,072,320	10,553,215	8,522,313
Net current assets		**1,692,792**	659,132	726,301
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,058,007**	6,303,077	6,046,370
Non-current liabilities				
Borrowings – non current portion	33	**252,746**	68,800	129,800
Deferred government grants	34	**425,150**	361,205	354,310
Lease liabilities	38	**15,497**	–	–
Deferred tax liabilities	24	**78,098**	85,366	56,904
Long-term loan notes	37	**–**	398,508	774,341
		771,491	913,879	1,315,355
NET ASSETS		**7,286,516**	5,389,198	4,731,015

	Notes	2019 RMB'000	2018 RMB'000 (Restated)	1 January 2018 RMB'000 (Restated)
Capital and reserves				
Share capital	39	**109,905**	109,905	109,889
Reserves	40	**6,554,699**	5,037,434	4,429,012
Equity attributable to owners of the Company		**6,664,604**	5,147,339	4,538,901
Non-controlling interests		**621,912**	241,859	192,114
TOTAL EQUITY		**7,286,516**	5,389,198	4,731,015

The consolidated financial statements on pages 56 to 123 were approved and authorised for issue by the board of directors on 27 March 2020 and are signed on its behalf by:

Zhang Tianren
Director

Zhang Aogen
Director

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserves RMB'000 (Note 40)	Capital reserves RMB'000 (Note 40)	Share options reserve RMB'000	Investment revaluation reserve RMB'000	Other fair value through other comprehensive income reverve RMB'000	Statutory surplus reserves fund RMB'000 (Note 40)	Discretionary surplus reserve fund RMB'000 (Note 40)	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018	109,889	782,734	10,000	138,264	40,475	14,042	–	567,133	143,212	3,072,811	4,878,560	184,926	5,063,486
Effect of prior year adjustments (note 4)	–	–	–	–	–	–	–	–	–	(328,336)	(328,336)	9,875	(318,461)
Effect of changes in accounting policies	–	–	–	–	–	–	(7,802)	–	–	(3,521)	(11,323)	(2,687)	(14,010)
At 1 January 2018, as restated	109,889	782,734	10,000	138,264	40,475	14,042	(7,802)	567,133	143,212	2,740,954	4,538,901	192,114	4,731,015
Profit for the year	–	–	–	–	–	–	–	–	–	1,188,278	1,188,278	46,898	1,235,176
Other comprehensive (expense) income for the year	–	–	–	–	–	(134,341)	4,324	–	–	–	(130,017)	15	(130,002)
Total comprehensive (expense) income for the year	–	–	–	–	–	(134,341)	4,324	–	–	1,188,278	1,058,261	46,913	1,105,174
Transfer	–	–	–	–	–	–	–	75,032	–	(75,032)	–	–	–
Capital injection from non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	49,000	49,000
Non-controlling interests arising on the acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	17,155	17,155
Acquisition of additional interest in a subsidiary	–	–	–	(112,237)	–	–	–	–	–	–	(112,237)	(14,323)	(126,560)
Payment of dividends	–	–	–	–	–	–	–	–	–	(340,769)	(340,769)	–	(340,769)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(49,000)	(49,000)
Issue of new shares upon exercise of share options	16	669	–	–	(232)	–	–	–	–	–	453	–	453
Forfeiture of share options	–	–	–	–	(1,326)	–	–	–	–	1,326	–	–	–
Recognition of equity-settled share based payment	–	–	–	–	2,730	–	–	–	–	–	2,730	–	2,730
At 31 December 2018, as restated	109,905	783,403	10,000	26,027	41,647	(120,299)	(3,478)	642,165	143,212	3,514,757	5,147,339	241,859	5,389,198
At 1 January 2019	109,905	783,403	10,000	26,027	41,647	(120,299)	(3,478)	642,165	143,212	3,907,245	5,539,827	233,453	5,773,280
Effect of prior year adjustments (note 4)	–	–	–	–	–	–	–	–	–	(392,488)	(392,488)	8,406	(384,082)
At 1 January 2019, as restated	109,905	783,403	10,000	26,027	41,647	(120,299)	(3,478)	642,165	143,212	3,514,757	5,147,339	241,859	5,389,198
Profit for the year	–	–	–	–	–	–	–	–	–	1,681,827	1,681,827	44,123	1,725,950
Other comprehensive income (expense) for the year	–	–	–	–	–	(13,321)	(745)	–	–	–	(14,066)	(175)	(14,241)
Total comprehensive (expense) income for the year	–	–	–	–	–	(13,321)	(745)	–	–	1,681,827	1,667,761	43,948	1,711,709
Transfer	–	–	–	–	–	–	–	243,535	–	(243,535)	–	–	–
Capital injection from non-controlling shareholders	–	–	–	225,443	–	–	–	–	–	–	225,443	330,999	556,442
Equity transaction with non-controlling shareholders	–	–	–	88	–	–	–	–	–	–	88	533	621
Payment of dividends	–	–	–	–	–	–	–	–	–	(376,251)	(376,251)	–	(376,251)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(2,793)	(2,793)
Forfeiture of share options	–	–	–	–	(1,754)	–	–	–	–	1,754	–	–	–
Recognition of equity-settled share-based payment (note 41)	–	–	–	–	–	–	–	–	–	–	–	7,590	7,590
Forfeiture of equity-settled share-based payment	–	–	–	–	–	–	–	–	–	224	224	(224)	–
At 31 December 2019	109,905	783,403	10,000	251,558	39,893	(133,620)	(4,223)	885,700	143,212	4,578,776	6,664,604	621,912	7,286,516

	2019 RMB'000	2018 RMB'000 (Restated)
Cash flows from operating activities		
Profit before taxation	**2,126,041**	1,530,650
Adjustments for:		
Interest revenue	**(93,091)**	(31,454)
Gains on structured bank deposits	**(76,127)**	(82,327)
Amortisation of government grants	**(32,357)**	(28,677)
Dividend income	**(13,705)**	(7,005)
Interest expenses	**255,035**	189,547
Share of loss (profit) of an associate	**254**	(3,126)
Depreciation of property, plant and equipment	**460,413**	412,108
Amortisation of prepaid lease payments	**–**	12,296
Depreciation of right-of-use assets	**20,728**	–
Write-off/loss of property, plant and equipment	**84,814**	82,012
Recognition of allowance for bad and doubtful debts, net of reversal	**32,546**	23,007
Recognition (reversal) of allowance for inventories	**23,082**	8,138
Share-based payments	**7,590**	2,730
Fair value changes of held-for-trading investments	**(12,735)**	9,535
Fair value changes of derivative financial instruments	**2,304**	2,130
Operating cash flows before movements in working capital	**2,784,792**	2,119,564
Increase in inventories	**(790,738)**	(642,046)
(Increase) decrease in bills, trade and other receivables	**(300,303)**	523,922
(Increase) decrease in debt instruments at fair value through other comprehensive income	**(239,191)**	229,318
Increase in bills, trade and other payables	**918,391**	104,912
(Decrease) increase in contract liabilities	**102,088**	99,274
Increase in provisions	**19,274**	63,298
Decrease in amount due to related parties with trade nature	**(5,526)**	(36,592)
Decrease in amount due from related parties with trade nature	**5,192**	8,195
Increase in held-for-trading investments	**–**	(20,436)
Cash generated from operations	**2,493,979**	2,449,409
Interest paid	**(246,002)**	(182,616)
Income tax paid	**(509,463)**	(189,601)
Net cash generated from operating activities	**1,738,514**	2,077,192
Cash flows from investing activities		
Interest received	**92,816**	31,454
Dividend received from an associate	**7,473**	7,005
Investment in an associate	**(1,700)**	–
Dividend received from an associate	**–**	2,924
Proceeds on disposal of property, plant and equipment	**19,418**	26,871
Purchase of property, plant and equipment	**(941,966)**	(476,326)
Purchases of financial assets at FVTPL	**(4,185)**	(208,473)
Payment for derivative financial instruments	**(14,724)**	(9,842)
Proceeds from derivative financial instruments	**12,643**	–
Increase of pledged bank deposit	**(222,877)**	(340,887)
Placement of structured bank deposit	**(9,310,730)**	(20,429,470)
Withdrawal of structured bank deposit	**9,656,637**	19,437,417
Asset-related government grants received	**103,388**	42,336
Deposit for acquisition of property, plant and equipment	**(216,341)**	(162,142)
Acquisition of land use right/prepaid lease payment	**(63,528)**	(24,101)
Net cash outflow relating to acquisition of subsidiaries	**–**	(12,537)
Net cash used in investing activities	**(883,676)**	(2,115,771)

	2019 RMB'000	2018 RMB'000 (Restated)
Cash flows from financing activities		
New bank borrowings raised	**5,356,232**	3,974,665
Repayment of borrowings	**(5,771,375)**	(3,503,576)
Repayments of loan notes	**(380,000)**	–
Proceeds from issue of shares – option exercise	**–**	453
Security deposit for borrowings	**(15,000)**	–
Dividend paid	**(376,251)**	(340,769)
Dividend paid to non–controlling interests	**(2,793)**	(49,000)
Acquisition of additional interest in a subsidiary	**–**	(126,560)
Capital contribution from a non-controling shareholder	**556,442**	49,000
Equity transaction with non-controlling shareholders	**621**	–
Considerations received for subscribing restricted shares of a subsidiary	**107,400**	–
Repayment of restricted shares of a subsidiary	**(2,454)**	–
Repayment of lease liabilities	**(7,220)**	–
Repayment of obligations under finance leases	**–**	(4,275)
Net cash used in financing activities	**(534,398)**	(62)
Net increase (decrease) in cash and cash equivalents	**320,440**	(38,641)
Cash and cash equivalents at the beginning of the year	**3,833,751**	3,872,392
Cash and cash equivalents at the end of the year	**4,154,191**	3,833,751
Analysis of cash and cash equivalents		
Bank and cash balances	**4,154,191**	3,833,751

1. General Information

Tianneng Power International Limited (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 16 November 2004 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") with effect from 11 June 2007. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporation Information" section of the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 50 to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the "Group".

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

2. Adoption of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 16 "Leases"

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under HKAS 17 "Leases".

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

As a lessee, the Group's leases are mainly rentals of offices and leasehold lands. The right-of-use assets were measured at the amount equal to the lease liability and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. HKFRS 16 has been applied and resulted in changes in consolidated amounts reported in the consolidated financial statements as follows:

	As at 1 January 2019 RMB'000
Increase in right-of-use assets	541,048
Decrease in prepaid lease payments	522,377
Increase in lease liabilities	18,671

2. Adoption of New and Revised Hong Kong Financial Reporting Standards (Continued)

The operating lease commitments disclosed as at 31 December 2018 were approximately RMB23,121,000, while the lease liabilities recognised as at 1 January 2019 were approximately RMB18,671,000, of which approximately RMB4,246,000 were current lease liabilities and approximately RMB14,425,000 were non-current lease liabilities.

The differences between the operating lease commitments discounted using the lessee's incremental borrowing rate of 4.9% and the total lease liabilities recognised in the consolidated statement of financial position at the date of initial application of HKFRS 16 comprised the exclusion of short-term leases recognised on a straight-line basis as expenses.

3. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the equity investments at fair value through other comprehensive income, debt instruments at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated translation reserve.

3. Significant Accounting Policies (Continued)

Consolidation (Continued)

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. 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 the owners of the Company.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments ar fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

3. Significant Accounting Policies (Continued)

Business combination and goodwill (Continued)

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. Significant Accounting Policies (Continued)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's presentation currency and the functional currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in the translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. Significant Accounting Policies (Continued)

Property, plant and equipment

Buildings comprise mainly factories and offices. Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives or annual rate on a straight-line basis. The principal annual rates are as follows:

Buildings	4.8%
Plant and machinery	9.5%
Motor vehicles	19%
Furniture, fixtures and equipment	9.5%-19%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and building	1.52% – 6.06%
Land use rights	1.43% – 2.08%

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

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 activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

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

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

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is 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 determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. Significant Accounting Policies (Continued)

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss (the "Financial assets at FVTPL"). Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

– Financial assets at amortised cost;

– Debt instruments at fair value through other comprehensive income (the "Debt instruments at FVTOCI")

– Equity investments at fair value through other comprehensive income (the "Equity investments at FVTOCI") and

– Financial assets at FVTPL

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Debt instruments at FVTOCI

Debt instruments are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling assets; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at fair value. Interest income calculated using the effective interest method is recognised in profit or loss.

3. Significant Accounting Policies (Continued)

Financial assets (Continued)

(ii) Debt instruments at FVTOCI (Continued)

The assets are treated as monetary items. A foreign currency asset is treated as an asset measured at amortised cost in the foreign currency. Exchange differences on the amortised cost are recognised in profit or loss.

Other gains or losses are recognised in other comprehensive income and accumulated in the debt investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the debt investment revaluation reserve are reclassified to profit or loss.

The loss allowance for expected credit losses is recognised in other comprehensive income and does not reduce the carrying amount of the assets.

(iii) Equity investments at FVTOCI

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity investments that are not held for trading as at fair value through other comprehensive income.

Equity investments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iv) Financial assets at FVTPL

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt instruments at FVTOCI unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Financial assets at FVTPL are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

3. Significant Accounting Policies (Continued)

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and debt instruments at FVTOCI. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings and long-term loan note

Borrowings and long-term loan note are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings and long-term loan note are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Derivative financial instruments

Derivatives (including contingent considerations under business combinations) are initially recognised and subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss.

3. Significant Accounting Policies (Continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the at the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged in profit or loss represents contributions payable by the Group to the funds.

3. Significant Accounting Policies (Continued)

Employee benefits (Continued)

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share- based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

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 capitalised as part of 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.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become 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.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

3. Significant Accounting Policies (Continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss 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.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax 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 that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. Significant Accounting Policies (Continued)

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investments, investories, tax recoverable and receivables, 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 any impairment loss. Where 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.

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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. Significant Accounting Policies (Continued)

Impairment of assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Prior Year Adjustments

(a) Re-assessment of warranty provision

The Group provides a warranty of up to fifteen months on all lead-acid motive battery products. During the year, directors of the Company re-assessed the method of provision for estimated liabilities in relation to product quality warranties, including but not limited to the key assumptions on the estimated replacement cost and repair cost for returned products. As a result of the re-assessment, the amount of estimated liabilities provision arising from after-sale obligations at 1 January 2018 and 31 December 2018 has been redefined. Accordingly, prior year adjustments have been made to adjust the amounts of provision for warranty and utilisation of provision for the year ended 31 December 2018.

For certain customers which do not require a replacement battery immediately at the time making the warranty claim, the Group allows them to obtain the warranty batteries at a later date. Such amounts were recorded in provision as at 1 January 2018 and 31 December 2018. These balances of RMB290,445,000 and RMB242,983,000 were re-classified to other payables and contract liabilities as at 1 January 2018 and 31 December 2018, respectively.

4. Prior Year Adjustments (Continued)

(b) Recognition of intertemporal adjustment for income

The Group recognises revenue and recognises the relevant sales rebates when it satisfies a performance obligation by transferring control over the products to the customers. During the year, directors of the Company re-assessed the delivery time of the products and accordingly the revenue recognition time as well as the recognition time of sales rebates. As a result, adjustments have been made to such revenue of approximately RMB198,758,000 and the corresponding costs in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

(c) Intertemporal adjustment of employees' remuneration

The Group observed that there were situations where some of employee's remuneration were spread across two accounting periods and the relevant amount represented a lower proportion of the aggregate amounts of remuneration for those years. The Group has make adjustments to such remunerations of approximately RMB18,684,000 and the corresponding employee remuneration payables of approximately RMB42,851,000 in the consolidated statement of profit or loss and other comprehensive income and in the consolidated statement of financial position for the year ended 31 December 2018, respectively.

(d) Interest capitalization, Intertemporal adjustment for depreciation and redefinition of asset-related government grants

During the year,the Group re-visited the usage of certain property, plant and equipment, including the commencement date of usage and re-assessed the capitalized interests related to those property, plant and equipment for the year ended 31 December 2018. As a result, prior year adjustments have been provided to adjust the related interests of approximately RMB11,812,000 as expenses, and adjusted the depreciation expenses by RMB7,533,000 in the consolidated statement profit or loss.

In addition, the Group had re-assessed the relevant subsidy documentations for the government grants received, redefined the nature of the government grants for the year ended 31 December 2018 according to the subsidy documents, and recalculated these government grants and the amortisation thereof. As a result of the re-assessment, prior year adjustments have been provided to adjust the government grants previously recorded as other income in the consolidated profit or loss and other comprehensive income for the year ended 31 December 2018 by RMB16,835,000. Originally, the Group recognised such government grants of approximately RMB387,978,000 as a deduction from the carrying amount of the relevant assets. As a result, prior year adjustments have been provided to adjust the deferred government grants and increase the carrying amount of the relevant assets.

4. Prior Year Adjustments (Continued)

The following tables disclose the restatements that have been made in order to reflect the above corrections to each of the line items in the consolidated statement of profit or loss and other comprehensive income as previously reported for the year ended 31 December 2018 and consolidated statement of financial position as at 31 December 2018 and 1 January 2018 as previously reported.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018

	2018 (As previously reported) RMB'000	Re-assessment of warranty expenses RMB'000	Recognition of intertemporal adjustment for income RMB'000	Intertemporal adjustment of employees' remuneration RMB'000	Interest capitalization, Intertemporal adjustment for depreciation and redefinition of asset-related government grants RMB'000	Income tax and deferred tax RMB'000	Non-controlling interest RMB'000	2018 (As restated) RMB'000
Revenue	34,552,090		198,758					34,750,848
Cost of sales	(30,466,367)	120,776	(355,774)	(8,120)	190			(30,709,295)
Gross profit	4,085,723							4,041,553
Other income	369,658		412		17,155			387,225
Other gains and losses	(43,481)				(6,211)			(49,692)
Impairment losses, net of reversal	(23,007)							(23,007)
Selling and distribution costs	(889,947)							(889,947)
Administrative expenses	(563,674)			(10,564)	(19,071)			(593,309)
Research and development costs	(1,114,293)							(1,114,293)
Other expenses	(41,459)							(41,459)
Share of profit of an associate	3,126							3,126
Finance costs	(177,735)				(11,812)			(189,547)
Profit before taxation	1,604,911							1,530,650
Taxation	(304,114)					8,640		(295,474)
Profit for the year	1,300,797							1,235,176
Other comprehensive income (expense):								
Items that will not be reclassified to profit or loss:								
Fair value changes of equity investment at fair value through other comprehensive income	(137,116)							(137,116)
Income tax relating to items that may be reclassified subsequently	2,775							2,775
	(134,341)							(134,341)
Items that may be reclassified to profit or loss:								
Fair value change of debt instruments measured at fair value through other comprehensive income	5,785							5,785
Income tax relating to items that may be reclassified subsequently	(1,446)							(1,446)
	4,339							4,339
Total comprehensive income (expense) for the year	1,170,795							1,105,174
Profit for the year attributable to:								
Owners of the Company	1,252,430						(64,152)	1,188,278
Non-controlling interests	48,367						(1,469)	46,898
	1,300,797							1,235,176
Total comprehensive income (expense) for the year attributable to:								
Owners of the Company	1,122,413						(64,152)	1,058,261
Non-controlling interests	48,382						(1,469)	46,913
	1,170,795							1,105,174
Earnings per share								
– Basic (RMB)	1.11							1.05
– Diluted (RMB)	1.09							1.03

4. Prior Year Adjustments (Continued)

Consolidated statement of financial position as at 31 December 2018

	2018 (As previously reported) RMB'000	Re-assessment of warranty expenses RMB'000	Recognition of intertemporal adjustment for income RMB'000	Intertemporal adjustment of employees' remuneration RMB'000	Interest capitalization, Intertemporal adjustment for depreciation and redefinition of asset-related government grants RMB'000	Income tax and deferred tax RMB'000	Non-controlling interest RMB'000	2018 (As restated) RMB'000
Non-current assets								
Property, plant and equipment	4,113,612				181,332			4,294,944
Goodwill	499							499
Prepaid lease payments	324,615				185,466			510,081
Equity investments at FVTOCI	297,357							297,357
Deferred tax assets	366,999					11,434		378,433
Deposit paid for acquisition of property, plant and equipment	167,404				(4,773)			162,631
	5,270,486							5,643,945
Current assets								
Inventories	3,130,048	14,126	(171,611)					2,972,563
Bills, trade and other receivables	1,250,010	(69,589)	67,468	(1,651)				1,246,238
Amounts due from related parties	8,901							8,901
Prepaid lease payments	9,497				2,799			12,296
Debt instruments at FVTOCI	969,300							969,300
Financial assets at FVTPL	1,100,849							1,100,849
Pledged bank deposit	1,068,449							1,068,449
Bank balances and cash	3,833,751							3,833,751
	11,370,805							11,212,347
Current liabilities								
Bills, trade and other payables	6,131,130	(214,741)	(276,875)	42,851	70,051			5,752,416
Amounts due to related parties	25,550							25,550
Taxation payables	232,495					2,066		234,561
Borrowings – current portion	1,856,650							1,856,650
Long-term loan notes – due within one year	378,588							378,588
Deferred government grants	–				26,773			26,773
Provision	549,230	82,224						631,454
Contract liabilities	1,124,451	242,983	279,789					1,647,223
	10,298,094							10,553,215
Net current assets	1,072,711							659,132
TOTAL ASSETS LESS CURRENT LIABILITIES	6,343,197							6,303,077
Non-current liabilities								
Borrowings – non current portion	68,800							68,800
Deferred government grants	–				361,205			361,205
Deferred tax liabilities	102,609					(17,243)		85,366
Long-term loan notes	398,508							398,508
	569,917							913,879
NET ASSETS	5,773,280							5,389,198
Capital and reserves								
Share capital	109,905							109,905
Reserves	5,429,922	(165,929)	(107,057)	(44,502)	(93,205)	26,611	(8,406)	5,037,434
Equity attributable to owners of the Company	5,539,827							5,147,339
Non-controlling interests	233,453						8,406	241,859
TOTAL EQUITY	5,773,280							5,389,198

4. Prior Year Adjustments (Continued)

Consolidated statement of financial position as at 1 January 2018

	2018 (As previously reported) RMB'000	Effect of changes in accounting policies RMB'000	Re-assessment of warranty expenses RMB'000	Recognition of intertemporal adjustment for income RMB'000	Intertemporal adjustment of employees' remuneration RMB'000	Interest capitalization, Intertemporal adjustment for depreciation and redefinition of asset-related government grants RMB'000	Income tax and deferred tax RMB'000	Non-controlling interest RMB'000	2018 (As restated) RMB'000
Non-current assets									
Property, plant and equipment	3,949,384					243,714			4,193,098
Goodwill	499								499
Prepaid lease payments	240,449					202,667			443,116
Interest in an associate	15,574								15,574
Equity investments at FVTOCI	–	226,000							226,000
Available-for-sale investments	226,000	(226,000)							–
Deferred tax assets	336,434	6,063					35,389		377,886
Deposit paid for acquisition of property, plant and equipment	63,896								63,896
	4,832,236								5,320,069
Current assets									
Inventories	2,132,701		(13,069)	173,862					2,293,494
Bills, trade and other receivables	2,392,492	(1,195,873)	194,495	(241,140)					1,149,974
Amounts due from related parties	17,096								17,096
Prepaid lease payments	7,219					5,077			12,296
Debt instruments at FVTOCI	–	1,175,800							1,175,800
Pledged bank deposit	727,562								727,562
Bank balances and cash	3,872,392								3,872,392
	9,149,462								9,248,614
Current liabilities									
Bills, trade and other payables	5,970,617	(804,919)	58,688	(569,411)	25,818	148,183			4,828,976
Amounts due to related parties	62,142								62,142
Derivative financial instruments	7,561								7,561
Taxation payables	123,190						33,081		156,271
Borrowings – current portion	1,324,561								1,324,561
Deferred government grants	–					22,421			22,421
Obligations under finance leases – due within one year	4,275								4,275
Provision	449,158		118,998						568,156
Contract liabilities	–	804,919	290,445	452,586					1,547,950
	7,941,504								8,522,313
Net current assets	1,207,958								726,301
TOTAL ASSETS LESS CURRENT LIABILITIES	6,040,194								6,046,370
Non-current liabilities									
Borrowings – non current portion	129,800								129,800
Deferred government grants	–					354,310			354,310
Deferred tax liabilities	72,567						(15,663)		56,904
Long-term loan notes	774,341								774,341
	976,708								1,315,355
NET ASSETS	5,063,486								4,731,015
Capital and reserves									
Share capital	109,889								109,889
Reserves	4,768,671	(11,323)	(286,705)	49,547	(25,818)	(73,456)	17,971	(9,875)	4,429,012
Equity attributable to owners of the Company	4,878,560								4,538,901
Non-controlling interests	184,926	(2,687)						9,875	192,114
TOTAL EQUITY	5,063,486								4,731,015

5. Critical Judgements and Key Estimates

Key sources of estimation uncertainty

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, are discussed below.

(a) Warranty provision

The Group provides a warranty 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 and the fifteenth month after the date of sale. Estimated costs related to product warranty are accrued at the time of sale and are based upon various factors including the historical actual warranty claims, the estimated replacement cost and repair cost for returned products, predicted future warranty claim rate with reference to prior experiences and volumes of products sold. The amount of warranty is adjusted as required to reflect the actual costs incurred when information becomes available. In case where the actual future warranty expenses are less or more than expected, a material reversal or further recognition of warranty provision may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

(b) 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 all estimated costs of completion and costs necessary to make the sale.

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 valuation 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 based primarily on the latest market prices and current market conditions. The net realisable value for finished goods will be affected if the actual market prices and market conditions are less than expected.

(c) Provision of expected credit losses for trade receivables

The Group uses provision matrix to calculate expected credit losses for certain trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward- looking information are considered.

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(d) Fair value of investment

In the absence of quoted market prices in an active market, the directors estimate the fair value of the Group's Debt instruments at FVTOCI and financial assets at FVTPL, details of which are set out in note 7 to the consolidated financial statements.

6. Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities which is RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2019, if the RMB had weakened/strengthened 5 per cent against the US dollar with all other variables held constant, consolidated profit after tax for the year would have been RMB2,438,000 higher/lower (2018: RMB3,215,000 lower/higher), arising mainly as a result of the foreign exchange gain/loss (2018: loss/gain) on bank and cash balance, trade receivable, other payables denominated in US dollar.

At 31 December 2019, if the RMB had weakened/strengthened 5 per cent against the Hong Kong dollar with all other variables held constant, consolidated profit after tax for the year would have been RMB2,718,000 higher/lower (2018: RMB20,648,000 lower/higher), arising mainly as a result of the foreign exchange gain/loss (2018: loss/gain) on bank and cash balance, Financial assets at FVTPL and borrowings denominated in Hong Kong dollar.

At 31 December 2019, if the RMB had weakened/strengthened 5 per cent against the Hong Kong dollar with all other variables held constant, consolidated other comprehensive income for the year would have been RMB7,125,000 (2018: RMB7,524,000) lower/higher, arising mainly as a result of the foreign exchange loss/gain on equity investments at fair value through other comprehensive income denominated in Hong Kong dollar.

(b) Price risk

The Group is exposed to equity price risk through its investments in listed equity securities measured at FVTPL and FVTOCI. For equity securities measured at FVTPL quoted in the Stock Exchange, the management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group also invested in certain quoted equity securities for investees operating in battery industry sector for long term strategic purposes which had been designed as FVTOCI. 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% (2018:10%) in current year as a result of the volatile financial market.

6. Financial Risk Management (Continued)

(b) Price risk (Continued)

Sensitivity analysis (Continued)

If the prices of the respective equity investments had been 10% (2018: 10%) higher/lower:

– post-tax profit for the year ended 31 December 2019 would increase/decrease by RMB4,025,000 as a result of the changes in fair value of financial assets at FVTPL (2018: 2,096,000); and

– investment revaluation reserve would increase/decrease by RMB28,404,000 (2018: RMB29,691,000) for the Group as a result of the changes in fair value of equity investments at FVTOCI.

(c) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to debt instruments at FVTOCI, pledged bank deposits, bank balances, borrowings and long-term loan note (see notes 30, 33 and 37 for details of these pledged bank deposits, bank balances borrowings and long-term loan note, respectively). The Group is also exposed to cash flow interest rate risk in relation to variable- rate bank balances (see note 30 for details), variable-rate bank borrowings (see note 33 for details). The directors of the Company monitor interest rate exposures and will consider hedging significant interest rate risk should the need arise.

In the opinion of the management of the Group, the expected change in interest rate will not have significant impact on the interest income on bank balances and interest expenses on bank and other borrowings, hence sensitivity analysis is not presented.

(d) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the amount of each class of financial assets as disclosed in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances based on provision matrix for other debtors. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. Financial Risk Management (Continued)

(d) Credit risk (Continued)

Trade receivables arising from contracts with customers (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and trade-related amounts due from related parties	Other financial assets
Grade A	The counterparty has a low risk of default and does not have any pastdue amounts or the counterparty is a new customer as a large producer with good reputation and credit rating based on internal assessment	Lifetime ECL – not credit-impaired	12-month ECL
Grade B	Debtor frequently repays after due dates but usually settle after due date or the counterparty is a new customer other than those grouped in grade A counterparties	Lifetime ECL – not credit-impaired	12-month ECL
Grade C	The counterparty delays its payment after due dates with no settlement yet or there have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Grade D	The counterparty has been charged by the Group or could not settle the receivables according to the contracts or there is other evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Grade E	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

6. Financial Risk Management (Continued)

(d) Credit risk (Continued)

Trade receivables arising from contracts with customers (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

Financial assets at amortised cost	Internal credit rating	Gross carrying amount 2019 RMB'000	Gross carrying amount 2018 RMB'000 (Restated)
Trade receivables	Note i		
– Lifetime ECL (provision matrix)		**658,684**	756,971
– Credit impaired		**202,506**	217,606
		861,090	974,577
Other receivables	Note ii		
– 12-month ECL		**129,420**	198,120
– Lifetime ECL (not credit impaired)		**16,085**	4,361
– Credit impaired		**37,790**	14,850
		183,295	217,331
Amounts due from related parties	Note i		
– Lifetime ECL (not credit impaired)		**3,709**	8,901
Debt instruments at FVTOCI	Note iii		
– 12-month ECL		**1,207,570**	969,300
Pledged bank deposits	Note iii		
– 12-month ECL		**1,291,326**	1,068,449
Bank balances	Note iii		
– 12-month ECL		**4,154,191**	3,833,751
		7,701,181	7,072,309

Notes:

(i) For trade receivables and trade-related amounts due from related parties, the Group has applied the simplified approach in accordance with HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these receivables by using a provision matrix, grouped by internal credit rating.

(ii) For other receivables, the Group has applied 12-month ECL assessment in accordance with HKFRS 9 to measure the loss allowance except for those balances that the management considered the credit risk has increased significantly and/or those balances that are considered to be credit impaired. The ECL on other receivables are assessed individually based on historical settlement records, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of reporting period.

6. Financial Risk Management (Continued)

(d) Credit risk (Continued)

Trade receivables arising from contracts with customers (Continued)

Notes: (Continued)

(iii) For bank balances and pledged bank deposits, the management considered the credit risk has not increased significantly since the initial recognition. According to the historical observed default rates of these debtors, the average loss rate is immaterial.

For debt instruments at FVTOCI, since they are all issued by reputable banks of good credit quality, the management of the Group considered the credit risk of these bank issued bills is insignificant and no impairment was provided on these receivables at the year end.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk and loss allowance for trade receivables which are assessed collectively based on provision matrix within lifetime ECL (not credit impaired). As at 31 December 2019, the credit impaired debtors with gross carrying amounts of RMB202,506,000 (2018: RMB217,606,000) were assessed individually.

Internal credit rating	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
As at 31 December 2019			
Grade A	0.5%	**157,068**	**785**
Grade B	5%	**469,018**	**23,451**
Grade C	20%	**32,498**	**6,500**
		658,584	**30,736**
As at 31 December 2018			
Grade A	Note	430,721	–
Grade B	5%	281,744	13,411
Grade C	14%	44,506	6,323
		756,971	19,734

Note: According to the historical observed default rates of the expected life of the Grade A debtors, the average loss rate is immaterial.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2019, the Group provided RMB30,736,000 (2018: RMB19,734,000) impairment allowance for trade receivables, based on the provision matrix. Impairment allowance of RMB188,485,000 (2018: RMB185,766,000) were made on credit impaired debtors, which have been charged by the Group or have been included in the name list of entities, which could not pay back money according to their contracts, published on the website of the Supreme People's Court of the PRC.

6. Financial Risk Management (Continued)

(d) Credit risk (Continued)

Trade receivables arising from contracts with customers (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
As at 1 January 2018 – As restated	21,983	168,943	190,926
Changes due to financial instruments recognised as at 1 January:			
– Transfer to credit-impaired	(1,800)	1,800	–
– Write-offs	–	(7,820)	(7,820)
New financial assets originated			
– Impairment losses recognised, net of reserval	(449)	22,843	22,394
As at 31 December 2018 and 1 January 2019	19,734	185,766	205,500
– Impairment losses recognised, net of reserval	11,002	2,719	13,721
As at 31 December 2019	30,736	188,485	219,221

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	Lifetime ECL (not credit impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
As at 1 January 2018 – As restated	3,748	14,849	18,597
Changes due to financial instruments recognised as at 1 January:			
– Impairment losses recognised	613	–	613
As at 31 December 2018 and 1 January 2019	4,361	14,849	19,210
– Impairment losses recognised, net of reserval	(4,116)	22,941	18,825
As at 31 December 2019	245	37,790	38,035

6. Financial Risk Management (Continued)

(e) 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.

31 December 2019	**Less than 1 year RMB'000**	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Bills, trade and other payables	**6,722,843**	**–**	**–**	**–**	**6,722,843**
Amounts due to related parties	**20,024**	**–**	**–**	**–**	**20,024**
Borrowings	**1,296,521**	**184,811**	**80,172**	**–**	**1,561,504**
Long-term loan notes	**431,633**	**–**	**–**	**–**	**431,633**
Derivative financial instruments	**104**	**–**	**–**	**–**	**104**
	8,471,125	**184,811**	**80,172**	**–**	**8,736,108**

31 December 2018	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bills, trade and other payables, as restated	5,667,378	–	–	–	5,667,378
Amounts due to related parties	25,550	–	–	–	25,550
Borrowings	1,887,114	28,262	48,679	–	1,964,055
Long-term loan notes	439,778	431,633	–	–	871,411
	8,019,820	459,895	48,679	–	8,528,394

(f) Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets:		
Financial assets at FVTPL:		
Mandatorily measured	**854,102**	1,100,849
Equity investments at FVTOCI	**284,036**	297,357
Debt instruments at FVTOCI	**1,207,570**	969,300
Financial assets at amortised cost (including cash and cash equivalents) (Restated)	**6,223,721**	5,734,269
Financial liabilities:		
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	**104**	–
Financial liabilities at amortised cost (Restated)	**8,654,881**	8,395,474

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities at amortised cost as reflected in the consolidated statement of financial position approximate their respective fair values.

7. Fair Value Measurements

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

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

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

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

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

(a) Disclosures of level in fair value hierarchy at 31 December 2019:

	Fair value measurements using			
	Level 1: RMB'000	**Level 2: RMB'000**	**Level 3: RMB'000**	**Total RMB'000**
Recurring fair value measurements:				
Assets:				
Equity investments at FVTOCI	**284,036**	**–**	**–**	**284,036**
Debt instruments at FVTOCI	**–**	**1,207,570**	**–**	**1,207,570**
Financial assets at FVTPL	**49,470**	**32**	**804,600**	**854,102**
Liabilities:				
Derivative financial instruments	**–**	**(104)**	**–**	**(104)**
Total recurring fair value measurements	**333,506**	**1,207,498**	**804,600**	**2,345,604**

Disclosures of level in fair value hierarchy at 31 December 2018:

	Fair value measurements using			
	Level 1: RMB'000	Level 2: RMB'000	Level 3: RMB'000	Total RMB'000
Recurring fair value measurements:				
Assets:				
Equity investments at FVTOCI	297,357	–	–	297,357
Debt instruments at FVTOCI	–	969,300	–	969,300
Financial assets at FVTPL	26,318	151	1,074,380	1,100,849
Total recurring fair value measurements	323,675	969,451	1,074,380	2,367,506

7. Fair Value Measurements (Continued)

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

	Financial assets at FVTPL RMB'000
At 1 January 2018, as restated	–
Addition	20,429,470
Settlement	(19,437,417)
Fair value gain recognised in profit or loss (#)	82,327
At 31 December 2018	1,074,380
Addition	9,310,730
Settlement	(9,656,637)
Fair value gain recognised in profit or loss (#)	76,127
At 31 December 2019	804,600
(#) Include gains or losses for assets held at 2019	–
(#) Include gains or losses for assets held at 2018	–

There were no transfers among level 1, level 2 and level 3 during both years.

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

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

Level 2 fair value measurements

Description	**Valuation technique/inputs**	**2019 RMB'000**	2018 RMB'000
Debt instruments at FVTOCI	Discounted cash flow method	**1,207,570**	969,300
Commodity derivative contracts (assets)	Reference to the quoted bid prices of similar standardised commodity derivative contracts	**32**	151
Commodity derivative contracts (liabilities)	Reference to the quoted bid prices of similar standardised commodity derivative contracts	**104**	–

Level 3 fair value measurements

Description	**Valuation technique**	**Unobservable inputs**	**Range**	**Effect on fair value for increase of inputs**	**2019 RMB'000**	2018 RMB'000
Structured bank deposits at FVTPL	Discounted cash flow method	Estimated return	3.15%-4.55%	increase	**804,600**	1,074,380

8. Revenue

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

	2019 **RMB'000**	2018 RMB'000 (Restated)
Sales of batteries and battery related accessories		
Lead-acid battery products		
Electrical bicycle (tricycle) battery (note i)	**25,684,597**	26,488,909
Micro electric vehicle battery	**2,057,863**	2,005,409
Special-purpose battery (note ii)	**477,726**	447,660
Renewable resources product	**940,806**	2,046,179
Lithium battery products	**626,788**	552,504
Others	**818,072**	492,921
Trading of new energy materials	**10,007,703**	2,717,266
	40,613,555	34,750,848

Note :

i. It includes battery products mainly for electrical bicycle and electrical tricycle.

ii. It includes battery products mainly for tubular battery, lead-acid starter battery, energy storage battery and standby battery.

8. Revenue (Continued)

Disaggregation of revenue from contracts with customers:

For the year ended 31 December 2019	Sales of batteries and battery related accessories RMB'000	Trading of new energy materials RMB'000	Total RMB'000
Geographical markets			
PRC	**30,502,601**	**10,007,703**	**40,510,304**
Others	**103,251**	**–**	**103,251**
	30,605,852	**10,007,703**	**40,613,555**

For the year ended 31 December 2018	Sales of batteries and battery related accessories RMB'000	Trading of new energy materials RMB'000	Total RMB'000
Geographical markets			
PRC	31,964,965	2,717,266	34,682,231
Others	68,617	–	68,617
	32,033,582	2,717,266	34,750,848

For the years ended 31 December 2019 and 2018, all revenues were recognised at a point in time.

Sales of batteries and battery related accessories

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

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

Trading of new energy materials

The Group recognises revenue from trading of new energy materials when the control of new energy materials has transferred, being when customers collect the new energy materials at the warehouse. Customers has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. Customers are normally required to make full prepayment before goods delivery. Fixed price contracts are entered into between the Group and customers. The expected duration of the contracts are less than one year.

9. Segment Information

The Group's operating and reportable segments are based on information prepared and reported to the chief operating decision makers ("CODM"), being the board of directors of the Company, for the purposes of resource allocation and performance assessment. For the sales of batteries and battery related accessories operation, there were no further discrete financial information since the financial information provided to the CODM does not contain profit or loss information of each product line or each market segment and the CODM review the operating results of the sales of batteries and battery related accessories operation on a consolidated basis. Therefore, the operation of the Group constitutes two single operating and reportable segments, (1) sales of batteries and battery related accessories, (2) trading of new energy materials.

These segments are the basis on which the Group reports its segment information.

The CODM makes decisions according to operating result of each segment. No analysis of segment assets and segment liabilities presented is as the CODM does not regularly review such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented. The accounting policies of the operating and reportable segment are the same as the Group's accounting policies described in note 3. Segment results represent the profits earned by each segment and exclude certain other gains and losses, corporate administrative expenses and finance costs. Intersegment sales are charged at cost plus profit approach.

Segment revenue and results

For the year ended 31 December 2019

	Sales of batteries and battery related accessories RMB'000	Trading of new energy materials RMB'000	Total RMB'000
Reportable segment revenue derived from the group's external customer	30,605,852	10,007,703	40,613,555
Inter-segment sales	–	985,423	985,423
Reportable segment revenue	30,605,852	10,993,126	41,598,978
Segment profit	1,707,772	16,342	1,724,114
Other gains and losses			13,679
Corporate administrative expenses			(7,220)
Financial costs			(4,623)
Profit for the year			1,725,950

9. Segment Information (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2018

	Sales of batteries and battery related accessories RMB'000 (Restated)	Trading of new energy materials RMB'000	Total RMB'000 (Restated)
Reportable segment revenue derived from the group's external customer	32,033,582	2,717,266	34,750,848
Inter-segment sales	–	202,392	202,392
Reportable segment revenue	32,033,582	2,919,658	34,953,240
Segment profit	1,266,595	8,836	1,275,431
Other gains and losses			(20,909)
Corporate administrative expenses			(14,251)
Financial costs			(5,095)
Profit for the year			1,235,176

Other segment information

For the year ended 31 December 2019	**Sales of batteries and battery related accessories RMB'000**	**Trading of new energy materials RMB'000**	**Unallocated RMB'000**	**Total RMB'000**
Depreciation of property, plant and equipment	**460,256**	**157**	**–**	**464,013**
Amortisation of right-of-used assets	**20,728**	**–**	**–**	**20,728**
Loss on disposal/written off of property, plant and equipment	**84,814**	**–**	**–**	**84,814**
Interest revenue	**80,264**	**12,822**	**5**	**93,091**
Income tax expense	**388,007**	**12,084**	**–**	**400,091**
Write-down of inventories	**23,082**	**–**	**–**	**23,082**

For the year ended 31 December 2018	Sales of batteries and battery related accessories RMB'000 (Restated)	Trading of new energy materials RMB'000 (Restated)	Unallocated RMB'000 (Restated)	Total RMB'000 (Restated)
Depreciation of property, plant and equipment	412,026	82	–	412,108
Amortisation of prepaid lease payments	12,296	–	–	12,296
Loss on disposal/written off of property, plant and equipment	82,012	–	–	82,012
Interest revenue	31,163	290	1	31,454
Income tax expense	292,638	2,836	–	295,474
Write-down of inventories	8,138	–	–	8,138

9. Segment Information (Continued)

Information about major customers

During the year ended 31 December 2019 and 2018, none of the Group's individual customer contributed more than 10% to the total revenue of the Group

10. Other Income

	2019 RMB'000	2018 RMB'000 (Restated)
Government grants (note)	**285,461**	296,913
Sales of scrapped materials	**28,093**	22,132
Dividend income	**13,705**	7,005
Others	**41,906**	29,721
	369,165	355,771

Note: The government grants mainly represent unconditional subsidies from the relevant development zone administrative committees and the local governments of the PRC to encourage the operations of certain subsidiaries. The government grants are accounted for as immediate financial support with no future related costs expected to be incurred and are not related to any assets.

11. Other Gains and Losses

	2019 RMB'000	2018 RMB'000 (Restated)
Net gains (losses) on financial assets at FVTPL		
– structured bank deposits	**76,127**	82,327
– held-for-trading investments (note i)	**12,735**	(25,825)
– foreign currency forward contracts	**–**	(2,281)
– commodity derivative contracts (note ii)	**(2,304)**	13,366
Write off/loss on disposal of property, plant and equipment	**(84,814)**	(82,012)
Net foreign exchange losses	**(8,055)**	(35,267)
	(6,311)	(49,692)

Notes:

i. Net gains on held-for-trading investments included gains arising on changes in fair value of RMB12,735,000 (2018: losses of RMB25,825,000), which were earned on these investments in listed equity securities during the year ended 31 December 2019. Such gains (2018: losses) included unrealised gains of RMB12,735,000 (2018: unrealised losses of RMB9,535,000) and no realised losses (2018: realised losses of RMB16,290,000).

ii. Net losses on commodity derivative contracts represented realised losses of RMB2,081,000 (2018: realised gains of RMB13,215,000) and unrealised losses of RMB223,000 (2018: unrealised gains of RMB151,000) arising on changes in fair value of commodity derivative contracts.

12. Impairment Losses, Net of Reversal

	2019 **RMB'000**	2018 RMB'000
Impairment losses, net of reversal, recognised on		
– Trade receivables	**13,721**	22,394
– Other receivables	**18,825**	613
	32,546	23,007

13. Finance Costs

	2019 **RMB'000**	2018 RMB'000 (Restated)
Interest on borrowings	**124,721**	95,742
Effective interest on long-term loan note	**37,540**	63,482
Interest on factorised bills	**86,529**	31,544
Lease liabilities interest	**1,231**	–
Others	**5,014**	–
	255,035	190,768
Less: amounts capitalised in the cost of qualified assets	**–**	(1,221)
	255,035	189,547

14. Taxation

	2019 RMB'000	2018 RMB'000 (Restated)
Hong Kong Profits Tax:		
– Current tax	**–**	–
PRC Enterprise Income Tax ("EIT"):		
– Current tax	**428,438**	259,569
– Underprovision in prior years	**4,594**	8,322
Deferred tax (note 24):	**(32,941)**	27,583
	400,091	295,474

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

For the year ended 31 December 2019 and 2018, Hong Kong Profits Tax is calculated under two-tier profits tax system where the first HK$2 million of estimated assessable profits is taxed at a reduced rate of 8.25% and the remaining of estimated assessable profits is taxed at 16.5%.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable tax rate of PRC subsidiaries is 25% during the year ended 31 December 2019 except that, 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"), Tianneng Battery (Wuhu) Co., Ltd. ("Tianneng Battery Wuhu"), Anhui Zhongneng Power Supply Co., Ltd. ("Anhui Zhongneng"), Tianneng Group (Henan) Energy Technology Co., Ltd. ("Tianneng Henan"), Jiyuan Wanyang Green Energy Co., Ltd. ("Jiyuan Wanyang"), Tianneng Battery Group Jiangsu Technology Co., Ltd. ("Tianneng Jiangsu Technology"), Zhejiang Tianneng Battery (Jiangsu) New Energy Co., Ltd., Zhejiang Hercules Energy Co., Ltd. and 天能集團江蘇科技有限公司 which were recognised as High-Tech companies and enjoyed a tax rate of 15% for the year ended 31 December 2019 (1.1.2018 to 31.12.2018: 15% applicable for Tianneng Battery, Tianneng Battery Anhui, Zhejiang Tianneng Energy, Zhejiang Tianneng Power, Tianneng Battery Wuhu, Anhui Zhongneng, Tianneng Henan, Jiyuan Wanyang, Tianneng Jiangsu Technology and Anhui Hongda Power Supply Co., Ltd.).

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:

	2019 RMB'000	2018 RMB'000 (Restated)
Profit before taxation	**2,126,041**	1,530,650
Tax at the applicable income tax rate of 25% (2018: 25%)	**531,510**	382,663
Tax effect of income not taxable and expenses not deductible for tax purposes	**19,457**	39,710
Tax effect of tax losses not recognised	**6,015**	9,018
Utilisation of tax losses previously not recognised	**(11,203)**	(9,373)
Income tax at concessionary rates	**(83,444)**	(64,776)
Under provision in prior years	**4,594**	8,322
Tax effect of additional deduction related to research and development costs and certain staff costs	**(112,257)**	(114,650)
Tax effect in respect of Group restructuring	**–**	10,560
Withholding tax on undistributed profits of PRC subsidiaries	**45,419**	34,000
	400,091	295,474

15. Profit for the Year

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

	2019 RMB'000	2018 RMB'000 (Restated)
Auditor's remuneration	2,130	2,690
Cost of inventories sold	35,925,798	30,709,295
Write-down of inventories (included in cost of sales)	23,082	8,138
Depreciation of property, plant and equipment	460,413	412,108
Amortisation of prepaid lease payments	–	12,296
Amortisation of right-of-use assets	20,728	–
Expenses related to short-term lease	10,500	–
Expenses related to variable lease payments not included in lease liabilities	6,505	–
Operating lease charges	–	14,285
Directors' remuneration (note 16)	4,310	4,408
Other staff costs	1,845,090	1,595,480
Retirement benefits scheme contributions, excluding directors	97,325	46,947
Share-based payments	7,590	2,724
Total staff costs	1,954,315	1,649,559

16. Directors' and Chief Executive's Emoluments

For the year ended 31 December 2019	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 Director					
Zhang Tianren (i)	–	1,540	14	–	1,554
Zhang Aogen	–	532	–	–	532
Zhang Kaihong	–	520	–	–	520
Shi Borong	–	524	–	–	524
Zhou Jianzhong	–	577	3	–	580
Independent Non-Executive Director					
Huang Dongliang	200	–	–	–	200
Wu Feng	200	–	–	–	200
Zhang Yong (iv)	200	–	–	–	200
Total	600	3,693	17	–	4,310

16. Directors' and Chief Executive's Emoluments (Continued)

For the year ended 31 December 2018	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 Director					
Zhang Tianren (i)	–	1,514	37	–	1,551
Zhang Aogen	–	528	–	–	528
Chen Minru (ii)	–	131	4	–	135
Zhang Kaihong	–	500	–	–	500
Shi Borong	–	535	–	–	535
Zhou Jianzhong	–	576	12	–	588
Independent Non-Executive Director					
Huang Dongliang	200	–	–	6	206
Guo Konghui (iii)	83	–	–	–	83
Wu Feng	200	–	–	–	200
Zhang Yong (iv)	82	–	–	–	82
Total	565	3,784	53	6	4,408

Notes:

i. 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.

ii. Mr. Chen Minru has tendered his resignation as the executive Director with effect from 18 May 2018.

iii. Mr. Guo Konghui has retired as an independent non-executive director of the Company with effect from 18 May 2018.

iv. Mr. Zhang Yong has been appointed as an independent non-executive director of the Company with effect from 8 August 2018.

The five highest paid employees during the year included one (2018: two) director, details of whose remuneration are set out above. Details of the remuneration of the remaining four (2018: three) non-director, highest paid employees for the year are as follows:

	2019 RMB'000	2018 RMB'000
Basic salaries and allowances	**12,871**	1,825
Retirement benefits scheme contributions	**10**	25
Share option expense	**–**	32
	12,881	1,882

16. Directors' and Chief Executive's Emoluments (Continued)

The emoluments of the five highest individuals (including directors) whose remuneration fell within the following bands is as follows:

	Number of employees 2019	2018
Below HK$1,000,000	–	4
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	1	1
HK$3,500,001 to HK$4,000,000	1	–
HK$4,500,001 to HK$5,000,000	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.

17. Dividends

	2019 RMB'000	2018 RMB'000
Dividends recognised as distribution during the year: 2019: 2018 final dividend of HK38.00 cents (equivalent to RMB33.30 cents) per ordinary share (2018: 2017 final dividend of HK37.00 cents (equivalent to RMB30.93 cents))	376,251	340,769

Subsequent to the end of the reporting period, a final dividend of HK39.00 cents (equivalent to approximately RMB35.04 cents) (2018: HK38.00 cents (equivalent to approximately RMB33.30 cents)) in respect of the year ended 31 December 2019 per ordinary share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

18. Earnings Per Share

	2019 RMB'000	2018 RMB'000 (Restated)
Earnings for the purposes of calculating basic and diluted earnings per share – Profit for the year attributable to the owners of the Company	1,681,827	1,188,278

	2019	2018
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,126,726,500	1,126,604,692
Effect of dilutive potential ordinary shares – share options	21,086,923	26,550,911
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,147,813,423	1,153,155,603

19. 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 2018, as restated	2,441,416	2,791,644	66,664	197,162	326,989	5,823,875
Acquired on acquisition of subsidiaries	57,218	45,769	30	647	1,650	105,314
Additions	29,919	157,203	10,295	17,389	286,933	501,739
Transfer	106,024	351,572	–	–	(457,596)	–
Disposal/write-off	(21,054)	(186,508)	(4,050)	(2,724)	–	(214,336)
At 31 December 2018, as restated and 1 January 2019	2,613,523	3,159,680	72,939	212,474	157,976	6,216,592
Additions	27,334	378,498	17,163	37,037	592,966	1,052,998
Transfer	235,884	216,197	–	14,992	(467,073)	–
Disposal/write-off	(34,680)	(145,945)	(7,989)	(5,973)	–	(194,587)
At 31 December 2019	2,842,061	3,608,430	82,113	258,530	283,869	7,075,003
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2018, as restated	592,210	870,708	43,528	124,331	–	1,630,777
Provided for the year	107,789	273,203	8,242	22,874	–	412,108
Eliminated on disposal/write-off	(2,045)	(113,742)	(3,722)	(1,728)	–	(121,237)
At 31 December 2018, as restated and 1 January 2019	697,954	1,030,169	48,048	145,477	–	1,921,648
Provided for the year	131,182	294,181	9,405	25,645	–	460,413
Eliminated on disposal/write-off	(5,127)	(73,300)	(6,700)	(5,228)	–	(90,355)
At 31 December 2019	824,009	1,251,050	50,753	165,894	–	2,291,706
CARRYING VALUES						
At 31 December 2019	2,018,052	2,357,380	31,360	92,636	283,869	4,783,297
At 31 December 2018	1,915,569	2,129,511	24,891	66,997	157,976	4,294,944

As at 31 December 2019, included in buildings held for own use are buildings with aggregate carrying amount of approximately RMB83,609,000 (2018 (Restated): RMB445,760,000) whose property certificates are in the process of obtaining.

20. Right-of-Use Assets

	2019 RMB'000
At 31 December:	
Right-of-use assets	
– Land use rights	572,534
– Land and buildings	21,186
	593,720
Lease commitments of short-term leases	1,872
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:	
– Less than 1 year	7,975
– Between 1 and 2 years	7,312
– Between 2 and 5 years	9,160
	24,447
Depreciation charge of right-of-use assets	
– Land use rights	13,372
– Land and buildings	7,356
	20,728
Lease interests	1,231
Expenses related to short-term leases	10,500
Expenses related to variable lease payments not included in lease liabilities	6,505
Total cash outflow for leases	25,456
Additions to right-of-use assets	73,400

The Group leases various (i) land and buildings lease agreements are typically made for fixed periods of 2 to 10 years. and; (ii) land use rights lease agreements are typically made for fixed periods of 48 to 70 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

Some of the Group's plant and machinery leases contain variable lease payment terms that are linked to production generated from the Group's factory. There is a wide range of sales percentages applied. Variable lease payment terms are used to minimise the capital investments for the production. Variable lease payments that depend on production are produced in the year in which the condition that triggers those payments occurs.

21. Prepaid Lease Payments

	2019 RMB'000	2018 RMB'000 (Restated)
Analysed for reporting purpose as:		
Non-current asset	–	510,081
Current asset	–	12,296
	–	522,377

As at 1 January 2019, prepaid lease payments of approximately RMB522,377,000 were reclassified to right-of-use assets in accordance with HKFRS 16.

22. Interest in an Associate

	2019 RMB'000	2018 RMB'000
Share of net assets	1,446	–

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2019 RMB'000
At 31 December:	
Carrying amounts of interests	1,446
Year ended 31 December:	
Loss from continuing operations	(254)
Profit after tax from discontinued operations	–
Other comprehensive income	–
Total comprehensive income	(254)

23. Equity Investments at Fair Value Through Other Comprehensive Income

	2019 RMB'000	2018 RMB'000
Equity securities listed on the Hong Kong Stock Exchange	**284,036**	297,357

The above listed equity investments represent ordinary shares of an entity listed on the Hong Kong Stock Exchange and are measured at fair value at the end of the reporting period by using the quoted bid prices in an active market. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity investments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

24. Deferred Taxation

	Asset-related government grants RMB'000	Withholding tax on undistributed profits RMB'000	Fair adjustment on property, plant and equipment and prepaid lease payments arising from acquisition of subsidiaries RMB'000	Interest capitalisation RMB'000	Provision for inventories, trade and other receivables RMB'000	Fair value change of derivative financial instruments RMB'000	Fair value change of equity investments at FVTOCI RMB'000	Fair value change of debt instruments at FVTOCI 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 2018, as restated	69,284	(18,810)	(13,337)	(17,070)	37,038	1,092	(2,775)	2,773	96,444	116,671	2,575	52,009	(4,912)	320,982
Credit (charge) to profit or loss	3,237	(34,000)	230	3,935	4,527	(1,092)	-	-	(8,068)	7,973	(9)	(4,574)	258	(27,583)
Credit (charge) to other comprehensive income	-	-	-	-	-	-	2,775	(1,446)	-	-	-	-	-	1,329
Acquisition of subsidiaries	-	-	(1,661)	-	-	-	-	-	-	-	-	-	-	(1,661)
At 31 December 2018 and 1 January 2019	72,521	(52,810)	(14,768)	(13,135)	41,565	-	-	1,327	88,376	124,644	2,566	47,435	(4,654)	293,067
Credit (charge) to profit or loss	14,225	(45,419)	1,885	1,322	16,387	-	-	-	33,240	(43,352)	(73)	52,629	2,097	32,941
Credit to other comprehensive income	-	-	-	-	-	-	-	264	-	-	-	-	-	264
Reversal on payment of withholding tax on distribution of earnings from PRC subsidiaries	-	47,384	-	-	-	-	-	-	-	-	-	-	-	47,384
At 31 December 2019	86,746	(50,845)	(12,883)	(11,813)	57,952	-	-	1,591	121,616	81,292	2,493	100,064	(2,557)	373,656

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

	2019 RMB'000	2018 RMB'000 (Restated)
Deferred tax assets	**451,754**	378,433
Deferred tax liabilities	**(78,098)**	(85,366)
	373,656	293,067

At the end of the year ended 31 December 2019, the Group had unused tax losses of approximately RMB45,453,000 (2018: RMB153,786,000) available to offset against future profits, in respect of which no deferred tax assets been recognised, due to the unpredictability of future profit streams. Such unrecognised losses will expire at various dates up to and including 2029 (2018: 2029).

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 accumulated profits of approximately RMB5,619 million as at 31 December 2018 (2018 (Restated): RMB3,939 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.

25. Inventories

	2019 RMB'000	2018 RMB'000 (Restated)
Raw materials	**932,438**	399,838
Work in progress	**2,373,219**	2,301,102
Finished goods	**434,562**	271,623
	3,740,219	2,972,563

26. Bills, Trade and Other Receivables

	2019 RMB'000	2018 RMB'000 (Restated)
Trade receivables	**861,090**	974,577
Less: Allowance for credit losses	**(219,221)**	(205,500)
	641,869	769,077
Other receivables	**183,295**	217,331
Less: Allowance for credit losses	**(38,035)**	(19,210)
	145,260	198,121
Prepayment	**490,639**	196,164
PRC value added tax receivables	**236,227**	82,876
	1,513,995	1,246,238

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

	2019 RMB'000	2018 RMB'000 (Restated)
0 to 45 days	**338,350**	432,993
46 to 90 days	**218,825**	175,356
91 to 180 days	**38,061**	56,431
181 to 365 days	**19,614**	45,231
1 year to 2 years	**26,472**	59,066
Over 2 years	**547**	–
	641,869	769,077

27. Debt Instruments at Fair Value Through Other Comprehensive Income

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

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

	2019	2018
	RMB'000	RMB'000
0 to 180 days	**1,207,570**	969,300

The debt instruments at FVTOCI are all issued by reputable banks of good credit quality. The management of the Group considered the credit risk of these bank issued bills is insignificant and no impairment was provided on them at the year end.

28. Transfers of Financial Assets

At 31 December 2019 and 2018, the Group has discounted bank issued bills receivables to banks and transferred bank issued bills receivables to its suppliers to settle its payables through endorsing the bank issued bills to its suppliers. The Group has limited exposure in respect of the settlement obligation of these bank issued 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. In the opinion of the directors of the Company, the Group transferred and did not retain substantially all the risks and rewards of ownership of these bank issued bills. Accordingly, the Group has derecognised these bank issued bills receivables and the payables to suppliers in their entirety.

As at 31 December 2019, 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 bank issued bills and endorsed bank issued bills, should the issuing banks fail to settle the bills on maturity, amounted to RMB2,426,695,000 (2018: RMB994,180,000) and RMB1,061,915,000 (2018: RMB2,011,057,000), respectively.

All the bank issued bills receivables discounted to banks or endorsed to suppliers of the Group have a maturity date of less than one year from the end of the reporting period.

29. Financial Assets at Fair Value Through Profit or Loss

	2019	2018
	RMB'000	RMB'000
Financial assets mandatorily measured at FVTPL:		
Structured bank deposits	**804,600**	1,074,380
Equity securities listed in PRC	**35,480**	14,342
Equity securities listed in Hong Kong	**13,990**	11,976
Commodity derivative contracts	**32**	151
	854,102	1,100,849

30. Pledged Bank Deposit/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 2019 carried an interest rate which ranged from 0.35% to 3.5% (2018: 0.35% to 4.2%) per annum.

Bank balances and cash comprise cash and short-term deposits with an original maturity of three months or less which are held with banks and carry interest at prevailing market rate. At 31 December 2019, bank balances carry interest at market rates which ranged from 0.01% to 0.35% (2018: 0.01% to 0.35%) per annum.

31. Bills, Trade and Other Payables

	2019 **RMB'000**	2018 RMB'000 (Restated)
Trade payables	**1,980,354**	2,117,171
Bills payables	**2,771,524**	2,062,703
Other payables and accrued charges	**1,994,294**	1,572,542
	6,746,172	5,752,416

The Group normally receives credit terms of 5 days to 90 days (2018: 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:

	2019 **RMB'000**	2018 RMB'000 (Restated)
0 to 90 days	**1,530,362**	1,886,286
91 to 180 days	**303,362**	117,791
181 to 365 days	**75,309**	64,973
1 to 2 years	**41,329**	22,387
Over 2 years	**29,992**	25,734
	1,980,354	2,117,171

31. Bills, Trade and Other Payables (Continued)

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

	2019 RMB'000	2018 RMB'000
0 to 180 days	**2,556,387**	2,062,703
181 to 365 days	**215,137**	–
	2,771,524	2,062,703

32. Amounts Due From (To) Related Parties

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

Name of related parties	2019 RMB'000	2018 RMB'000
浙江長興欣欣包裝有限公司 Zhejiang Changxing Xin Xin Packaging Co., Ltd. ("Xin Xin Packaging") (note i)	**–**	124
濟源市萬洋冶煉(集團)有限公司 Jiyuan City Wangyang Smelting (Group) Co., Ltd. ("Wanyang Group") (note ii)	**20,024**	25,426
	20,024	25,550

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

Name of related parties	2019 RMB'000	2018 RMB'000
Wanyang Group	**3,709**	8,901

Notes:

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

ii. Wanyang Group is a party which holds 49% interest of Jiyuan Wanyang Green Energy Co., Ltd., a 51% owned subsidiary of the Company.

The amounts due to/from Xin Xin Packaging and Wanyang Group are trade nature and have no fixed repayment terms and ageing less than 180 days.

33. Borrowings

	2019 RMB'000	2018 RMB'000
Bank borrowings	**1,323,314**	1,831,650
Other borrowings	**189,847**	93,800
	1,513,161	1,925,450
Secured	**230,214**	679,530
Unsecured	**1,282,947**	1,245,920
	1,513,161	1,925,450
Carrying amount are repayable, based on scheduled repayment dates set out in the loan agreements, as follows:		
Within one year	**1,260,415**	1,856,650
Within a period of more than one year but not exceeding two years	**174,601**	25,000
Within a period of more than two years but not exceeding five years	**78,145**	43,800
	1,513,161	1,925,450
Less: Amount due and repayable within one year shown under current liabilities	**(1,260,415)**	(1,856,650)
Amount shown under non-current liabilities	**252,746**	68,800

Notes:

At 31 December 2019, the bank borrowings of RMB1,323,314 (2018: RMB1,393,550,000) carry fixed and variable interest rates ranging from 4.07% to 4.75% (2018: 4.35% to 5.68%) per annum. At 31 December 2018, the bank borrowings of HK$500,000,000 (approximately equivalent to RMB438,100,000) carry variable interest rates ranging from 3.49% to 4.24%) per annum.

At 31 December 2019, other borrowings amounted to RMB189,847,000 (2018: RMB93,800,000) carry fixed and variable interest rates ranging from 4.71% to 9.05% (2018: 4.73%) per annum.

Details of assets pledged by the Group at the end of the reporting period are set out in note 44.

34. Deferred Government Grants

	2019 RMB'000	2018 RMB'000 (Restated)
To be released:		
– Within one year	**33,859**	26,773
– After one year	**425,150**	361,205
	459,009	387,978

Deferred capital grants relate to the acquisition of the property, plant and equipment and prepaid lease payment. The grant has been treated as a deferred grant and is being amortised in line with the depreciable assets to which it relates.

35. Provision

	2019 RMB'000	2018 RMB'000 (Restated)
At 1 January	**631,454**	568,156
Provision in the year	**738,569**	894,436
Utilisation of provision	**(719,295)**	(831,138)
At 31 December	**650,728**	631,454

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 and the fifteenth 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 actual warranty claims, unit sales history, the estimated replacement cost and repair cost for returned products, predicted future warranty claim rate with reference to prior experiences and volumes of products sold. The amount of accrued warranty is adjusted as required to reflect the actual costs incurred when information becomes available.

36. Contract Liabilities

Disclosures of revenue-related items:

	2019 RMB' 000	2018 RMB'000 (Restated)	1 January 2018 RMB'000 (Restated)
Contract liabilities	**1,749,311**	1,647,223	1,547,950
Revenue recognised in the year that was included in contract liabilities at beginning of the year	**1,647,223**	1,547,950	N/A

Transaction prices allocated to performance obligations unsatisfied at end of the year and expected to be recognised as revenue in:

	2019 RMB'000	2018 RMB'000 (Restated)	1 January 2018 RMB'000 (Restated)
–2018	**–**	–	1,547,950
–2019	**–**	1,647,223	–
–2020	**1,749,311**	–	–
	1,749,311	1,647,223	–

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

37. Long-Term Loan Notes

	2019 RMB'000	2018 RMB'000
Guaranteed loan notes	**398,853**	777,096
Carrying amounts repayable:		
Within one year	**398,853**	378,588
Within a period of more than one year but not exceeding two years	**–**	398,508
	398,853	777,096
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(398,853)**	(378,588)
Amount due for settlement after 12 months	**–**	398,508

Notes:

i. On 9 October 2014, Tianneng Battery issued 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.

On 29 September 2017, the Company redeemed part of the issued loan notes with principal amount of RMB367,000. At 31 December 2019 and 2018, the amount is stated at amortised cost with effective interest rate at 8.25% per annum.

38. Lease Liabilities

	Lease payments		**Present value of lease payments**	
	As at 31 December 2019 RMB'000	As at 1 January 2019 RMB'000	**As at 31 December 2019 RMB'000**	As at 1 January 2019 RMB'000
Within one year	**7,975**	5,060	**7,076**	4,246
In the second to fifth years, inclusive	**7,312**	14,827	**6,747**	13,426
After five years	**9,160**	1,036	**8,750**	999
	24,447	20,923	**22,573**	18,671
Less: Future finance charges	**(1,874)**	(2,252)	**N/A**	N/A
Present value of lease liabilities	**22,573**	18,671		
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(7,076)**	(4,246)
Amount due for settlement after 12 months			**15,497**	14,425

At 31 December 2019, the effective borrowing rate ranging from 4.9% (1 January 2019: 4.9%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

39. Share Capital

	Number of shares	Amount equivalent to RMB'000
Authorised:		
Shares of the Company with nominal value of HK$0.1 each		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	2,000,000,000	212,780
Issued and fully paid:		
At 1 January 2018	1,126,546,500	109,889
Exercise of share options	180,000	16
At 31 December 2018, 1 January 2019 and 31 December 2019	1,126,726,500	109,905

Capital risk management

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

The capital structure of the Group consists of net debts, which includes borrowings and loan notes as disclosed in notes 33 and 37, net of bank balances 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.

40. Reserves

Special reserve

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

Capital reserve

	2019 RMB'000	2018 RMB'000
Share-based payment (note i)	**57,010**	57,010
30% interest in Anhui Zhongneng (note ii)	**4,194**	4,194
Acquisition of additional interests in subsidiaries (note iii)	**12,460**	12,460
Reduction of equity interest in Zhejiang Tianneng Energy (note iv)	**64,600**	64,600
Acquisition of additional interests in Zhejiang Tianneng Energy (note v)	**(112,237)**	(112,237)
Reduction of equity interest in Zhejiang Tianneng Energy (note vi)	**131,620**	-
Reduction of equity interest in Tianneng Battery (note vii)	**93,823**	-
Others (note viii)	**88**	-
	251,558	26,027

40. Reserves (Continued)

Notes:

(i) The capital reserve of the Group of RMB57,010,000 arose in June 2003 when the substantial shareholder and Executive Director, Mr. Zhang transferred 26.3% of his shares in Tianneng Battery to the key management personnel of the Group. The Group recognised the sharebased 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 from the key management personnel of approximately RMB14,378,000.

(ii) The increase of RMB4,194,000 was related to the acquisition of the remaining 30% interest in Anhui Zhongneng in 2013.

(iii) The capital reserve of the Group of RMB12,460,000 arose from the difference between the consideration paid for acquisitions of additional interests in subsidiaries from non-controlling shareholders who are associates of Mr. Zhang and the non-controlling interests' share of net assets of the subsidiaries at the date of the acquisition.

(iv) As set out in the Company's announcement dated 23 November 2015, the Group is considering and exploring the possibility of a possible spin-off and quotation of the shares of a subsidiary, Zhejiang Tianneng Energy, on the 全國中小企業股份轉讓系統 National Equities Exchange and Quotation System ("NEEQ", commonly known as the New Third Board 新三板) in the PRC (the "Proposed NEEQ Quotation"). A subscription agreement was entered into on 18 January 2016, pursuant to which a group comprising, among others, Mr. Zhang and other management and employees of the Group (the "Management Group") agreed to subscribe 40% of the enlarged total equity interests of Zhejiang Tianneng Energy at a total consideration of RMB114,241,000. The Group's interests in Zhejiang 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 is set out in the Company's announcement dated 18 January 2016. The reduction of the Group's equity interests from 100% to 60% is treated as a deemed disposal. The changes in the Group's equity interests in Zhejiang Tianneng Energy do not result in the Group losing control over Zhejiang Tianneng Energy and are accordingly accounted for as equity transactions. The surplus of RMB64,600,000, representing the difference between the consideration of RMB114,241,000 and the amount of non-controlling interests approximately RMB49,641,000, is credited to the capital reserve. As set out in the Company's announcement dated 17 August 2016, having considered the recent capital market situation, Zhejiang Tianneng Energy and the Company have decided to postpone the application for the Proposed NEEQ Quotation to a later stage.

(v) As set out in the Company's announcement dated 10 August 2018, the equity transfer agreements were entered into, pursuant to which Tianneng Battery agrees to acquire additional 40% of the equity interest in a subsidiary, Zhejiang Tianneng Energy from the non-controlling shareholders, a group comprising, among others, Mr. Zhang and other management and employees of the Group, at considerations of approximately RMB74,864,000, RMB7,719,000 and RMB43,977,000, representing 24%, 2% and 14% of the equity interest, respectively. The Group's interests in Zhejiang Tianneng Energy is accordingly increased from 60% to 100% upon the completion of the transaction. Details of the transaction is set out in the Company's announcement dated 10 August 2018. The increase of the Group's equity interests in Zhejiang Tianneng Energy from 60% to 100% do not result in any changes of the Group's control over Zhejiang Tianneng Energy and is accordingly accounted for as equity transaction. The surplus of approximately RMB112,237,000, representing the difference between the consideration of RMB126,560,000 and the amount of non-controlling interests approximately RMB14,323,000, is debited to the capital reserve.

(vi) The changes in the Group's equity interests in Zhejiang Tianneng Energy do not result in the Group losing control over Zhejiang Tianneng Energy and are accordingly accounted for as equity transactions. The surplus of RMB131,620,000, representing the difference between the consideration of RMB276,900,000 and the amount of non-controlling interests approximately RMB145,280,000, is credited to the capital reserve.

(vii) The decrease of the Group's equity interests in Tianneng Battery of 1.67% do not result in any changes of the Group's control over Tianneng Battery and is accordingly accounted for as equity transaction. The surplus of approximately RMB93,823,000, representing the difference between the consideration of RMB183,040,000 and the amount of non-controlling interests approximately RMB89,217,000, is credited to the capital reserve.

(viii) The Group (i) transferred 21.67% equity interest of Henan Jingneng Energy Co., Ltd. to third party and (ii) acquired 20% equity interest of 浙江天暢供應鏈管理有限公司 and 24% equity interest of Tianneng Yinyue (Shanghai) New Energy Material Co., Ltd from third party during the year ended 31 December 2019.

40. Reserves (Continued)

Statutory surplus reserve fund/Discretionary surplus reserve fund

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

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

No share option was granted during the year ended 31 December 2019 and 2018.

41. Share Option Schemes (Continued)

The following tables disclosed movements of the Company's options granted under the Scheme during the year ended 31 December 2019 and 2018:

Option	Name of grantee	Date of grant	Exercisable period	Exercise price	Outstanding as at 1.1.2019	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31.12.2019
	Directors								
Option C	Huang Dongliang	16.6.2014	16.6.2016 – 15.6.2024	HK$2.9	**20,000**	**–**	**–**	**–**	**20,000**
Option C	Huang Dongliang	16.6.2014	16.6.2017 – 15.6.2024	HK$2.9	**30,000**	**–**	**–**	**–**	**30,000**
Option C	Huang Dongliang	16.6.2014	16.6.2018 – 15.6.2024	HK$2.9	**40,000**	**–**	**–**	**–**	**40,000**
Option C	Ho Tso Hsiu	16.6.2014	16.6.2016 – 15.6.2024	HK$2.9	**20,000**	**–**	**–**	**–**	**20,000**
Option C	Ho Tso Hsiu	16.6.2014	16.6.2017 – 15.6.2024	HK$2.9	**30,000**	**–**	**–**	**–**	**30,000**
Option C	Ho Tso Hsiu	16.6.2014	16.6.2018 – 15.6.2024	HK$2.9	**40,000**	**–**	**–**	**–**	**40,000**
Option C	Wang Jingzhong	16.6.2014	16.6.2016 – 15.6.2024	HK$2.9	**20,000**	**–**	**–**	**–**	**20,000**
Option C	Wang Jingzhong	16.6.2014	16.6.2017 – 15.6.2024	HK$2.9	**30,000**	**–**	**–**	**–**	**30,000**
Option C	Wang Jingzhong	16.6.2014	16.6.2018 – 15.6.2024	HK$2.9	**40,000**	**–**	**–**	**–**	**40,000**
	Employees								
Option C	Employees	16.6.2014	16.6.2015 – 15.6.2024	HK$2.9	**157,500**	**–**	**–**	**–**	**157,500**
Option C	Employees	16.6.2014	16.6.2016 – 15.6.2024	HK$2.9	**8,566,000**	**–**	**–**	**(404,000)**	**8,162,000**
Option C	Employees	16.6.2014	16.6.2017 – 15.6.2024	HK$2.9	**12,849,000**	**–**	**–**	**(606,000)**	**12,243,000**
Option C	Employees	16.6.2014	16.6.2018 – 15.6.2024	HK$2.9	**17,132,000**	**–**	**–**	**(808,000)**	**16,324,000**
Option B	Employees	22.11.2010	22.11.2011 – 21.11.2020	HK$3.18	**68,000**	**–**	**–**	**–**	**68,000**
Option B	Employees	22.11.2010	22.11.2012 – 21.11.2020	HK$3.18	**136,000**	**–**	**–**	**–**	**136,000**
Option B	Employees	22.11.2010	22.11.2013 – 21.11.2020	HK$3.18	**204,000**	**–**	**–**	**–**	**204,000**
Option B	Employees	22.11.2010	22.11.2014 – 21.11.2020	HK$3.18	**272,000**	**–**	**–**	**–**	**272,000**
					39,654,500	**–**	**–**	**(1,818,000)**	**37,836,500**
	Exercisable at the end of the year								**37,836,500**
	Weighted average exercise price				**HK$2.9**			**HK$2.9**	**HK$2.9**

Option	Name of grantee	Date of grant	Exercisable period	Exercise price	Outstanding as at 1.1.2018	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31.12.2018
	Directors								
Option C	Huang Dongliang	16.6.2014	16.6.2016 – 15.6.2024	HK$2.9	20,000	–	–	–	20,000
Option C	Huang Dongliang	16.6.2014	16.6.2017 – 15.6.2024	HK$2.9	30,000	–	–	–	30,000
Option C	Huang Dongliang	16.6.2014	16.6.2018 – 15.6.2024	HK$2.9	40,000	–	–	–	40,000
Option C	Ho Tso Hsiu	16.6.2014	16.6.2016 – 15.6.2024	HK$2.9	20,000	–	–	–	20,000
Option C	Ho Tso Hsiu	16.6.2014	16.6.2017 – 15.6.2024	HK$2.9	30,000	–	–	–	30,000
Option C	Ho Tso Hsiu	16.6.2014	16.6.2018 – 15.6.2024	HK$2.9	40,000	–	–	–	40,000
Option C	Wang Jingzhong	16.6.2014	16.6.2016 – 15.6.2024	HK$2.9	20,000	–	–	–	20,000
Option C	Wang Jingzhong	16.6.2014	16.6.2017 – 15.6.2024	HK$2.9	30,000	–	–	–	30,000
Option C	Wang Jingzhong	16.6.2014	16.6.2018 – 15.6.2024	HK$2.9	40,000	–	–	–	40,000
	Employees								
Option C	Employees	16.6.2014	16.6.2015 – 15.6.2024	HK$2.9	157,500	–	–	–	157,500
Option C	Employees	16.6.2014	16.6.2016 – 15.6.2024	HK$2.9	8,832,000	–	(40,000)	(226,000)	8,566,000
Option C	Employees	16.6.2014	16.6.2017 – 15.6.2024	HK$2.9	13,248,000	–	(60,000)	(339,000)	12,849,000
Option C	Employees	16.6.2014	16.6.2018 – 15.6.2024	HK$2.9	17,664,000	–	(80,000)	(452,000)	17,132,000
Option B	Employees	22.11.2010	22.11.2011 – 21.11.2020	HK$3.18	68,000	–	–	–	68,000
Option B	Employees	22.11.2010	22.11.2012 – 21.11.2020	HK$3.18	136,000	–	–	–	136,000
Option B	Employees	22.11.2010	22.11.2013 – 21.11.2020	HK$3.18	204,000	–	–	–	204,000
Option B	Employees	22.11.2010	22.11.2014 – 21.11.2020	HK$3.18	272,000	–	–	–	272,000
					40,851,500	–	(180,000)	(1,017,000)	39,654,500
	Exercisable at the end of the year								39,654,500
	Weighted average exercise price				HK$2.9		HK$2.9	HK$2.9	HK$2.9

41. Share Option Schemes (Continued)

At 31 December 2019, the total number of shares in respect of which options under the Scheme had been granted and remained outstanding was 37,836,500 (2018: 39,654,500), representing 3.36% (2018: 3.52%) of the shares of the Company in issue at that date. The options outstanding at the end of year have a weight average remaining contractual life is 4.4 (2018: 5.4) years.

No option was exercised during the year ended 31 December 2019. During the year ended 31 December 2018, the average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$7.46 per share.

During the year ended 31 December 2019, no expenses was recognised in relation to share options. During the year ended 31 December 2018, the Group recognised total expenses of RMB2,730,000 in relation to share options granted by the Company.

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$2.9	HK$3.18
Expected volatility	55%	64%
Expected life of options	10 years	10 years
Risk free rate	2.06%	2.43%
Expected dividend yield	4.26%	2.90%
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.

The total estimated fair value of the share options B granted on that date was HK$73,820,000 (equivalent to approximately RMB63,205,000) and the total estimated fair value of the share options C granted on that date was HK$70,620,000 (equivalent to approximately RMB56,065,000).

Share award scheme of a subsidiary of the Company

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

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

These shares are restricted for sale until the fourth anniversary date after the initial public offering of Tianneng Battery in A-share market (the "Qualified IPO").

Upon the expiry of restriction of the awarded shares, the Limited Partnership shall dispose the awarded shares at the prevailing market price and transfer the proceeds in relation to the awarded shares to the respective Selected Employee.

41. Share Option Schemes (Continued)

Share award scheme of a subsidiary of the Company

If the Qualified IPO does not incur by 31 December 2022, the Selected Employee have the right to ask Tianneng Commercial to repurchase back the awarded shares at a share price of RMB7.69 plus interest at 8% per annum. If the Selected Employee resigned, they are required to sell back the awarded shares at a share price of RMB7.69 plus interest at 115% of the benchmark lending rate of peer loan issued by the People's Bank of China.

The fair values of restricted shares granted to the Selected Employee amounted to approximately RMB178,767,000. For the year ended 31 December 2019, an expense of approximately RMB7,590,000 (2018: nil) was recognised by the Group in relation to restricted shares granted by Tianneng Battery under the Share Award Scheme.

The consideration of restricted shares granted to the Selected Employee has been fully settled during the year. As at 31 December 2019, financial liabilities of approximately RMB109,960,000 was recognised according to the repurchase consideration to be paid under Share Award Scheme if the granted shares become unvested.

42. Lease Commitments

At at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 RMB'000
Within one year	7,049
In the second to fifth years inclusive	15,036
Over five years	1,036
	23,121

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.

43. Capital Commitments

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

	2019 RMB'000	2018 RMB'000
Property, plant and equipment		
– Contracted but not provided for	**852,123**	337,858

44. 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.

	2019 RMB'000	2018 RMB'000
Bank deposits	**1,291,326**	1,068,449
Financial assets at FVTPL – Structured bank deposits	**804,600**	1,074,380
Debt instruments at FVTOCI	**722,204**	453,340
Property, plant and equipment	**72,892**	186,181
Prepaid lease payments	**–**	115,565
	2,891,022	2,897,915

45. 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 2019 and 2018, all of the contributions due in respect of the year had been paid over to the plans.

46. Reconciliation of Liabilities arising from Financing Activities

	Borrowings RMB'000	**Long-term loan notes** RMB'000	**Obligations under finance leases/ lease liabilities** RMB'000	**Total** RMB'000
At 1 January 2018	1,454,361	774,341	4,275	2,232,977
Financing cash flows	471,089	–	(4,275)	466,814
Non-cash changes				
– Amortisation of unsettled financial charges	–	2,755	–	2,755
At 31 December 2018 and 1 January 2019	1,925,450	777,096	–	2,702,546
Financing cash flows	(415,143)	(380,000)	(7,220)	(984,510)
Non-cash changes				
– Initial recognition of lease liabilities	–	–	18,671	18,671
– Addition	–	–	9,891	9,891
– Amortisation of unsettled financial charges	2,854	1,757	1,231	5,842
At 31 December 2019	1,513,161	398,853	22,573	1,752,440

47. Related Party Transactions

(a) Related party transactions

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

		2019 RMB'000	2018 RMB'000
Changxing Jin Ling Hotel (note i)	Hotel expenses	**1,969**	2,193
Xin Xin Packaging	Purchase of consumables	**465**	448
Wanyang Group	Purchase of materials	**1,155,267**	1,353,854
Wanyang Group	Sales of materials	**91,217**	146,737
Wanyang Group	Rental expenses	**3,556**	2,226
Tianneng Yinyue (note ii)	Purchase of materials	**–**	972,911

Note:

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

ii. The amount represented the transactions from between Tianneng Yinyue and the Group from January to August 2018, before Tianneng Yinyue became the subsidiary of the Group.

(b) Details of the remuneration of directors and other members of key management during the year are set out in note 16.

(c) Tianneng Holding Group Co., Ltd.* (天能控股集團有限公司) (the "Tianneng Holding") (an indirect wholly-owned subsidiary of the Company) and Tianchang Holding Co., Ltd.* (天暢控股有限公司) (the "Tianchang Holding") (a connected person of the Company) entered into a joint venture arrangement pursuant to which the parties agreed to establish the joint venture company in the PRC.

Tianneng Holding and Tianchang Holding expect to invest a total of RMB50,000,000 into the joint venture company by contributing to its registered capital. Tianneng Holding and Tianchang Holding have agreed to contribute RMB30,000,000 and RMB20,000,000, representing 60% and 40% of the registered capital of the joint venture company, respectively.

Details of the transaction were set out in the announcement of the Company dated 31 December 2019.

48. Statement of Financial Position and Reserves of the Company

	2019 **RMB'000**	2018 RMB'000
Non-current assets		
Property, plant and equipment	**23**	23
Investments in and amounts due from subsidiaries	**960,475**	1,292,488
	960,498	1,292,511
Current assets		
Other receivables	**6,809**	–
Bank balances and cash	**18,942**	13,396
	25,751	13,396
Current liabilities		
Other payables	**14,900**	111,228
Borrowings	**–**	262,860
Amounts due to subsidiaries	**36,914**	–
	51,814	374,088
Net current liabilities	**(26,063)**	(360,692)
Net assets	**934,435**	931,819
Capital and reserves		
Share capital	**109,905**	109,905
Reserves	**824,530**	821,914
	934,435	931,819

	Share premium RMB'000	**Share options reserve** RMB'000	**Accumulated profit (losses)** RMB'000	**Total** RMB'000
At 1 January 2018	782,734	40,475	16,816	840,025
Profit for the year	–	–	319,491	319,491
Issue of new shares upon exercise of share options	669	(232)	–	437
Forfeiture of share options	–	(1,326)	1,326	–
Recognition of equity-settled share based payment	–	2,730	–	2,730
Dividend recognised as distribution	–	–	(340,769)	(340,769)
At 31 December 2018 and 1 January 2019	783,403	41,647	(3,136)	821,914
Profit for the year	–	–	378,867	378,867
Forfeiture of share options	–	(1,754)	1,754	–
Dividend recognised as distribution	–	–	(376,251)	(376,251)
At 31 December 2019	783,403	39,893	1,234	824,530

49. Contingent Liabilities

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (2018: nil).

50. Particulars of Principal Subsidiaries of the Company

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		Principal activities
			2019	2018	
Tianneng International Investment Holdings Limited	British Virgin Islands/ Hong Kong 15 November 2004	US$1	**100%**	100%	Investment holding
浙江省長興天能電源有限公司 Zhejiang Changxing Tianneng Power Supply Co., Ltd.	PRC – Limited liability company 11 March 1998	Registered capital – RMB108,000,000	**100%**	100%	Manufacture and sales of lead-acid batteries
天能電池集團有限公司 Tianneng Battery	PRC – Limited liability company 13 March 2003	Registered capital – RMB855,500,000	**97%**	100%	Investment holding, research and development, manufacture and sales of lead-acid batteries and battery related accessories
浙江天能能源科技股份有限公司 Zhejiang Tianneng Energy	PRC – Limited liability company 1 July 2004	Registered capital – RMB226,666,000	**60%**	100%	Manufacture and sales of lithium batteries
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	**100%**	100%	Provision of transportation service to group companies
天能電池(蕪湖)有限公司 Tianneng Battery Wuhu	PRC – Limited liability company 21 October 2005	Registered capital – RMB230,000,000	**100%**	100%	Manufacture and sales of lead-acid batteries
浙江天能電池(江蘇)有限公司 Zhejiang Tianneng Battery (Jiangsu) Co., Ltd.	PRC – Limited liability company 9 May 2005	Registered capital – RMB200,000,000	**100%**	100%	Manufacture and sales of lead-acid batteries
浙江天能電池(江蘇)新能源有限公司 Zhejiang Tianneng Battery (Jiangsu) New Energy Co., Ltd.	PRC – Limited liability company 8 January 2008	Registered capital – RMB120,000,000	**100%**	100%	Manufacture and sales of lead-acid batteries
浙江天能動力能源有限公司 Zhejiang Tianneng Power	PRC – Limited liability company 2 July 2009	Registered capital – RMB300,000,000	**100%**	100%	Manufacture and sales of lead-acid batteries
浙江天能電源材料有限公司 Zhejiang Tianneng Power Supply Material Co., Ltd.	PRC – Limited liability company 2 July 2009	Registered capital – RMB300,000,000	**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	**100%**	100%	Sales of metal materials
天能電池集團(安徽)有限公司 Tianneng Battery Anhui	PRC – Limited liability company 4 November 2010	Registered capital – RMB200,000,000	**100%**	100%	Sales of metal materials

50. 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 2019	2018	Principal activities
長興新天物資經營有限公司 Changxing Xintian Material Trading Co., Ltd.	PRC – Limited liability company 27 July 2009	Registered capital – RMB20,000,000	**100%**	100%	Sales of metal materials
濟源市萬洋綠色能源有限公司 Jiyuan Wanyang	PRC – Limited liability company 27 October 2010	Registered capital – RMB102,160,000	**51%**	51%	Manufacture and sales of lead-acid batteries
安徽中能電源有限公司 Anhui Zhongneng	PRC – Limited liability company 17 April 2008	Registered capital – RMB100,000,000	**100%**	100%	Manufacture and sale of electrode plates
浙江赫克力能源有限公司 Zhejiang Hercules Energy Co., Ltd.	PRC – Limited liability company 10 November 2009	Registered capital – RMB60,000,000	**100%**	100%	Manufacture and sales of lead-acid batteries and re-cycled batteries
河南晶能電源有限公司 Henan Jingneng Energy Co., Ltd.	PRC – Limited liability company 13 March 2009	Registered capital – RMB45,000,000	**60%**	81.67%	Manufacture and sales of lead-acid batteries
安徽轟達電源有限公司 Anhui Hongda	PRC – Limited liability company 26 March 2010	Registered capital – RMB50,000,000	**100%**	100%	Manufacture and sale of electrode plates
安徽天暢金屬材料有限公司 Anhui Tianchang Metal Material Supply Co., Ltd.	PRC – Limited liability company 14 May 2018	Registered capital – RMB200,000,000	**51%**	51%	Research and development of recycled batteries
天能銀玥(上海)新能源材料有限公司 Tianneng Yinyue (Shanghai) New Energy Material Co., Ltd	PRC – Limited liability company 23 May 2016	Registered capital – RMB60,000,000	**75%**	51%	Trading of new energy materials
天能金玥(上海)新能源材料有限公司	PRC – Limited liability company 28 November 2016	Registered capital – RMB100,000,000	**100%**	N/A	Trading of new energy materials
浙江天暢供應鏈管理有限公司	PRC – Limited liability company 26 April 2018	Registered capital – RMB100,000,000	**90%**	70%	Provision of transportation service to group companies

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.

51. Events after the Reporting Period

(a) Acquisition of land use rights

On 3 January 2020, became the successful bidder for the land use rights (subject to the signing of the land transfer agreement(s) and payment of the land transfer fees), at the total consideration of RMB450,000,000 through the Public Bidding.

The Lands are located in Huzhou, Zhejiang Province, the PRC. The Group intends to develop the Lands as the Tianneng Taihu Science and Technology City, which will comprise headquarters of the Group, business centers, science and technology parks, training and education centers, apartments and other communal facilities. The details of the acquisition of land use rights, please refer to the annoucement dated on 5 January 2020.

(b) Formation of joint venture company

Tianneng Holding Group Co., Ltd.* (天能控股集團有限公司) (the "Tianneng Holding") (an indirect wholly-owned subsidiary of the Company), Zhejiang Changxing Tianneng Financial Holding Co., Ltd.* (浙江長興天能金融控股有限公司) (the "Tianneng Financial") (an indirect wholly-owned subsidiary of the Company) and Prime Leader Global Limited (the "Prime Leader") (a connected person of the Company) expect to invest a total of RMB170,000,000 into the Tianneng Finance Leases (Tianjin) Co., Ltd.* (天能融資租賃(天津)有限公司) (the "JV Company") by contributing to its registered capital. Tianneng Holding, Tianneng Financial and Prime Leader have agreed to contribute RMB85,000,000, RMB42,500,000 and RMB42,500,000, respectively, representing 50%, 25% and 25% of the registered capital of the JV Company, respectively. The details of the formation of joint venture company, please refer to the announcement dated on 17 January 2020.

52. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2020.

FINANCIAL SUMMARY

	Year ended 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
RESULTS					
Revenue	17,804,068	21,480,891	26,903,901	34,750,848	**40,613,555**
Profit before taxation	745,629	1,145,083	1,407,588	1,530,650	**2,126,041**
Taxation	(117,832)	(239,561)	(227,356)	(295,474)	**(400,091)**
Profit for the year	627,797	905,522	1,180,232	1,235,176	**1,725,950**

	As at 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
ASSETS AND LIABILITIES					
Total assets	10,546,091	12,129,825	14,568,683	16,856,292	**19,130,327**
Total liabilities	7,078,950	8,023,225	9,837,668	11,467,094	**11,843,811**
Net assets	3,467,141	4,106,600	4,731,015	5,389,198	**7,286,516**