

# China Battery Maker Suspended as Short Seller Questions Profits

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- ▶ Cloudy Thunder report says shares worth ‘close to zero’
- ▶ Report claims Tianneng overstated profits, sales volume

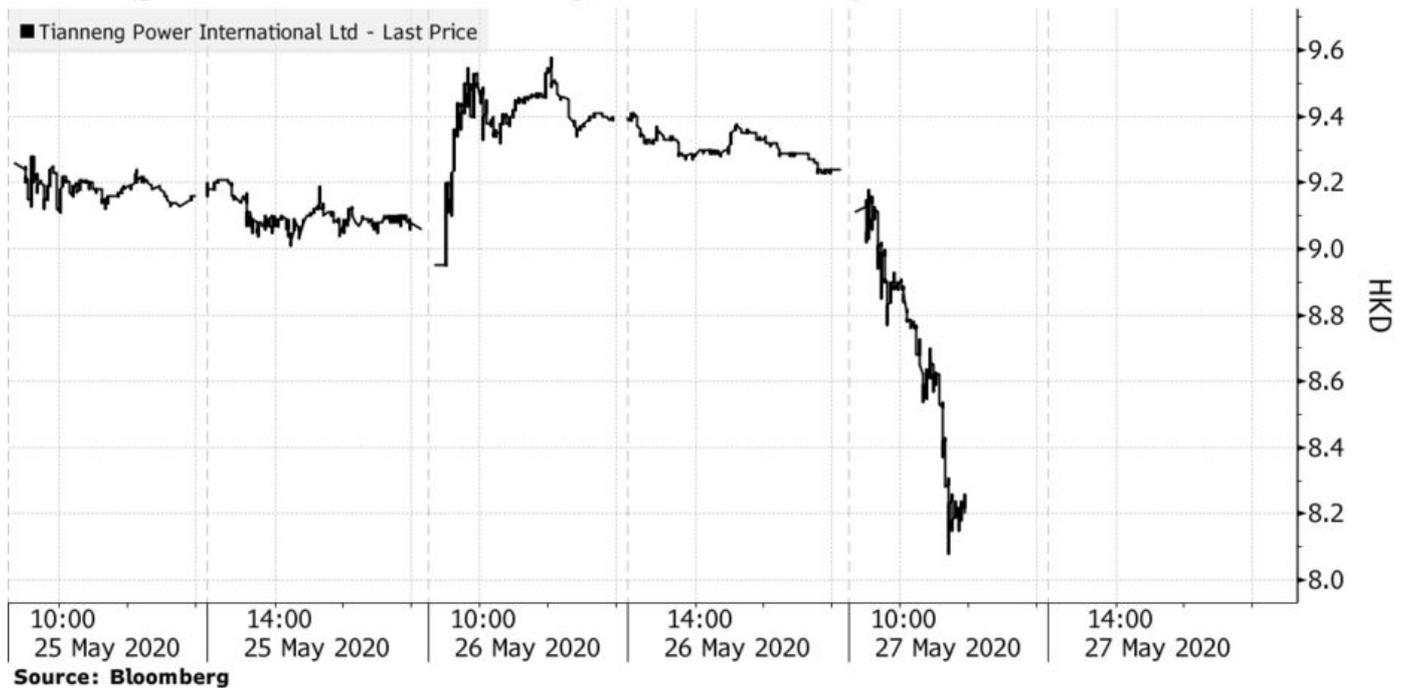
A Chinese maker of electric vehicles plunged in Hong Kong after a critical report questioned the firm’s accounting.

Tianneng Power International Ltd. fell as much as 8.7% on Wednesday before trading was suspended. CloudyThunder Research, which calls itself a group of unidentified “activist investors,” said the company’s shares were “worth close to zero” in a report published on its website.

“The report is totally irresponsible and purely speculative,” a spokesman for Tianneng told Bloomberg News by phone. “If we are not a company with normal operations, we won’t be able to keep paying out dividends in the capital market.”

The critical report claims Tianneng overstated its profits, average selling price and sales volume, as well as calling for regulators to carefully review the company’s application to list its one of its divisions in China. CloudyThunder Research says it has short interest in Tianneng Power’s stock and stands to make significant gains from a drop in the shares.

## Falling shares Tianneng Power falls on Wednesday after critical report



Financial reporting at China Inc. has come under intense scrutiny from investors after wave of scandals in recent months. In April, Luckin Coffee Inc. shocked shareholders by saying a senior manager and some staff may have fabricated transactions worth billions of yuan. The revelation triggered an 81% drop in Luckin’s stock and sparked declines in other Chinese firms whose accounting has been questioned by short sellers.



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Less than a week later TAL Education Group, a tutoring business whose founder is one of China’s richest people, said an internal audit found an employee had inflated sales by forging contracts. (Both TAL and Luckin were short-selling targets of Carson Block’s Muddy Waters Capital.)

Before Wednesday’s drop, shares of Tianneng Power had more than doubled in value since a March low, one of the best-performing stocks on the Hang Seng Composite Index. The company in December said it planned to spin off its battery operations and list the company on Shanghai’s Star Board, pending regulator approval.

The company reported 1.7 billion yuan (\$238 million) in net profits for 2019, up 41% from a year earlier. Battery operations made up about three-quarters of revenue, according to data compiled by Bloomberg.

– With assistance by Joshua Fineman

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## In this article

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**TIANNENG POWER**

8.20 HKD ▼ -1.04 -11.26%

LK

**LUCKIN COFFE-ADR**

2.59 USD ▲ +0.46 +21.60%

TAL

**TAL EDUCATIO-ADR**

55.98 USD ▼ -1.34 -2.34%

CNY

**China Renminbi Spot**

7.1680 CNY ▲ +0.0009 +0.0126%

HSCI

**HANG SENG COMPOSITE INDX**

3,294.02 HKD ▼ -46.48 -1.39%

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