



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

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



2020 INTERIM REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Dr. ZHANG Tianren (*Chairman*)
Mr. ZHANG Aogen
Mr. SHI Borong
Mr. ZHANG Kaihong
Mr. ZHOU Jianzhong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HUANG Dongliang
Mr. WU Feng
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

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The Stock Exchange of Hong Kong Limited
Stock Code: 00819

MANAGEMENT DISCUSSION AND ANALYSIS

Founded in 1986, Tianneng Power International Limited (“**Tianneng**” or the “**Company**”, together with its subsidiaries, the “**Group**”) is a leading company in the sector of motive batteries for new-energy vehicles. In 2007, Tianneng was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). After more than 30 years of development, the Group has become a large-scale high-tech energy group focusing on the manufacture and services of environmentally friendly motive batteries for light electric vehicles and integrating the research and development (R&D), production and sale of various types of batteries (including motive batteries for special electric vehicles, motive batteries for new energy vehicles and start-stop batteries for automobiles), the recycling of waste batteries, the construction of urban smart microgrids, the construction of green and smart manufacturing industrial parks, and smart logistics platforms.

OPERATIONAL REVIEW

In the first half of the year, the coronavirus pandemic had an unprecedented impact on China's economy as well as on the global economy. At the same time, the uncertainty and risks facing the global economy increased due to factors such as international relations and geopolitics. In the second quarter of 2020, the growth rate of China's economy returned to the positive territory, with key indicators showing signs of recovering growth and the country's economic operation beginning to recover. Aided by governments at all levels, the Group adhered to its operational principle of “innovating, growing and improving quality while maintaining stability”, thereby forging ahead in these difficult times. While strengthening measures to prevent and control the pandemic, the Group focused on its production and operation, promoting the resumption of work and production in an effective and orderly manner. In the first half of the year, the impact of the pandemic on the overall performance of the Group was limited, as the Group achieved solid economic, social and ecological benefits.

On May 10, the “China Brand Day”, the brand management professional committee of China-Asia Economic Development Association and Asia Brand Network jointly released the list of “Top 500 Chinese Brands 2020”. With a brand value of RMB76.531 billion, Tianneng Battery ranked first once again in the battery industry. Moreover, Tianneng was selected as one of the “Top 100 Private Enterprises in Technological Innovation in 2020” at the Forum on the Development of Innovative Countries 2020, where the White Paper (Report) on the Innovative Development of Enterprises 2020 was released.

MANAGEMENT DISCUSSION AND ANALYSIS

On July 27, the Chinese edition of the Fortune magazine released the 2020 list of Fortune China 500. Tianneng jumped nine places to rank 246th on the list. This was also the eighth consecutive year where Tianneng made the Fortune China 500.

During the reporting period, the Group realised sales revenue of approximately RMB22,635 million, representing an increase of 14.26% year-on-year, and a net profit of approximately RMB860 million, representing an increase of 45.57% year-on-year.

I. High-end eco-friendly batteries

High-end eco-friendly batteries are one of the Group's main businesses, providing the Group with a solid cash flow. During the reporting period, the sales revenue of high-end eco-friendly batteries was approximately RMB11,641 million.

In the first half of the 2020, despite a complex and unpredictable external environment, the Company's main businesses maintained stable growth momentum with steady progress and improvement of quality. The Company has now formed a product system based on lead batteries and supplemented by lithium batteries that includes motive, start-stop and energy storage batteries. Among these types of batteries, lead batteries have a history of more than 160 years. Characterised by their high safety, high recyclability, high price-performance ratio, mature technology and excellent performance in high and low temperature environment, lead batteries enjoy a sharp competitive edge. As a result, lead batteries occupy a leading position in the global market of rechargeable batteries and are currently the most commonly used batteries in vehicles and equipment such as light electric vehicles, special electric vehicles and start-stop systems in automobiles. The overall market demand for them will continue to grow steadily.

In the future, the fields of application for lead batteries will continue to grow and expand, and the related technologies and processes will continue to develop with the aim of achieving higher energy densities, higher price-performance ratio and higher safety. With the in-depth application of the 5th generation mobile network (5G), lead batteries will also go "smart" with features like identifiability and traceability, remote controllability and connectivity to the Internet of things.

MANAGEMENT DISCUSSION AND ANALYSIS

1. *Batteries for light electric vehicles – two-wheeled and three-wheeled electric bicycles*

The coronavirus pandemic has impacted the economy, but it has also brought opportunities for the development of new economic models. For example, more and more consumers buy daily living supplies online through e-commerce platforms so that they can avoid going out, resulting in significant increase in the corresponding short-distance distribution services, which further promoted the development of light electric vehicle industry.

(1) **The rise of new consumption models opens up ample room for the development of light electric vehicles**

Under new consumption models, food delivery and courier services have boomed, which has driven the growth of the two-wheeled electric bicycle industry. According to statistics, China's online food ordering market has maintained rapid growth since 2011. In 2019, the market size reached approximately RMB284.55 billion, a year-on-year increase of approximately 17.9%. In 2019, the number of online food delivery users in China exceeded 400 million, a year-on-year increase of approximately 16.2%. Demand for vehicles used for intra-city distribution and group buying has surged in recent years, and millions of deliverymen have driven the demand for two-wheeled electric bicycles.

China has the world's largest courier delivery volume. According to data from the State Post Bureau, China's courier service companies delivered approximately 63.52 billion parcels in 2019, a year-on-year increase of approximately 25.3%, generating an income of approximately RMB749.78 billion, a year-on-year increase of approximately 24.2%. As three-wheeled electric bicycles are the point to point delivery means of transportation for courier services, the demand for electric bicycles have gradually expanded with the development of the courier industry.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) **Commuting alone amid the pandemic, many make two-wheeled electric bicycles their first choice for transportation**

With the hectic resumption of work and production and the new national standard policy in place, the two-wheeled electric bicycle industry is seeing new growth opportunities. As people begin to adopt new means of commuting, and more and more citizens make two-wheeled electric bicycles which are fast, convenient, have a high price-performance ratio and cause zero pollution, their first choice for transportation when commuting alone.

(3) **Active development of “livelihood economy” results in the significant growth in demand for electric tricycle batteries**

In this year’s national “two sessions”, “employment” and “people’s livelihood” were two high-frequency terms. Under the impact of the coronavirus pandemic, “protecting people’s jobs” and “protecting people’s basic livelihoods” are the top priorities of each local government in 2020. Being an essential part of the socialist market economy with Chinese characteristics, the “street vendor economy” will be a dynamo that drives people’s livelihoods as well as economic and social development in the post-pandemic era. As electric tricycles are the relatively commonly used means of transportation by individual street vendors, an enlarged market for electric tricycles will emerge with the active development of “livelihood economy” such as night markets.



MANAGEMENT DISCUSSION AND ANALYSIS

(4) Trade-in deals flourish due to the new national standard, and the concentration of light electric vehicle manufacturers increases

The roll-out and implementation of the new national standard policy have created new sales growth opportunities for the leading manufacturers of light electric vehicles. As the industry's entry barrier has been raised after the introduction of new national standards and its products have been standardised, the industry's market concentration has increased. In addition, the implement of new national standard has further driven the demand of users for replacement of light electric vehicles and encouraged users to trade in their old vehicles for new ones, thus promoting the healthy development of the light electric vehicle industry. Light electric vehicle manufacturers will continue to compete with each other in terms of R&D ability and quality of their products while strengthen their cooperation with quality suppliers, aiming to seize the opportunities arising from the market. Against this backdrop, Tianneng will continue to provide customers with premium products and services according to the needs of the market.



MANAGEMENT DISCUSSION AND ANALYSIS

2. *Light electric vehicle – mini electric vehicle batteries*

Mini electric vehicle batteries is mainly used in mini electric vehicles such as electric sightseeing vehicles, electric cleaning vehicles, electric patrol vehicles and scooters for elderly people. A mini electric vehicle is a low-speed powered solely by electricity, with a top speed ranging from 40 to 70 km/h and usually with lead batteries as its power source.

The rise of Chinese citizens' consumption and the soaring urbanization rate provide ample room for the healthy development of China's mini electric vehicles. According to the National Bureau of Statistics of China, the urbanization rate of China's permanent population exceeded 60% for the first time at the end of 2019. The sweeping urbanization process has benefited the economic development of rural areas and small- and medium-sized towns. In third- and fourth-tier cities with relatively low per capita income, mini electric vehicles are popular, mostly because: 1) their price-performance ratio is high while their cost of use is low compared with diesel and petrol vehicles; 2) their owners can charge them easily by using household power directly, without installing charging piles.

In addition, the Chinese government strongly encourages the development of tourism and the bed and breakfast business, and the vehicles used for transportation and sightseeing in scenic areas are mostly mini electric vehicles. It is expected that China's mini electric vehicle industry will continue to grow, there is still a lot of room for the industry's development, and Tianneng will continue to maintain its leading position in the market of mini electric vehicle batteries.

MANAGEMENT DISCUSSION AND ANALYSIS

3. *Other high-end eco-friendly batteries*

(1) **Start-stop batteries**

Start-stop batteries are mainly used for the starting, ignition and lighting of vehicles and equipment such as automobiles, motorcycles and fuel engines. In recent years, with the continuous development of the industrial economy and increasing awareness of environmental protection, the global market of automobile start-stop batteries has grown rapidly. National automobile markets have call for stricter requirements on carbon dioxide emissions and fuel economy. The start-stop system, which can effectively reduce emissions, is an energy-saving and emission-reducing technology that has developed quickly in recent years. According to data from the China Industry Information Network, 2015-2018 was the golden period of growth for China's automobile start-stop batteries, with a compound annual growth rate of 46%. By the end of 2020, the penetration rate of start-stop batteries will reach 70%, with a shipment volume of approximately 21 million sets and a production value of approximately RMB14 billion.

The Company has launched its own brand of start-stop battery products and negotiated with many automobile manufacturers. At the same time, it always focuses on cultivating its core technical capabilities and strives to promote industrial development through technological innovation. It has gradually formed its own complete technological system. In the future, the start-stop battery business will become an important segment of the Group. The Company plans to continue to increase its business scale through capacity expansion, market development and introduction of talents. On the market side, it will actively commence cooperation with automobile manufacturers while continuing to expand its share in the replacement market.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) **Special electric vehicle batteries**

Special electric vehicle batteries are mainly used in freight equipment such as electric forklifts, electric stackers and electric lift trucks. They also serve as the DC power source for equipment such as forklifts, tractors, pallet jacks and underground mining locomotives. They are widely used at transportation hubs such as airports, stations and ports, and in industries such as agriculture, textile, medicine, and food. As a DC power supply for clean and pollution-free vehicles, this series of products is also widely used for public transportation and in sports and entertainment venues.

The Group has formed strategic partnerships with domestic and overseas renowned enterprises such as Hangcha Group Co., Ltd., Heding Jidian (和鼎機電), KION Baoli (Jiangsu) Forklift Co., Ltd. and Anhui Heli Co., Ltd., and has become the second largest domestic brand in the field of forklift batteries. For R&D, the Company actively conducts cutting-edge research on lead batteries with new structures. It has developed and reserved new structure technologies (tubular, bipolar, winding, and horizon lead-acid battery) and formed a core patent of “an enclosed battery formation process for tubular lead-acid batteries”. The technical achievements of the tubular structure have been transformed and applied to lead batteries for electric forklifts, with solid economic benefits achieved.

(3) **Energy storage batteries and standby batteries**

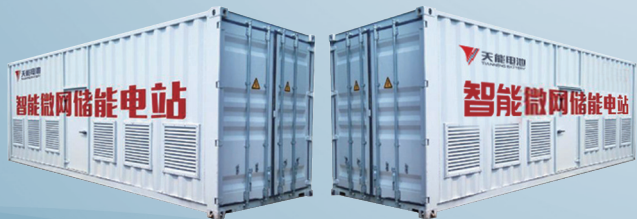
Energy storage lead batteries refer to lead batteries used by power generation equipment to store energy, such as wind and solar power generation equipment. Energy storage batteries are first charged by wind or solar energy, and then the batteries’ DC power is changed to AC power through an inverter and connected to power grids. Lead batteries are widely used for solar and wind power storage and play a major role in the development of green energy, as they can be made into large-capacity storage systems, have low unit energy cost and system cost, are safe and reliable, have high recycling rates and adaptable to temperature changes. The energy storage market is also undergoing rapid

MANAGEMENT DISCUSSION AND ANALYSIS

development due to multiple factors such as the demand for grid stability, the overall cost reduction of energy storage systems, the implementation of support policies and the transformation of motive battery companies.

Standby batteries refer to batteries used in power transmission stations to provide closing current to power units and batteries used in public facilities to provide backup energy. Currently, lead batteries are widely used in communication and uninterruptible power supply. The construction of communication networks and the updates of communication technologies worldwide will bring continuous demand for lead standby batteries.

Tianneng has a full range of energy storage solutions that can provide a solid green energy guarantee for global communication, electricity, transportation, uninterruptible power supply (UPS) and consumer products. At the same time, the Company focuses on fulfilling the requirements of energy storage systems, e.g. smooth connection to new energy, emergency power backup, peak and frequency modulation, peak-load shifting and micro-grids. Leveraging advanced energy storage technologies, concentrating on high-efficiency energy storage systems and aiming at distributed smart power supply, Tianneng is committed to providing customers with energy storage system solutions.



MANAGEMENT DISCUSSION AND ANALYSIS

II. New energy batteries

As one of the new energy batteries, the lithium-ion battery is an important strategic segment of the Group. During the reporting period, the Group's operating revenue in the new energy battery business was approximately RMB403 million, representing an increase of 58.08% year-on-year.

In November 2019, Tianneng signed a cooperation agreement with SAFT, a subsidiary of the French company Total S.A., one of the world's top 500 enterprises, to form a joint venture that focuses on the development, manufacture and sale of advanced lithium-ion batteries for the Chinese and global markets. The joint venture is mainly engaged in the design, development, production and sale of new energy batteries such as cylindrical batteries and pouch batteries, and lithium-ion battery system. The products are widely used in high-end two-wheeled electric bicycles, grid energy storage, new energy vehicles, electronic appliances and special industries. The joint venture has successively introduced first-class automated production equipment and technologies developed in China and overseas, boasting mainstream lithium battery technologies including lithium iron phosphate, ternary and lithium manganate and advanced materials such as nickel-rich multi-element materials, lithium nickel cobalt aluminium oxides, silicon carbide and graphene. The cooperation with SAFT will allow the Group to share the world-leading lithium battery company's rich experience in the construction and management of R&D systems and technological reserve to enhance the Company's global competitiveness.



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Since the establishment of the joint venture, the integration of resources between Tianneng and the French company has been progressing steadily. Despite the impact of the pandemic, both parties have been still actively developing new products to meet the needs of emerging markets and overseas markets, such as the super lithium iron phosphate battery series. This series of products can be used in electric two-wheeled and three-wheeled bicycles under the new national standard. Based on the advanced material technology of super modified lithium iron phosphate, this type of battery has an ultra-long life and ultra-high safety performance and provides approximately 2,000 regular life cycles. In addition, the energy storage system products developed by the joint venture have the characteristics of high energy densities, fast and cost-effective installation and remote controllability.

Over the years, the Company has continued to expand its product line of lithium-ion batteries. In addition to the sector of motive batteries, the Company's lithium battery business has also gained a foothold in smart energy storage, 3C and backup battery industries. Take smart energy storage as an example. The Company has entered the smart energy storage market since 2016 and has completed the implementation and services of smart energy storage solutions in many places in and outside China. With the strong support of national industrial policies and against the background of 5G construction, the Company will continue to deepen and expand its smart energy storage business. The Company won the awards of "Best Provider of Systems Integration Solutions" and "Best Demonstration Project for Energy Storage" at the 7th Global Solar+Energy Storage Conference & Expo (2020) July this year.



MANAGEMENT DISCUSSION AND ANALYSIS

The Company will further increase its cooperation with renowned battery companies in and outside China, deepen its distribution in the sectors of lithium-ion motive batteries for special vehicles and lithium-ion batteries for smart energy storage, and pay close attention to the technological trends and market developments of automobile start-stop lithium batteries, lithium-sulfur batteries and solid-state batteries, so as to make the lithium-ion battery business one of the Company's core industries and enhance the market competitiveness of the Company's lithium battery business.

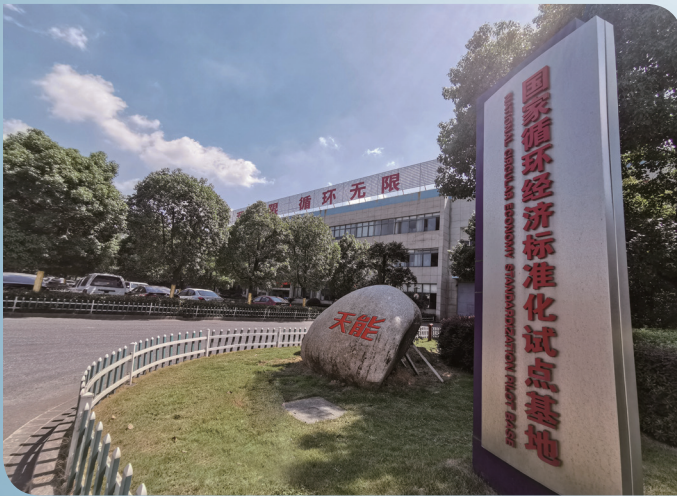
III. Green new materials

The Company is the first enterprise to develop circular business. After over ten years of technology accumulation and scientific operations, green new materials segment has become one of the three major businesses of the Company, and has had an important position in the Company's future development plan. In the first half of this year, the Group adhered to General Secretary Xi Jinping's idea of "Clear water and green mountains are gold and silver mountains (綠水青山就是金山銀山) (meaning ecological advantages bring forward economic advantages)" ("**two mountains**" concept), accelerated the industry distribution, and focused on the development of circular business. During the reporting period, the Group's external operating revenue in green new materials business recorded approximately RMB397 million.

In April 2020, the 17th meeting of the Standing Committee of the 13th National People's Congress approved the amended Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste 《中華人民共和國固體廢物污染環境防治法》, which will be officially implemented on 1 September 2020. Such amended law mainly includes: 1) the state set up a Extended Producer Responsibility scheme for products such as electrical appliances, lead storage battery and vehicle motive battery; 2) the state encourages product manufacturers to develop ecological design as well as promotes the recovery and utilization of resources; 3) the state encourages business units and individuals to purchase and use products with comprehensive use and reusable products.

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In June 2020, in order to fully implement the requirements of Notice of the General Office of the State Council on Issuing the Implementation Plan for Extended Producer Responsibility (《國務院辦公廳關於印發生產者責任延伸制度推行方案的通知》), the National Development and Reform Commission drafted the Interim Measures for the Management of the Recycling and Utilisation of Lead Storage Batteries (Draft for Comments) (《鉛蓄電池回收利用管理暫行辦法》(徵求意見稿)) with relevant departments. The Interim Measures refer to the state implementing the target accountability system for lead storage battery recovery, and by the end of 2025, lead storage battery recovery rate must reach over 70%. Moreover, lead storage battery manufacturers (including importing companies) shall, through methods such as self recovery, joint recovery, and commissioned recovery, achieve the recovery targets set by the state.



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In addition, China prohibits entities without permits or not in compliance with the requirements of the permits from engaging in operations regarding the collection, storage, utilization and disposal of hazardous wastes. In recent years, relevant laws and regulations promulgated by various authorities in China have specified in details the recycling and disposal processes of used batteries, which provides strong support for the healthy and orderly development of the circular economy. Currently, the Company has already obtained several recycling permits in those provinces and regions where waste battery resources are relatively concentrated, as well as formed closed cooperations with social recycling networks, so as to gradually expand its recycling channels.

The Group will continue to put much effort in the circular business, gradually expand the categories of renewable materials for recycling, and at the same time extend to the up and down streams in the industry, thus steadily progress towards the goal of setting up large circular industry clusters.

IV. Pushing forward the globalization strategy

During the first half of this year, the Group leveraged on its overseas offices as the “bridgehead”, deeply explored the market potentials in regions such as Southeast Asia, South Asia, Europe as well as Central and East Africa, constantly developed new markets and sectors, and used its overseas business division as platforms, thereby enhancing international communications and cooperations.

Moreover, the Company also devoted in creating an open and globalized R&D system. On the one hand, the Company further broadened its technological R&D horizons by establishing industry-academic-research collaborations with prestigious domestic and overseas universities, such as Harbin Institute of Technology, Huazhong University of Science and Technology, and University of Wollongong (伍倫貢大學) in Australia. On the other hand, the Company actively introduced international R&D talents into the field of new battery technology such as fuel cells, and it has started several R&D projects for fuel cells, including “Fuel cell metal plate reactors (燃料電池金屬板電堆)” and “Development of high-power graphite plate reactors for commercial vehicles (商用車用大功率石墨板電堆的開發)”.

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The Group will continue to strengthen cooperations with scientific research platforms overseas, integrate world's top technological resources, thus foster core technological advantages for the entire industrial chain. At the same time, the Group continues to seek mergers and acquisitions opportunities for upstream and downstream products, and establishes research and development production bases overseas in due time while creating a global supply chain network, with the Group striving to become the "world's leading green energy solution provider".

V. Capital development

In accordance with the results of the 51st review meeting of the Listing Committee for Science and Technology Innovation Board of the Shanghai Stock Exchange (the "**Committee**") in 2020 that was held on 6 July 2020, the issue of A shares by Tianneng Battery Group Co., Ltd. (the "**Spin-off Company**") and the listing of the A shares of the Spin-off Company on the Science and Technology Innovation Board of the Shanghai Stock Exchange has been approved by the Listing Committee, and the "Tianneng Battery Group Co., Ltd.'s initial public offering and listing on the Science and Technology Innovation Board (Registration Proof)" was published on the website of the Shanghai Stock Exchange. 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 Stock Exchange's website. Further details of 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 can be referred to the announcements of the Company dated 9 November 2018, 23 April 2019, 30 December 2019, 24 June 2020 and 6 July 2020 and the circular of the Company dated 24 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS



PROSPECTS

The Company will adhere to the sustainable development strategy of “new materials, new structures, new technologies, new sectors”, follow the strategic direction of “artificial intelligent, globalization, platform-building”, strive to seek after diversified fund raising channels to assist businesses with sufficient fundings for future development, as well as fully promote reforms in quality, efficiency and driving forces. Leveraging on its advantages in technology, production framework, market channels, brands and information technology system which have been accumulated in the battery industry for many years, Tianneng will strengthen the international leading position of its high-end eco-friendly batteries, enhance the product competitiveness of new energy batteries, create closed-loop green smart industry chain, construct a smart energy service system, build a logistics supply chain platform, actively expand businesses such as start-stop batteries and energy storage systems, and continue with the technological development of fuel cells and new-generation batteries, with the aim of becoming the most respected first-tier new energy enterprise across the globe.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

The Group's turnover for the reporting period was approximately RMB22,635 million, representing an increase of approximately 14.26% as compared with the same period last year.

Gross profit

The gross profit for the reporting period was approximately RMB2,116 million, representing an increase of 14.23% as compared with the same period last year. It was mainly attributable to an increase in sales volume and a growth in the battery gross profit margin. The gross profit margin for the reporting period was approximately 9.35%, which remained stable as compared with the same period last year, of which the gross profit margin of the manufacturing industry was approximately 16.29%, representing an increase of 2.26 percentage points as compared with the same period last year. It was mainly attributable to a lower gross profit margin of the trading segment during the first half year of 2020, which led to the overall gross profit margin remained stable.

Other income

The Group's other income (excluding interest income) for the reporting period was approximately RMB334 million (for the six months ended 30 June 2019: approximately RMB206 million), representing an increase of approximately 62.24% as compared with the same period last year. It was mainly attributable to the increase in government grants.

Selling and distribution costs

Selling and distribution costs decreased from approximately RMB416 million in the same period last year to approximately RMB378 million for the reporting period, which was mainly attributable to the decrease in transportation cost.

Administrative expenses

Administrative expenses increased from approximately RMB289 million in the same period last year to approximately RMB353 million for the reporting period, which was mainly attributable to the increase in salary.

MANAGEMENT DISCUSSION AND ANALYSIS

Research and development costs

R&D costs increased from approximately RMB506 million in the same period last year to approximately RMB533 million for the reporting period, which was mainly attributable to the increase in the number of R&D projects and optimization of the R&D team.

Finance costs

Finance costs increased from approximately RMB133.36 million in the same period last year to approximately RMB106.32 million for the reporting period, which was mainly due to the decrease in loan size and the interest rates of loans.

Operating activities cash flow

The net cash generated from operating activities of the Group increased from RMB812 million in the same period last year to approximately RMB1,924 million for the reporting period. It was mainly attributable to the increase in prepayments.

As at 30 June 2020, equity attributable to the owners of the Company amounted to approximately RMB7,150 million (31 December 2019: approximately RMB6,665 million). The Group's capital structure is the equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

As at 30 June 2020, the Group had total assets of approximately RMB23,244 million, increasing by approximately 21.50% as compared with approximately RMB19,130 million as at 31 December 2019, including total current assets of approximately RMB16,225 million and total non-current assets of approximately RMB7,019 million, increasing by approximately 27.11% and 10.27% respectively. The increase in current assets was mainly due to the increase in inventory, account receivables and bank deposits. The increase in non-current assets was mainly due to the increase in deposits for the acquisition of property, plant and equipment.

As at 30 June 2020, total liabilities of the Group were approximately RMB15,386 million, increasing by approximately 29.91% as compared with approximately RMB11,844 million as at 31 December 2019, including total current liabilities of approximately RMB13,973 million and total non-current liabilities of approximately RMB1,413 million, increasing by approximately 26.20% and 83.11% respectively. The increase in current liabilities was mainly due to the increase in bank notes and short-term loans held by the Group. The increase in non-current liabilities was mainly due to the increase in long-term loans.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the cash and bank balances of the Group (including pledged bank deposits and bank deposits) were approximately RMB6,832 million (31 December 2019: approximately RMB5,446 million), of which approximately RMB237 million and approximately RMB56 million are denominated in Hong Kong Dollars and Euros respectively. As at 30 June 2020, the interest bearing borrowings and loan notes of the Group with maturity of within one year amounted to approximately RMB2,161 million (31 December 2019: approximately RMB1,659 million). The interest bearing borrowings and loan notes (together as **“interest bearing loans”**) with maturity of more than one year amounted to approximately RMB842 million (31 December 2019: approximately RMB253 million). The interest bearing loans of approximately RMB3,003 million was denominated in Renminbi. The loans denominated in RMB had fixed interest rates ranging from 2.23% to 8% (2019: 4.08% to 8%) per annum. In conclusion, the borrowings of the Group as at 30 June 2020 remained at a healthy and controllable level. With unutilized credit facilities of RMB6,250 million, the Group will take a cautious stance and maximize the interests of the Shareholders and the Company by striking a balance between borrowings and funding utilization. Moreover, with continuously improving the fund structure as our financial objective in the long run, the Group will optimize its loan structure with further use of long term loans.

Pledge of assets

As at 30 June 2020, the bank facilities and bank borrowings of the Group were secured by its bank deposits, bills receivables, property, plant and equipment, and land use rights. The aggregate net book value of the assets pledged amounted to approximately RMB3,850 million (31 December 2019: approximately RMB2,891 million).

Gearing ratio

As at 30 June 2020, the Group's gearing ratio, defined as the percentage of the sum of current and non-current portions of interest bearing loans against the total assets, was approximately 12.92% (31 December 2019: approximately 9.99%).

Exposure to exchange rate fluctuations

As the Group's operations were mainly conducted in China and the majority of its businesses were transacted in Renminbi, the Board is of the view that the Company's operating cash flow and liquidity are not subject to significant foreign exchange rate risk.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2020 (31 December 2019: Nil).

Capital commitments

For details, please refer to note 23 to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed a total of 23,523 employees (30 June 2019: 20,965). Staff cost of the Group for the reporting period was approximately RMB998 million (for the six months ended 30 June 2019: approximately RMB881 million). The cost included basic salaries and staff benefits such as discretionary bonus, medical and insurance plans, pension scheme, unemployment insurance plan, etc. Competitive remuneration packages were offered to employees by the Group. The Company has adopted incentive programs to encourage employees' performance and a range of training programs for the development of its staff.

INTERIM DIVIDEND

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

SIGNIFICANT INVESTMENTS HELD

During the reporting period, the Group recorded a net loss of approximately RMB15.78 million (for the six months ended 30 June 2019: net profit of approximately RMB13.68 million) for the financial assets at fair value through profit or loss as the capital market was under fluctuation. During the reporting period, apart from the investments held in Chaowei Power Holdings Limited and the disclosure made in note 16 to the condensed consolidated statement of financial position, there were no significant investments held by the Group as at 30 June 2020 (31 December 2019: Nil, apart from the disclosures made in note 19 to the consolidated financial statements in the 2019 annual report and note 25 to the consolidated financial statements in the 2019 interim report).

MATERIAL ACQUISITION AND DISPOSAL

During the reporting period, the Group had no material acquisition or disposal of subsidiaries and associates.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

For details, please refer to note 22 to the condensed consolidated financial statements.

IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL PERIOD

There is no important event affecting the Group which has occurred since the end of the financial period covered by this report.

CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance. The Board believes that good corporate governance practices are increasingly important for maintaining and promoting investors' confidence. The Company has adopted and complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), during the reporting period except for the code provision A.2.1 of the CG Code. Dr. Zhang Tianren is both the chairman ("**Chairman**") and Chief Executive Officer ("**CEO**") of the Company who is responsible for managing the Group's business. The Board considers that vesting the roles of Chairman and CEO in the same person facilitates the execution of the Company's business strategies and maximizes the effectiveness of its operation. With the present Board structure and scope of business, the Board considers 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.

The primary duties of the Company's audit committee (inter alia) are to review the financial reporting system, the risk management and internal control systems 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 Company's audit committee has reviewed this interim report with the management of the Company and the Company's independent external auditors and recommended its adoption by the Board.

The interim financial information of the Company in this report has not been audited. However, it has been prepared in accordance with HKAS 34 "Interim Financial Reporting" and has been reviewed by the Company's independent external auditors, Zhonghui ANDA CPA Limited, in accordance with the Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules. Having made specific enquiry, all Directors confirmed that they have complied with the required standard for securities transactions set out in the Model Code throughout the six months ended 30 June 2020.

Other than the above disclosures, the Company has also complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules and appointed three independent non-executive Directors including one with financial management expertise.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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

INTRODUCTION

We have reviewed the interim financial information set out on pages 27 to 70 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SCOPE OF REVIEW

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

CONCLUSION

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

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Sze Lin Tang

Audit Engagement Director

Practising Certificate Number P03614

Hong Kong, 29 August 2020

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited) (Restated)
Revenue	5	22,634,969	19,809,828
Cost of sales		(20,519,206)	(17,957,572)
Gross profit		2,115,763	1,852,256
Interest revenue		53,265	39,602
Other income	7	334,274	206,041
Other gains and losses	8	6,198	(5,196)
Impairment losses, net of reversal		(19,016)	4,238
Selling and distribution costs		(377,900)	(415,505)
Administrative expenses		(353,303)	(288,500)
Research and development costs		(532,611)	(506,415)
Other expenses		(8,791)	(8,956)
Share of loss of associates		(337)	–
Finance costs		(106,318)	(133,360)
Profit before taxation		1,111,224	744,205
Taxation	9	(251,086)	(153,336)
Profit for the period	10	860,138	590,869

INTERIM FINANCIAL INFORMATION

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

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited) (Restated)
Other comprehensive income (expense):		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value changes of equity investment at fair value through other comprehensive income	60,954	(9,998)
	60,954	(9,998)
<i>Items that may be reclassified to profit or loss:</i>		
Fair value change of debt instruments measured at fair value through other comprehensive income	(4,130)	(340)
Income tax relating to items that may be reclassified subsequently	-	81
	(4,130)	(259)
Total comprehensive income for the period	916,962	580,612

INTERIM FINANCIAL INFORMATION

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

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited) (Restated)
Profit for the period attributable to:			
Owners of the Company		836,756	595,875
Non-controlling interests		23,382	(5,006)
		860,138	590,869
Total comprehensive income for the period attributable to:			
Owners of the Company		893,580	585,618
Non-controlling interests		23,382	(5,006)
		916,962	580,612
Earnings per share	12		
– Basic		RMB74.27 cents	RMB52.89 cents
– Diluted		RMB72.84 cents	RMB51.84 cents

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	13	5,007,780	4,783,297
Goodwill		499	499
Right-of-use assets		586,983	593,720
Interest in an associate		21,109	1,446
Equity investments at fair value through other comprehensive income		366,341	284,036
Deferred tax assets		455,455	451,754
Deposit paid for acquisition of property, plant and equipment		402,326	238,360
Loan receivables		165,583	–
Long-term receivable		12,590	12,103
		7,018,666	6,365,215
Current assets			
Inventories		4,375,000	3,740,219
Bills, trade and other receivables	14	2,555,881	1,513,995
Loan receivables		82,068	–
Amounts due from related parties	18	3,706	3,709
Debt instruments at fair value through other comprehensive income	15	982,010	1,207,570
Financial assets at fair value through profit or loss	16	1,395,039	854,102
Pledged bank deposit		1,085,262	1,291,326
Bank balances and cash		5,746,301	4,154,191
		16,225,267	12,765,112

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2020

	Notes	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Current liabilities			
Bills, trade and other payables	17	7,260,425	6,746,172
Amounts due to related parties	18	29,698	20,024
Derivative financial instruments		1,635	104
Taxation payables		157,528	205,778
Borrowings – current portion	19	1,761,244	1,260,415
Long-term loan notes – due within one year	20	399,633	398,853
Deferred government grants		33,290	33,859
Lease liabilities		6,699	7,076
Provision		689,124	650,728
Contract liabilities		3,634,160	1,749,311
		13,973,436	11,072,320
Net current assets		2,251,831	1,692,792
TOTAL ASSETS LESS CURRENT LIABILITIES		9,270,497	8,058,007
Non-current liabilities			
Borrowings – non current portion	19	841,910	252,746
Deferred government grants		428,889	425,150
Lease liabilities		11,245	15,497
Other payables	17	18,120	–
Deferred tax liabilities		112,509	78,098
		1,412,673	771,491
NET ASSETS		7,857,824	7,286,516

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2020

	Notes	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Capital and reserves			
Share capital	21	109,850	109,905
Reserves		7,039,749	6,554,699
Equity attributable to owners of the Company		7,149,599	6,664,604
Non-controlling interests		708,225	621,912
TOTAL EQUITY		7,857,824	7,286,516

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company												Non-controlling interests	Total
	Share capital	Share premium	Special reserves	Capital reserves	Share options reserve	Investment revaluation reserve	Other fair value through other comprehensive income	Statutory surplus reserves fund	Discretionary surplus reserve fund	Accumulated profits	Sub-total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (audited)	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/(loss) for the period (unaudited)	-	-	-	-	-	-	-	-	-	595,875	595,875	(5,006)	590,869	
Other comprehensive (expense) income for the period (unaudited)	-	-	-	-	-	(8,998)	(259)	-	-	-	(10,257)	-	(10,257)	
Total comprehensive (expense) income for the period (unaudited)	-	-	-	-	-	(8,998)	(259)	-	-	595,875	585,618	(5,006)	580,612	
Capital injection from non-controlling shareholder (unaudited)	-	-	-	-	-	-	-	-	-	-	-	49,000	49,000	
Equity transaction (unaudited)	-	-	-	-	-	-	-	-	-	-	-	9,021	9,021	
Payment of dividend (unaudited)	-	-	-	-	-	-	-	-	-	(376,251)	(376,251)	-	(376,251)	
Dividend paid to non-controlling interests (unaudited)	-	-	-	-	-	-	-	-	-	-	-	(2,793)	(2,793)	
Forfeiture of share options (unaudited)	-	-	-	-	(1,142)	-	-	-	-	1,142	-	-	-	
Recognition of equity-settled share-based payment (unaudited)	-	-	-	-	-	-	-	-	-	-	-	1,110	1,110	
At 30 June 2019 (unaudited)	109,905	783,403	10,000	26,027	40,505	(130,297)	(3,737)	642,165	143,212	3,735,523	5,356,706	293,191	5,649,897	
At 1 January 2020 (audited)	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	
Profit for the period (unaudited)	-	-	-	-	-	-	-	-	-	836,756	836,756	23,382	860,138	
Other comprehensive (expense) income for the period (unaudited)	-	-	-	-	-	60,954	(4,130)	-	-	-	56,824	-	56,824	
Total comprehensive (expense) income for the period (unaudited)	-	-	-	-	-	60,954	(4,130)	-	-	836,756	893,580	23,382	916,962	
Capital injection from non-controlling shareholder (unaudited)	-	-	-	-	-	-	-	-	-	-	-	67,000	67,000	
Equity transaction (unaudited)	-	-	-	567	-	-	-	-	-	-	567	(2,009)	(1,442)	
Payment of dividend (unaudited)	-	-	-	-	-	-	-	-	-	(494,261)	(494,261)	-	(494,261)	
Dividend paid to non-controlling interests (unaudited)	-	-	-	-	-	-	-	-	-	-	-	(8,580)	(8,580)	
Share repurchase (unaudited)	(55)	(4,836)	-	-	-	-	-	-	-	-	(4,891)	-	(4,891)	
Forfeiture of share options (unaudited)	-	-	-	-	(1,021)	-	-	-	-	1,021	-	-	-	
Recognition of equity-settled share-based payment (unaudited)	-	-	-	-	-	-	-	-	-	-	-	6,520	6,520	
At 30 June 2020 (unaudited)	109,850	778,567	10,000	252,125	38,872	(72,666)	(8,353)	885,700	143,212	5,012,292	7,149,599	708,225	7,857,824	

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Net cash generated from operating activities	1,923,664	812,437
Cash flows from investing activities		
Interest received	50,316	39,602
Investment in an associate	(20,000)	–
Proceeds on disposal of property, plant and equipment	136,085	7,489
Purchase of property, plant and equipment	(646,738)	(306,367)
Purchases of equity instruments at FVTOCI	(21,351)	–
Payment for derivative financial instruments	38,218	(12,370)
Proceeds for derivative financial instruments	(51,536)	–
Decrease (Increase) of pledged bank deposit	206,064	(629,904)
Increase of structured bank deposit	(506,157)	(483,004)
Asset-related government grants received	13,893	35,272
Deposit for acquisition of property, plant and equipment	(163,966)	(266,186)
Acquisition of right-of-use assets	(13,101)	(17,972)
Proceeds on disposal of right-of-use assets	9,373	–
Net cash used in investing activities	(968,900)	(1,633,440)

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Cash flows from financing activities		
New borrowings raised	4,090,915	4,044,283
Repayment of borrowings	(3,000,922)	(2,797,421)
Repayments of loan notes	-	(380,000)
Advance to independent third parties for loan receivables	(231,530)	-
Receipt of repayment for loan receivables	13,810	-
Dividend paid	(281,872)	(263,220)
Dividend paid to non-controlling interests	(8,580)	(2,793)
Proceeds from issuance of redeemable shares of a subsidiary	-	183,041
Capital contribution from a non-controlling shareholders	67,000	49,000
Equity transaction with non-controlling shareholders	(1,442)	-
Considerations received for subscribing restricted shares of a subsidiary	-	107,400
Repayment of lease liabilities	(5,142)	(6,205)
Share repurchase	(4,891)	-
Net cash generated from financing activities	637,346	934,085
Net increase in cash and cash equivalents	1,592,110	113,082
Cash and cash equivalents at the beginning of the period	4,154,191	3,833,751
Cash and cash equivalents at the end of the period	5,746,301	3,946,833
Analysis of cash and cash equivalents		
Bank and cash balances	5,746,301	3,946,833

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

Tianneng Power International Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 16 November 2004 and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) with effect from 11 June 2007. The Company and its subsidiaries are collectively referred to as the “**Group**”.

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

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

These condensed consolidated financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019.

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 HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. 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 period and prior years.

INTERIM FINANCIAL INFORMATION

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

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

3. 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. For the six months ended 30 June 2019, 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 2019 and 30 June 2019 has been re-assessed. Accordingly, prior year adjustments have been made to adjust the amounts of provision for warranty and utilisation of provision for the period ended 30 June 2019. Consequently, the Group's costs of sales and inventory balances in relation to the warranty batteries have been adjusted.

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 2019 and 30 June 2019.

(b) Recognition of intertemporal adjustment for income

The Group recognises revenue when it satisfies a performance obligation by transferring control over the products to the customers. For the six months ended 30 June 2019, directors of the Company re-assessed the delivery time of the products and according by the recognition time revenue. As a result, prior period adjustments have been made to such revenue of approximately RMB277,079,000 and the corresponding costs of approximately RMB249,509,000 in the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2019.

INTERIM FINANCIAL INFORMATION

3. PRIOR YEAR ADJUSTMENTS (CONTINUED)

(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 periods. The Group has made adjustments to such remunerations of approximately RMB37,039,000 in the consolidated statement of profit or loss and other comprehensive income for the year period 30 June 2019.

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

The Group re-visited the usage of certain property, plant and equipment, including the commencement date of usage and re-assessed the capitalised interests related to those property, plant and equipment for the period ended 30 June 2019. As a result, prior year adjustments have been provided to adjust the related interests of approximately RMB8,675,000 as expenses, and re-assessed depreciation expenses by RMB702,000 of the re-assessment in the consolidated statement profit or loss for the period ended 30 June 2019.

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 period ended 30 June 2019 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 condensed profit or loss and other comprehensive income for the period ended 30 June 2019.

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 period ended 30 June 2019.

INTERIM FINANCIAL INFORMATION

3. PRIOR YEAR ADJUSTMENTS (CONTINUED)

Condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2019

	2019 RMB'000 (As previously reported)	Re- assessment of warranty expenses RMB'000	Recognition of intertemporal adjustment for income RMB'000	Intertemporal adjustment of employees' remuneration RMB'000	Interest capitalisation, Intertemporal adjustment for depreciation and redefinition of asset- related government grants and others RMB'000	Income tax and deferred tax RMB'000	Non- controlling interests RMB'000	2019 RMB'000 (As restated)
Revenue	20,086,907		(277,079)					19,809,828
Cost of sales	(18,263,716)	78,710	249,509		(22,075)			(17,957,572)
Gross profit	1,823,191							1,852,256
Interest revenue	39,602							39,602
Other income	205,871		(21)		191			206,041
Other gains and losses	(14,068)				8,872			(5,196)
Impairment losses, net of reversal	4,238							4,238
Selling and distribution costs	(424,468)			8,761	202			(415,505)
Administrative expenses	(302,886)			28,278	(13,892)			(288,500)
Research and development costs	(506,415)							(506,415)
Other expenses	(8,956)							(8,956)
Share of profit of an associate	-							-
Finance costs	(124,685)				(8,675)			(133,360)
Profit before taxation	691,424							744,205
Taxation	(137,061)					(16,275)		(153,336)
Profit for the year	554,363							590,869
Other comprehensive income (expense):								
<i>Items that will not be reclassified to profit or loss:</i>								
Fair value changes of equity investment at FVTOCI	(9,998)							(9,998)
	(9,998)							(9,998)
<i>Items that may be reclassified to profit or loss:</i>								
Fair value change of debt instruments measured at fair value through other comprehensive income	(340)							(340)
Income tax relating to items that may be reclassified subsequently	81							81
	(259)							(259)
Total comprehensive income (expense) for the period	544,106							580,612
Profit for the period attributable to:								
Owners of the Company	564,471						31,404	595,875
Non-controlling interests	(10,108)						5,102	(5,006)
	554,363							590,869
Total comprehensive income (expense) for the period attributable to:								
Owners of the Company	554,214						31,404	585,618
Non-controlling interests	(10,108)						5,102	(5,006)
	544,106							580,612
Earnings per share								
- Basic	50.10							52.89
- Diluted	49.10							51.84

INTERIM FINANCIAL INFORMATION

4. 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 30 June 2020:

	Fair value measurements using			
	Level 1:	Level 2:	Level 3:	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Recurring fair value measurements:				
Assets:				
Equity investments at FVTOCI	366,341	–	–	366,341
Debt instruments at FVTOCI	–	982,010	–	982,010
Financial assets at FVTPL	65,290	319	1,329,430	1,395,039
Liabilities:				
Derivative financial instruments	–	(1,635)	–	(1,635)
Total recurring fair value measurements	431,631	980,694	1,329,430	2,741,755

INTERIM FINANCIAL INFORMATION

4. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) (Continued)

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

	Fair value measurements using			Total
	Level 1:	Level 2:	Level 3:	
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(audited)
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

INTERIM FINANCIAL INFORMATION

4. 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 2019 (audited)	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 (audited) and 1 January 2020	804,600
Addition	5,862,120
Settlement	(5,355,963)
Fair value gain recognised in profit or loss (#)	18,673
At 30 June 2020 (unaudited)	1,329,430
(#) Include gains or losses for assets held at 30 June 2020 (unaudited)	–
(#) Include gains or losses for assets held at 31 December 2019 (audited)	–

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

INTERIM FINANCIAL INFORMATION

4. FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

Level 2 fair value measurements

Description	Valuation technique/inputs	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Debt instruments at FVTOCI	Discounted cash flow	982,010	1,207,570
Commodity derivative contracts (assets)	Reference to the quoted bid prices of similar standardised commodity derivative contracts	319	32
Commodity derivative contracts (liabilities)	Reference to the quoted bid prices of similar standardised commodity derivative contracts	1,635	104

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Structured bank deposits at FVTPL	Discounted cash flow method	Estimated return	3.2%-4.0%	increase	1,329,430	804,600

INTERIM FINANCIAL INFORMATION

5. REVENUE

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

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
		(Restated)
Sales of batteries and battery related accessories		
Lead-acid battery products		
Electrical bicycle (tricycle) battery (note i)	10,633,396	11,329,175
Micro electric vehicle battery	764,163	755,491
Special-purpose battery (note ii)	243,334	199,578
Renewable resources product	397,298	508,565
Lithium battery products	402,880	254,861
Others	540,383	260,747
Trading of new energy materials	9,653,515	6,501,411
	22,634,969	19,809,828

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.

INTERIM FINANCIAL INFORMATION

5. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers:

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

For the period ended 30 June 2019	Sales of batteries and battery related accessories	Trading of new energy materials	Total
	RMB'000 (unaudited) (Restated)	RMB'000 (unaudited) (Restated)	RMB'000 (unaudited) (Restated)
Geographical markets			
PRC	13,263,303	6,501,411	19,764,714
Others	45,114	–	45,114
	13,308,417	6,501,411	19,809,828

For the period ended 30 June 2020 and 2019, all revenues were recognised at a point in time.

INTERIM FINANCIAL INFORMATION

5. REVENUE (CONTINUED)

Sales of batteries and battery related accessories

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

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

Trading of new energy materials

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

INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION

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

Segment revenue and results For the period ended 30 June 2020

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

INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the period ended 30 June 2019

	Sales of batteries and battery related accessories	Trading of new energy materials	Total
	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)
	(Restated)	(Restated)	(Restated)
Reportable segment revenue derived from the group's external customer	13,308,417	6,501,411	19,809,828
Inter-segment sales	–	592,735	592,735
Reportable segment revenue	13,308,417	7,094,146	20,402,563
Segment profit/(loss)	602,538	(3,899)	598,639
Other gains and losses			(977)
Corporate administrative expenses			(2,170)
Finance costs			(4,623)
Profit for the period			590,869

INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (CONTINUED)

Other segment information

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

For the period ended 30 June 2019	Sales of batteries and battery related accessories	Trading of new energy materials	Unallocated	Total
	RMB'000 (unaudited) (Restated)	RMB'000 (unaudited) (Restated)	RMB'000 (unaudited) (Restated)	RMB'000 (unaudited) (Restated)
Depreciation of property, plant and equipment	208,535	60	–	208,595
Amortisation of right-of-use assets	8,035	–	–	8,035
Loss on disposal/written off of property, plant and equipment	44,625	–	–	44,625
Write-down of inventories	10,686	–	–	10,686

INTERIM FINANCIAL INFORMATION

7. OTHER INCOME

	For the six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited) (Restated)
Government grants (note)	294,528	176,998
Dividend income	50	6,468
Others	39,696	22,575
	334,274	206,041

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.

8. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited) (Restated)
Net gains (losses) on financial assets at FVTPL		
– structured bank deposits	18,673	39,616
– held-for-trading investments (note i)	15,776	13,678
– commodity derivative contracts (note ii)	(14,518)	(12,521)
Loss on disposal/write off of property, plant and equipment	(8,668)	(44,625)
Net foreign exchange losses	(5,065)	(1,344)
	6,198	(5,196)

INTERIM FINANCIAL INFORMATION

8. OTHER GAINS AND LOSSES (CONTINUED)

Notes:

- i) Net gains on FVTPL represented gains arising on changes in fair value of equity securities.
- ii) Net losses on derivative financial instruments represented losses arising on changes in fair value of commodity derivative contracts.

9. TAXATION

	For the six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited) (Restated)
Hong Kong Profits Tax:		
– Current tax	–	–
PRC Enterprise Income Tax (“EIT”):		
– Current tax	221,321	144,909
– Underprovision in prior years	–	(5,491)
Deferred tax:	29,765	13,918
	251,086	153,336

The income tax expense of the Group is recognised based on the PRC EIT rate of 25% (six months ended 30 June 2019: 25%). Certain subsidiaries of the Group were recognised as High-Tech companies and enjoyed a tax rate of 15% during the both periods.

INTERIM FINANCIAL INFORMATION

10. PROFIT FOR THE PERIOD

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

	For the six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited) (Restated)
Write-down of inventories (included in cost of sales)	1,126	10,686
Depreciation of property, plant and equipment	248,380	208,595
Amortisation of right-of-use assets	10,652	8,035
Directors' remuneration	1,487	1,642

Share-based payments expense of approximately RMB6,520,000 (six months ended 30 June 2019: 1,110,000) was recognised in profit or loss during the six months ended 30 June 2020 in respect of restricted shares of a subsidiary of the Group granted in the current period. Details of transactions are set out in note 22.

INTERIM FINANCIAL INFORMATION

11. DIVIDENDS

	For the six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Dividends recognised as distribution during the year:		
1.1.2020 to 30.6.2020: 2019 final dividend of HK39.00 cents (equivalent to RMB35.04 cents) per ordinary share (1.1.2019 to 30.6.2019: 2018 final dividend of HK38.00 cents (equivalent to RMB33.30 cents))	404,261	376,251

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 and 30 June 2019.

INTERIM FINANCIAL INFORMATION

12. EARNINGS PER SHARE

	For the six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited) (Restated)
Earnings for the purposes of calculating basic and diluted earnings per share – Profit for the year attributable to the owners of the Company	836,756	595,875
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,126,627,269	1,126,726,500
Effect of dilutive potential ordinary shares – share options	22,202,044	22,818,755
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,148,829,313	1,149,545,255

13. PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately RMB84,156,000, RMB485,269,000 and RMB48,191,000 (six months ended 30 June 2019: RMB186,430,000 and RMB108,045,000) on additions of machinery and manufacturing plant and construction in progress and others in the PRC respectively. The carrying amount of property, plant and equipment of approximately RMB144,951,000 (six months ended 30 June 2019 (Restated): RMB52,114,000) was derecognised upon disposals of property, plant and equipment with proceeds of approximately RMB136,085,000 (six months ended 30 June 2019: RMB7,489,000), resulting in a loss of approximately RMB8,668,000 (six months ended 30 June 2019 (Restated): RMB44,625,000).

INTERIM FINANCIAL INFORMATION

14. BILLS, TRADE AND OTHER RECEIVABLES

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Trade receivables	1,362,103	861,090
Less: Allowance for credit losses	(231,482)	(219,221)
	1,130,621	641,869
Other receivables	295,658	183,295
Less: Allowance for credit losses	(44,230)	(38,035)
	251,428	145,260
Prepayment	799,051	490,639
PRC value added tax receivables	374,781	236,227
	2,555,881	1,513,995

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

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
0 to 45 days	662,125	338,350
46 to 90 days	299,812	218,825
91 to 180 days	124,551	38,061
181 to 365 days	37,484	19,614
1 year to 2 years	3,970	26,472
Over 2 years	2,679	547
	1,130,621	641,869

INTERIM FINANCIAL INFORMATION

15. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
0 to 180 days	982,010	1,207,570

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

INTERIM FINANCIAL INFORMATION

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Financial assets mandatorily measured at FVTPL:		
Structured bank deposits	1,329,430	804,600
Equity securities listed in PRC	32,341	35,480
Equity securities listed in Hong Kong	32,949	13,990
Commodity derivative contracts	319	32
	1,395,039	854,102

17. BILLS, TRADE AND OTHER PAYABLES

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Trade payables	2,156,981	1,980,354
Bills payables	3,143,848	2,771,524
Other payables and accrued charges	1,977,716	1,994,294
	7,278,545	6,746,172
Less: Amount due and repayable over one year shown under non-current liabilities	(18,120)	—
	7,260,425	6,746,172

INTERIM FINANCIAL INFORMATION

17. BILLS, TRADE AND OTHER PAYABLES (CONTINUED)

The following is an aged analysis of trade payables at the end of the reporting period, presented based on the invoice date:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
0 to 90 days	1,724,232	1,530,362
91 to 180 days	206,277	303,362
181 to 365 days	139,763	75,309
1 to 2 years	45,013	41,329
Over 2 years	41,696	29,992
	2,156,981	1,980,354

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

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
0 to 180 days	3,080,568	2,556,387
181 to 365 days	63,280	215,137
	3,143,848	2,771,524

INTERIM FINANCIAL INFORMATION

18. AMOUNTS DUE FROM (TO) RELATED PARTIES

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Details of the amounts due to related parties are as follows:		
Name of related parties		
濟源市萬洋冶煉(集團)有限公司 Jiyuan City Wangyang Smelting (Group) Co., Ltd. (" Wanyang Group ") (note i)	29,698	20,024

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

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Name of related parties		
Wanyang Group	3,706	3,709

Notes:

- i) 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 Wanyang Group are trade nature and have no fixed repayment terms and ageing less than 180 days.

INTERIM FINANCIAL INFORMATION

19. BORROWINGS

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Bank borrowings	2,462,666	1,323,314
Other borrowings	140,488	189,847
	2,603,154	1,513,161
Secured	494,497	230,214
Unsecured	2,108,657	1,282,947
	2,603,154	1,513,161
Carrying amount are repayable, based on scheduled repayment dates set out in the loan agreements, as follows:		
Within one year	1,761,244	1,260,415
Within a period of more than one year but not exceeding two years	337,544	174,601
Within a period of more than two years but not exceeding five years	504,366	78,145
	2,603,154	1,513,161
Less: Amount due and repayable within one year shown under current liabilities	(1,761,244)	(1,260,415)
Amount shown under non-current liabilities	841,910	252,746

Details of assets pledged by the Group at the end of the reporting period are set out in note 24.

INTERIM FINANCIAL INFORMATION

20. LONG-TERM LOAN NOTES

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Guaranteed loan notes – repayable within one year	399,633	398,853

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 30 June 2020 and 31 December 2019, the amount is stated at amortised cost with effective interest rate at 8.25% per annum.

INTERIM FINANCIAL INFORMATION

21. 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 2019, 31 December 2019, 1 January 2020 and 30 June 2020	2,000,000,000	212,780
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 1 January 2020 (audited)	1,126,726,500	109,905
Repurchase and cancellation of shares	(602,000)	(55)
At 30 June 2020 (unaudited)	1,126,124,500	109,850

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

22. SHARE OPTION SCHEMES

The Company has a share option scheme (the “**Scheme**”) for eligible directors of the Company, eligible employees of the Group and other selected participants. According to the terms of the Scheme, options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1.00. The options may be exercised in accordance with the terms of the Scheme at any time during the exercise period determined by the board of directors which shall in any event not be more than ten years from the date of grant. Share options are vested over a period up to a maximum of four years after the date of grant.

INTERIM FINANCIAL INFORMATION

22. SHARE OPTION SCHEMES (CONTINUED)

The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Scheme to an eligible participant in any 12-month period shall not exceed 1% of the number of shares in issue unless approved by shareholders in a general meeting. The maximum number of shares in respect of which options may be granted under the Scheme shall not in aggregate exceed 10% of the shares in issue on the date on which dealings in the shares first commence on the Hong Kong Stock Exchange, i.e. a total of 100,000,000 shares (the “**Option Limit**”). Pursuant to an annual general meeting held on 16 May 2014, the Option Limit has been refreshed to 10% of the shares in issue on the date of the annual general meeting, i.e. a total of 111,190,800 shares.

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

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

No share option was granted during the period ended 30 June 2020 and 2019.

INTERIM FINANCIAL INFORMATION

22. SHARE OPTION SCHEMES (CONTINUED)

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

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

INTERIM FINANCIAL INFORMATION

22. SHARE OPTION SCHEMES (CONTINUED)

Option	Name of grantee	Date of grant	Exercisable period	Exercise price	Outstanding	Granted	Exercised	Forfeited	Outstanding
					as at 1.1.2019 (unaudited)	during the period (unaudited)	during the period (unaudited)	during the period (unaudited)	as at 30.6.2019 (unaudited)
Directors									
Option C	Huang Dongliang	16.6.2014	16.6.2016 – 15.6.2024	HK\$2.9	20,000	–	–	–	20,000
Option C	Huang Dongliang	16.6.2014	16.6.2017 – 15.6.2024	HK\$2.9	30,000	–	–	–	30,000
Option C	Huang Dongliang	16.6.2014	16.6.2018 – 15.6.2024	HK\$2.9	40,000	–	–	–	40,000
Employees									
Option C	Employees	16.6.2014	16.6.2015 – 15.6.2024	HK\$2.9	157,500	–	–	–	157,500
Option C	Employees	16.6.2014	16.6.2016 – 15.6.2024	HK\$2.9	8,606,000	–	–	(280,000)	8,326,000
Option C	Employees	16.6.2014	16.6.2017 – 15.6.2024	HK\$2.9	12,909,000	–	–	(420,000)	12,489,000
Option C	Employees	16.6.2014	16.6.2018 – 15.6.2024	HK\$2.9	17,212,000	–	–	(560,000)	16,652,000
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	–	–	(1,260,000)	38,394,500
Exercisable at the end of the period									38,394,500
Weighted average exercise price					HK\$2.9			HK\$2.9	HK\$2.9

INTERIM FINANCIAL INFORMATION

22. SHARE OPTION SCHEMES (CONTINUED)

At 30 June 2020, the total number of shares in respect of which options under the Scheme had been granted and remained outstanding was 36,779,000 (at 30 June 2019: 38,394,500), representing 3.27% (2019: 3.41%) 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 3.9 (2019: 4.9) years.

No option was exercised during the period ended 30 June 2020 and 2019.

During the period ended 30 June 2020 and 2019, no expenses was recognised in relation to share options.

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).

22. SHARE OPTION SCHEMES (CONTINUED)

Share award scheme of a subsidiary of the Company

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

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

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

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

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

The fair values of restricted shares granted to the Selected Employee amounted to approximately RMB178,767,000. For the period ended 30 June 2020, an expense of approximately RMB6,520,000 (2019: RMB1,110,000) was recognised by the Group in relation to restricted shares granted by Tianneng Battery under the Share Award Scheme.

INTERIM FINANCIAL INFORMATION

23. CAPITAL COMMITMENTS

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

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Property, plant and equipment – Contracted but not provided for	763,150	852,123

24. PLEDGE OF ASSETS

At the end of the reporting period, the Group has pledged the following assets to secure the general banking facilities granted to the Group.

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Bank deposits	1,085,262	1,291,326
Financial assets at FVTPL – Structured bank deposits	1,329,430	804,600
Debt instruments at FVTOCI	588,058	722,204
Right-of-use assets	144,840	–
Property, plant and equipment	702,216	72,892
	3,849,806	2,891,022

INTERIM FINANCIAL INFORMATION

25. RELATED PARTY TRANSACTIONS

Related party transactions

During the six months ended 30 June 2020 and 2019, the Group had the following transactions with its related companies:

		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Changxing Jin Ling Hotel (note i)	Hotel expenses	457	1,307
Xin Xin Packaging	Purchase of consumables	105	244
Wanyang Group	Purchase of materials	1,596,429	331,404
Wanyang Group	Sales of materials	17,582	51,327
Wanyang Group	Rental paid	-	1,124

Note:

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

26. CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (31 December 2019: nil).

INTERIM FINANCIAL INFORMATION

27. EVENTS AFTER THE REPORTING PERIOD

Proposed A Shares listing of the spin-off company on the Shanghai stock exchange

References are made to the announcements of the Company dated 6 July 2020, the Listing Committee for Science and Technology Innovation Board of the Shanghai Stock Exchange (the “**Committee**”) in 2020 (the “**Meeting**”) was held on 6 July 2020. In accordance with the review results of the Meeting, the issue of A shares by the spin-off company and the listing of the A shares of the spin-off company on the Science and Technology Innovation Board of the Shanghai Stock Exchange has been approved by the Committee.

28. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 29 August 2020.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2020, apart from the details as follows, the Directors and chief executive do not have any other interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Ordinary shares of HK\$0.1 each of the Company

Name	Capacity	Number of shares held (Note 1)	Aggregate approximate percentage of issued share capital of the Company (Note 7)
Zhang Tianren	Interest of a controlled corporation (Note 2)	410,355,650 (L)	36.44%
	Interest of spouse (Note 2)	438,000 (L)	0.04%
Zhang Aogen	Interest of a controlled corporation (Note 3)	13,641,022 (L)	1.21%
Zhang Kaihong	Interest of a controlled corporation (Note 4)	18,884,174 (L)	1.68%
Shi Borong	Interest of a controlled corporation (Note 5)	15,686,141 (L)	1.39%
Zhou Jianzhong	Interest of a controlled corporation (Note 6)	2,362,815 (L)	0.21%
Huang Dongliang	Beneficial owner	240,000 (L)	0.02%

Notes:

- The letter “L” denotes long position in the shares of the Company.
- The 410,355,650 shares of the Company were held by Prime Leader Global Limited, which was wholly owned by Dr. Zhang Tianren. The interest in 438,000 shares arises from the share options granted to Ms. Yang Yaping, spouse of Dr. Zhang Tianren.

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3. The 13,641,022 shares of the Company were held by Top Benefits International Limited, which was wholly owned by Mr. Zhang Aogen.
4. The 18,884,174 shares of the Company were held by Plenty Gold Holdings Limited, which was wholly owned by Mr. Zhang Kaihong.
5. The 15,686,141 shares of the Company were held by Precise Asia Global Limited, which was wholly owned by Mr. Shi Borong.
6. The 2,362,815 shares of the Company were held by Centre Wealth Limited which was wholly owned by Mr. Zhou Jianzhong.
7. Shareholding percentage is based on 1,126,124,500 issued shares of the Company as at 30 June 2020.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders, other than a Director or chief executive of the Company, had notified the Company of relevant interests and short positions in the shares or underlying shares or debentures of the Company which would have to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO in the issued share capital of the Company:

OTHER INFORMATION

Ordinary shares of HK\$0.1 each of the Company

Name of Shareholder	Capacity	Number of shares held (Note 1)	Approximate percentage of issued share capital of the Company (Note 4)
Zhang Tianren	Interest of a controlled corporation (Note 2)	410,355,650 (L)	36.44%
	Interest of spouse (Note 2)	438,000 (L)	0.04%
Prime Leader Global Limited	Beneficial owner	410,355,650 (L)	36.44%
UBS AG	Person having security interest in shares	64,519,099 (L) 55,960,717 (S)	5.73% 4.97%
UBS Group AG	Person having security interest in shares (Note 3)	67,176,380 (L) 65,602,917 (S)	5.97% 5.83%

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.

OTHER INFORMATION

3. Pursuant to Part XV of the SFO, as at 30 June 2020, UBS Group AG is deemed or taken to be interested in 67,176,380 shares (long position) and is holding a short position in 65,602,917 shares of the Company. The details of the shareholding interests of the subsidiaries directly controlled by UBS Group AG are set out below:

Name of controlled subsidiary	Number of share
UBS AG	64,519,099 (L) 55,960,717 (S)
UBS Asset Management Trust Company	30,000 (L)
UBS Securities LLC	2,575,281 (L) 9,642,200 (S)
UBS Fund Management (Switzerland) AG	52,000 (L)

4. Shareholding percentage is based on 1,126,124,500 issued shares of the Company as at 30 June 2020.

SHARE OPTIONS

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed by the shareholders on 26 February 2007 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. Details of the Scheme are set out in the Note 22 to the financial statements. An ordinary resolution was passed at the annual general meeting of the Company held on 16 May 2014 (the "**Annual General Meeting**") relating to the refreshment of scheme mandate limit of the Scheme as set out in the supplemental notice of the 2014 Annual General Meeting. The Scheme expired on 10 June 2017.

OTHER INFORMATION

On 30 March 2009, a total of 36,340,000 share options were offered to the eligible participants under the Scheme. 35,310,000 share options were accepted and granted on the same day. On 22 November 2010, a total of 44,720,000 share options were offered and granted to Directors and eligible participants under the Scheme. After the refreshment of the Scheme, on 16 June 2014, a total of 58,660,000 options were offered and granted to Directors and eligible participants. The details movement of Company's share options during the 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 2020	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 Scheme during the period	Number of options outstanding as at 30 June 2020	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	-	37,066,500	-	-	-	(1,057,500)	36,009,000	3.2%
						37,836,500	-	-	-	(1,057,500)	36,779,000	3.27%

On 18 May 2018, the Company by ordinary resolution approved the adoption of a new shares 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.

SHARE AWARD SCHEME

Pursuant to the shareholders' resolution approved on 23 May 2019, Tianneng Battery, a wholly-owned subsidiary of the Company, adopted a share award scheme for eligible senior management and eligible employees of Tianneng Battery and its subsidiaries (the "**Selected Employee**"). The shares of Tianneng Battery to be issued to the Selected Employees who are connected persons of the Company amount to 0.19% of the shares of the Tianneng Battery. Details are set out in Note 22 and the circular of the extraordinary meeting dated 24 June 2019.

OTHER INFORMATION

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

During the reporting period, the Company repurchased a total of 602,000 Shares of HK\$0.10 each in the capital of its own shares on the Hong Kong Stock Exchange, details of which are as follows:

Date of repurchase	Number of Shares repurchased	Highest price paid per Share (HK\$)	Lowest price paid per Share (HK\$)	Approximate aggregate consideration (HK\$) (exclude relevant expenses)
1 June 2020	<u>602,000</u>	8.88	8.68	<u>5,299,620</u>
	<u>602,000</u>			<u>5,299,620</u>

The issued share capital of the Company was reduced by the par value of the repurchased Shares which had been cancelled on 30 June 2020. The repurchases of Shares were effected by the Directors pursuant to the general mandate to repurchase Shares which was duly approved by the Shareholders at the annual general meeting of the Company held on 22 May 2020.

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

Except as disclosed above, during the reporting period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
Zhang Tianren
Chairman

Hong Kong, 29 August 2020