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

2024
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. ZHANG Yong
Mr. XIAO Gang

AUDIT COMMITTEE MEMBERS

Mr. HUANG Dongliang *(Chairman)*
Mr. ZHANG Yong
Mr. XIAO Gang

REMUNERATION COMMITTEE MEMBERS

Mr. XIAO Gang *(Chairman)*
Mr. HUANG Dongliang
Mr. ZHANG Aogen

NOMINATION COMMITTEE MEMBERS

Dr. ZHANG Tianren *(Chairman)*
Mr. HUANG Dongliang
Mr. XIAO Gang

COMPANY SECRETARY

Ms. HUI Wai Man Shirley

AUDITOR

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LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 00819

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

Tianneng Power International Limited (the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**" or "**Tianneng**"), founded in 1986, is a leading company in the new energy battery industry and light electric vehicles battery industry in the People's Republic of China (the "**PRC**" or "**China**"). In 2007, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (Stock Code: 00819.HK). After more than 35 years of development, the Group has become a new energy group focused on motive batteries for light electric vehicles, energy storage systems ("**ESS**") for power generation side and power consumption side, ESS for industrial and commercial users, "dual recycling" industries such as lead recycling and lithium recycling as well as integrating the research and development ("**R&D**"), production and sale of various types of batteries (including starter and start-stop batteries for automobiles, motive batteries for special industrial vehicles, hydrogen fuel cells and sodium-ion batteries), and green and intelligent manufacturing.

OPERATION REVIEW

During the six-month period ended 30 June 2024 (the "**Reporting Period**"), the Group put emphasis on building new quality productive forces by leveraging the initiatives of "industry, technology, and capital" together with "digital intelligence, platformisation, and internationalisation" to create a new blueprint of Tianneng. The Group has adhered to the principle that "technological innovation is the core element for developing new quality productive forces" and has further upgraded and optimised the production process of lead-acid batteries. It has also endeavoured to explore the layout and application of emerging batteries such as lithium, hydrogen, sodium, and solid-state batteries. At the same time, the Group is committed to addressing global climate challenges. Through green and intelligent manufacturing as well as circular economy, it has enhanced production efficiency and environmental protection to establish a sustainable supply chain, which is in line with China's development goals of high-quality development and modernised governance.

Tianneng has positioned technological innovation as the core driver of its product strength. The Group has formed a "dual-core" layout of "motive batteries & ESS" by achieving synergy between lead-acid and lithium-ion ("**Li-ion**") batteries in a traditional way and accelerating the iteration of emerging technologies such as hydrogen fuel cells, sodium-ion batteries, and solid-state batteries in the new domain. During the Reporting Period, the Group launched cutting-edge products such as the first lead-acid battery for electric motorcycles, the new generation of sodium-ion motive battery "Tianna (天鈉) T2" and "Sodium Storage (鈉儲) No. 1" for ESS; successfully developed the first pure gel storage battery for forklift trucks in China as well as high-energy-density and high-safety solid-state batteries; lithium manganese iron phosphate batteries also passed the safety test. We have realised the application in multiple scenarios and breakthroughs in key technologies.

Tianneng aims at achieving sustainability for productivity. The Group is focused on the battery industry, with over 90% of its battery products used in light electric vehicles which have inherent low-carbon advantages in the transportation sector. The Group has incorporated green and intelligent manufacturing into its development strategy, which optimised production processes, and increased automation coverage and production efficiency. Through the development and integration of a number of digital management systems, the Group has also enhanced the digitalisation level for its production management. Meanwhile, the Group is committed to establishing an ecology across the entire battery industry chain, and has established four lead-acid battery circular economy industrial parks and two Li-ion battery circular economy industrial parks in China. The Group has achieved a recycling rate of each component of waste lead-acid batteries of over 99% and a sulphate recovery rate for waste Li-ion batteries of over 98.5%, as well as a lithium carbonate recovery rate of 90%.

The philosophy behind Tianneng's brand promotion is to keep abreast of the times. With over 3,000 distribution and after-sales service outlets, covering more than 400,000 terminal stores in China, the Group provides replacement and repair services to 400 million light electric vehicle users and is one of the most recognised battery brands in the market. The Group has taken advantage of big data technology and the emerging Internet market, by leveraging digitalisation to empower its marketing and assist its partners to streamline their operations and management. During the Reporting Period, the Group facilitated the promotion of its digital marketing model, upgraded the Tianneng Innovation Cloud Business Model, and built tens of new online and offline integrated service experience centres, which boosted the growth of customised product sales and resulted in significant quality enhancement of the channels, further improving its competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS

Internationalisation is the direction in which Tianneng is boldly moving forward. The Group is actively accelerating its pace with its innovative philosophy by marketing its tailored battery products and energy solutions to global markets in a rapid manner. Tianneng's overseas business has spread to Southeast Asia, Europe, Africa and other countries and regions: the first overseas intelligent manufacturing base landed in Vietnam, which has become a strategic bridgehead for penetrating the Southeast Asian market; signed Tianneng brand cooperation agreements with tens of overseas partners; rolled out its terminal distribution and after-sales service network; and launched products in a number of internationally renowned exhibitions, which have earned recognition from clients around the world. Leveraging the technological innovation achievements in green energy products and the industry experience accumulated over the years, the Group has firm confidence in further expanding its international market presence.

INDUSTRY DEVELOPMENT AND OPERATION

During the Reporting Period, the Group's manufacturing business contributed revenue of approximately RMB21,211 million. The industry development and operating conditions for each main business are as follows:

(1) High-end eco-friendly batteries

High-end eco-friendly batteries are a series of sealed maintenance-free lead-acid battery products created by the Group relying on its R&D and technology innovations, which include motive batteries, ESS batteries as well as starter and start-stop batteries for automobiles. During the Reporting Period, the high-end eco-friendly batteries business of the Group recorded an operating income of approximately RMB19,252 million.

Motive lead-acid batteries

The Group has always regarded lead-acid battery business as a strategic priority. While actively exploring and positioning itself in emerging business fields, the Group has also invested substantial resources to consolidate and strengthen its leading position in lead-acid battery business. During the Reporting Period, the Group's motive lead-acid battery business has recorded an operating income of approximately RMB18,884 million.

MANAGEMENT DISCUSSION AND ANALYSIS

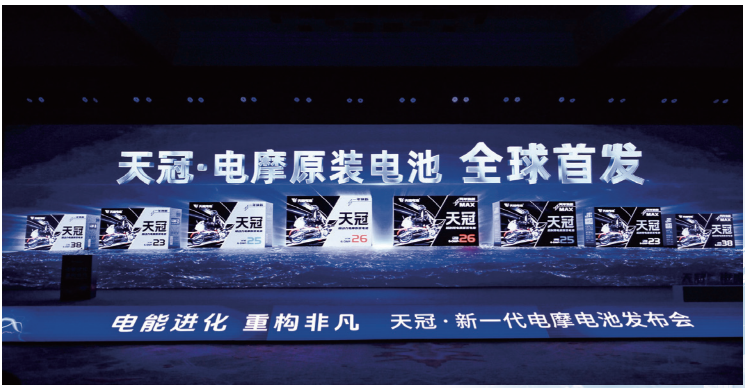
Lead-acid batteries have a development history of over 160 years and are still the "heart" and energy carrier for transportation tools, which highly cater to the demand for the application scenario of light electric vehicles with their features. They are the mainstream motive batteries in the market. According to data from 2018 to 2023 from iResearch, the sales volume of two-wheeled electric vehicles in China increased from approximately 32.2 million units to approximately 55 million units, with a compound annual growth rate (CAGR) of 11.3%. Furthermore, according to data from the China Bicycle Association, the ownership of two-wheeled electric vehicles in China reached approximately 400 million units in 2023. The new vehicle sales market and the huge existing market have led to the steady growth of the demand for motive lead-acid batteries annually.

The Group has been deeply engaged in the field of motive lead-acid batteries for nearly 40 years and has been leading the industry to experience qualitative changes with revolutionary technologies. In 2011, Tianneng launched the industry's first fully automated battery assembly production line; in 2015, it established China's first fully automated continuous casting, rolling, stamping, and coating production line for battery plates; in 2022, the intelligent factory with the entire industrial chain was put into operation; in 2023, it released the industry's first intelligent manufacturing platform for the entire life-cycle key technology. The Group currently has an annual production capacity of approximately 130GWh for lead-acid batteries. Through continuous exploration of a high-quality production model with technological innovation as its core, the Group has become an efficient production model in terms of digitalisation, intelligentisation and automation.

In terms of the market, the Group has established an extensive distribution and after-sales service network, covering more than 400,000 terminal stores nationwide. Through close cooperation with more than 3,000 distributors, the Group has established an efficient information feedback mechanism to keep track of inventory and sales in the downstream market. The digital marketing model has greatly optimised the Group's flexible manufacturing, enabling it to respond to changes in market demand in a rapid and accurate manner, adjust production plans, thereby significantly improving its operational efficiency.

During the Reporting Period, the Group has built a diversified brand matrix in response to the growing demand for both traditional and emerging markets, and launched a number of new motive battery products to compete in different segments with differentiated products. Faced with the rapidly rising electric motorcycle market, the Group has launched its first lead-acid battery series specifically designed for electric motorcycles, which has expanded the application boundaries of lead-acid batteries in the motive field. At the same time, through the application of critical technologies such as micro-nano lead-carbon and multi-composite rare earth alloys, the Group has launched a number of motive and long-range lead-acid battery products applicable for three-wheeled electric vehicles and other scenarios. Leveraging its outstanding performance in the logistics equipment and industrial vehicles, the Group was awarded the "Most Popular Logistics Equipment Award" and the "Industrial Vehicle (Forklift) Supply Chain Excellence Award" at the China International Logistics Equipment & Technology Exhibition 2024 (LET-a CeMAT ASIA event).

To seize the opportunities in the light electric vehicle market overseas, the Group has strived to push forward its internationalisation strategy and has expanded its overseas markets. The construction of the Group's production base in Vietnam is progressing in an orderly manner. In April 2024, Dr. Zhang Tianren, the Chairman of the Board, was invited to attend the "China-Vietnam Trade and Investment Cooperation Promotion Forum". With Vietnam as a starting point, the Group has gradually upgraded from "selling out" to "going out", including new offices established in Southeast Asia, Europe, and the Americas; contracts with dozens of overseas partners; frequent appearances at international exhibitions such as the EV TREND KOREA in Seoul and the ESS Europe in Munich, Germany. As a green planet and a zero-carbon future requires higher-quality global cooperation, the Group will deeply integrate into the global market, achieving better development in the construction of a new win-win cooperation pattern.



MANAGEMENT DISCUSSION AND ANALYSIS

Lead-carbon batteries for ESS

Lead-carbon ESS batteries have become an essential player in electrochemical energy storage. They possess distinct advantages regarding safety, production and recycling processes, cycle life, and cost-effectiveness. Their application prospects are broad in the scenarios that requires the highest standards of safety, such as big data centres, new energy power stations and communication bases. During the Reporting Period, the lead-carbon ESS battery business of the Group recorded an operating income of approximately RMB160 million.

The Group's lead-carbon ESS business is primarily engaged in the provision of lead-carbon ESS cells. Leveraging its extensive experience in the lead-acid battery field, the Group has advantages in production, technology, products and cost in the lead-carbon sector. Currently, the Group's lead-carbon ESS batteries are able to share the production line with lead-acid motive batteries, and the production plan can be adjusted according to market demand, resulting in excellent product performance.

During the Reporting Period, the Group launched the OPzV-1000 valve-regulated gel lead-carbon battery, which effectively addresses specific issues such as "low energy efficiency, short life, and long charging time", and exceeds the expectations for ESS stations' requirements of "high energy efficiency, long-duration ESS, and maintenance-free". This breakthrough has overcome the limitations of lead-carbon ESS technology for long-duration ESS. For downstream applications, the "Peaceful Co-storage" power station project located in Changxing County, Huzhou City, Zhejiang Province, contains approximately 3 million lead-carbon batteries. Since its completion and commissioning in March 2023, it has fully demonstrated the superior performance of lead-carbon batteries in ESS applications.

Other high-end eco-friendly batteries

Due to their excellent characteristics, lead-acid batteries are also widely applied in other fields, including the starter and start-stop system for automobiles. During the Reporting Period, other high-end eco-friendly battery business of the Group recorded an operating income of approximately RMB208 million.

In terms of starter and start-stop batteries for automobiles, the Group has established close cooperation with well-known enterprises such as China National Heavy Duty Truck Group Co., Ltd., SAIC-GM-Wuling Automobile Co., Ltd., and Naveco Automobile Co., Ltd., for mass supply; realised online and offline sales of its battery co-named with JD Auto (京東汽車) in various channels; jointly released a series of automobile batteries with Beijing Foton Daimler Automotive Co. Ltd. with satisfactory performance in all aspects such as starting, parking time, service life, and suspension, which are applicable for its mainstream truck models. All indicators are far ahead of the industry average.

(2) New energy batteries

The Group's new energy batteries business focuses on the R&D, production and sales of Li-ion batteries, hydrogen fuel cells and sodium-ion batteries. During the Reporting Period, the Group's new energy batteries business recorded an operating income of approximately RMB187 million.

Li-ion batteries

2024 is a crucial year for China's implementation of the "14th Five-Year Plan". New energy storage is becoming the "new driver" of economic development, accelerating the transition from commercialisation at the initial stage to large-scale development, which is in line with the goals in the New Energy Storage Development Implementation Plan in the "14th Five-Year Plan". Leveraging its advantage of mastering various battery technology systems, the Group is pursuing simultaneous development of lead-carbon ESS, Li-ion ESS, hydrogen ESS, and sodium ESS batteries by providing customised intelligent ESS solutions for customers in different scenarios and needs.

The Group's current capacity of Li-ion battery ESS is 10GWh, covering various ESS application scenarios such as power generation, grid, industrial and commercial, telecommunications, and residential ESS. During the Reporting Period, the Group released a new generation of 5MWh intelligent liquid-cooled ESS. Its wide-temperature adaptability, safety, and recycling life are at the industry's leading level, allowing the system to unleash greater value and providing stable and reliable power support for various application scenarios.

In terms of the market, the Group has become a strategic cooperative supplier of Zhongxing Telecommunication Equipment Corporation (ZTE) and signed strategic cooperation framework agreements with several well-known domestic energy storage construction institutions. The Group has strengthened cooperation in various areas, such as the supply of ESS cells and system integration, independent ESS power stations, wind and solar power station projects, and telecommunications ESS construction, to jointly promote the implementation of ESS projects and accelerate the rapid development of the new energy storage industry.

As a leading enterprise in the new energy industry, the Group shoulders the common mission of leading energy development and empowering a better life by exploring and co-developing intelligent ESS solutions and new business ecosystems, so as to facilitate the upgrade of the new energy industry and the harmonious coexistence with nature, and drive the economic and social transformation towards zero-carbon and sustainability.

Hydrogen fuel cells

In August 2023, the first "Guidelines for the Construction of Hydrogen Energy Industry Standard System (2023 Edition)" (《氫能產業標準體系建設指南(2023版)》) at the national level was jointly issued by six authorities, including the National Development and Reform Commission of the PRC clarified the key missions of domestic and international hydrogen energy standardization. The development of integrated hydrogen and electricity paves an important path for China to implement energy transformation and the dual-carbon strategy. The Group will build a future-oriented zero-carbon energy system to release more incredible "hydrogen energy."

Tianneng is committed to becoming the "chain leader" of the hydrogen energy industry chain in various regions and accelerating industrial development through resource integration. The Group has mastered the key technologies in system integration, system control, fuel cell stack design, and membrane electrode assembly production. Specifically, the system integration technology with a wide power range features a flexible and modular design. The system control technology realised advanced management through closed-loop control and intelligent sensing technologies. The fuel cell stack design technology focuses on flow field design and key performance, ensuring reliable and durable stacks. The membrane electrode assembly production technology combines advanced production techniques and high-performance catalysts, with a theoretical life of up to 20,000 hours.

MANAGEMENT DISCUSSION AND ANALYSIS

When promoting the integration of hydrogen and electricity, the Group has accelerated the consolidation of comprehensive hydrogen energy solutions, currently covering various applications such as buses and loaders. The Group has collaborated with Geely Sichuan Commercial Vehicle Co., Ltd. (吉利四川商用車有限公司) and Xiamen King Long United Automotive Industry Co., Ltd. to deliver hydrogen-powered buses in provinces such as Zhejiang and Jiangsu, making a positive contribution to local zero-carbon transportation and urban carbon reduction. The Group's "80kW Hydrogen Fuel Cell System" equipped on China's first batch of hydrogen-powered loaders has demonstrated stable performance in the face of complex transportation and changing environments. Owing to its breakthrough achievements in the loader field, the Group was awarded the "Annual Best Innovation Project Award for Achieving Dual-Carbon Goals" at the China Energy Development and Innovation Forum.

Sodium-ion batteries

Sodium-ion batteries with significant advantages in terms of material acquisition, production cost, and safety performance are one of the Company's important strategic directions for sustainable development and innovation. The Group has established a professional R&D and operation team focusing on the layout and development of the sodium-ion battery business, so as to continuously improve the performance and reliability of sodium-ion battery products.

In the motive batteries for the light electric vehicle market, sodium-ion battery and Li-ion battery technologies are complementary and are expected to penetrate a portion of the high-end vehicle market. During the Reporting Period, the Group launched the "Tianna (天鈉) T2" motive battery for two-wheeled electric vehicles, which uses a layered oxide technology route and has better overall performance, with advantages such as higher energy density, higher rate performance, easier technology transfer, and higher development potential.

In terms of ESS, the Group's iron-based polyanionic phosphate sodium-ion batteries are a powerful guarantee for the future large-scale development of ESS. "Sodium Storage (鈉儲) No. 1", the Group's first NFPP polyanion system sodium-ion battery cell, has a stable structure, outstanding low-temperature discharge performance, and is not susceptible to over-discharge and easy to transport, and has low maintenance, providing a wider choice of ESS scenarios for power generation, grid, industrial and commercial, residential and mobile.

(3) Recycling industry

The Group focuses on the battery industry and is committed to building a battery recycling industry chain integrating production, recycling, smelting and reproduction. Two recycling economy ecosystems of lead-acid batteries and Li-ion batteries have been deployed so as to implement the extended producer responsibility system. During the Reporting Period, the Group's recycling industry recorded an external operating income of approximately RMB1,554 million.

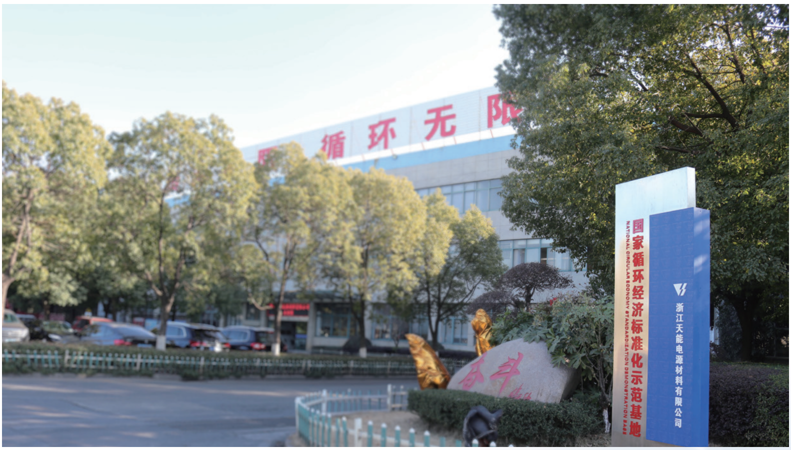
Recycling lead-acid batteries

As one of the world's largest lead-acid battery manufacturers and lead recycling companies, the Group is the first to implement full life cycle management of batteries in the industry. During the Reporting Period, the Group's lead-acid battery recycling business recorded an operating income of approximately RMB1,286 million.

According to the report published by Technavio, the global lead-acid battery recycling market is expected to grow at a CAGR of 8.3% from 2023 to 2028, with the market size projected to increase by US$3.41 billion. The Group currently has an annual disposal capacity of 1 million tons of waste lead-acid batteries, and is continuously enhancing its recycling and disposal capabilities to form a stable and sustainable supply chain, successfully increasing the utilisation rate of its production capacity. In terms of recycling, the Group has further expanded the coverage of its recycling channels and improved the transparency and efficiency of the recycling process through a digital management system. By cooperating with various upstream and downstream enterprises, the Group has formed a well-structured industrial chain circular economy model, promoting the reuse of resources in an effective manner and achieving a win-win situation in terms of environmental and economic benefits.

In terms of disposal, the Group has strengthened its technological innovation in recycling. On the production side, the Group has developed technologies such as high-performance lead-based alloys, pre-treatment for ammonia-nitrogen wastewater, and film carbonisation, which have significantly improved the purity of products and recycling efficiency. On the quality side, the Group has established a top-down quality control system and strengthened quality supervision, with its recycled products, which gained recognition in the market. On the operation side, the Group has strengthened the collection and analysis of big data on production and operation, improving its operational efficiency and market judgment. During the Reporting Period, the price of waste lead-acid batteries experienced a decline before rising, showing a fluctuating upward trend. As market competition intensifies, technological quality is of paramount importance to the enhancement of core competitiveness.

During the Reporting Period, the Group's waste lead-acid battery recycling project in a circular economy industrial park in Changxing County, Huzhou City, Zhejiang Province, became the first "National Circular Economy Standardisation Demonstration Project" in Zhejiang Province. This project, through the transformation of a typical model into a national standard, has provided guidance for industrial development. In June 2024, the Economy and Information Technology Department of Zhejiang Province issued a "Notice on Publishing the List of Upstream and Downstream Joint Ventures across the Industrial Chain in Zhejiang Province", in which a joint venture in respect of the motive resource recycling led by Zhejiang Tianneng Power Supply Material Co., Ltd. (浙江天能電源材料有限公司), a subsidiary of the Group, was selected.



Recycling Li-ion batteries

The Group's Li-ion battery recycling business is mainly for the recycling and disposal of new energy vehicle batteries, consumer batteries and ESS batteries. The main outputs are cobalt sulfate, nickel sulfate, manganese sulfate and lithium carbonate. During the Reporting Period, the Group's Li-ion battery recycling business recorded an operating income of approximately RMB268 million.

According to the statistics from a research institute, EVTank, the actual recycling amount of used Li-ion batteries in 2023 was around 623,000 tons. The Group has developed the capacity to process and recycle 10,000 tons of waste NCM Li-ion batteries annually. During the Reporting Period, the construction of new capacity at the base in Binhai County, Jiangsu Province has been progressing steadily, with an annual disposal capacity of 60,000 tons expected to be commissioned within the year. Meanwhile, the Group has also built an annual disposal capacity of 3,000 tons for waste lithium iron phosphate batteries at the base in Binhai County, which can produce battery-grade lithium carbonate and iron phosphate. The experimental results of the hydrometallurgy method for lithium iron phosphate have demonstrated reliable recovery rates and stability.

The Group took advantages of the dual white lists for "echelon utilisation, recycling utilisation" of used motive batteries published by the Ministry of Industry and Information Technology (MIIT) of China to actively integrate upstream and downstream resources. The Group facilitated the development layout of "urban mines" by forming a three-dimensional Li-ion battery recycling network which is covered across China, and building an industrial model of battery manufacturing, sales, recycling, and reuse. Through in-depth network channels in various districts and counties, large-scale systematic operations, and top-down targeted strategic promotion, it has strengthened cooperation with vehicle-to-everything (V2X) platforms, vehicle manufacturers, and vehicle dismantling plants, to freeze the residual life of batteries in advance, and to consolidate the upstream channels of battery recycling.

Furthermore, the Group has extensive experience in Li-ion battery recycling and has made technological improvements across multiple processing stages at its base in Binhai County, including intelligent sorting technology for safe disassembly without discharge, directional pyrolysis for disassembled materials, co-processing technology for NCM & LFP, as well as cryogenic lithium extraction technology. These technologies have reduced costs and increased efficiency in an effective manner, enabling the Group to achieve industry-leading recovery rates for various metal materials, while also minimising waste pollution and enhancing product value.

During the Reporting Period, Tianneng New Materials Co., Ltd., which is principally engaged in Li-ion battery recycling and a subsidiary of the Group, was selected as a national-level "Green Factory" in accordance with the 2023 Green Manufacturing List published by MIIT. As the scale of the Li-ion battery recycling market continued to grow with rising demand for Li-ion battery recycling and environmental awareness around the globe, the Group has closely followed market trends and expanded its recycling business in its best effort to further enhance its competitiveness in the Li-ion battery recycling market through measures such as building capacity, recycling channel, technological innovation and product enhancement.

OUTLOOK

The year 2024 presents a landscape brimming with opportunities and challenges. The Group will adhere to the development directions of "focusing on high-quality growth and cultivating sustainability", to accelerate the creation of Tianneng's new productive force. Driven by technological innovation, with a focus on structural adjustments, the Group will prioritise the transformation and upgrade of the new energy industry and channel its full efforts into nurturing the two core industrial ecosystems, namely motive batteries and ESS. Meanwhile, capitalising on the advantages of the circular economy, which will leverage the full life cycle of our battery business to enhance overall efficiency.

The Group has always been driven by the mission in response to global environmental challenges. Looking ahead, optimisation of the green industrial system with a closed-loop full life cycle for "lead-acid" and "lithium" remains a key development goal of the Group. Leveraging its technological strengths, the Group will fully harness the driving force arising from technological innovation to provide more clean energy system solutions in response to the "Dual Carbon" strategy, making greater contributions to the construction of an ecological civilisation in China.

MANAGEMENT DISCUSSION AND ANALYSIS

The international market is set to become the new stage for the Group's future development. Following the establishment of local offices, the expansion of overseas sales channels, and the construction of factories in Vietnam, the Group will continue to explore overseas markets and support China's "Belt and Road" initiative in a proactive manner, by marching into Southeast Asian market as a start and collaborating with more like-minded partners to enhance its influence in the overseas markets and seize the initiative in the competitive global market.

FINANCIAL REVIEW

Turnover

The Group's turnover for the Reporting Period was approximately RMB49,915 million, representing an increase of approximately 20.36% as compared with the same period last year. Of which, turnover from the manufacturing industry was RMB21,211 million, representing a decrease of approximately 1.99% as compared with the same period last year, turnover from trading was RMB28,704 million, representing an increase of approximately 44.75% as compared with the same period last year.

Gross profit

The gross profit for the Reporting Period was approximately RMB2,546 million, representing a decrease of approximately 16.08% as compared with the same period last year. Of which, the gross profit margin of the manufacturing industry was approximately 12.12%, representing a decrease of approximately 2.01 percentage points as compared with the same period last year. It was mainly attributable to the increase in costs of main products as compared with the same period last year.

Other income

The Group's other income for the Reporting Period was approximately RMB1,242 million (for the six months ended 30 June 2023: approximately RMB785 million), representing an increase of approximately 58.29% as compared with the same period last year. It was mainly attributable to the increase in government subsidies and interest income.

Distribution and selling expenses

Distribution and selling costs decreased to approximately RMB643 million for the Reporting Period from approximately RMB674 million in the same period last year, which was mainly attributable to the decrease in salaries, travelling fees and entertainment fees.

Administrative expenses

Administrative expenses decreased to approximately RMB651 million for the Reporting Period from approximately RMB696 million in the same period last year, which was mainly attributable to the decrease in salaries of our employees.

Research and development costs

R&D costs increased to approximately RMB942 million for the Reporting Period from approximately RMB829 million in the same period last year, which was mainly attributable to the increase in the number of R&D projects and optimisation of the R&D team.

Finance costs

Finance costs increased to approximately RMB282 million for the Reporting Period from approximately RMB238 million in the same period last year, which was mainly due to the increase in loan size.

Operating activities cash flow

The net cash flow generated from operating activities of the Group changed to net cash outflow of approximately RMB162 million for the Reporting Period from net cash inflow of RMB1,531 million in the same period last year. It was mainly attributable to the increase in the inventory scale.

As at 30 June 2024, the equity attributable to the owners of the Company amounted to approximately RMB15,990 million (31 December 2023: approximately RMB15,860 million). The Group's capital structure is equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

As at 30 June 2024, the Group had total assets of approximately RMB54,288 million, which increased by approximately 16.12% as compared with approximately RMB46,751 million as at 31 December 2023, including total current assets of approximately RMB33,860 million and total non-current assets of approximately RMB20,429 million, which increased by approximately 15.40% and 17.33% as compared with the amount as at 31 December 2023, respectively. The increase in the current assets was mainly due to the increase in inventory, account receivable and bank deposits. The increase in the non-current assets was mainly due to the increase in deposits for the acquisition of property, plant and equipment and restricted bank deposits.

As at 30 June 2024, the total liabilities of the Group were approximately RMB35,544 million, which increased by approximately 25.57% as compared with approximately RMB28,306 million as at 31 December 2023, including total current liabilities of approximately RMB28,299 million and total non-current liabilities of approximately RMB7,244 million, which increased by approximately 21.53% and increased by approximately 44.30% as compared with the amount as at 31 December 2023, respectively. The increase in the current liabilities was mainly due to the increase in contract liabilities and short-term loans held by the Group. The increase in the non-current liabilities was mainly due to the increase in long-term borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2024, the cash and bank balances of the Group (including pledged bank deposits and bank deposits) were approximately RMB19,493 million (31 December 2023: approximately RMB15,435 million), of which approximately RMB95 million and approximately RMB131 million are denominated in US dollars and Hong Kong dollars, respectively. As at 30 June 2024, the interest bearing borrowings and loan notes (together, "**interest bearing loans**") of the Group with maturity of within one year amounted to approximately RMB9,334 million (31 December 2023: approximately RMB6,248 million). The interest bearing loans with maturity of more than one year amounted to approximately RMB4,998 million (31 December 2023: approximately RMB2,833 million). The interest bearing loans of approximately RMB14,279 million were denominated in RMB. The loans denominated in RMB had fixed interest rates ranging from approximately 2.28% to 5.50% (2023: approximately 2.50% to 5.85%) per annum. In conclusion, the borrowings of the Group as at 30 June 2024 remained at a healthy and controllable level. With unutilised credit facilities of approximately RMB20,346 million, the Group will take a cautious stance and maximise the interests of the shareholders and the Company will strike a balance between borrowings and funding utilisation. Moreover, with continuously improving the fund structure as its financial objective in the long run, the Group will optimise its loan structure with further use of long term loans.

Pledge of assets

As at 30 June 2024, 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 RMB10,971 million (31 December 2023: approximately RMB7,932 million).

Gearing ratio

As at 30 June 2024, 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 26.40% (31 December 2023: approximately 19.42%).

Exposure to exchange rate fluctuations

As the Group's operations were mainly conducted in China and the majority of its businesses were transacted in RMB, 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 2024 (31 December 2023: Nil).

Capital commitments

The amount contracted for but not stated in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment as at 30 June 2024 was approximately RMB2,163 million (31 December 2023: approximately RMB2,753 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group employed a total of 21,929 employees (30 June 2023: 27,253). Staff cost of the Group for the Reporting Period was approximately RMB1,601 million (for the six months ended 30 June 2023: approximately RMB1,692 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 2023: Nil).

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held by the Group as at 30 June 2024.

Financial assets at fair value through profit or loss

As at 30 June 2024, the Group's financial assets at fair value through profit or loss mainly included unlisted financial products purchased from commercial banks. The following table summarises the Group's financial assets at fair value through profit or loss as at 30 June 2024:

Issuer	Product category	Principal activities	Investment cost/nominal value ('000)	Fair value as at 30 June 2024 ('000)	Interest/ dividend received ('000)	Percentage of total assets of the Company as at 30 June 2024
Bank of Jiangsu	Structured deposit	Banking services	100,000.00	100,000.00		0.18%
Luso International	Structured deposit	Banking services	200,000.00	200,000.00		0.37%
Galaxy Securities	Structured deposit	Banking services	50,000.00	50,000.00		0.09%
Listed company	Equity securities listed in China		45,461.54	43,634.36	820.89	0.08%
Listed company	Equity securities listed in Hong Kong		46,923.88	39,926.74		0.07%
Changxing Meishan Fumei Equity Investment Partnership (Limited Partnership)*	Equity investments	Equity investments	6,000.00	6,000.00		0.01%
Nanhua Futures Co., Ltd.	Futures contract	Futures and derivatives transactions		4,138.32		0.01%
Minmetals Futures Co., Limited	Futures contract	Futures and derivatives transactions		26,721.82		0.05%
CITICS Futures Co., Ltd.	Futures contract	Futures and derivatives transactions		54.00		0.0001%
Guotai Junan Futures Co., Ltd	Futures contract	Futures and derivatives transactions		412.35		0.0008%
CCB Futures Co. Ltd.	Futures contract	Futures and derivatives transactions		205.69		0.0004%
Jinrui Futures Shareholding Company	Futures contract	Futures and derivatives transactions		(2,032.37)		(0.0037%)

** For identification purpose only*

MATERIAL ACQUISITION AND DISPOSAL

The Group has no material acquisition and disposal of subsidiaries, associates and joint ventures during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

For details, please refer to note 20 to the condensed consolidated financial statements.

IMPORTANT EVENT SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the Reporting Period, no important events occurred which affected the Group.

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 provisions of the Corporate Governance Code (the "**CG Code**") as contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the Reporting Period, except for the code provision C.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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" and has been reviewed by the Company's independent external auditors, Deloitte Touche Tohmatsu, 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 C3 to the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard for securities transactions set out in the Model Code throughout the Reporting Period.

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

Deloitte. 德勤

To the Board of Directors of
Tianneng Power International Limited

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Tianneng Power International Limited (the "**Company**") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 68, which comprise the condensed consolidated statement of financial position as of 30 June 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain 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 directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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.

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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements 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.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August 2024

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June 2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue	3	**49,914,629**	41,471,150
Cost of sales		**(47,368,947)**	(38,437,580)
Gross profit		**2,545,682**	3,033,570
Other income	5	**1,241,994**	784,622
Other gains and losses	6	**134,110**	(34,210)
Impairment losses recognised under expected credit loss model, net of reversal	15	**(35,850)**	(64,250)
Distribution and selling expenses		**(643,409)**	(673,958)
Administrative expenses		**(650,672)**	(695,966)
Research and development costs		**(942,157)**	(829,342)
Share of results of associates		**(620)**	(523)
Finance costs		**(282,162)**	(237,676)
Profit before tax		**1,366,916**	1,282,267
Income tax expense	7	**(301,309)**	(274,293)
Profit for the period	8	**1,065,607**	1,007,974

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

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other comprehensive expense:		
Item that will not be reclassified to profit or loss:		
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**")	**(25,224)**	(2,665)
Other comprehensive expense for the period, net of income tax	**(25,224)**	(2,665)
Total comprehensive income for the period	**1,040,383**	1,005,309
Profit for the period attributable to:		
Owners of the Company	**928,222**	918,209
Non-controlling interests	**137,385**	89,765
	1,065,607	1,007,974

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

For the six months ended 30 June 2024

	Note	Six months ended 30 June **2024** **RMB'000** **(unaudited)**	 2023 RMB'000 (unaudited)
Total comprehensive income for the period attributable to:			
Owners of the Company		**902,998**	915,544
Non-controlling interests		**137,385**	89,765
		1,040,383	1,005,309
Earnings per share	10		
– Basic (RMB cents)		**82.43**	81.54
– Diluted (RMB cents)		**81.24**	79.86

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Notes	**30/06/2024 RMB'000 (unaudited)**	31/12/2023 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment	11	**13,382,318**	13,054,093
Right-of-use assets	11	**1,333,362**	1,350,614
Goodwill		**499**	499
Interests in associates		**318,282**	318,609
Equity instruments at FVTOCI		**329,626**	355,651
Deferred tax assets	12	**811,656**	916,290
Deposits for acquisition of property, plant and equipment		**668,194**	380,435
Loan receivables		**218,794**	297,486
Pledged/restricted bank deposits		**3,365,920**	737,320
		20,428,651	17,410,997
Current Assets			
Inventories		**8,763,092**	6,807,515
Properties under development for sale		**990,281**	883,491
Bills, trade and other receivables	13	**5,896,267**	5,031,601
Loan receivables		**764,941**	1,085,648
Amounts due from related parties	24	**4,535**	36,966
Debt instruments at FVTOCI	14	**844,638**	476,093
Financial assets at fair value through profit or loss ("**FVTPL**")	16	**469,061**	320,828
Pledged/restricted bank deposits		**6,331,518**	5,242,219
Cash and cash equivalents		**9,795,438**	9,455,594
		33,859,771	29,339,955

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2024

	Notes	30/06/2024 RMB'000 (unaudited)	31/12/2023 RMB'000 (audited)
Current liabilities			
Bills, trade and other payables	17	**14,871,068**	12,997,639
Amounts due to related parties	24	**157,467**	239,461
Taxation liabilities		**301,453**	455,722
Borrowings – current portion	18	**9,329,304**	6,240,750
Lease liabilities		**4,510**	7,215
Provisions		**605,348**	631,508
Contract liabilities		**3,030,044**	2,713,775
		28,299,194	23,286,070
Net Current Assets		**5,560,577**	6,053,885
Total Assets less Current Liabilities		**25,989,228**	23,464,882
Non-current liabilities			
Deferred tax liabilities	12	**77,642**	90,031
Borrowings – non-current portion	18	**4,993,147**	2,826,775
Lease liabilities		**5,018**	6,315
Deferred government grants		**1,125,844**	1,093,547
Redemption liabilities on ordinary shares of a subsidiary		**1,042,743**	1,003,591
		7,244,394	5,020,259
		18,744,834	18,444,623

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 30 JUNE 2024

	Note	**30/06/2024 RMB'000 (unaudited)**	31/12/2023 RMB'000 (audited)
Capital and reserves			
Share capital	19	**109,850**	109,850
Share premium and reserves		**15,880,203**	15,750,030
Equity attributable to owners of the Company		**15,990,053**	15,859,880
Non-controlling interests		**2,754,781**	2,584,743
Total Equity		**18,744,834**	18,444,623

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Capital reserve RMB'000	Share options reserve RMB'000	Investment revaluation reserve RMB'000	Statutory surplus reserve fund RMB'000	Discretionary surplus reserve fund RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2024 (audited)	**109,850**	**778,567**	**10,000**	**3,658,601**	**33,395**	**(176,745)**	**1,521,149**	**143,212**	**9,781,851**	**15,859,880**	**2,584,743**	**18,444,623**
Profit for the period	-	-	-	-	-	-	-	-	928,222	928,222	137,385	1,065,607
Other comprehensive expense for the period	-	-	-	-	-	(25,224)	-	-	-	(25,224)	-	(25,224)
Total comprehensive (expense) income for the period	-	-	-	-	-	(25,224)	-	-	928,222	902,998	137,385	1,040,383
Dividend recognised as distribution (note 9)	-	-	-	-	-	-	-	-	(440,832)	(440,832)	-	(440,832)
Dividend paid/payable to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(90,328)	(90,328)
Acquisition of non-controlling interest in a subsidiary (note)	-	-	-	(331,993)	-	-	-	-	-	(331,993)	121,993	(210,000)
Repurchase of shares of a subsidiary	-	-	-	-	-	-	-	-	-	-	(1,119)	(1,119)
Lapse of share options (note 20)	-	-	-	-	(33,395)	-	-	-	33,395	-	-	-
Recognition of equity-settled share based payment (note 20)	-	-	-	-	-	-	-	-	-	-	2,107	2,107
At 30 June 2024 (unaudited)	**109,850**	**778,567**	**10,000**	**3,326,608**	**-**	**(201,969)**	**1,521,149**	**143,212**	**10,302,636**	**15,990,053**	**2,754,781**	**18,744,834**
At 1 January 2023 (audited)	109,850	778,567	10,000	3,658,601	34,243	(170,678)	1,386,221	143,212	8,494,100	14,444,116	2,722,058	17,166,174
Profit for the period	-	-	-	-	-	-	-	-	918,209	918,209	89,765	1,007,974
Other comprehensive expense for the period	-	-	-	-	-	(2,665)	-	-	-	(2,665)	-	(2,665)
Total comprehensive (expense) income for the period	-	-	-	-	-	(2,665)	-	-	918,209	915,544	89,765	1,005,309
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,545	1,545
Dividend recognised as distribution (note 9)	-	-	-	-	-	-	-	-	(400,005)	(400,005)	-	(400,005)
Dividend paid/payable to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(137,791)	(137,791)
Forfeiture of equity-settled share-based payment (note 20)	-	-	-	-	(354)	-	-	-	354	-	-	-
Recognition of equity-settled share based payment (note 20)	-	-	-	-	-	-	-	-	-	-	4,638	4,638
At 30 June 2023 (unaudited)	109,850	778,567	10,000	3,658,601	33,889	(173,343)	1,386,221	143,212	9,012,658	14,959,655	2,680,215	17,639,870

Note: On 25 January 2024, a Share Transfer Agreement was entered into by Saft Groupe SAS, Tianneng Battery Group Co., Ltd. 天能電池集團股份有限公司 ("**Tianneng Share**", an indirect non-wholly owned subsidiary of the Company), Zhejiang Changxing Tianneng Power Co., Ltd. 浙江長興天能電源有限公司 (an indirect non-wholly owned subsidiary of the Company) and Zhejiang Tianneng Energy Storage Technology Development Co., Ltd. 浙江天能儲能科技發展有限公司 (formerly known as Tianneng SAFT Energy Co., Ltd. 天能帥福得能源股份有限公司, "**Tianneng SAFT**", an indirect non-wholly owned subsidiary of the Company). Pursuant to the Share Transfer Agreement, Tianneng Share agreed to acquire 40% equity interest in Tianneng SAFT from Saft Groupe SAS with a cash consideration of RMB210,000,000. The Group's interest in Tianneng SAFT increased from 60% to 100% accordingly upon the completion of the transaction. The increase of the Group's equity interests in Tianneng SAFT from 60% to 100% do not result in change of the Group's control over Tianneng SAFT and is accordingly accounted for as an equity transaction. The surplus of approximately RMB331,993,000, representing the difference between the consideration of RMB210,000,000 and the amount of deficit of non-controlling interests of approximately RMB121,993,000, is debited to the capital reserve.

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	**(161,605)**	1,530,622
Investing activities		
Interest received	**296,844**	275,402
Acquisition of investments in associates	**(293)**	(42,592)
Proceeds from disposal of property, plant and equipment	**23,775**	4,259
Purchase of property, plant and equipment	**(1,077,411)**	(915,151)
Deposits paid for the acquisition of property, plant and equipment	**(325,908)**	(1,033,637)
Repayment of deposit received for disposal of a subsidiary	**(67,056)**	–
Payments for leasehold lands	**–**	(144,785)
Purchase of unlisted equity instruments at FVTPL	**(3,000)**	(3,000)
Purchase of listed equity instruments at FVTPL	**(1,112)**	(976)
Placement of structured bank deposits	**(2,280,000)**	(2,105,686)
Withdrawal of structured bank deposits	**2,158,301**	1,992,548
Placement of pledged/restricted bank deposits	**(8,960,118)**	(4,034,044)
Withdrawal of pledged/restricted bank deposits	**5,242,219**	3,720,595
Placement of time deposits	**–**	(80,100)
Asset-related government grants received	**66,083**	118,940
Cash inflow from derivative financial instruments	**149,559**	33,329
Payment to independent third parties for loan receivables	**(248,351)**	(547,531)
Receipt of repayment for loan receivables	**614,781**	421,646
Net cash used in investing activities	**(4,411,687)**	(2,340,783)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Financing activities		
New borrowings raised	**10,289,325**	8,986,491
Repayments of borrowings	**(5,070,382)**	(3,898,063)
Dividends paid	**–**	(121,028)
Dividends paid to non-controlling interests	**(90,328)**	(137,791)
Capital contribution from a non-controlling shareholder	**–**	1,545
Repayment of lease liabilities	**(4,360)**	(8,528)
Repurchase of shares of a subsidiary	**(1,119)**	–
Acquisition of non-controlling interest in a subsidiary	**(210,000)**	–
Net cash from financing activities	**4,913,136**	4,822,626
Net increase in cash and cash equivalents	**339,844**	4,012,465
Cash and cash equivalents at the beginning of the period	**9,455,594**	7,545,808
Cash and cash equivalents at the end of the period, represented by cash and cash equivalents	**9,795,438**	11,558,273

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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.

The 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 ("**HKICPA**") as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Other than additional/change in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
An analysis of revenue is as follows:		
Manufacturing business		
Lead-acid battery products	**19,252,492**	19,305,930
Renewable resources product	**1,554,325**	1,722,795
Lithium-ion battery products	**182,549**	368,962
Others	**221,601**	243,736
Trading	**28,703,662**	19,829,727
	49,914,629	41,471,150
Geographical markets		
Mainland China	**49,785,894**	41,367,805
Others	**128,735**	103,345
	49,914,629	41,471,150
Timing of revenue recognition		
A point in time	**49,858,818**	41,447,608
Over time	**55,811**	23,542
	49,914,629	41,471,150

4. SEGMENT INFORMATION

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Segment revenue		
Manufacturing business		
– external sales	**21,210,967**	21,641,423
– inter-segment sales	**21**	96
Trading		
– external sales	**28,703,662**	19,829,727
– inter-segment sales	**3,642,188**	471,584
Segment revenue	**53,556,838**	41,942,830
Eliminations	**(3,642,209)**	(471,680)
Group revenue	**49,914,629**	41,471,150
Segment result		
Manufacturing business	**1,115,429**	1,034,376
Trading	**(37,282)**	(28,862)
	1,078,147	1,005,514
Unallocated		
Other gains and losses	**(6,506)**	6,087
Share of results of associates	**(620)**	(523)
Corporate administrative expenses	**(3,259)**	(3,020)
Financial costs	**(2,155)**	(84)
Profit for the period	**1,065,607**	1,007,974

5. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants		
– grants related to income (note i)	**850,730**	426,127
– grants related to assets (note ii)	**33,786**	45,730
Interest income	**296,844**	275,402
Income from sales of scrap materials	**59,989**	37,363
Others	**645**	–
	1,241,994	784,622

Notes:

i. The government grants related to income mainly represent unconditional government subsidies received from relevant government bodies 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.

ii. The government grants related to assets mainly represent government subsidies obtained in relation to the acquisition of land use right or equipment of certain subsidiaries of the Group, which were included in the condensed consolidated statement of financial position as deferred government grants and credited to profit or loss on a straight-line basis over the lease term of the land use right or the useful life of the equipment.

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Gains (losses) from changes in fair value of financial assets at FVTPL		
– structured bank deposits	**8,301**	11,207
– investments in listed equity securities	**(7,865)**	(12,895)
– foreign currency forward contracts	**(1,747)**	4,215
– commodity derivative contracts	**173,292**	20,217
Loss on disposals/write off of property, plant and equipment	**(15,671)**	(5,169)
Net foreign exchange losses	**(35,983)**	(50,065)
Others	**13,783**	(1,720)
	134,110	(34,210)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
People's Republic of China (the "**PRC**") Enterprise Income Tax ("**EIT**")		
– Current tax	**175,863**	433,358
Deferred tax (note 12)		
Current period	**125,446**	(159,065)
	301,309	274,293

The Company was incorporated in the Cayman Islands and Tianneng International Investment Holdings Limited was incorporated in the British Virgin Islands (the "**BVI**") and as such are tax exempted as no business carried out in the Cayman Islands and the BVI under the tax laws of the Cayman Islands and the BVI, respectively.

The subsidiaries of the Company operating in Hong Kong did not have tax assessable profit during both periods.

The income tax expense of the Group is recognised based on the PRC EIT rate of 25% during both periods. Certain subsidiaries of the Group were accredited as High-tech companies and enjoyed a tax rate of 15%.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**521,925**	409,189
Depreciation of right-of-use assets	**17,252**	20,796
Impairment losses recognised on property, plant and equipment included in cost of sales	**138,086**	–
Write-down of inventories (included in cost of sales)	**44,963**	137,409

9. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends declared during the period:		
Six months ended 30 June 2024: 2023 final dividend of Hong Kong dollar ("**HK$**") 43.00 cents (equivalent to RMB39.15 cents) (Six months ended 30 June 2023: 2022 final dividend of HK$40.00 cents (equivalent to RMB35.52 cents)) per ordinary share	**440,832**	400,005

The directors did not recommend the payment of an interim dividend for the six months ended 30 June 2024 and 30 June 2023.

10. EARNINGS PER SHARE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share – attributable to owners of the Company	**928,222**	918,209

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,126,124,500**	1,126,124,500
Effect of dilutive potential ordinary shares – share options	**16,399,613**	23,580,356
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,142,524,113**	1,149,704,856

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB83,854,000 (six months ended 30 June 2023: RMB9,428,000) for proceeds of RMB68,183,000 (six months ended 30 June 2023: RMB4,259,000), resulting in a loss on disposal of RMB15,671,000 (six months ended 30 June 2023: RMB5,169,000).

In addition, during the current interim period, the Group incurred RMB384,385,000, RMB663,985,000 and RMB23,722,000 (six months ended 30 June 2023: RMB437,210,000, RMB1,019,030,000 and RMB22,873,000) on additions of machinery and manufacturing plant, construction in progress and others in the PRC, respectively.

During the six months ended 30 June 2023, upfront payments for leasehold lands in the PRC, amounting to RMB144,785,000, were recognised by the Group as right-of-use assets for 50 years on lease commencement.

Impairment assessment

Due to the adverse change of market conditions in the lithium-ion battery industry and suspension of certain lithium-ion battery product lines, management of the Group concluded there was such indication and conducted impairment assessment on carrying amounts of the property, plant and equipment of the relevant subsidiaries as at 30 June 2024. Based on the result of the assessment, the Group recognised impairment loss of RMB138,086,000 related to property, plant and equipment during the current interim period.

12. DEFERRED TAXATION

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior interim period:

	Deferred government grants RMB'000	Withholding tax on undistributed profits RMB'000	Fair values adjustments on property, plant and equipment and prepaid lease payments arising from acquisition of subsidiaries RMB'000	Interest capitalisation RMB'000	Allowances for inventories, trade and other receivables RMB'000	Accrued warranty RMB'000	Accrued expenses RMB'000	Fair value change of equity instruments at FVTOCI RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023 (audited)	108,052	(40,239)	(12,514)	(8,733)	62,799	145,152	97,825	(10,452)	374,911	(20,303)	696,498
Credit (charge) to profit or loss	6,917	(20,765)	2,150	565	28,143	7,894	51,026	–	82,576	559	159,065
Reversal upon payment of withholding tax on distribution of earnings from the PRC subsidiaries	–	31,000	–	–	–	–	–	–	–	–	31,000
At 30 June 2023 (unaudited)	114,969	(30,004)	(10,364)	(8,168)	90,942	153,046	148,851	(10,452)	457,487	(19,744)	886,563

	Deferred government grants RMB'000	Withholding tax on undistributed profits RMB'000	Fair values adjustments on property, plant and equipment and prepaid lease payments arising from acquisition of subsidiaries RMB'000	Interest capitalisation RMB'000	Allowances for inventories, trade and other receivables RMB'000	Accrued warranty RMB'000	Accrued expenses RMB'000	Fair value change of equity instruments at FVTOCI RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024 (audited)	**116,714**	**(54,594)**	**(10,031)**	**(7,779)**	**104,286**	**127,406**	**119,370**	**(12,624)**	**444,091**	**(580)**	**826,259**
Credit (charge) to profit or loss	**710**	**(24,399)**	**153**	**313**	**(24,330)**	**(7,244)**	**(37,060)**	**-**	**(51,711)**	**18,122**	**(125,446)**
Credit to other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**801**	**-**	**-**	**801**
Reversal upon payment of withholding tax on distribution of earnings from the PRC subsidiaries	**-**	**32,400**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**32,400**
At 30 June 2024 (unaudited)	**117,424**	**(46,593)**	**(9,878)**	**(7,466)**	**79,956**	**120,162**	**82,310**	**(11,823)**	**392,380**	**17,542**	**734,014**

12. DEFERRED TAXATION (CONTINUED)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	30/06/2024 RMB'000 (unaudited)	31/12/2023 RMB'000 (audited)
Deferred tax assets	**811,656**	916,290
Deferred tax liabilities	**(77,642)**	(90,031)
	734,014	826,259

As at the end of the current interim period, the Group has unused tax losses of approximately RMB1,891,457,000 (as at 31 December 2023: RMB1,342,781,000) available to offset against future profits, in respect of which no deferred tax assets been recognised, due to the unpredictability of future profit streams. Such unrecognised losses will expire at various dates up to and including 2034 (as at 31 December 2023: 2033).

Under the EIT Law, starting from 1 January 2008, 10% withholding income tax is imposed on dividends declared in respect of profits earned in year 2008 onwards and distributed to foreign investors for companies established in the PRC. For investors incorporated in Hong Kong, a preferential rate of 5% will be applied where appropriate. Other than the PRC withholding income tax provided in respect of undistributed profits of the PRC subsidiaries as above, no deferred taxation has been provided for the remaining retained profits of approximately RMB12,381 million (as at 31 December 2023: RMB11,626 million), which was derived from the PRC subsidiaries since 1 January 2008 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

13. BILLS, TRADE AND OTHER RECEIVABLES

	30/06/2024 RMB'000 (unaudited)	31/12/2023 RMB'000 (audited)
Bills receivables*	**2,000,830**	1,742,657
Trade receivables	**2,430,697**	2,101,758
Less: Allowance for credit losses	**(290,648)**	(291,232)
	2,140,049	1,810,526
Other receivables	**157,982**	140,699
Less: Allowance for credit losses	**(45,549)**	(55,819)
	112,433	84,880
Prepayments for materials	**490,491**	698,658
PRC value added tax and EIT recoverable	**1,152,464**	694,880
	5,896,267	5,031,601

* The balance represents bills receivables held by the Group which is measured at amortised cost since the bills are held within a business model whose objective is to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Bills receivables held by the Group as at 30 June 2024 will mature within 1 year.

For manufacturing business, the normal credit term is 45 to 90 days upon delivery. For trading business, customers are normally required to make full prepayment before goods delivery.

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

13. BILLS, TRADE AND OTHER RECEIVABLES (CONTINUED)

	30/06/2024 RMB'000 (unaudited)	31/12/2023 RMB'000 (audited)
0 to 45 days	**1,137,442**	988,618
46 to 90 days	**729,485**	538,833
91 to 180 days	**61,463**	140,801
181 to 365 days	**161,192**	93,671
1 year to 2 years	**34,482**	23,007
Over 2 years	**15,985**	25,596
	2,140,049	1,810,526

14. DEBT INSTRUMENTS AT FVTOCI

The balance as at 30 June 2024 represents bills receivables held by the Group which is measured at FVTOCI since the bills are held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

The following is an aged analysis of debt instruments at FVTOCI at the end of the reporting period:

	30/06/2024 RMB'000 (unaudited)	31/12/2023 RMB'000 (audited)
0 to 180 days	**837,619**	474,843
181 to 365 days	**7,019**	1,250
	844,638	476,093

These bills receivables 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 end.

15. IMPAIRMENT LOSSES RECOGNISED UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Impairment loss recognised (reversed) in respect of		
Trade receivables	**12,089**	52,804
Other receivables	**(9,208)**	9,549
Loan receivables	**32,969**	1,897
	35,850	64,250

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

16. FINANCIAL ASSETS AT FVTPL

	30/06/2024 RMB'000 (unaudited)	31/12/2023 RMB'000 (audited)
Structured bank deposits	**350,000**	220,000
Equity securities listed in Mainland China	**43,634**	41,294
Equity securities listed in Hong Kong	**39,927**	49,020
Foreign currency forward contracts	**–**	1,470
Commodity derivative contracts	**29,500**	6,044
Unlisted equity investments	**6,000**	3,000
	469,061	320,828

17. BILLS, TRADE AND OTHER PAYABLES

	30/06/2024 RMB'000 (unaudited)	31/12/2023 RMB'000 (audited)
Trade payables	**3,264,438**	2,492,342
Bills payables	**7,185,917**	6,154,646
Dividend payables	**442,643**	688
Value added tax payables and other tax payables	**723,463**	766,238
Staff salaries and welfare payables	**510,239**	646,354
Payables for purchase of property, plant and equipment	**1,584,045**	1,671,923
Accrued charges	**615,001**	624,414
Deposits payables	**373,793**	365,068
Other payables	**171,529**	275,966
	14,871,068	12,997,639

17. BILLS, TRADE AND OTHER PAYABLES (CONTINUED)

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

	30/06/2024 RMB'000 (unaudited)	31/12/2023 RMB'000 (audited)
0 – 90 days	**2,854,114**	2,043,673
91 – 180 days	**207,407**	253,180
181 – 365 days	**81,260**	40,140
1 – 2 years	**44,753**	115,324
Over 2 years	**76,904**	40,025
	3,264,438	2,492,342

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

	30/06/2024 RMB'000 (unaudited)	31/12/2023 RMB'000 (audited)
0 – 180 days	**7,185,812**	6,152,115
181 – 365 days	**105**	2,531
	7,185,917	6,154,646

18. BORROWINGS

	30/06/2024 RMB'000 (unaudited)	31/12/2023 RMB'000 (audited)
Bank borrowings	**13,969,928**	8,692,876
Other borrowings*	**352,523**	374,649
	14,322,451	9,067,525
Secured	**7,563,482**	3,340,848
Unsecured	**6,758,969**	5,726,677
	14,322,451	9,067,525

* As at 30 June 2024, other borrowings amounting to RMB100,000,000 (31 December 2023: RMB100,000,000) were from a related party. Details are set out in note 24.

18. BORROWINGS (CONTINUED)

Carrying amounts repayable:

	30/06/2024 RMB'000 (unaudited)	31/12/2023 RMB'000 (audited)
Within one year	**9,329,304**	6,240,750
Within a period of more than one year but not exceeding two years	**1,279,061**	938,161
Within a period of more than two years but not more than five years	**2,916,344**	1,169,978
Over five years	**797,742**	718,636
	14,322,451	9,067,525
Less: Amounts due within one year shown under current liabilities	**(9,329,304)**	(6,240,750)
Amounts shown under non-current liabilities	**4,993,147**	2,826,775

Details of assets pledged by the Group at the end of the reporting period are set out in note 21.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	30/06/2024 RMB'000 (unaudited)	31/12/2023 RMB'000 (audited)
Fixed-rate borrowings	**5.00%-6.00%**	5.00%-6.00%
Variable-rate borrowings	**2.28%-6.00%**	1.09%-6.50%

19. SHARE CAPITAL

	Number of shares	Amount RMB'000
Ordinary shares of the Company with nominal value of HK$0.10 each		
Authorised:		
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	**2,000,000,000**	**212,780**
Issued and fully paid:		
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	**1,126,124,500**	**109,850**

20. SHARE-BASED PAYMENTS

Share options scheme

The Company has a share options 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, option granted must be taken up within 28 days from the date of grant, upon payment of HK$1.00. The options may be exercised in accordance with the terms of the Scheme at any time during the exercise period determined by the board of directors which shall in any event not be more than ten years from the date of grant. Share options are vested over a period up to a maximum of four years after the date of grant.

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

20. SHARE-BASED PAYMENTS (CONTINUED)

Share options scheme (Continued)

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

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

The following tables disclosed movements of the Company's options under the Scheme during the six months ended 30 June 2024 and 30 June 2023.

Category	Grant date	Exercisable period	Exercise price	Outstanding at 01/01/2024	Lapsed during the period	Outstanding at 30/06/2024
Option C	16.6.2014	16.6.2015-15.6.2024	HK$2.90	32,931,000	(32,931,000)	–
Exercisable at the end of the period						–

Category	Grant date	Exercisable period	Exercise price	Outstanding at 01/01/2023	Forfeited during the period	Outstanding at 30/06/2023
Option C	16.6.2014	16.6.2015-15.6.2024	HK$2.90	33,714,000	(324,000)	33,390,000
Exercisable at the end of the period						33,390,000

20. SHARE-BASED PAYMENTS (CONTINUED)

Share options scheme (Continued)

No options were exercised during the six months ended 30 June 2024 and 2023.

During the six months ended 30 June 2024 and 2023, no expense was recognised in relation to share options granted by the Company under the Scheme.

Share award scheme of a subsidiary of the Company

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

According to the Share Award Scheme, 41,200,000 shares of Tianneng Share 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 Employees and for the purpose of facilitating the purchasing, holding and selling of shares of Tianneng Share for the benefit of the Selected Employees. 13,959,000 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 Share in A-share market (the "**Qualified IPO**") which was completed in January 2021. Upon the expiry of the sale restriction of the awarded shares, the Limited Partnership shall dispose of the awarded shares at the prevailing market price and transfer the proceeds in relation to the awarded shares to the respective Selected Employees.

If the Selected Employees resigned before the expiry of the sale restriction of the awarded shares, 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.

20. SHARE-BASED PAYMENTS (CONTINUED)

Share award scheme of a subsidiary of the Company (Continued)

The fair value of restricted shares granted on 23 May 2019 amounted to approximately RMB71,367,000. During the current interim period, an expense of approximately RMB2,107,000 (six months ended 30 June 2023: RMB4,638,000) was recognised by the Group in relation to restricted shares granted by Tianneng Share under the Share Award Scheme.

21. PLEDGE OF ASSETS

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

	30/06/2024 RMB'000 (unaudited)	31/12/2023 RMB'000 (audited)
Pledged/restricted bank deposits	**9,697,438**	5,979,539
Property, plant and equipment	**173,680**	171,331
Debt instruments at FVTOCI	**198,369**	301,391
Right-of-use assets	**291,417**	315,557
Bills receivables	**610,484**	1,164,619
	10,971,388	7,932,437

22. CAPITAL COMMITMENTS

	30/06/2024 RMB'000 (unaudited)	31/12/2023 RMB'000 (audited)
Contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment	**2,162,668**	2,752,584

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation process

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;

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

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

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial assets	Fair value as at 30/06/2024 RMB'000 (unaudited)	Fair value as at 31/12/2023 RMB'000 (audited)	Fair value hierarchy	Valuation technique and key input	Significant unobservable input	Relationship of unobservable inputs to fair value
Listed equity securities classified as financial assets at FVTPL	**Listed equity securities in Mainland China: RMB43,634**	Listed equity securities in Mainland China: RMB41,294	Level 1	Quoted transaction prices in active markets.	N/A	N/A
	Listed equity securities in Hong Kong: RMB39,927	Listed equity securities in Hong Kong: RMB49,020				
Listed equity instruments at FVTOCI	**Listed equity securities in Hong Kong: RMB145,757**	Listed equity securities in Hong Kong: RMB145,145	Level 1	Quoted transaction prices in an active market.	N/A	N/A
	Listed equity securities in Mainland China: RMB37,664	Listed equity securities in Mainland China: RMB63,042				
Foreign currency forward contracts	**Nil**	Assets: RMB1,470	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key input	Significant unobservable input	Relationship of unobservable inputs to fair value
	30/06/2024 RMB'000 (unaudited)	31/12/2023 RMB'000 (audited)				
Commodity derivative contracts	**Assets: RMB29,500**	Assets: RMB6,044	Level 2	The fair value of the commodity derivative contracts is estimated by reference to the quoted prices of similar standardised commodity derivative contracts at the end of the reporting period.	N/A	N/A
Debt instruments at FVTOCI	**RMB844,638**	RMB476,093	Level 2	Discounted cash flow is estimated based on discount rate observed in the available market.	N/A	N/A
Structured bank deposits at FVTPL	**RMB350,000**	RMB220,000	Level 3	Discounted cash flow is estimated based on expected return.	Expected return	An increase in the expected return would result in a decrease in the fair value measurement of the structured bank deposits, and vice versa.
Unlisted equity instruments at FVTOCI	**RMB146,205**	RMB147,464	Level 3	Backsolve from recent transaction price	Recent transaction price	The higher the recent transaction price, the higher the fair value
Unlisted equity investments at FVTPL	**RMB6,000**	RMB3,000	Level 3	Recent transaction price	Recent transaction price	The higher the recent transaction price, the higher the fair value

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Structured bank deposits at FVTPL RMB'000	**Unlisted equity instruments at FVTOCI** RMB'000	**Unlisted equity investments at FVTPL** RMB'000
At 1 January 2024 (audited)	220,000	147,464	3,000
Total gains			
– in profit or loss	8,301	–	–
– in other comprehensive income	–	(1,259)	–
Purchases	2,280,000	–	3,000
Disposals/settlements	(2,158,301)	–	–
At 30 June 2024 (unaudited)	350,000	146,205	6,000

24. RELATED PARTY TRANSACTIONS

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

Name of related parties	Nature of transactions	Six months ended 30 June 2024 RMB'000 (unaudited)	Six months ended 30 June 2023 RMB'000 (unaudited)
浙江暢通科技有限公司 Zhejiang Changtong Technology Company Limited ("**Changtong Technology**") (note i)	Purchase of materials Sales of materials Interest expense	**189,983** **574** **3,000**	277,106 2,837 3,000
長興遠鴻機械有限公司 Changxing Yuanhong Machinery Company Limited ("**Yuanhong Machinery**") (note ii)	Purchase of materials Rental paid	**99** **757**	987 –
浙江長興欣欣包裝有限公司 Zhejiang Changxing Xin Xin Packaging Co., Ltd. ("**Xin Xin Packaging**") (note iii)	Purchase of consumables	**4,832**	5,417
濟源市萬洋冶煉(集團)有限公司 Jiyuan City Wanyang Smelting (Group) Co., Ltd. ("**Wanyang Group**") (note iv)	Purchase of materials Sale of goods Rental paid	**853,224** **741,227** **1,129**	337,745 – 941
浙江暢能商業管理有限公司 Zhejiang Changneng Business Management Co., Ltd ("**Changneng Business Management**") (note v)	Property management fees	**4,433**	1,292
長興金陵大酒店 Changxing Jin Ling Hotel (note v)	Hotel expense	**631**	639
連雲港市雲海電源有限公司 Lianyungang Yunhai Power Supply Co., Ltd. ("**Lianyungang Yunhai**") (note vi)	Purchase of materials	**39,053**	7,648

24. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Name of related parties	**30/06/2024 RMB'000 (unaudited)**	31/12/2023 RMB'000 (audited)
Changtong Technology	**144,497**	222,928
Xin Xin Packaging	**4,088**	3,878
Yuanhong Machinery	**110**	45
Wanyang Group	**3,731**	9,632
Lianyungang Yunhai	**4,812**	2,969
航天國華生態環境(浙江)有限公司 (Aerospace Guohua Ecological Environment (Zhejiang) Co., Ltd. ("**Aerospace Guohua**") (note vi)	**209**	9
Changneng Business Management	**20**	–
	157,467	239,461

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

Name of related parties	**30/06/2024 RMB'000 (unaudited)**	31/12/2023 RMB'000 (audited)
Wangyang Group	**1,575**	16,377
Lianyungang Yunhai	**1,177**	14,902
Aerospace Guohua	**1,074**	3,468
Changtong Technology	**235**	1,514
Changneng Business Management	**474**	705
	4,535	36,966

The amounts due to/from related parties are trade in nature and with ageing less than 180 days.

24. RELATED PARTY TRANSACTIONS (CONTINUED)

Details of the other borrowings from a related party are as follows:

Name of a related party	30/06/2024 RMB'000 (unaudited)	31/12/2023 RMB'000 (audited)
Changtong Technology	**100,000**	100,000

The other borrowings from a related party are unsecured, non-trade in nature and carry interests at 6% per annum.

Notes:

(i) Changtong Technology is beneficially owned by Ms. Zhang Mei'e, who is the sister of Dr. Zhang Tianren ("**Dr. Zhang**"), the beneficial owner and the director of the Company, and her spouse, Mr. Ni Danqing.

(ii) Yuanhong Machinery is beneficially owned by Mr. Zhang Kaihong's son. Mr. Zhang Kaihong is a director of the Company.

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

(iv) Wanyang Group is a party which holds 49% interest of Jiyuan Wanyang Green Energy Co., Ltd. (濟源市萬洋綠色能源有限公司), a 51% owned subsidiary of the Group.

(v) Changneng Business Management and Changxing Jin Ling Hotel are controlled by Dr. Zhang.

(vi) Lianyungang Yunhai and Aerospace Guohua are associates of the Group.

24. RELATED PARTY TRANSACTIONS (CONTINUED)

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2024 **RMB'000** **(unaudited)**	2023 RMB'000 (unaudited)
Short term employee benefits	**1,395**	1,412
Post-employment benefits	**8**	17
	1,403	1,429

The remuneration of directors and key executives are determined by the remuneration committee and executive directors, respectively, having regard to the performance of individuals and market trends.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2024, apart from the details as follows, the Directors and chief executive of the Company 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 Stock Exchange of Hong Kong Limited (the "**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)	411,355,650 (L)	36.53%
	Interest of spouse (Note 2)	258,000 (L)	0.02%
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%

OTHER INFORMATION

Notes:

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

2. The 411,355,650 shares of the Company were held by Prime Leader Global Limited, which was wholly-owned by Dr. Zhang Tianren. Ms. Yang Yaping, spouse of Dr. Zhang Tianren, held 258,000 shares of the Company.

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 2024.

Interest in an associated corporation, Zhejiang Tianneng New Materials Co., Ltd. (浙江天能新材料有限公司)

Name	Capacity	Number of shares held	Aggregate approximate percentage of issued share capital of the associated corporation
Zhang Tianren	Interest of a controlled corporation (Note (ii))	34,314,000 (L)	25%

Notes:

(i) The letter "L" denotes long position in the shares of the associated corporation.

(ii) The 34,314,000 shares of the associated corporation were held by Tianchang Holding Co., Ltd. (天暢控股有限公司), which was owned as to 98% by Dr. Zhang Tianren.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2024, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders, other than a Director or chief executive of the Company, had notified the Company of relevant interests and short positions in the shares or underlying shares or debentures of the Company which would have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO in the issued share capital of the Company:

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 3)
Zhang Tianren	Interest of a controlled corporation (Note 2)	411,355,650 (L)	36.53%
	Interest of spouse (Note 2)	258,000 (L)	0.02%
Yang Yaping	Beneficial owner (Note 2)	258,000 (L)	0.02%
	Interest of spouse (Note 2)	411,355,650 (L)	36.53%
Prime Leader Global Limited	Beneficial owner (Note 2)	411,355,650 (L)	36.53%

Notes:

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

2. The 411,355,650 shares were held by Prime Leader Global Limited, which was wholly-owned by Dr. Zhang Tianren. Ms. Yang Yaping, spouse of Dr. Zhang Tianren, held 258,000 shares. Ms. Yang Yaping, being the spouse of Dr. Zhang Tianren, is deemed to be interested in the shares held by Dr. Zhang Tianren.

3. Shareholding percentage is based on 1,126,124,500 issued shares of the Company as at 30 June 2024.

SHARE OPTION SCHEMES

A share option scheme (the "**2007 Share Option Scheme**") was adopted pursuant to a resolution passed by the shareholders of the Company on 26 February 2007 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. Further details of the 2007 Share Option Scheme are set out in the Note 20 to the financial statements. An ordinary resolution was passed at the annual general meeting of the Company held on 16 May 2014 (the "**2014 Annual General Meeting**") relating to the refreshment of scheme mandate limit of the 2007 Share Option Scheme as set out in the supplemental notice of the 2014 Annual General Meeting. The 2007 Share Option Scheme expired on 10 June 2017. After its termination, no further options will be granted but the provisions of the 2007 Share Option Scheme shall in all other respects remain in full force and effect and options which were granted during the life of the 2007 Share Option Scheme may continue to be exercisable until their expiry on 16 June 2024 in accordance with their terms of issue.

Details of the share options granted under the 2007 Share Option Scheme and the movement of the Company's share options during the Reporting Period are as follows:

Name or category 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 2024	Number of options granted during the period	Number of options exercised during the period	Number of options cancelled during the period	Number of options lapsed in accordance with the terms of the options or the scheme during the period	Number of options outstanding as at 30 June 2024	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
Employees	16/6/2014	16/6/2015 to 15/6/2024	2.9	2.89	–	32,841,000	–	–	–	(32,841,000)	–	0
						32,931,000	–	–	–	(32,931,000)	–	0

OTHER INFORMATION

On 18 May 2018, the Company by ordinary resolution approved the adoption of a new share option scheme (the "**2018 Share Option Scheme**"). No options have yet been granted under the 2018 Share Option Scheme.

The number of share options available for grant under the scheme mandate of the 2018 Share Option Scheme as at 1 January 2024 and 30 June 2024, respectively, was 112,654,650. The Company had 112,654,650 shares available for issue under the 2018 Share Option Scheme, which represented 10% of the Shares in issue as at the date of this interim report.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, there is no change in Directors' information since the date of publication of the 2023 Annual Report.

By order of the Board
Zhang Tianren
Chairman

Hong Kong, 28 August 2024